

Opening a better future



2021
INTEGRATED
ANNUAL
REPORT



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How to read this report

(GRI 2-2, 2-3, 2-4, 2-5)

Arca Continental's Integrated Report is the primary tool to communicate our company's performance and achievements for the period from January 1st to December 31st, 2021¹. It is published annually, and includes the progress made in accordance with our strategy and the generation of social, environmental, and economic value, both in the medium and long term. It integrates events and consolidated data on all countries and operations of the company, except when a narrower scope is specified².

We focus on communicating performance concerning the issues determined to be significant³ in our latest materiality study under the guidelines defined by the *Global Reporting Initiative (GRI)* and the *Sustainability Accounting Standards Board (SASB)*. Additionally, we include our response to the recommendations of the *Task Force on Climate-related Financial Disclosures (TCFD)*, as well as reference information for responding to the *S&P Global's Corporate Sustainability Assessment (CSA)*.

In line with our principle of transparency, this report was subject to external verification by an independent third party. The scope of this review is presented in the verification letter, which is communicated as an annex to the report.

1.1 Compliance with the Main International Reference Frameworks

This report is technical and responds to the company's different methodologies, indexes, and commitments:

- **Global Reporting Initiative (GRI)** standards, the most widely used methodology to communicate extra-financial performance or ESG.⁴
- **Sustainability Accounting Standards Board (SASB)** standards for the Non-Alcoholic Beverages and Processed Foods sectors⁵ in response to investor requests for information on issues that could affect the company's financial stability.
- **Task Force on Climate-related Financial Disclosures (TCFD)**, which proposes recommendations for informing the investing public about risk management and opportunities related to climate change.
- **Sustainable Development Goals (SDGs)**, a global roadmap proposed by the United Nations to address significant societal challenges.

- **United Nations Global Compact**, which proposes corporate compliance with its ten principles to ensure the operational sustainability.
- Incorporation of the information requested by **S&P Global's Corporate Sustainability Assessment (CSA)**, an annual assessment of companies' sustainability practices that focuses on industry-specific criteria that may be financially significant.
- Preparation of financial information in accordance with **International Financial Reporting Standards (IFRS)**.

1.2 How to Identify the Contents

- **Each chapter's cover page** references the SDGs that we impact through our activities.
- **At the beginning of each section**, some codes refer to the contents of the GRI standards, SASB metrics, and detailed TCFD recommendations.
- **As part of the annexes to this report, available on the web site www.arcacontal.com**, we include a specific index for each ESG reporting framework to which we respond: GRI, SASB, TCFD, SDG, and Global Compact.

¹ There has been no information restatement with respect to the prior period.

² The scope for ESG management performance includes all operations unless otherwise stated. Details of the entities included in the report are shown in the Financial Statements.

³ We are in the process of updating our materiality analysis, the results of which will be reflected in our next Integrated Report.

⁴ ESG: Environmental, Social, and Governance.

⁵ The Meat, Poultry, and Dairy sector was referenced in response to Tonicorp's activities.

Relevant Financial Data

Figures in millions of pesos, except volume and per share data.

| Relevant Figures | 2021 | 2020 | Variation % |
|---|----------------|---------|-------------|
| Total MUC Sales Volume (Millions of Unit Cases) | 2,279.7 | 2,154.8 | 5.8% |
| Net Sales | 183,366 | 169,314 | 8.3% |
| Gross Margin | 45.4% | 45.3% | 10 bp |
| Operating Income | 25,361 | 21,472 | 18.1% |
| Operating Margin | 13.8% | 12.7% | 110 bp |
| Operating Cash Flow (EBITDA) | 35,406 | 32,147 | 10.1% |
| Operating Cash Flow Margin (EBITDA) | 19.3% | 19.0% | 30 bp |
| Net Income | 12,282 | 10,276 | 19.5% |
| Total Assets | 258,027 | 245,974 | 4.9% |
| Cash | 32,117 | 27,336 | 17.5% |
| Total Debt | 51,074 | 50,577 | 1.0% |
| Stockholders' Equity | 120,377 | 116,854 | 3.0% |
| Capital Expenditures | 7,176 | 6,723 | 6.7% |

DATA PER SHARE

| | | | |
|--|------------------|-----------|-------|
| Net Income per Share | 6.96 | 5.82 | 19.6% |
| Book Value | 68.23 | 66.23 | 3.0% |
| Dividends Paid | 5.54 | 4.92 | 12.6% |
| Average shares outstanding (thousands) | 1,764,283 | 1,764,283 | |



MESSAGE FROM THE CHAIRMAN OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER

GRI (2-2, 2-3, 2-4, 2-22)



To our shareholders:

In 2021, we prioritized associates, customers, and suppliers as we faced the pandemic that continues to affect the world. We accelerated the development of our capabilities to ensure a better future, with the support of a team that exceeded the performance of the year before the health emergency. Our company stood out in the markets it serves for its solidarity and commitment to community, as well as for the different actions taken to support the economic recovery in favor of those most in need.

Thanks to the professionalism of more than 62,000 associates in five countries, we implemented robust strategies aimed at guaranteeing operational continuity in the face of uncertainty and mobility restrictions, and the development of long-term initiatives that improved commercial execution, boosted operational excellence, and further integrated sustainability into the business strategy.

+10.1%

EBITDA 2021

**JORGE HUMBERTO
SANTOS REYNA**

Chairman of the Board of Directors

**ARTURO
GUTIÉRREZ HERNÁNDEZ**

Chief Executive Officer

The company's administrative discipline, our continuous efforts to improve customer service and our determination to create shared value at each point of sale allowed us to capitalize on profitable growth opportunities resulting from economic recovery in our markets. We achieved a sales volume of 2,279.7 million-unit cases (MUC), in consolidated terms, which represents a growth of 5.8% compared to 2020, and 1.8% compared to 2019.

2021 was another year in which Arca Continental was true to its commitment to the integral well-being of society. We supported national health authorities in several countries where we operate as they sought to vaccinate the population, donating millions of liters of beverages and financial support for logistical aid and medical supplies.

Despite the year's challenges, we were able to modernize and optimize customer service for the Traditional Channel through technological solutions and training. This helped our customers to reopen safely, preserving employment and fulfilling their vital role of supplying food and beverages during times of significant mobility restrictions.

Among these solutions, the AC Digital platform stands out. We have extended AC Digital to all the Latin American countries we serve to support more than 365,000 customers, nearly half of our traditional channel customers. Today, more than 8% of the orders we receive in Mexico are through this platform, which integrates our beverage and snack businesses. Additionally, the Mycoke.com ordering platform at Arca Continental Coca-Cola Southwest Beverages (AC-CCSWB) saw a significant increase in customers and transactions.

Also, we continued the expansion of Yomp! in South America. This enabled customers to improve their competitiveness with point-of-sale terminals and new digital capabilities. We also expanded the direct-to-home sales model, which now reaches more than 20 cities in Mexico and is being tested in Peru and Ecuador.



TECHNOLOGICAL AND DIGITAL SOLUTIONS WERE EXPANDED, THIS HELPED THE GROWTH OF THE TRADITIONAL CHANNEL AND DIRECT TO CONSUMER SERVICES.


Thanks to these and other initiatives, including a pricing strategy focused on business profitability and sensitivity to local economies, we achieved sales of 183,366 billion pesos, 8.3% more than in 2020.

This result, combined with sound financial management, boosted EBITDA by 10.1%, reaching 35,406 million pesos and a margin of 19.3%. This represents an improvement of 30 basis points over the previous year.

Cumulative Operating Income for the year reached 25,361 million pesos, representing an Operating Margin of 13.8%. Consolidated Net Income reached 12,282 million pesos, 19.5% higher than 2020.

Selling and administrative expenses reached a cumulative 57,536 billion pesos in 2021, an increase of 5.7% and 31.4% concerning sales, because of increased revenues from the reopening of all channels and the increase in volumes.

Focusing on sales recovery without losing sight of the company's liquidity, we increased our investment in fixed assets by 6.7% to renew production, distribution, and execution capabilities, reaching 7,176 billion pesos for the year.



2,279.7 MCU

**SALES VOLUME
REPRESENTED A GROWTH
OF 5.8% COMPARED TO
2020, AND 1.8% COMPARED
TO 2019, BEFORE THE
PANDEMIC.**



**WITH OUR
ASSOCIATES WE
DONATED MORE THAN
260 TONS OF FOOD
TO MORE THAN 40,000
FAMILIES.**

**WE REVALIDATE
OUR POSITION IN
INTERNATIONAL
INDICES SUCH AS
THE DOW JONES
SUSTAINABILITY
INDICES AND THE
FTSE4GOOD.**

In terms of sustainability, our determination to continue developing as an agent of positive change for environmental, social, and governance issues allowed us to revalidate our position in international indices such as the Dow Jones Sustainability indices and the FTSE4Good of the London Stock Exchange, among others.

Regarding our environmental indicators, we reached a global average of 26% of recycled resin use in our PET packaging. In water use efficiency, we went from 1.548 liters of water per liter of beverage to 1.515 liters by the end of 2021, an improvement of 5.72% since 2019. And finally, in energy efficiency, we went from 0.265 Mega Joules per liter of beverage to 0.247, an improvement of 6.79% compared to 2019.

To contribute to the integral development of communities, our team donated 100 million pesos to different organizations with a social purpose. Additionally, thanks to the participation of associates in our volunteer programs, more than 260 tons of food were donated to more than 40,000 families, and more than 7,500 people in the company's value chain were benefited with christmas gifts.

Investors also recognized the company's good performance and strong commitment to sustainability with the successful placement of stock exchange certificates for sustainable projects for 4.65 billion pesos, issued in May 2021, which registered an oversubscription of 4.3 times. These funds will be allocated to initiatives that promote the transition to a low-carbon economy and comply with the Green Bond Principles (GBP), in line with the United Nations Sustainable Development Goals.

Finally, we closed another year of value creation with the celebration of the 20th anniversary of our company's listing on the Mexican Stock Exchange. We marked the occasion by ringing the bell on the auction floor balcony, where we reiterated the company's determination to continue applying the best corporate governance practices.

MEXICO

In Mexico, we saw sales of 78,642 billion pesos, 12.1% higher than in 2020, and EBITDA of 19,252 billion pesos, 14.3% higher than in 2021. This resulted from the sum of an excellent execution at the point of sale with the reopening of the different distribution channels, plus a price-packaging structure with increases in line with inflation and maintaining affordable options for consumers.

In terms of beverage volume Arca Continental Mexico surpassed one billion unit cases, reaching 1,063 million unit cases (MUC) within the territory and excluding jugs, or 4.6% more than in 2020. This success highlights the recovery of the personal water and non-carbonated beverages categories with an increase of 14.5% in the year, combined with a 2.6% raise in soft drinks.

The consolidation of the relationship with some of our main commercial partners and key accounts in the Modern Channel also contributed to the volume recovery, with 4.9% growth in this segment in 2021.

The Direct-to-Home channel continued to grow with more than 338,000 new customers and expansion into more than 20 cities in Mexico. This represents an 11% increase in sales compared to the previous year.

On a national level, we participated in the launching of Costa Coffee, making us the first Mexican bottling company to manage the brand, supporting the Coca-Cola Company's global portfolio diversification efforts.

We also played a leading role in the launch of the new Coca-Cola sugar-free formula, which was very well received by the market, growing 12.7% in volume and reaching a historical coverage of 80%.

Arca Continental was recognized for the 18th consecutive year as a Socially Responsible Company by the Mexican Center for Philanthropy (Centro Mexicano para la Filantropía A.C. by its initials in spanish). The company received this honor in recognition of its ethical management and sustainable performance in the economic, social, and environmental areas of its operations, as well as its community welfare programs.

WE WERE THE FIRST
MEXICAN BOTTLING
COMPANY TO MANAGE
THE COSTA COFFEE
BRAND.



12.7%

GROWTH IN THE VOLUME OF THE NEW
COCA-COLA SUGAR-FREE FORMULA.



AC-CCSWB BECAME THE FIRST OPERATION IN THE GROUP TO ACHIEVE AN AVERAGE OF MORE THAN 50% RECYCLED PET CONTENT.



UNITED STATES

Annual revenues in the United States reached 69,323 billion pesos, an increase of 4.4%, and EBITDA increased by 4.6% to 9,250 billion pesos.

Thanks to different commercial initiatives to strengthen the price-packaging architecture, complemented by an operating discipline to maintain efficient spending, operating margins in the U.S. beverage business expanded by 50 basis points.

We continue enhancing the customer experience with more digital capabilities, which remains a crucial pillar to increase customer loyalty and satisfaction. In 2021, the Mycoke.com platform increased sales by 62%, registered more than 7,600 new customers and achieved 250,000 more orders than the previous year.

We introduced a new 13.2 oz bottle for carbonated beverages, expanding the diversification of options to attract new consumers and improve the pricing structure of the product portfolio. This bottle is made from 100% recycled PET, and it is contributing to the U.S. Coca-Cola system's efforts towards a #WorldWithoutWaste.

Also, because of this launch, AC-CCSWB became the first operation in the group to achieve an average of more than 50% recycled PET use in its plastic packaging, including some presentations with bottles 100% made from other bottles.

Similarly, as part of the circular economy initiatives, AC-CCSWB is the only Coca-Cola System operation in the United States supporting a pilot program to reintroduce returnable glass containers in that country. This program was launched in El Paso, Texas, and is focused on restaurants.

SOUTH AMERICA

In 2021, South America faced severe mobility restrictions early in the year, resulting in an adverse macroeconomic environment.

Faced with this situation, we reinforced our initiatives to ensure the affordability of our portfolio. We worked together with our clients to safely increase their consumer traffic in compliance with health recommendations. This allowed us to achieve a 14% growth in volume, with 552.7 MUC in the region, with net sales of 35,402 million pesos, 8.1% higher than in 2020. At the same time, EBITDA increased 6.9% to 6,903 million pesos.

Argentina recorded the highest volume growth, with 15.8% for the year. Together with solid administrative discipline, we execute our annual plan and achieved an expansion of 230 basis points in EBITDA margin.

In Peru and Ecuador, we deployed "Suggested Order," an advanced analytics project that has allowed us to ensure the availability of the product portfolio. This effort increased sales and reduced the lack of inventories at the point of sale. This project has been crucial in the recovery of volume during the pandemic.



IN SALE VOLUME OF SOUTH AMERICA.



IN ECUADOR, TONICORP KEEP BOOSTING INNOVATION ON THEIR HIGH VALUE DAIRY PORTFOLIO, FOCUSING ON THE DEVELOPMENT OF AFFORDABLE PRODUCTS.

In Ecuador, we reaffirmed our commitment to creating an inclusive work environment, with a focus on gender equity and empowerment. We were recognized with two awards: the Violet Award for Good Business Practices, granted by the National Government; and the Women's Economic Forum award, as one of the "Iconic Companies Creating a Better World for All".

In Peru and Argentina, we carried out initiatives to create spaces where plastic can be recycled. In Peru, we launched a program to convert the traditional channel into collection points, installing containers and training participating clients. In Argentina, we placed recycling modules in schools and refurbished waste separation stations in Salta and Iguaçu.

In all three countries, Arca Continental was a key player in promoting economic recovery and job creation through initiatives in favor of small businesses in the Traditional Channel. This included training, advice, infrastructure, image, and technology to boost their competitiveness.



FOOD AND SNACKS

In the Food and Snacks businesses, strategies focused on increasing customer coverage, optimizing resources and improving market execution capabilities, thus achieving a recovery in sales volume.

In Mexico, Bokados developed a system to detect clients in the beverage business who did not have a presence in our snack portfolio. With this system and other initiatives, new service models were implemented, attracting more than 21,000 new clients.

In Ecuador, Inalecsa successfully incorporated Carlisnacks to strengthen its sweet and savory snack product portfolio in that country.

Wise strengthened the business structure to achieve operating expense and product portfolio efficiencies in the United States while continuing Deep River's expansion into price club and on-premise stores.





OPENING A BETTER FUTURE

Knowing how to lead change and overcome challenging environments has allowed us to capitalize on competitive advantages developed in recent years, forging us into an even more agile team committed to building a better future.

Thanks to the support and guidance of the Board of Directors and their commitment to protecting associates, supporting the community and caring for the shareholders' investment, we achieved better than expected results, generating value in an integrated manner for all our stakeholders.

We acknowledge The Coca-Cola Company for its continuous teamwork and trust as well as our associates for their professionalism and commitment to ensure the safety of themselves, their families, customers, and consumers.

In 2021, we confirmed our leadership by achieving positive results in a challenging environment. We proved the adaptability of our teams and their willingness to always seek opportunities for improvement and innovation, to drive social well-being and the creation of shared value.

2022 will test us again with new challenges. As we enter this new year, we reiterate our commitment to excellence, strategic investment in the market, the digital evolution of processes, and the integration of sustainability in all areas of the business. Together with clients, suppliers, associates, consumers, and communities, we are building a better future.



Jorge Humberto Santos Reyna
Chairman of the Board of Directors



Arturo Gutiérrez Hernández
Chief Executive Officer

WE ARE ARCA CONTINENTAL

(GRI 2-1, 2-6) (SASB FB-NB-000.A, FB-NB-000.B)

Arca Continental produces, distributes and sells beverage brands of *The Coca-Cola Company* as well as sweet and salty snacks under the Bokados brands in Mexico, Inalecsa in Ecuador, and Wise and Deep River in the United States. The organization's corporate headquarters is in the city of Monterrey, in the state of Nuevo León, Mexico.

With an outstanding track record of more than 96 years, Arca Continental is one of the largest Coca-Cola bottlers in the world. With this franchise, the company serves a population of more than 143 million people in the northern and western regions of Mexico, as well as in Ecuador, Peru, the northern region of Argentina and the southwestern United States. Arca Continental is listed on the Mexican Stock Exchange under the symbol "AC".



Presence

(SASB FB-MP-000.A) (SASB FB-PF-000.B) (SASB FB-NB-000.A) (SASB FB-NB-000.B)



UNITED STATES¹
8 PRODUCTION CENTERS
63 DISTRIBUTION CENTERS
9K ASSOCIATES
768 MUC²



ECUADOR⁴
6 PRODUCTION CENTERS
56 DISTRIBUTION CENTERS
9K ASSOCIATES
138 MUC

MEXICO³
22 PRODUCTION CENTERS
153 DISTRIBUTION CENTERS
37K ASSOCIATES
1,678 MUC



PERU
6 PRODUCTION CENTERS
65 DISTRIBUTION CENTERS
5K ASSOCIATES
281 MUC

ARGENTINA
3 PRODUCTION CENTERS
24 DISTRIBUTION CENTERS
2K ASSOCIATES
134 MUC



¹ Scope: Arca Continental Coca-Cola Southwest Beverages and Wise

² MUC: Million Unit Cases

³ Scope: Bebidas México y Bokados

⁴ Scope: Bebidas Ecuador, Tonicorp, Inalecsa, and Carlisnacks

Operational Divisions

(GRI 2-23)

We have 3 operating divisions, organized geographically by territory:



Arca Continental Mexico

has 22 bottling plants, 153 distribution centers.

- The beverages business unit is divided in four regions: northeast, north, pacific, and west, with presence in 14 Mexican states: Tamaulipas, Nuevo León, Coahuila, San Luis Potosí, Aguascalientes, Zacatecas, Chihuahua, Durango, Sonora, Baja California, Baja California Sur, Sinaloa, Jalisco, and Colima.
- Additionally, it competes in the sweet and savory snacks industry through the Bokados brand, with three production plants and 39 distribution centers.
- Arca Continental in Mexico also produces and markets Agua Mineral Topo Chico in Mexico and distributes Santa Clara brand dairy products as well as Costa Coffee owned by The Coca-Cola bottling system in Mexico.

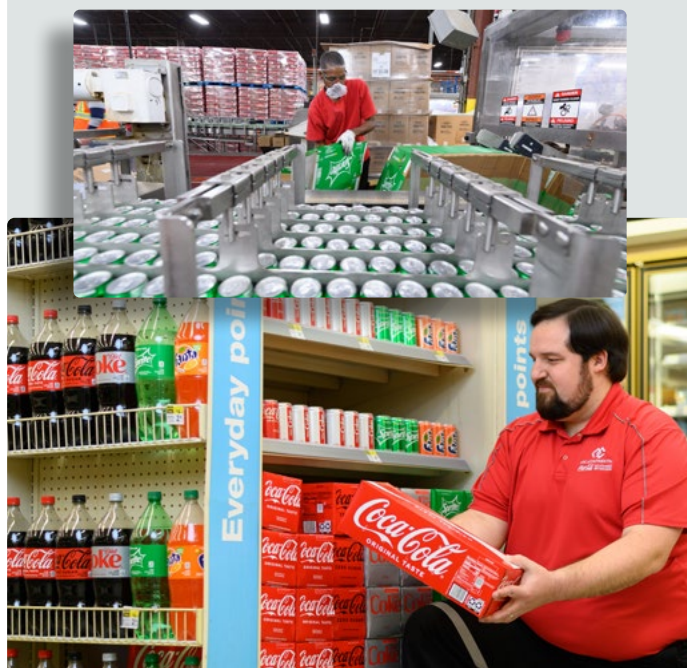




Arca Continental Coca-Cola Southwest Beverages

operates eight bottling plants and 63 distribution centers.

- It produces, markets, and distributes beverages of The Coca-Cola Company brands in Texas and parts of New Mexico, Oklahoma, and Arkansas.
- We also operate the Wise and Deep River snack brands, with one production plant and 32 distribution centers in the United States.



Arca Continental South America

operates 15 production plants and 145 distribution centers.

Produces, markets, and distributes beverages of the brands owned by The Coca-Cola Company in the northern region of Argentina, the entire territory of Ecuador and Peru.

- Additionally, Arca Continental Ecuador leads the high value-added dairy segment in that country through Tonicorp, a company owned by Arca Continental and The Coca-Cola Company.
- Arca Continental Ecuador also participates in the sweet and savory snacks business with the brands of Industrias Alimenticias Ecuatorianas S.A. (INALECSA), a snacks and confectionery business with two plants and 17 distribution centers in Ecuador, as well as Carlisnacks.



Our culture

(GRI 2-23)

VISION

TO BE LEADERS IN ALL BEVERAGE AND FOOD CONSUMPTION FOR EVERY OCCASION IN ALL THE MARKETS IN WHICH WE PARTICIPATE, IN A PROFITABLE AND SUSTAINABLE MANNER

MISSION

TO GENERATE MAXIMUM VALUE FOR OUR CUSTOMERS, ASSOCIATES, COMMUNITIES, AND SHAREHOLDERS, SATISFYING OUR CONSUMERS' EXPECTATIONS AT ALL TIMES WITH EXCELLENCE.

VALUES

- Customer-centricity and vocation for service
- Integrity based on respect and justice
- Comprehensive human capital development
- Sustainability and social responsibility



Value Chain

(GRI 2-6)

We are convinced that the right way to conduct business is to generate shared value for all our stakeholders, starting with the company's value chain members.

Transforming different raw materials into products of the highest quality and safety requires the following elements:



⁵ PetStar is the world's largest food-grade recycling plant.

STRATEGY AND RISK MANAGEMENT

Strategy

(GRI 2-14, 2-23, 2-24, 3-1, 3-2)

Arca Continental's business strategy is based on the work axes described below, which allow us to align our activities with the mission of generating maximum value for our stakeholders, with a clear focus on our customers and the consumer as the source and destination of shared value.

1. Serving with excellence at the point of sale

Excellence in execution is Arca Continental's trademark. Our organizational capabilities allow us to be the best business partner for customers through market execution. This, together with the high-quality products we offer, maximizes our profitability.

2. Being even closer to the consumer

Our proximity to consumers has allowed us to strengthen loyalty to our products. This relationship is based on listening and constant adaptation of the portfolio to satisfy people's preferences.

3. Capitalizing on new technologies

We are accelerating our digital innovation agenda and employing advanced analytics tools, to ensure the continuous evolution of our business.

4. Maintaining administrative discipline

We are constantly looking for savings and efficiencies that allow us to continue generating value for the business. We are disciplined in our spending to ensure the most profitable investments that drive long-term business growth and sustainability.

5. Promoting the traditional channel's competitiveness

Being the best business partners for our customers is reflected in promoting their development through digitalization tools, training, and infrastructure support. We want them to be more competitive so that we can grow together.

6. Promoting growth of all Arca Continental businesses

We are aware of the high growth potential of all of Arca Continental's companies. We are committed to continually improve our operations and results by diversifying our opportunities, investing in business and geographies where we can maximize value creation.

7. Having a high-performing team

The development of our associates is a priority that strengthens the company and allows us to execute business strategies with excellence through outstanding talent and a work culture that fosters motivation and performance.

8. Caring for the environment and the community

As part of our principles and through each of our activities, we promote the creation of value for the communities in which we operate and with which we interact.

9. Preventive risk management

We integrate a process of identifying, measuring, and managing critical operational risks from a preventive perspective to ensure business continuity.

These work processes integrate three cross-sectional areas across all the company's geographies and business lines: **sustainability, digitalization and comprehensive risk management.**

Sustainability

(GRI 2-12, 2-13, 2-14, 2-18, 2-29, 3-1, 3-2)

Sustainability as a business strategy is deeply embedded into Arca Continental's corporate vision and mission. For us, sustainability is a way of working, immersed in how we think and act. We integrate sustainability into the company's global strategy through the four pillars below.

ETHICAL BEHAVIOR, TRANSPARENCY, AND SOUND CORPORATE GOVERNANCE



ALLIANCES AND ASSOCIATIONS

Our sustainability actions are fully aligned with our business objectives, aimed at being a profitable, permanent, environmentally friendly company in harmony with the society around us.

To manage sustainability we rely on the commitment at the highest levels of the organization, starting with the Board of Directors, which, through its Human Capital and Sustainability Committee, guides and supervises the company concerning the achievement of its global and consolidated goals.

Human Capital and Sustainability Committee is responsible for the company's management of environmental and social impacts at a board level.

Sustainability Steering Committee implements the Committee's guidelines. The Senior Management participate in the deployment of strategies and the achievement of specific objectives under the coordination of the Corporate Affairs and Sustainability team.

In 2021, we expanded the Sustainability Committee structure, strengthening the governance of these issues at all levels of the organization, with the implementation of Sustainability Committees by country.



Materiality

As we have done periodically over the last decade, in 2021, we began updating and prioritizing the company's material information from a dual perspective¹: the impact on stakeholders and shared value creation. These issues will define the business priorities at a corporate level and at a country and team level. For this update, we carried out the steps shown in the following graph:



This study considered the political and social agenda, stakeholder expectations, business objectives, financial impact, and risk management. As a result, we will prioritize a list of issues grouped into the following pillars:

1. Efficient water management
2. Packaging circularity and waste management
3. Climate change and energy use
4. Environmental management
5. Digital adaptation
6. Ethics and corporate governance
7. Sustainable supply
8. Value chain development
9. Relationship with consumers
10. Product portfolio
11. Community development
12. Labor practices

¹ The perspectives of impact generation for our stakeholders and value creation in our business were considered for the identification of material issues. We consider and evaluate the material issues proposed by international reference frameworks such as SASB, GRI, CSA, among others.

Risk Management

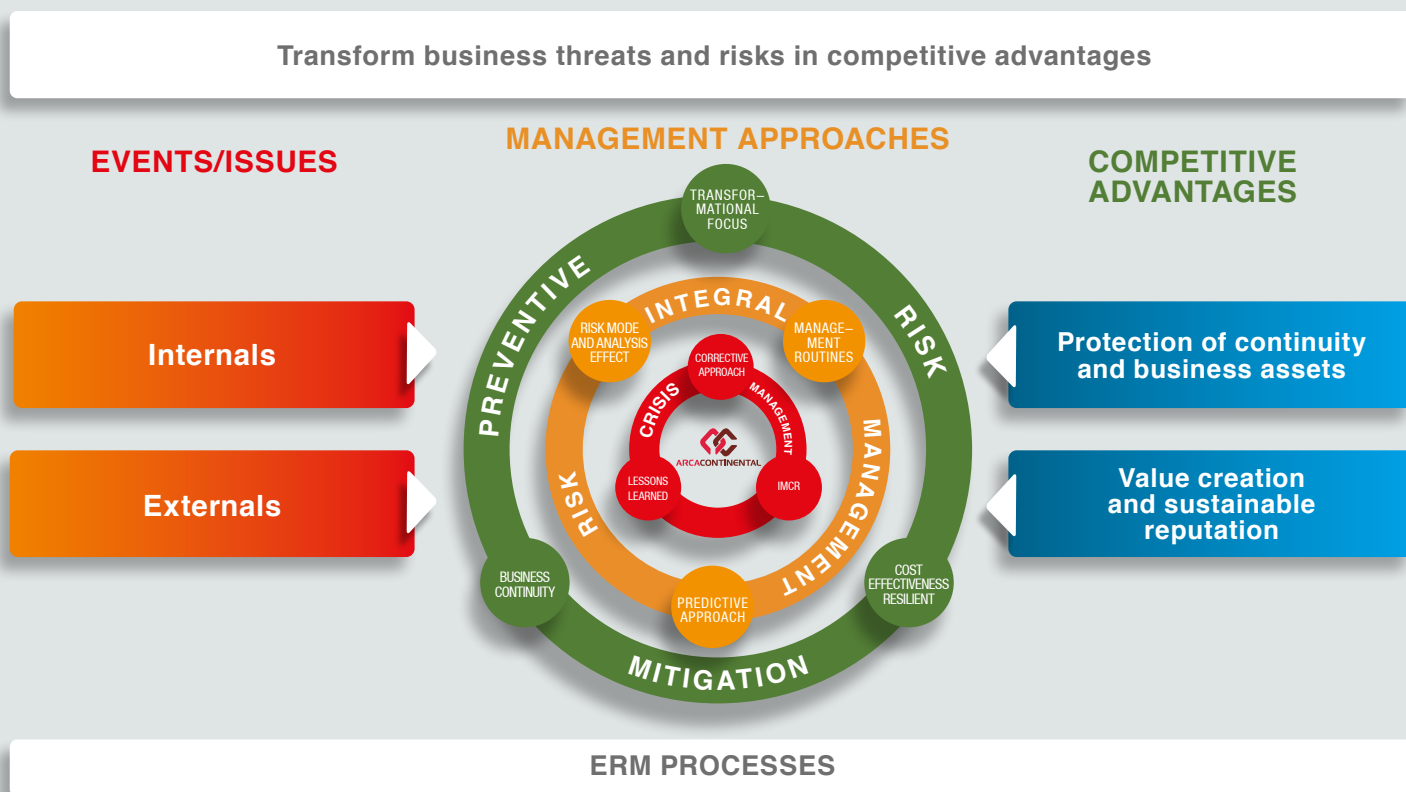
(GRI 2-12, 2-13, 2-25, 2-26) (GDR-C)

The risk management process is under the leadership and supervision of the Board of Directors through the Audit and Corporate Practices Committee, Senior Management, and the Risk Committee Coordination.

The Risk Committees Coordination ensures that their respective committees address all possible critical risks. Among the identified and managed risks, are operational practices, environmental management systems, industrial and personal safety, corporate image and reputation, insurance and bonds,

information security, financial and taxation, suppliers' audits, regulatory compliance and crisis resolution, and contingency management.

The strategic resilience model based on ISO 31000² seeks to ensure business continuity through better risk and crisis management plans from a more predictive and less reactive perspective and direction. We transform business threats into opportunities to generate a value-creating competitive advantage. This model is explained in the following image.



With this model, we raise the importance of preventive risk management, reputation strengthening, and promoting sustainable performance, enabling us to proactively meet our stakeholders' expectations.

² ISO 31000 is the international standard that helps organizations analyze and assess their risks.

Risk Identification and Management

In regular meetings, the Risk Committees evaluate, manage, and discuss the identified risks to prepare a mitigation plan for the most critical ones and review scenarios and action protocols.

This process consists of the following steps:

- 1. Identify** the types of risks that globally affect the business
- 2. Assess** the type of risk severity
- 3. Evaluate** the frequency of occurrence by site and the controls to prevent the risk
- 4. Create** a map of potential risks
- 5. Prioritize** risks according to the RPN (Risk Priority Number³) for each risk type
- 6. Develop** mitigation plans that are evaluated and modified, seeking continuous improvement

Water Risks

Our risk analysis showed that water is a priority issue that could significantly impact our operations. Among the most significant water risks, we pay special attention to neighboring communities and environmental NGOs stance and opinions, any modification of the water legal framework, the lack of availability, and the quality of the residual waste generated.

We conduct Source Vulnerability Assessment (SVA) per facility periodically. The assessment focuses on monitoring the water cycle and the interaction of the production centers with other essential stakeholders that share water bodies adjacent to the sites where we operate. We also analyzed the main environmental and social risks to determine the amount of water that can be sustainably used in each micro-watershed. As a result of the analysis, Arca Continental, in collaboration with The Coca-Cola Company and an independent expert, developed a Source Water Protection Plan (SWPP) that every production center must rigorously comply with.

³ The risk priority number (RPN) is a numerical assessment of the risk assigned to a process, or steps in a process, as part of the failure modes and effects analysis, in which a team assigns each failure mode numerical values that quantify the probability of occurrence, probability of detection, and severity of impact.

Climate Change Risks and Opportunities

(GRI 201- 2)

(EST-A, EST-B, EST-C, GDR-A, GDR-B)

Thanks to the joint work of different areas of the organization, we identified various risks and opportunities associated with climate change, in line with the categorization suggested by the TCFD (Task Force on Climate-related Financial Disclosures).

Considering the analysis of exposure to physical risks, we carried out a strategy for adaptation to climate change, which includes guidelines to be followed in the face of possible scenarios of climate change effects.

We have included adaptive methods for the operational optimization of our plants in this strategy. Similarly, in the face of extreme natural disasters in the regions where we operate, we developed response plans and strategies to assist affected neighboring communities.

We have financial planning that integrates climate and environmental risks and opportunities. The effects of any related event are aligned with strategic climate commitments to ensure compliance.





Packaging and Waste Risks

As well as identifying climate and water resource availability risks, we conducted an exercise to determine and monitor risks related to our packaging, waste disposal, and recycling.

Inadequate collection of plastic materials could compromise our goal of having at least 50% recycled material in our packaging by 2030. If we have an insufficient collection of plastics, it will not be possible to obtain recycled PET resin, a key material to meet our objective.

On the other hand, restrictions and taxes on plastic represent a moderate risk for our operation since we have an operating model that allows us to maintain a percentage of recycled PET greater than 10% in packaging for all our production plants, aiming to achieve the World Without Waste objectives with The Coca-Cola Company. We are permanently increasing our recycled PET rates, which locates us one step ahead of government plastic regulations.

Emerging Risks

We analyze the environmental, social, technological, and political changes we face to identify and manage potential emerging risks⁴. These risks can:

- i) Have significant impacts in the long term,
- ii) Have the potential to create disruptions in the business model, and
- iii) Occur outside the company's action framework.

Among the main emerging risks we identified the following ones:

Cybersecurity

Cyber threats such as ransomware attacks have become critical for companies with intense use of information technologies like Arca Continental.

Data theft could compromise the security of our own and third parties' information.

As a result, we made significant investments to strengthen our cybersecurity model, increase our monitoring capacity, detect anomalies, and increase our ability to react and recover in the event of an incident.

Supply Availability

As part of the adverse effects of climate change, we observe increasing trend of water stress and scarcity. This situation entails potential impacts on the production capacity and operational resilience on our key suppliers'.

Shortages of critical materials could lead to a generalized price increase.

Therefore, we analyze the impact that climate change could have on critical materials to strengthen the resilience of our supply chain by defining impact analyses and collaboration plans with our suppliers.

⁴ Emerging risks are those that have recently emerged or are quickly gaining relevance due to a current disruptive context.

We seek a better future together with our value chain. We share our efforts with local suppliers within ethical and sustainable frameworks, promoting the development of the territories where we operate while guaranteeing the highest quality raw materials that meet the needs of our customers and consumers.

We remain close to our customers, taking advantage of digitalization to, together with them, be more competitive, generating dynamics of shared value and better customer service.

All of this allows us to offer a broad portfolio of options aligned with consumer trends and needs, which we monitor attentively, to satisfy different and dynamic lifestyles and consumption occasions.



TO SERVE THE CONSUMER

- CONSUMER WELL-BEING
- CUSTOMERS
- SUPPLIERS

Consumer Well-being

Consumer satisfaction is key to Arca Continental's success. We listen to their needs and adapt to their tastes to retain their preference. This knowledge has allowed us to continue to evolve our portfolio, offering options for every consumption occasion and every lifestyle.

1. Portfolio
2. Caloric footprint
3. Responsible marketing
4. Product quality

Portfolio

(GRI 2-6)

We have a broad portfolio of products of the highest quality that seek to satisfy the tastes and needs of consumers. Our offering constantly adapts to each country's consumer preferences, allowing us to have differentiated products in certain regions¹.

We have more than 60 brands in the following beverage categories:

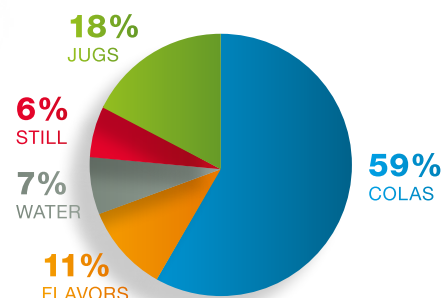
- Carbonated and Non-Carbonated Beverages
- Hydrating and Isotonic Beverages
- Ready-to-Drink Teas and Coffees
- Fruit Juices
- Seed-Based Beverages
- Flavored Waters
- Sparkling Waters
- White and Flavored Milk
- Edible and Drinking Yogurt
- Ready-to-Drink Alcoholic Beverages

Knowing that large consumer sectors are increasingly concerned about the caloric content of their food and beverages, we continue to expand our offering of low or non-caloric products through different actions:

- Reduce the entire portfolio's added sugar
- Offer smaller packaging options to allow consumers to control added sugar consumption
- Offer a portfolio of beverages with nutritional and hydration benefits
- Provide consumers with the information they need to make informed decisions



Product Mix by Category



¹ More details of the product portfolio can be found at the following link: <https://www.coca-colamexico.com.mx/marcas>.

NEW LAUNCHES

We optimize the supply of products and presentations, allowing us to maintain the quality levels known by consumers and reduce the negative impact on the environment with packaging designed for reusability or recycling. Additionally, we seek to reach out to more people by launching low or no-calorie products and innovating with new flavors.

We launched the following new packaging products in 2021:

**FRESCA AND
COCA-COLA
BIPACK.**

**FUZE TEA
JUMBO
FAMILY
PACK.**

**VARIATION FROM
12-PACK TO
3-PACK OF ADES
FRUTAL MANGO.**

**UNIVERSAL
REUSABLE
BOTTLE FOR
FLAVORED
BRANDS AND
VALLE FRUT.**



**NANO
PACKAGING FOR
COCA-COLA.**



**NEW PRESENTATION
FOR TOPO CHICO.**

**PRESENTATION
OF 20% MORE IN 1
LITER CIEL PURIFIED
WATER.**



**235 ML.
COCA-COLA**

Caloric footprint

(GRI 416-1, FP6, FP7)

(SASB FB-NB-260a.1, FB-NB-260a.2,)

We constantly adapt our portfolio to consumer trends to offer quality products and the characteristic flavor of our beverages, reducing the amount of sugar and calories. 100% of our portfolio is evaluated the caloric footprint. As a result of this effort, low or non-caloric options represented 24% of Arca Continental's portfolio.

Additionally, we continue working on expanding the options, entering new categories, and innovating in those in which we already participate.

This comes with an unrestricted commitment to transparency, offering consumers all the information to make conscious decisions about our products.

All reformulation work is preceded by significant investments in research into new sweeteners and the safety of ingredients.

In North America, we are part of the American Beverage Association's Calorie Balance Initiative, which is committed to reducing calories in the American diet by 20% per person by 2025. On the other hand, the Mexican Beverage Industry (ANPRAC), an organization in which Arca Continental participates, has committed to reducing the caloric content of its members' products by an average of 20% by 2024.



Low-Calorie and Non-caloric Mix

12%
MEXICO

31%
UNITED STATES

33%
ECUADOR

63%
PERU

22%
ARGENTINA



Responsible Marketing

(GRI 417, 417-2) (SASB FB-NB-270a.1, FB-NB-270a.3, FB-NB-270a.4)

The principles that guide our marketing-related practices are transparency, reliable information, and a high sense of responsibility.

We seek to make the necessary information available to all consumers through nutritional information on product labels to make the best purchasing decision.

We adopted The Coca-Cola Company's Responsible Marketing Policy and the Global School Beverage Guidelines used in 100% of our beverage operations. This policy seeks to comply with all countries' advertising and communication regulations. We also have a Front Labeling Manual that includes all the guidelines we must abide by in our packaging.

The purpose is to ensure that the information we provide to consumers is clear and sufficient. Therefore, we comply with the regulations in all the territories we operate.

We are committed to respect the parents and tutor's freedom to choose what minors consume, therefore we abide with current related regulations in each country where we operate. In some cases, we exceed those regulations and apply the Self-regulatory Code of Food and Beverage Advertising aimed at Children (PABI Code). In accordance, we do not advertise directly any of our sparkling beverages to children.

In 2013, Ecuador was the first country in Latin America to incorporate a nutritional traffic light on all food and beverages, which graphically informs consumers about the amount of sugar, fat, and salt contained in products. Likewise, all containers and packaging comply with Ecuadorian legal regulations².

In Mexico and Peru, packaging is aligned with current regulations³, which consider octagonal seals.



During the period, there were no cases of non-compliance with standards or voluntary codes on product information and labeling or non-compliance related to communications or marketing.

² Ecuadorian Labeling Standard: Technical Standard INEN 022; Processed Food Labeling Regulations, Organic Consumer Defense Law.

³ Law 30021, Industrial Food Products Labeling Law

Product quality

(GRI, 416-2)

(SASB FB-PF-250a.1)

At Arca Continental, we are committed to consumer safety, so the quality of the ingredients in our products is a priority.

Product safety and innocuousness are based on compliance with all legal and regulatory requirements, but above all, by working at all stages of the value chain with the highest quality standards to guarantee total satisfaction and the complete trust of the consumer.

The different ingredients⁴ comply with local regulations and international standards.

Additionally, all production lines are managed under the criteria of the Food Safety program, which includes the Hazard Analysis and Critical Control Point (HACCP) system, as can be seen in the Quality and Safety Policy⁵ and other related documents.

Likewise, as a producer of Coca-Cola brand beverages and snacks, we have an Integrated Quality and Improvement System (CIMAC) that ensures that all products are in optimal quality and hygiene conditions through tests at each stage of the production process.

The Coca-Cola Company and the corresponding authorities supervise and authorize the formulations and processes that we follow when making beverages as part of the Coca-Cola family. On the snacks and sweets side, we perform a detailed analysis on the formulations so that we fully comply with the regulations of the countries where we distribute them, such as the Food and Drug Administration (FDA)⁶ in the United States.

We extend the culture of quality by encouraging our suppliers to act in accordance with current regulations and safety standards. We carry out periodic inspections of our significant suppliers to verify production, storage and distribution conditions.

100% of the products that contain agricultural raw material have been certified by at least one safety and quality standard. Ingredients such as palm oil, coffee, soy, sugar and cereals, have some of the following certifications:

- ISO 9000
- OHSAS 18000
- ESR



- ISO 14000
- HACCP
- IP in PSJ and PGL
- ISO 17000
- Kosher
- Clean Industry
- ISO 18000
- Non GMO
- BPM
- ISO 22000
- FDA
- RSPO
- FSSC 22000
- Halal
- SQF
- Rainforest Alliance



Currently, 100% of the beverage plants in Mexico and Ecuador are FSSC 22000-certified, while the Bokados plant in Santa Catarina and the three plants in Argentina are ISO 22000-certified.

⁴ https://www.arcacontal.com/media/364565/declaraci_n_sobre_organismos_gen_ticamente_modificados_.pdf

⁵ https://www.arcacontal.com/media/323377/pol_ticas_de_los_sistemas_de_gesti_n.pdf

⁶ FDA, se refiere al Food and Drug Administration, con sede en Estados Unidos.

Continuous Improvement

With our Continuous Improvement Model, based on Lean Manufacturing principles, we create an environment where associates can challenge ideas and processes, seeking new approaches, learning from mistakes and continuously anticipating change.

The model is led from the Executive Management and covers all areas. It is carried out by facility-level teams that analyze and propose improvements in specific aspects of at least one of the following topics: productivity, cost and expense control, quality, safety, environmental indicators, and personnel development indicators.

The improvements has three main avenues of value: strategic projects generated in executive management; initiatives and replications launched from the operations; and a financial and process benchmark that allows comparing internal and external performance by key indicators.

Identifying and replying best practices facilitates learning from successes and failures across functions to continually transform our operation. The Best Practices Procedure includes the guidelines to share knowledge, promote greater participation of associates and to replicate best practices detected inside and outside the organization.

The system has evolved integrating processes for selection, implementation and control. The evaluation of project replication and their implementation time is an official metric to be followed by site committees and at the high management level.

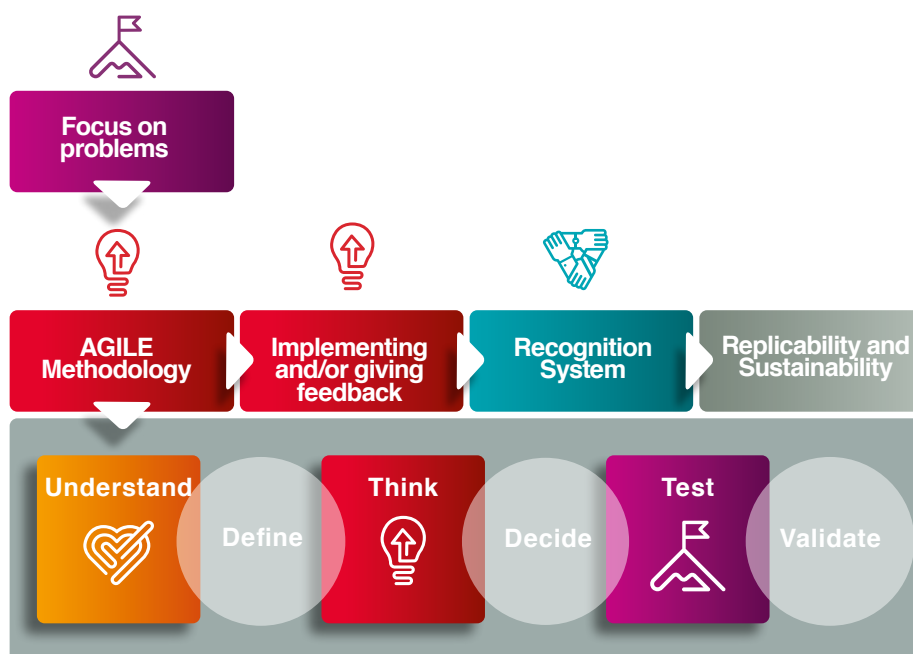


The model is detailed in the diagram shown below:



Innovation

Arca Continental's Innovation Methodology is focused on solving problems to turn them into opportunities to build replicable and sustainable projects. This methodology, based on AGILE, is structured as follows:



In addition, the Innovation Model consists of five steps, described below:

- 1. Innovation Sources:** Such as poor performance, stable performance, market changes, legal changes, and megatrends.
- 2. Innovation Planning:** Based on creativity, collaboration, knowledge, redesign of processes, products or services, innovation workshop and project portfolio.
- 3. Validation and Implementation:** Whose process includes floor innovation testing, user feedback, implementation and innovation methods.
- 4. Supervision:** We benchmark, innovate new alternatives and monitor.
- 5. Protection:** We promote and protect intellectual or industrial property.



AC Innovation Cup

The AC Innovation Cup is an invitation for any team of associates to propose an innovation project in a global competition. Projects are evaluated with the following criteria:

- 1. Novelty and creativity.** Generation of something different from the current situation of a process, nonexistent prior to implementation.
- 2. Impact on business indicators.** Identification of where the benefit is going and, if possible, quantify it.
- 3. Sustainability.** Sustainable implementation: it can be consolidated and remain until another level of improvement is generated.
- 4. Replicability.** Applicability in another area or elsewhere.

This initiative began in 2016 and has been deployed in all of Arca Continental's Bebidas México operations. In 2021, we won the Value Generation Cup, which aims to recognize the best projects and initiatives implemented aligned with our cultural principles.

Customers

We aim to be the best business partners for our customers. To achieve this, we maintain a close relationship, seeking to meet the needs of each channel and adapt our service models to the different realities.

1. Improved customer service through technology
2. Promotion of customer comprehensive development



Savings of between 3% and 5% in distribution expenses by incorporating real-time monitoring of routes and visits in Peru.

Additionally, we seek to boost their competitiveness with technological platforms such as Yomp!, allowing traditional channel customers to better serve consumers by digitalizing their point of sale and providing timely information on consumer tastes and buying patterns and needs.

This information allows us to use predictive planning models to generate optimal distribution scenarios, thus driving delivery capacity optimization. For example, in Mexico and Peru, we implemented state-of-the-art tools to improve the planning and execution of delivery routes, such as *Transport Management System*, *Dynamic Distribution*, *Telemetry*, among others.

SALES VOLUME BY CHANNEL¹



¹ The 8% missing correspond to channels whose description does not correspond to none of the categories of the chart and are categorized as "Others".

Improved customer service through technology

We attend to all requests from our stakeholders and respond promptly through our Telephone Contact Centers in Mexico, Argentina, Ecuador, Peru, and the United States. We also have the Hola Coca-Cola line of the Consumer Assistance Center (CAC).

We have also implemented the following technological innovations to be closer to our customers:

AC Intelligence Center - CIAC:

This allows us to analyze our business based on multiple variables and detect opportunities for execution and performance of categories in our points of sale. This allows us to generate customer segments with the same options, define actions, communicate them to the sales force, and follow up on them.

Trade Promotion Optimization:

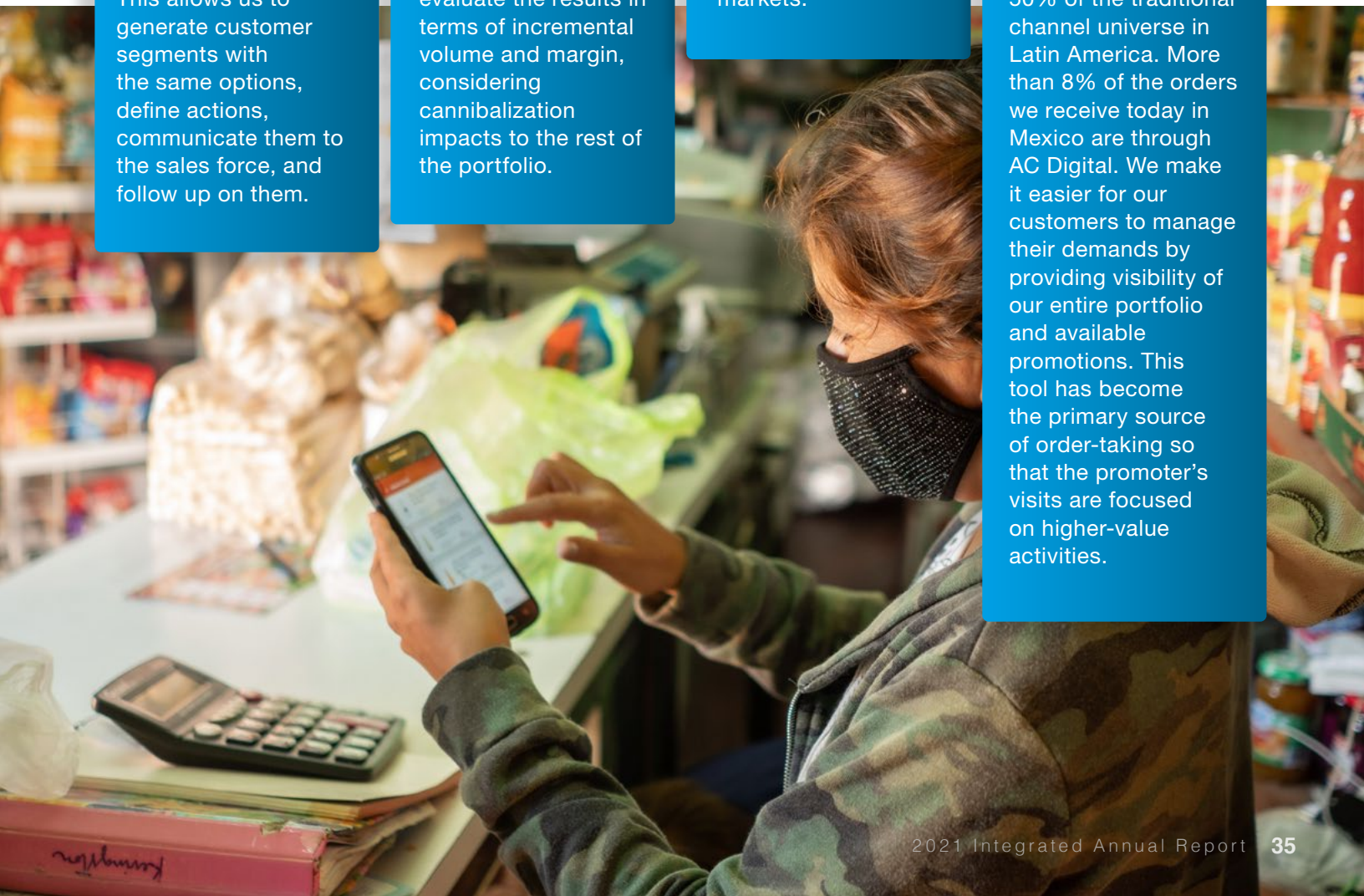
Helps us simulate different promotional mechanics to identify the one that provides the best return. This tool is based on historical results to predict the demand for mechanicals and evaluate the results in terms of incremental volume and margin, considering cannibalization impacts to the rest of the portfolio.

Suggested Order:

This tool empowers associates and customers to have better order-taking to help them capture sales opportunities. This tool has shown an increase in sales, which has been key to the recovery of our markets.

AC Digital - ACD:

Enables 24/7 communication with customers. This platform integrates beverages, snacks, Yomp!, and Dipor. In 2021, we will have more than 365 thousand customers, representing close to 50% of the traditional channel universe in Latin America. More than 8% of the orders we receive today in Mexico are through AC Digital. We make it easier for our customers to manage their demands by providing visibility of our entire portfolio and available promotions. This tool has become the primary source of order-taking so that the promoter's visits are focused on higher-value activities.



Yomp!

YOMP! IS A MEXICAN TECHNOLOGICAL INNOVATION COMPANY, SUBSIDIARY OF ARCA CONTINENTAL, DEDICATED TO THE GROWTH, DEVELOPMENT, AND MODERNIZATION OF MOM & POP STORES.

Through Yomp!, we offer a variety of technological solutions that allow shopkeepers to improve their offerings, earn more income and be more efficient, such as a point-of-sale terminal with bar code readers that accepts debit and credit card payments, as well as airtime and cell phone data recharges, utility payment (electricity, water, telephone, internet), which helps them increase the flow of shoppers to their stores and therefore their sales, in addition to earning commissions for the additional services they offer.

Yomp! Commercial Results

We have grown our customer base with Yomp!

Premium from 8,700 in 2020 to 13,500 in 2021. We expanded our presence to seven new cities where we have more than 450 customers.

We continue to experiment with new concepts aimed at the traditional channel, such as YES, the consumer loyalty program.

47% of clients operate under Arca Continental's Siglo XXI model have the platform

We reached 2,400 customers transacting with our Yomp! Mobile platform, a free solution designed for small and medium-sized customers.

With Yomp! Analytics, we designed seven applications based on the information collected daily at the points of sale to support the decision-making process of the Arca Continental Mexico team.

Consumer Experience

The direct-to-consumer channel grew 8% in revenues in 2021, driven by volume growth and a higher value product mix (soft drinks, dairy, coffee, fruit drinks, etc.).



We carried out the first promotional communications to applications through digital media, evolving the way we communicate with more than 40,000 households by the end of 2021.



We continue to equip our points of sale with vending machines, micro-markets, smart cold equipment with face-to-face payments (Swipe, Nayax, Niubiz) and remote payments with mobile applications (B-Box, Vendomática).



We redesigned our technology strategy to return to post-contingency growth in South America, with double-digit growth in the number of users in Peru and Ecuador.



Las bebidas favoritas de tu familia con beneficios exclusivos

We doubled E-Commerce revenue growth versus 2020, thanks to the development of joint initiatives with The Coca-Cola Company replicating our physical channel leadership. We have also entered into commercial agreements with different aggregators⁸, gaining frequency and participation in our categories.

⁸ Aggregators refers to digital applications that function as commercial intermediaries for the sale of products.

Traditional Channel

Mom & Pops or small grocery stores are the lifeblood of residential neighborhoods in several Latin American countries. In Mexico alone, they support more than 3 million families, adding value to the national economy. These small businesses are run by family microenterprises that make an essential contribution to economic activity and the backbone of the social fabric.

At Arca Continental, we acknowledge their importance to the community, and their fundamental role in the company's business strategy, which is why we have maintained a solid historical commitment to these micro-entrepreneurs since a significant portion of them are women and heads of household.



Before, during, and after the pandemic, we supported thousands of shopkeepers with modernization projects to ensure their business's survival and increase their competitiveness through tools that allow them to generate resources and promote development.

We promote our customers development

Our goal is to be the best business partner for our customers, supporting them in their professional training and social and economic development to generate shared value with the communities where we operate. We seek to grow together by building an entrepreneurial profile and modernizing management through new technologies. In this way, we help our customers become vehicles for growth and development in their communities.



In Mexico, we impacted more than 200 thousand traditional channel customers and their families.



In Ecuador, our initiative to train owners and managers of mom & pop stores known as “tienditas” reached 18,000 entrepreneurs nationwide, both physically and virtually.



In Peru, the “Mi Bodega Abierta” program provided valuable online training for more than 13 thousand storeowners, and the “Escuela de Restaurantes” promoted the growth of more than a thousand gastronomic enterprises as part of the economic recovery.



In Argentina, the “Prospera” program benefited 2,000 stores with refrigeration equipment, marketing materials, facade renovations, displays, and training.

Suppliers

(GRI 2-6, 2-8, 204-1, 308-1, 414-1)

(SASB FB-NB-4 30a.1)

The company's vision of sustainability and our commitment to developing the communities where we operate are reflected in our relationship with the supply chain aiming to:

1. Working with local suppliers.
2. Reaching the highest quality and efficiency standards.

Most of the suppliers we work with are local. We support them in achieving the highest standards of quality and efficiency and operating within a framework of ethical, social, and environmental responsibility, with full respect for human rights and consistent with the values that characterize us.

Supplier Management

The management of a sustainable supply chain and the promotion of local sourcing ensure that suppliers, with particular attention to those classified as critical, to guarantee supply in the short and long term.

We seek to ensure that our leading suppliers have good sustainability and social responsibility schemes, so we carry out actions to ensure that they are aligned with this objective.

We also seek to extend our quality culture to our suppliers through support and follow-up programs to ensure compliance with current food safety standards. This program includes periodic inspections to verify production, storage, and distribution conditions.

97% OF OUR SUPPLIERS ARE LOCAL.

Suppliers considered critical for their operating volume participate in the EcoVadis program, which evaluates them on environmental issues, business ethics, sustainable sourcing, labor practices, and human rights. In 2021, we assessed 108 companies globally and defined an improvement plan for 55% to strengthen their sustainable management. We have a system to evaluate or certify our suppliers on sustainability issues in all countries.

Suppliers

| | National | Foreign |
|---------------|---------------|------------|
| Mexico | 11,681 | 104 |
| Argentina | 1,517 | 23 |
| Peru | 1,156 | 119 |
| Ecuador | 1,090 | 102 |
| United States | 1,263 | 21 |
| Total | 16,707 | 369 |



We work and collaborate in favor of a sustainable future based on our solid commitment to care for the environment, promoting initiatives that support the conservation of water resources, the replenishment of natural sources of water, and the provision of access to water for the communities where we operate.

This commitment extends to reducing greenhouse gas emissions by means of efficiencies in energy consumption and employing renewable energy, thus contributing to mitigate climate change.

We also develop circular economy programs that allow us to create sustainable packaging and reduce the amount of waste we generate.



CARING FOR THE PLANET

- ENVIRONMENTAL MANAGEMENT
- WATER FOOTPRINT
- CARBON FOOTPRINT
- PACKAGING AND WASTE

Environmental Management

(GRI 3-3, 307-1) (PM-Principio 7, 8, 9) (EST-B, MYO-A)

Our Environmental Sustainability Model focuses on the company's long-term viability, ensuring the rational and efficient use of natural resources to reduce the organization's impact without neglecting the profitability of the business.

We operate under an Environmental Management System based on ISO 14001 and the specifications established in the operating requirements and mandatory standards that all Coca-Cola System bottlers must comply with.



Environmental Policy

To achieve our environmental objectives and reduce the ecological footprint of our products, we monitor compliance with current environmental laws and the requirements and regulations imposed by our organization. We expanded this commitment by updating our Environmental Policy to address the challenges and opportunities arising from expanding operations and the emergence of new technologies and regulations in all of our regions.

Environmental Approach

To ensure the inclusion of sustainability objectives in the daily management of the business and encourage the execution of the environmental strategy, we define compensation schemes linked to the achievement of the related goals, thus contributing to the continuous improvement of operations at different organizational levels.

These incentives apply to our top management as well as managers and department heads at every production center.

Positive Environmental Commitments and Impacts

(GRI 413-1; 413-2) (GRI 307-1)

| Environmental Topic | Metric | Goal 2026 | 2019 | Progress 2020 | 2021 |
|----------------------------|---|-----------|-------|---------------|-------|
| WATER FOOTPRINT |  Efficiency in water consumption per liter of beverage produced. | 1.45 | 1.607 | 1.548 | 1.515 |
| CARBON FOOTPRINT |  Percentage of electricity consumption from renewable sources. | 60 | 34 | 34 | 39.3 |
| PACKAGING AND WASTE |  Percentage of waste generated at production centers that is recycled. | 98 | 96.4 | 90 | 96 |
| |  Percentage of recycled food-grade PET and BioPET in our packaging. | 50 | 24.72 | 26.93 | 26.46 |

Some of the indicators are in the process of verification by a third party to comply with international standards. Figures may have adjustments and will be updated on our website www.arcacontinental.com

Green Financing

A genuine commitment to the transition to a low-carbon economy requires allocating capital to green projects that contribute to achieving the goals of the Paris Agreement.

In line with this principle, we developed a Green Financing Framework in which we established the parameters that will govern any potential issuance of such financial instruments. The framework seeks to promote transparency and integrity in these types of financing and is aligned with the Green Bond Principles published by the International Capital Markets Association¹ (ICMA).

Click here to access Arca Continental's Green Bond Framework.



In 2021, we issued 4.65 billion pesos in Stock Exchange Certificates under the green bonds² category. These bonds are among the first issued by a beverage company in Mexico in pesos. The placement consisted of two tranches, one for 3 billion pesos with a 7-year term at a fixed rate of 6.75%, and another for 1.650 billion pesos with a 4-year term at a variable rate equal to TIIE plus seven basis points.

The transaction attracted strong interest from a diverse investor base and was over-subscribed by almost 4.3 times. Both issues obtained the “mxAAA” rating by S&P³ and “AAA(mex)” by Fitch Ratings⁴, which are Mexico’s highest credit ratings, above the country’s sovereign debt.

With these resources, we expect to refinance about 6% of the projects implemented in the Sustainable Water and Wastewater Management category and the remainder will be used to finance new projects.



¹ The International Capital Markets Association is a self-regulatory organization and business association for capital market participants.

² Green bonds were created to finance projects and assets with environmental or climate-related benefits such as building energy efficiency, clean energy sources, low-carbon transport, among others.

³ Standard & Poor's 500 Index, or simply the S&P 500, is considered the most representative of the stock market indices in the United States. It is one of the most commonly followed equity indices.

⁴ Fitch Ratings is an international credit rating agency based on New York and London.

Water Footprint

(GRI 303-1, 303-2)

(SASB - FB-NB-140a.2; FB-MP-140a.2; FB-PF-140a.3)

Water is our strength. It is essential for life on the planet and the fundamental raw material for our products, which is why we promote strategic lines of action to ensure its proper management through the following objectives:

1. Conserving water sources
2. Making water use efficient
3. Reusing and treating water

Conserving water sources

(GRI 303-1, 303-2)

(SASB - FB-NB-140a.2; FB-MP-140a.2; FB-PF-140a.3)

The responsible use of water to preserve the sources from which it is obtained is fundamental in building a better future. We carry out actions and promote synergies with several institutions to address specific water security challenges in the countries where we operate.

Over the last decade, aligned with the Coca-Cola System's 2030 water strategy, we established our leadership position by promoting water security. Additionally, we have confirmed the importance of understanding local water-related risks, vulnerabilities, and opportunities to prioritize actions, allocate resources, and focus on what matters most within the company.

We analyzed the local context and watershed vulnerabilities by employing the Facility Water Vulnerability Assessment (FAWVA), which estimates the probability of a risk event occurring, combined with costs of water consumption at every plant.



We sustain our commitment to return to nature more than **100%** of the water we use in our production processes.

Making water use efficient

Water is essential for our business continuity, which is why we continuously improve our technology and processes to capture, treat, reuse, and reduce water use in our production processes. We monitor and promote best practices for sustainable use in the supply chain.

We comply with the water quality requirements stipulated in national and international standards and aligned with those established in our Environmental Management System that is based on ISO 14001 and the Coca-Cola Operational Requirements (KORE).

To improve efficiency in water use, we carried out different interventions at our operating centers through projects and initiatives such as implementing new technologies, offering associates training, recovering water from industrial processes, detecting, eliminating, and preventing leaks, creating water-saving committees, and promoting a culture of continuous improvement.

As of 2021, our consolidated efficiency indicator was 1.515 liters of water per liter of beverage produced, which represented a reduction of 8.2% in the water footprint of our beverages compared to our 2017 baseline.

Those associates responsible for environmental issues in every country consolidate the information on water extraction, consumption, and discharges and share it with the corporate environmental team once it has been processed by



In Mexico, we have a satellite technology in place that helps us measure water extraction and consumption automatically and in real-time.

supervisors and other responsible parties at each facility.

Our plants implement a specific list of best practices to drive efficiency and improve water consumption rates at our operations. Depending on how well they implement these practices, our production centers are classified in four maturity levels: Under Development, Committed, Advanced, and Leader.

Water is reused by the communities neighboring our operations. For example, in Guadalajara, Mexico, we have an agreement with ITESO University through which the institution uses our treated water for sanitation and maintenance purposes.

Water is also crucial in our value chain because it can be used in agriculture. This resource is primarily used in the ingredients production step of our value chain, for which a portion of their

water requirements are fulfilled with recycled water. Accordingly, our suppliers have implemented best practices in water use and recycling to ensure that the potential impact of lower water availability does not limit their ability to provide raw materials in the quantity and quality required to meet customer needs, and at the adequate price.

In 2021, we had no water-related incidents with a substantial economic impact.

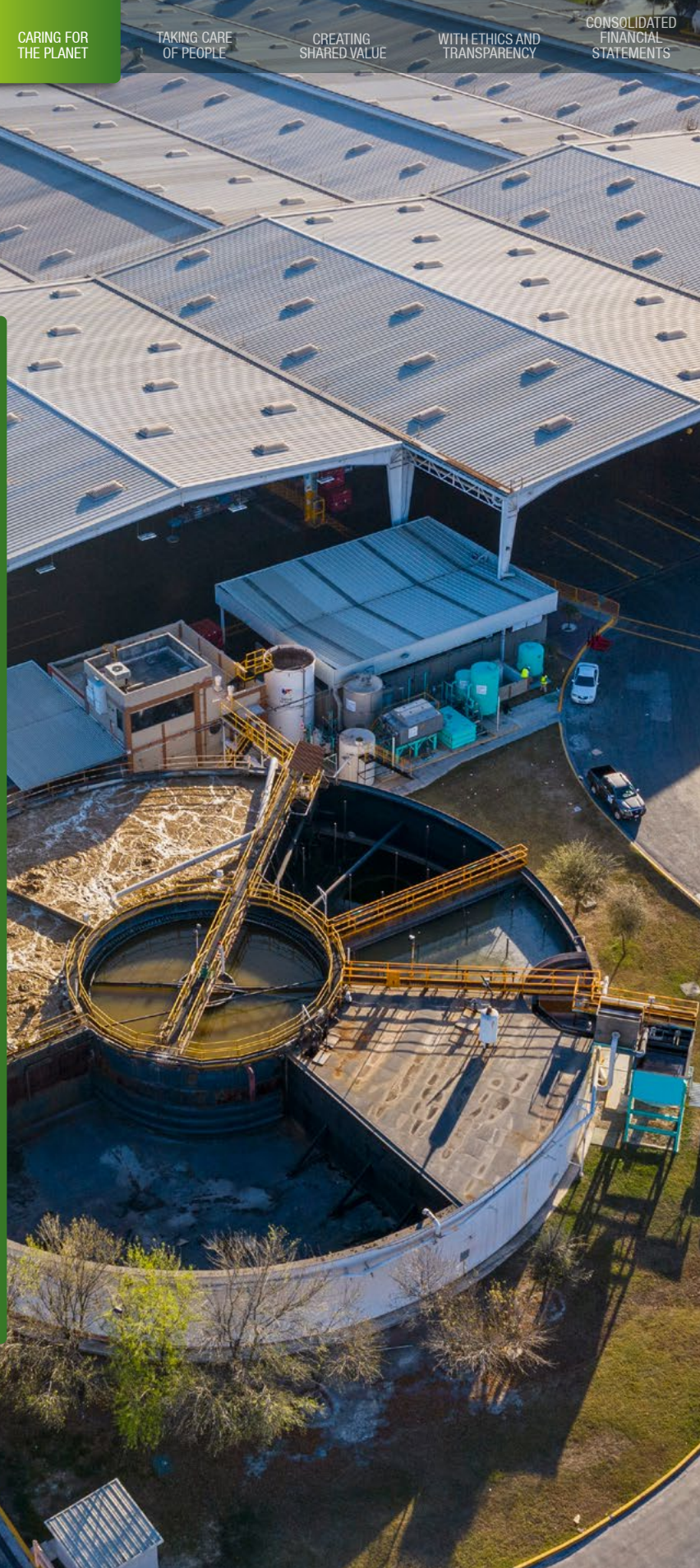
Reuse and water treatment

All our production centers have direct access to treatment plants either on-site or through municipal facilities. We have 35 wastewater treatment plants installed in our beverage operations, of which 18 are located in Mexico, six in Peru, three in Argentina, six in Ecuador, and two in the United States. Measurements are taken with flowmeters every day by the operators in wastewater treatment plants, who consolidate the values in databases.

We perform daily samplings to measure temperature, pH, total dissolved solids, etc. Measurements are performed according to the technical standards established in each country or those established by the Coca-Cola Operational Requirements (KORE)⁵.

When a third party is in charge of treating our discharges, we monitor our daily discharge volumes. Associates who are in charge of environmental matters in each country consolidate the information after it has been reviewed by the plants' supervisors and other responsible parties. These treatment processes are carried out so that water can be reused.

The liquid is reused as process water⁶. It can also be used for sanitary services or irrigation, etc.



⁵ KORE refers to the policies, standards and requirements to manage safety, environmental and quality issues in our operations aligned with the Coca-Cola Company principles.

⁶ Process water is water used in industry, manufacturing processes, and similar applications.

Carbon Footprint

(GRI 3-3, 302-1, 302-2, 302-3, 302-4) (EST-B, MYO-B, MYO-C)

We promote the development of a low-carbon economy through two main lines of action:

1. Reducing GHG emissions
2. Consuming energy from renewable sources



Reducing GHG emissions

(SASB – FB-MP-110 a.1; FB-MP-110 a.1)

The objective of our “Emissions Reduction Program,” which began in 2010, is to keep a record of our carbon footprint throughout our value chain. With this information, we develop a series of programs to optimize our operations, supply electricity from renewable sources, and substitute raw materials for more planet-friendly alternatives.

As part of our strategy to mitigate the effect of greenhouse gas emissions and better adapt to climate change, since 2014 we have been reporting our climate performance to the CDP (formerly known as the Carbon Disclosure Project⁷). We also report to the GHG Program of the SEMARNAT⁸ and to the Private Sector Studies Commission for Sustainable Development (CESPEDES)⁹.

As part of the initiatives related to this objective, we encourage the installation of refrigeration equipment with a low environmental impact through our Cold Dominion program, which seeks to ensure that end consumers enjoy our

products at a pleasant temperature while supporting small businesses in reducing their electricity costs and emissions. Additionally, these refrigeration units are equipped with high-performance refrigerants that do not damage the ozone layer.

Mexico’s General Law on Climate Change has established the development of an emissions trading scheme that will start operating in 2023. To be prepared for its implementation, we participate in Monitoring, Reporting, and Verification (MRV) initiatives approved by the Mexican government to establish the baseline for the carbon market.



CARBON FOOTPRINT IN OUR VALUE CHAIN.

16%
Ingredients



24%
Packaging



9%
Manufacturing



12%
Distribution



23%
Refrigeration



⁷ CDP is a global organization that works with shareholders and corporations to consolidate information on the performance of large corporations with respect to their greenhouse gas emissions

⁸ SEMARNAT is the Ministry of Environment and Natural Resources of the Government of Mexico by its name in Spanish.

⁹ CESPEDES is a representative body of Mexican businessmen that works to promote free markets, full democracy, social responsibility, and equal opportunities for the population

By implementing and monitoring energy consumption efficiency projects, such as optimizing refrigeration systems and installing energy-efficient equipment, we achieved energy savings for 6.1% per liter of beverage produced, compared to our 2018 baseline.

In 2019, for the first time, we mapped our scope 3 greenhouse gas emissions¹⁰ including the 15 emissions categories suggested by the GHG Protocol. The following are among the most relevant scope 3 categories:

- 1. Purchased goods and services**
- 2. Downstream transportation and distribution**
- 3. Leased assets**

Climate-related topics and emissions reduction projects at our operations have been included in the agenda of the meetings of the Human Capital and Sustainability Committee of the Board of Directors, as well as that of other meetings of the Sustainability Steering Committee. Therefore, once we develop a low-carbon transition plan, it will be reviewed over the course of these meetings.



Tonicorp, a company owned by Arca Continental and The Coca-Cola Company, collaborated with four farms to obtain the first international “Carbon Neutral Footprint” certification, highlighting Ecuador as a benchmark in environmental care and sustainable growth in livestock farming for its model that generates social, economic, productive, and environmental well-being for communities.

The goal of the “Neutral Carbon Footprint” international certification is to neutralize CO₂ emissions from production activities, so that they have no impact on the environment, through initiatives such as using organic fertilizers, having low consumption of electricity, employing pumpless gravity irrigation for pastures, planting trees to serve as living barriers to control the effect of winds that can cause erosion, and protecting forests, among others, and offsetting the remaining emissions.



CARBON REDUCTION
Sustainability Services

¹⁰ Details of Scope 1, 2, and 3 emissions can be found in the annexes at our website.

Consuming energy from renewable sources

One of our goals in our effort to reduce energy consumption and CO2 emissions was for 30% of our electricity consumption to come from renewable sources of energy by 2020. We achieved this goal in 2020 and in 2021 we exceeded this goal, with 33% of our energy consumption coming from renewable sources. Achieving this goal represented significant investments and savings.

In order to achieve the ambitious green goals, we have established for the coming years, we have two strategies in place:

1. **Make investments to increase the use of renewable energy.**
2. **Explore alternatives to generate renewable energy in South America.**

**OUR 2022 GOAL
IS FOR 70% OF
THE ELECTRICITY
WE CONSUME IN
MEXICO TO COME
FROM RENEWABLE
SOURCES.**

Our North Point beverage plant in Houston, Texas, United States, **operates on 100% renewable solar energy.** This facility is already showing savings and operational efficiencies in terms of our environmental indicators.

At Las Trojes plant in Aguascalientes, Mexico, **the water treatment plant operates with energy from a system of 144 solar panels covering 1,500 m2 of roof.** The surplus energy generated is fed into the national power grid.

100% of the electricity demand for our beverages unit in Ecuador is supplied by Hidroabanico, a hydroelectric power plant. In our dairy unit, 100% of our energy demand is supplied by Hidro San Bartolo.

In Peru, we implemented energy automation systems, making us the first company to obtain the Clean Production Agreement compliance seal granted by the Peruvian government.

Packaging and Waste

(GRI 3-3, 301-1, 301-3, 306-1, 306-2)

We reduce the number of raw materials we use and recover a large part of the bottles we send out to the market by employing sustainable operation frameworks that are focused on the following lines of action:

- 1. Design sustainable packaging
- 2. Increase recycling
- 3. Manage industrial waste

In 2018, the Coca-Cola System announced the following World Without Waste goals for the year 2030:

- 1. Packaging will be 100% recyclable.
- 2. Packaging shall contain at least 50% recycled material.
- 3. We will encourage the collection of 100% of the packaging we place on the market.

Based on the progress we have made in our lines of action, Arca Continental is currently one of the bottling companies in the Coca-Cola System with the most remarkable progress regarding these goals.

Design sustainable packaging

(GRI 306-2)

Our packaging is designed under the principles of the circular economy, ensuring the use of recycled resin in PET packaging, which can sometimes be as much as 100%, and continuing to promote the use of returnable bottles in Mexico and South America. We favor operations and processes that minimize our environmental footprint, such as the Sustainable Packaging Principles that apply to all operations and countries where we operate.



Click here to access the Sustainable Packaging Principles.

To analyze the footprint of our primary and secondary packaging, we classify packaging materials and uses into two categories: number of packaging uses and number of material lives.



| | |
|--------------------------|--|
| Number of packaging uses | A package can be used multiple times before the material or package loses the qualities necessary for reuse. |
| Number of material lives | Certain materials, or material compositions, can be recycled to create the same product or another one, as they can be recycled many times before losing their qualities. Other materials are difficult to reuse, have minimal recycling properties, or it is not economically viable to recycle them, which means the potential for the material to have a second life is very low. |

These two dimensions allow us to classify packaging into four categories:

| | |
|--------------------------------------|--|
| Single-life and single-use | This category will be avoided in all future packaging and product designs, both primary and secondary. Packaging or products currently in this category will be redesigned. |
| One life, multiple uses | This category will only be used when the life cycle analysis of the material is less than any other economically viable option. The focus in this category is to work with local partners to increase the recyclability of the materials used. |
| Multiple lives, single-use | This category will be used when the sum of the environmental footprints of the material and the process is less than any other economically viable option. In this category, the focus is on working with allies to recover materials and increase the likelihood that the material will have different lives. |
| Multiple lives, multiple uses | This scenario is the most favorable if the environmental footprint of the product and process is smaller than that of the other categories. |

| | Total PET (Tons) | Total rPET (Tons) | %rPET |
|-----------------------------|-------------------|-------------------|--------------|
| Mexico | 87,106.88 | 17,792.00 | 20.43 |
| Peru | 30,588.93 | 9,693.00 | 31.69 |
| Ecuador | 15,033.42 | 3,274.00 | 21.78 |
| Argentina | 9,141.65 | 764.00 | 8.36 |
| United States (rPET+BioPET) | 30,983.00 | 16,466.00 | 53.15 |
| TOTAL | 172,853.87 | 47,989.00 | 26.46 |

In 2021 we used an average of 26.46% recycled food-grade PET resin and BioPET.

The Universal Returnable Bottle, which can be interchanged between different beverage brands in the Coca-Cola family, is already available in Mexico, Ecuador, Peru, and Argentina. In 2021, we launched a pilot returnable bottles program in El Paso, Texas, which will allow us to understand the market and establish a strategy to expand this commercialization scheme.



In 2021, 26% of our beverages volume was marketed in returnable packaging. Consumers contribute to achieving a World Without Waste because returnable PET packaging can be reused an average of 15 times and glass bottles can be reused 35 times, and they can later be recycled and transformed into new bottles or other products. In addition to helping the environment, the cost represents savings for the consumer, since starting when they return the bottle for the first time, they only pay for the liquid.

In Mexico, we announced investments for 11 billion pesos in collaboration with other bottlers of the Mexican Coca-Cola Industry to strengthen PetStar's capacity. We will increase collection by 50%, thanks to new centers established in Mexicali, La Paz, and Los Cabos.

The adoption of the circular economy as part of our business model has led us to develop durable and reusable packaging, recyclable materials, and lighter packaging with recycled and biodegradable content, including recycled PET resin (rPET). In line with this, our goal is to include 50% of recycled PET (%rPET) in packaging by 2026.



With its new 13.2 oz presentation, the United States joined the Mexican and Peruvian operations in **offering bottles made 100% from other bottles.**

AC-CCSWB OPERATION WAS THE FIRST IN THE UNITED STATES TO ACHIEVE 50% RECYCLED PLASTIC IN PET PACKAGING ACROSS THE PORTFOLIO.

Increase recycling

In 2018, we signed the New Plastics Economy¹¹ Global Commitment led by the Ellen MacArthur Foundation¹², collaborating with the United Nations Environment Program (UNEP). This commitment, which seeks to change how we produce, use, and reuse plastic, was also signed by PetStar, ECOCE¹³, and The Coca-Cola Company. With this agreement, we committed to using at least 20% recycled content in all our non-returnable PET plastic bottles in all the countries where we operate by 2025.

Our compliance with these commitments allows us to be a benchmark in bottle lightweighting in the markets where we operate.

We achieved our goals by making strategic investments with recyclers such as PetStar, the world's largest food-grade PET recycling plant and a great example of circular economy that is led by Arca Continental. Thanks to this and other strategic alliances, we have strengthened our initiatives to collect PET and increase the recycling rate.

Arca Continental began managing its metalized BOPP packaging waste through ECOCE's operating programs as part of its corporate responsibility efforts. In 2021, we implemented two flexible packaging recycling projects with two Mexican recyclers to search for the best technology available in Mexico for recycling these materials. We manufactured pallets with 21% recycled content, which are already being tested in our partners' operations.

PET bottle caps (HOPE) are recovered and recycled by IPASA, an Arca Continental company committed to the development and manufacturing of plastic products for the industry, using high quality materials to make all the delivery boxes the company uses in México.



¹¹ An initiative of the Ellen MacArthur Foundation and UN Environment to manage plastic waste and pollution.

¹² The Ellen MacArthur Foundation was created in 2010 with the objective of accelerating the transition to the circular economy.

¹³ ECOCE (Ecology and Business Commitment by its name in Spanish) is a non-profit Organization created by the food and beverages industry in Mexico to help environmental preservation and improvement.

Manage industrial waste

In addition to promoting recyclability and packaging design based on sustainable business models, we internally manage the efficient use of raw materials to reduce the waste we generate.

We have a Comprehensive Waste Management Plan in place, which is constantly being verified and updated to adapt to every country's context and needs.

The implementation of the plan, as mentioned earlier, made it possible for 96% of the waste generated by the company to be recycled in 2021, with 19 operating centers in Mexico being certified as "Zero Waste." The five Arca Continental Coca-Cola Southwest Beverages operating centers in the United States have a waste recycling rate of more than 99%.

In 2021, we started implementing the "Zero Waste" program in our operations in Ecuador; in Peru, we implemented it in the Pucusana, Trujillo, and Arequipa production plants.

People are both the means and the end to building a better future. The comprehensive development of our associates includes strengthening their role as agents of positive change in the community.

We reinforce the company's social commitment and update the legacy of social responsibility and solidarity we have inherited from the generations that preceded us by getting our associates involved in our efforts to address the challenges society is facing.

Our associates embody Arca Continental's vision of sustainability, and they are responsible for ensuring it is a key element of our global strategy, with company-wide actions involving all areas.

The generation of shared value at Arca Continental consists of placing people at the center of our business vision and our involvement with the community.



TAKING CARE OF PEOPLE

— ASSOCIATES
— COMMUNITIES

Associates

(GRI 2-7) (Global Compact- Principles 3, 4, 5, 6)

Our associates are the essence behind Arca Continental as an organization that is capable of achieving its objectives and laying the foundations to face a challenging environment and be prepared for a better future. This implies:

1. Creating a safe working environment.
2. Attracting, developing, and retaining top talent.
3. Promoting diversity and equal opportunities.

During 2021, we strengthened this environment by implementing several measures in our territories, including the following:

- Prioritizing our communications with associates at our operations concerning our **Cultural Principles** and the importance of adopting them.
- **Assessing the work climate and culture** by employing technological platforms.
- **Identifying, attracting, and recruiting high-potential female talent** by establishing plans within strategic positions and projects to ensure their growth.
- **Optimizing and digitalizing recruitment and selection processes** and implementing performance and talent management processes.

We also continued prioritizing the care and safety of our associates through several initiatives, including more than 100 preventive health events for associates.








We achieved a high participation in our 2021 Organizational Climate Survey, reaching 96.6% of our associates, with an overall satisfaction level of 83.6% and a commitment index of 88.5%. Additionally, 83.5% of the associates we surveyed said they were satisfied with our management of the pandemic.



We promoted and facilitated access to vaccination against Covid-19 for our associates based on availability in the countries where we operate. By establishing partnerships and collaborating with health authorities, we achieved vaccination rates above the national averages.

Total number of associates as of 2021,
by country and gender.

62,447
ASSOCIATES

| |  |  |  |  |  | TOTAL |
|---|--|--|--|---|--|--------|
| WOMEN  | 3,074 | 977 | 107 | 782 | 1,223 | 6,163 |
| MEN  | 33,882 | 8,553 | 2,285 | 3,995 | 7,569 | 56,284 |
| TOTAL | 36,956 | 9,530 | 2,392 | 4,777 | 8,792 | 62,447 |

Total number of associates 2019 – 2021.

| Country | 2019 | 2020 | 2021 |
|---------------|---------------|---------------|---------------|
| Mexico | 37,074 | 36,758 | 36,956 |
| Ecuador | 9,604 | 9,553 | 9,530 |
| Argentina | 2,095 | 2,118 | 2,392 |
| Peru | 5,166 | 4,858 | 4,777 |
| United States | 9,419 | 9,061 | 8,792 |
| Total | 63,358 | 62,348 | 62,447 |

Creating a safe working environment

(GRI 3-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-10)



The goal of our Safety and Wellness Policy is to take care of the lives and well-being of every person who works with us. To this end, we are committed to maintaining a safe, healthy, and favorable work environment, where injuries and illnesses are prevented and the integrity of those working at Arca Continental, as well as those who are in contact with us, are protected.

This Policy complements the current legal requirements in force in each of our operations, as well as other

subscribed requirements applicable to our activities. It also takes into consideration the participation and opinion of our associates and their representatives, mainly through the Safety Committees and by communicating and applying our Occupational Health and Safety strategies. By doing so, we ensure a culture of prevention based on safe and healthy behaviors, with a vision for reaching our zero incidents goal in all our operations.



Click here to view our
Occupational Health
and Safety Policy.



In collaboration with the Coca-Cola System, we promote the “14 Rules that Save Lives” to ensure the integrity of anyone involved in the production of our beverages.

1 THINK SMART BEFORE YOU START

Do everything needed to ensure your safety and the safety of others before starting any job.



2 OBSERVE, SAY, DO SOMETHING

Your life and the lives of others you work with depend on you. Talk about safety hazards, risky acts, and take action.



3 APPROPRIATE SKILLS FOR THE TASK

Confirm that you and others you are working with have the proper training, qualifications, skills, and authorization to perform the work safely.



4 CONTRACTOR AND VISITOR SAFETY

Ensure that contractors, suppliers, and visitors act and work safely at all times.



5 WORK PERMITS (AUTHORIZATION)

Ensure that an analysis of potential hazards has always been completed, proper authorization has been obtained, and the permit has been received and understood before starting to work.



6 WORK FROM HEIGHTS

Protect yourself against falls when working from heights.



7 SAFE EQUIPMENT

Make sure safety devices, such as machinery guards, pressure relief valves, and GFCI/RCDs, are in place and properly maintained to protect you from exposure to any hazard.



8 SAFE WORK ON ENERGIZED SYSTEMS

Isolate and confirm there is “zero energy” (LOTO) before working on potentially energized and/or pressurized equipment.



9 CONFINED SPACES

Before entering a confined space, confirm the safety of the confined space, that the entry is supervised, and that you have proper authorization.



10 HOT WORK

Control flammable and ignition sources before starting any hot work.



11 HAZARDOUS CHEMICALS

Make sure you fully understand and follow the instructions for safe handling, storage, and use of all chemicals according to the product’s “Safety Data Sheet” (provided by the manufacturer) and based on a risk assessment.



12 SAFE ZONES

Always place yourself in a safe zone away from exposure to hazards such as moving vehicles and equipment or suspended loads.



13 FORKLIFT TRUCKS

Operate mobile equipment, such as forklifts, only when it is confirmed that the equipment is suitable for safe use (e.g. approved pre-use checklist), and only when you are certified and authorized to do so.



14 SAFE DRIVING

Practice safe driving rules. Vehicle safety devices and safe driving behaviors keep you and others safe.



We launched the Present Prevention campaign in 2021 to promote the transformation and cultural change regarding Occupational Health and Safety issues, always prioritizing the health and safety of our associates with a preventive approach. The campaign is based on three main elements:

- 1 Implementing the SIF Potential indicator, which identifies and addresses any occupational risks.**
- 2 Fully adopting the Coca-Cola System's "14 Rules that Save Lives".**
- 3 Deploying the HOP philosophy aimed at creating a preventive culture.**



With this approach, we also defined measures to eliminate or minimize the main occupational risks.

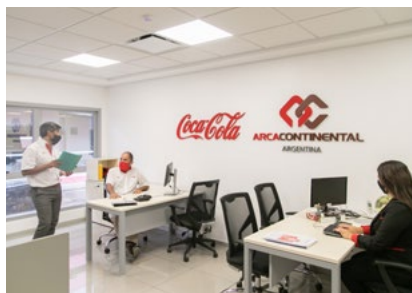
As part of the Comprehensive Management System, we identified and addressed the main hazards that pose a risk of injury and we established measures to address them with a preventive approach.

Old machinery, high noise levels, slippery or uneven floors, falling objects, bottle explosions, inadequate road safety, not studying the load-handling manual, inadequate posture or movements, inhalation, ingestion or contact with harmful chemicals, overexertion or repetitive movements, and psychosocial risks, are all among the occupational hazards that can present a risk of injury or work-related illnesses.

The main types of injuries include sprains, overexertion, slipping, tripping, falling, blows, lacerations, burns, punctures.



Attracting and developing top talent



Human Capital Management

(GRI 401-1, GRI 407)

In line with the Cultural Principles, we continue to rely on technology to improve and standardize our Human Capital processes, making them easier for our associates.

With the support of the Success Factors platform, we mapped our internal talent and identified their potential according to the organization's needs. In 2021, this analysis had an impact on 1,705 associates who hold positions as Department Heads, Managers, and Directors.

As part of our recruitment processes for exclusive positions, we gradually implemented predictive models to assess the talent's affinity with the company. This methodology, based on artificial intelligence, algorithms, and predictive components of easy analysis and interpretation, seeks to measure the cultural affinity of candidates with their direct superior and their work teams, high potential, as well as ideal profile, in terms of behavior, motivators, energizers, and life priorities.

Remuneration and Compensation Policies

(GRI 2-19a, 2-19b, 2-20a, 2-20b, 2-21a, 2-21b, 2-21c, 3-3, 401-2)

When evaluating our Organizational Climate, we also consider the satisfaction of our associates with their salary and how well they understand the methodology used for calculating it. This exercise has driven us to improve our reporting practices on the subject, strengthening our principle of transparency at a global level.

Our Human Capital and Sustainability Committee establishes the salary increase percentage for both members of the Board of Directors and associates, as well as an additional amount that constitutes a fund for salary increases. The CEO's compensation takes into account the financial metrics achieved over the course of the year

such as EBITDA, earnings, or net income, in addition to meeting long-term performance objectives. For our management team, we rely on the advice of external consultants who evaluate their competitiveness and also provide us with market information on what constitutes competitive remuneration, based on which salary increases can be assessed.

Additionally, we included a short-term variable compensation benefit in the target-based bonus for additional organizational levels in our operations in Mexico, Argentina, and Ecuador. We also improved the evaluation of our international mobility programs by establishing clearer criteria for relocating talent across our operations.

In Mexico, we developed the digital platform “My Total Compensation”, through which all associates can consult the details regarding their compensation and its components.





Benefits for associates

We offer our associates benefits beyond what is established by law in the territories where we operate that are focused on satisfying their work-life balance needs without neglecting our business objectives.

Although benefits can vary depending on the operation, focusing on enabling the optimal personal and professional development of Arca Continental's associates is a priority within the company's philosophy.

Human Capital departments in each of the countries where we operate constantly analyze the competitiveness of benefits packages we offer compared to the market, this in order to identify areas of opportunity and potential improvements.

We offer paid parental leave beyond what is established by applicable law, which can vary depending on each operation.

Training and Performance Evaluation

(GRI 3-3, 404-2, 404-3, 412-2)

We bolster the talent of our associates with the following training and leadership initiatives:

We support our associate's development with joint programs with Harvard Business Publishing and LinkedIn Learning.

Digital Library, in partnership with the LinkedIn Learning platform, provides approximately 13 thousand courses on different topics and learning paths to strengthen or develop skills. We granted 4,700 licenses in 2021.

Biblioteca Digital AC


Leadership Programs is offered by the leadership school known as AC Leaders, in partnership with Harvard Business Publishing: Executive Program, Management Program, and Fundamentals of Leadership. This year, we improved the ability of more than 2,800 leaders to face the challenges of our times and execute our strategies with excellence.

ACLeaders
 ESCUELA DE LIDERAZGO ARCA CONTINENTAL

Créate program (Create yourself program), in partnership with Fierce, is guided by 65 of our leader facilitators and impacts more than 1,900 middle managers reinforcing their accountability, feedback, delegating, and team management skills.



Training Within Industry, is a program aimed at the standardization of processes and routines in operations that offers training to supervisors so they can become “Coach Leaders”. In 2021, we expanded this program to 39 sites (23 plants and 17 distribution centers) additional to the 16 sites where it had been implemented in 2020. As of 2021, we had 380 trained Coach Leaders, 1,227 critical tasks had been standardized, and 800 operators had received training. The benefits of the program include a 39% reduction in overtime, a +1.2 pp improvement in the organizational climate, and a reduction of approximately 30% in downtime.

9,600 associates
received at least one periodic
performance during 2021.

- **Training under the CER model** for change management in self-sufficient processes, aligned to business objectives. The acronym CER consolidates three variables that need to be part of all change process: Commitment (preparation), Execution (administration and implementation), and Reinforcement (evaluation and follow-up). In 2021, we offered more than 120 hours of training to more than 600 agents of change.
- **Commercial School** as training for our sales force, through both digital platforms and in the field, to efficiently develop critical routines.
- **Twenty-Month Trainee Program**, divided into four 5-month projects in logistics, commercial, and production processes for different areas and regions. Participants have a Sponsor and Mentor to guide them in their projects and professional careers.

We also motivate our associates to accomplish above average performance through different evaluations and feedback sessions that allow us to identify strengths and areas of opportunity under different methodologies (short term objectives. Multidimensional, comparative). We generate action plans to diminish the gap between expected performance and the results on a given period.

By the end of 2021 we achieved participation levels of 45% of associates in performance evaluation process in technological platforms.

We also improved our organization's climate through:

- **More than 1,800 culture and climate workshops** in the first half of the year, during which we fostered a commitment to act on behalf of our Cultural Principles. This resulted in a significant improvement compared to the previous year on issues such as leadership and transparency, as well as a higher survey response rate.
- **The implementation of a centralized, standardized, and high-quality information platform** enabling our associates to have better references in the decision-making, planning, and strategy processes.



Promoting diversity and equal opportunities

(GRI 3-3, 405-1, 406-1, 2-30-a, 2-30-b)

(Global Compact-Principles 1, 2)

We recognize that inclusion, equal opportunity, and diversity make a positive contribution to our organization. Our Inclusion and Diversity Policy expresses our commitment to respecting and valuing every person in terms of their individuality and opinions, and we encourage them to interact in spaces that allow us to generate ideas and perspectives that improve their performance.

The Inclusion and Diversity Policy is complemented by our Code of Ethics, Conduct Policies, Guiding Principles for Suppliers of the Coca-Cola System, as well as by other documents that are part of our strategy to attract, develop, and retain the best talent, without discrimination. Additionally, its content is aligned with our contribution to the achievement of Sustainable Development Goals 1, 3, 5, 8, and 10.

As of 2021, 9.9% of our associates were women and 55.3% were between the ages of 30 and 50.

We are also committed to respecting Human Rights in all our policies and operations and across our value chain. We pay particular attention to the potential impact on the Human Rights of the communities with which we interact, of our associates in terms of their personal diversity, on freedom of association and collective bargaining, and of providing a safe, healthy, and violence-free workplace. In 2021, we materialized this commitment in our **Human Rights Policy**, which is complemented by other specific instruments, such as the Guiding Principles for Suppliers of The Coca-Cola Company.

Additionally, our **Sexual and Workplace Harassment Policies** guides professional interactions among our associates and between our front line suppliers and other elements in our value chain. It clearly defines forms of physical and verbal harassment and other behaviors that are not tolerated in our company.

As with the **Code of Conduct**, non-compliance with the Human Rights and Sexual Harassment policies may be reported through the Transparency Mailbox.



Zero Tolerance to Discrimination

We received 19 complaints of alleged discriminatory practices during 2021, five in Mexico, two in Ecuador, and 12 in the United States.

For the first two countries, the evaluations and investigations determined that there was insufficient evidence to confirm a discriminatory practice. For the United States, corrective actions such as reprimands, written notices, and suspensions were taken as needed.



Unionization and Collective Bargaining

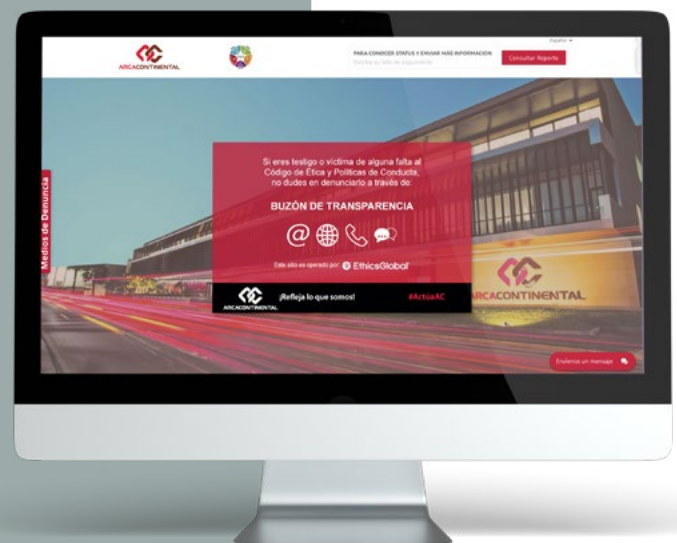
In line with our Human Rights Policy, we respect freedom of association and collective bargaining, in strict compliance with applicable laws and regulations in every country where we operate. We are committed to negotiating in good faith with union representatives.

As of 2021, 39.2% of our associates were members of a labor union.

Transparency Mailbox

Any behavior contrary to our policies can be reported to the immediate superior, the Human Capital department, or through the Transparency Mailbox. The mailbox is accessible to any person related to the company, regardless of whether or not they are an associate, through the corporate intranet, the websites <https://www.buzondetransparenciaac.com> or www.arcacontal.com, or by e-mail. informa@buzondetransparenciaac.com. Reports can also be made through country-specific telephone numbers.

The Transparency Mailbox is managed by an independent company, which is responsible for receiving complaints and forwarding them to the local Ethics Committees, which investigate the case and make a decision on the matter, ensuring confidentiality at all times.



<https://www.buzondetransparenciaac.com/>



Community

(GRI 3-3, 203-1, 203-2, 413-1)

Our associates are the basis of our vision of sustainability. Through their participation in different institutional initiatives, as well as volunteering activities, they reaffirm their position as agents of positive change, transcend the limits of the organization, and maintain a positive relationship with the community.

1. Agents of positive change
2. Water stewardship
3. Inclusive recycling
4. Gender equity

By participating in various social programs, we have been able to invest in the comprehensive development of women, environmental causes, community support, and active and healthy lifestyles.



PetStar, the world's largest food-grade PET recycling plant, led by Arca Continental, was recognized for the seventh consecutive year as a "Socially Responsible Company".



**Empresa
Socialmente
Responsable®**

Arca Continental was recognized for the eighteenth consecutive year as a Socially Responsible Company by the Mexican Center for Philanthropy (CEMEFI), for the ethical management and sustainable economic, social, and environmental performance of its operations, as well as for its community welfare programs.

**Arca Continental
Lindley obtained
the "Socially
Responsible
Company"**

distinction for the eighth consecutive year. This recognition is granted by Perú 2021 and the Mexican Center for Philanthropy.



752 associates
participated on VOLAR
Comitees.

Generating Value through our Agents of Change

We help our associates' and their families become agents of positive change through different activities within the framework of a global strategy and calendar. This allows them to participate in several institutional events that offer a diversity of approaches and objectives, including permanent volunteering, Sustainability Week, Volunteer Month, and Christmas with a Purpose.

Additionally, each work center has a local volunteers committee (VOLAR) that executes the program's actions and distributes all available resources.

12,000 gifts for 7,500 beneficiaries, members of the value chain, in Christmas with a Purpose.

+100 million pesos donated through our institutional donation program to organizations with a social purpose.



24 VOLAR Committees¹
activated and **more than 1.8 million pesos** donated by associates.

260 tons of food for more than 40,000 families through volunteering programs.

¹ Arca Continental's Volunteer Program (VOLAR) aims to encourage both the company and its associates to join forces in favor of the community and care for the environment.

Access to water

(SASB - FB-NB-140a.2; FB-MP-140a.2; FB-PF-140a.3) (SDG 6)

Our global water conservation strategy has three pillars: efficiency, replenishment and access. We have a clear approach with our communities as facilitators that enable the communities where we operate to have access to clean water. Additionally, we are committed to returning to nature more than 100% of the water we use. This allows us to continue generating shared value for the company, the community, and the environment.



In Mexico, we opened a nature-based wetland to treat urban water (3 million liters/day) in the community of Cihuatlán and provide productive activities that will benefit more than 18,000 inhabitants. Additionally, in collaboration with Coca-Cola de México, the CESP², and the government of the state of Baja California, we broke ground for a second nature-based wetland, which will treat urban water in Mexicali and directly benefit 28,000 Mexicans. It will be able to treat more than 4 million liters of water per day, equivalent to filling more than 800 5,000-liter water tanker trucks.

**IN MEXICO,
WE INSTALLED
RAINWATER
HARVESTING
SYSTEMS FOR
SCHOOLS IN
THE STATES OF
JALISCO AND
NUEVO LEÓN.**



We determined water stress levels for all our production centers, using the “Water Risk Atlas” of the World Resources Institute³ (WRI), which is recommended and recognized by the CDP⁴ and The Coca-Cola Company. With this tool that analyzes current and future water risk at every location, we identified that approximately 46% of our operations are located in areas of high water stress.

Accordingly, and because we recognize the importance of having access to water, we conducted water harvesting and treatment projects that enabled us to take water to vulnerable communities and to people in need. We work with communities neighboring our plants to implement water access programs in partnership with different institutions.

During 2021 we implemented 24 preservation and replenish and access programs in the 5 countries we have presence.

² The Public Utilities Commission of Mexicali.

³ The World Resources Institute is a global, non-governmental, research organization that seeks to create conditions of equity and prosperity through the sustainable management of natural resources.

⁴ CDP, previously Carbon Disclosure Project.

Inclusive recycling

(SDG 15)

Our leadership in waste management, is supported by several initiatives addressed to promote our vision of inclusive recycling with collectors.

In Argentina, **we installed several recycling points** in schools in Iguazú, where more than 2,500 students were trained on the importance of these measures.



In Ecuador, we signed an agreement with the national government that includes goals for **returnable packaging and recycling**.

In Peru, the **#BodegaSinResiduos** program promoted the transformation of small shops and minimarkets in Lima into spaces where neighbors can recycle PET by collecting it in containers.



In Texas, in the United States, through multiple strategic alliances, **we created a collection network** with +10 different organizations throughout the state to increase the recycling culture and support PetStar's strategy.

⁵ Keep Austin Beautiful, Keep McAllen Beautiful, Keep Fort Worth Beautiful, Keep Texas Recycling, Adopt a Highway, etc.



In Mexico, we promoted the “Tienda sin Residuos” program in the traditional channel, implementing 50 collection and awareness points in the country.

We also carried out the “plastic fishing” tournament in conjunction with the Sinaloa Ministry of Sustainable Development, collecting 2.6 tons of plastic and cleanup campaigns in Baja California and Jalisco in collaboration with Coca-Cola Mexico, ECOCE, and Fundación Azteca to collect two tons of waste with the support of 300 volunteers.



IN MEXICO, OUR RECYCLING ACTIONS IN PARTNERSHIP WITH THE MEXICAN COCA-COLA INDUSTRY, FUNDACIÓN DIBUJANDO UN MAÑANA, MAYAMA, AND CLUB DE NIÑAS Y NIÑOS DE SAN LUIS POTOSÍ HAVE IMPROVED THE LIVING CONDITIONS OF THE CHILDREN OF COLLECTORS.

PetStar is the world's largest food-grade PET recycling plant, a global leader in PET bottle recycling, and an example of the circular economy. It contributes to global sustainability through its **"Sustainable Business Model" (SBM)**.

PetStar's Sustainable Business Model has a 26-year history of excellence in the circular economy for PET containers. It is integrated from bottle collection to the inclusion of PET into new packaging with recycled content, contributing to The Coca-Cola Company's global 2030 goal.

From the social-economic viewpoint, the PetStar Inclusive Collection Model (MAIP) promotes social mobility and the recognition of the rights of PET waste collectors and urban recyclers. Furthermore, the company partners with other actors to foster the rights of children and ensure supply with no child labor.

At the same time, PetStar makes sure its operations are cost-effective by making the price of its recycled resin competitive. It also generates direct and indirect jobs for 24,000 waste collectors and urban waste collectors.



On the other hand, in collaboration with ECOCE, the Mexican Coca-Cola Industry (MCCI) promotes important efforts to recover, separate, and transport PET from all regions in Mexico and take it to collection centers and, from there, send it to recycling plants within and outside the country.

Through ECOCE's **Mobile Collection** program, operators visit different neighborhoods throughout the country to receive containers in exchange for the delivery of food products or items made from recycled material.

In 2021, the Waste for Food Program (initiated in 2020) covered the states of Chihuahua, Sonora, Sinaloa, Durango, Jalisco, Baja California Sur, Nuevo León, Coahuila, and San Luis Potosí, **visiting 3,985 points and serving more than 5 thousand people, who collected 57.62 tons of PET, 1.23 tons of aluminum, 5.34 tons of glass, among other waste.**

In 2021, we jointly carried out two cleanup days in La Paz, Baja California Sur, and Zapopan, Jalisco, during which we collected 2.2 tons of waste, with the participation of more than 300 volunteers.

We also have a program in place to encourage a recycling culture, which is developed in corridors of highly marginalized and poor communities that are connected by a central road whose operation consists of collecting PET, High-Density Polyethylene (HDPE), and aluminum containers in exchange for basic consumer goods. With this exchange, the program provides people with a social, environmental, and economic benefit.

Click here to access
PetStar's website.



Gender Equity

The company's relationship with the community is focused on inclusion and gender equity. We understand the importance of the comprehensive development of women in society for every role they choose. For this reason, we work to promote their growth by offering training courses to our customers and the families of our associates, in addition to having multiple partnerships with several organizations that help us achieve this objective.



In Ecuador, we received the Violeta Award for Good Business Practices from the National Government for the promotion of female employment and the prevention of violence against women. The company was also acknowledged for its commitment to offering job opportunities, strengthening equality processes, and promoting gender equality within the framework of the Violet Economy Policy, promoted by the Ministry of Economic and Social Inclusion.



We were also recognized in Ecuador by the Women's Economic Forum as one of the "Iconic Companies Creating a Better World for All" for making a difference in creating an inclusive work environment, with a focus on gender equality and empowerment.

WOMEN BENEFITED BY PROGRAM

1,300 WOMEN PARTICIPATED IN ANSPAC PROGRAM.

4,602 WOMEN'S WERE BENEFITED TROUGH EMPOWERMENT PROGRAM.

153 SCHOLARSHIPS WERE GRANTED FOR WOMEN TROUGH SUMARSE NETWORK.

48 WOMEN'S OPEN HIGH SCHOOL SCHOLARSHIP PROGRAM. GRANTED (MEXICO)

8 DECENT WORK AND
ECONOMIC GROWTH9 INDUSTRY INNOVATION
AND INFRASTRUCTURE16 PEACE, JUSTICE
AND STRONG
INSTITUTIONS

As a result of the teamwork of a committed group of associates, who under challenging environments due to mobility restrictions in some markets, implemented business continuity initiatives without neglecting progress in business development plans, we achieved positive economic and financial results, and in some cases, even higher than pre-pandemic levels.

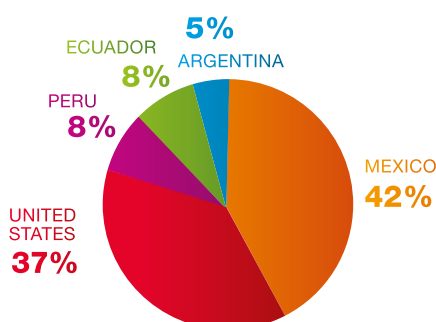
CREATING SHARED VALUE

— ECONOMIC PERFORMANCE
— DISTRIBUTION OF ECONOMIC VALUE

Economic Performance

Operational and Financial Results

Sales by
country



| | 2021 | 2020 | Var. (%) |
|--------------------------|---------|---------|----------|
| Volume by category (MUC) | 2,279.7 | 2,154.8 | 5.8 |
| Colas | 1,187.4 | 1,142.0 | 4.0 |
| Flavors | 428.5 | 396.9 | 8.0 |
| Sparkling Total Volume | 1,615.9 | 1,538.9 | 5.0 |
| Water* | 239.3 | 215.4 | 11.1 |
| Still Beverages** | 197.6 | 170.1 | 16.1 |
| Volume excluding Jug | 2,052.8 | 1,924.3 | 6.7 |
| Jug | 226.9 | 230.4 | -1.5 |
| Total Volume | 2,279.7 | 2,154.8 | 5.8 |
| Net sales *** | 183,366 | 169,314 | 8.3 |
| EBITDA | 35,406 | 32,147 | 10.1 |
| Net Income | 12,282 | 10,276 | 19.5 |

Figures in millions of Mexican pesos

*Includes purified, flavored, and mineral water in presentations of up to 5Lts.

**Includes teas, isotonic, energy drinks, juices, nectars and fruit drinks.

***Net sales excluding revenues outside the territory in the USA

Volume:

2,280
Million Unit Cases

Net Sales:

183,366
Million Mexican Pesos

Here are some highlights of our results:

- Increase of consolidated gross profit, reaching a 45.4% margin.
- Operating expenses increased 5.7% and 31.4% with respect to sales.
- A 18.1% increase of accumulative operating income for the year, equivalent to an operating margin of 13.8%.
- A 5.3% reduction of financing costs, in comparison to previous year.
- Taxes were 28.7% higher than the previous year, representing an effective rate of 31.6%.
- Net income had a net margin of 6.7%.
- Cash balance of 32,117 millions of pesos and debt of 51,074 millions of pesos, as of December 2021, resulting in net debt of 18,957 millions of pesos, and a Net Debt/EBITDA ratio of 0.5x.
- Net operating cash flow was 31,069 millions of pesos as of December 31, 2021.
- CAPEX for the year totaled 7,176 millions of pesos, mainly allocated towards coolers, returnable packaging and market execution capabilities.

Click here to learn more about
the organization's financial
performance in 2021.



We report information in three regions: Mexico, the United States, and South America (Ecuador, Peru, and Argentina). Each one includes the results of the beverage and food and snacks businesses.

MEXICO



Mexico's region includes the beverage and snacks business

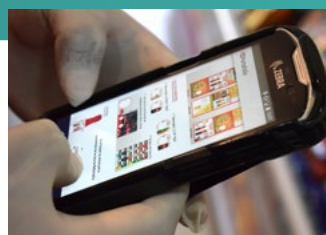
| Volume by category (MCU) | 2021 | 2020 | Variation (%) |
|-----------------------------------|---------|---------|---------------|
| Colas | 730.6 | 713.3 | 2.4 |
| Flavors | 136.7 | 132.0 | 3.5 |
| Sparkling Total | 867.3 | 845.3 | 2.6 |
| Water* | 119.9 | 104.4 | 14.9 |
| Stills** | 75.8 | 66.4 | 14.0 |
| Volume excluding Jug | 1,063.0 | 1,016.1 | 4.6 |
| Jug | 219.2 | 222.4 | -1.4 |
| Total Volume | 1,282.2 | 1,238.5 | 3.5 |
| Mix (%) | | | |
| Returnable | 32.0 | 33.3 | -1.3 |
| Non Returnable | 68.0 | 66.7 | 1.3 |
| Multi-serve | 57.9 | 59.9 | -2.0 |
| Single-serve | 42.1 | 40.1 | 2.0 |
| Income Statement (MM M XP) | | | |
| Net Sales | 78,642 | 70,174 | 12.1 |
| EBITDA | 19,252 | 16,844 | 14.3 |

* Includes purified, flavored, and mineral water in personal presentations of up to 5Lts.

** Includes teas, isotonic, energy drinks, juices, nectars and fruit drinks.

- During 2021, **sales increased 12.1% and volume increased by 3.5%** and 1.8% in comparison to 2020 and 2019, respectively.

- The Coca-Cola brand achieved growth for the sixth consecutive year**, driven in part by the relaunch of the Coca-Cola Zero Sugar variety, closing in 2021 with an increase of 2.8%.



- We accelerated the expansion of AC Digital's services** involving 79 000 customers by 2021, accounting for 8% of total orders.
- The flavors category grew 3.5%**, driven by the strategic alliance with Bokados to offer joint promotions, launches such as the apple-peach flavor, coverage of key packaging, and focused strategies to develop the family segments.



- In 2021, **innovations and launches yielded positive results**. Topo Chico Hard Seltzer continued to occupy 2nd and 3rd place in market share in Guadalajara and Monterrey, respectively, thanks to point-of-sale execution strategies such as investments in coolers, communication displays, and exclusive plans for the on-premise channel. The deployment of Costa Coffee continued in the rest of the territories and Topo Chico Twist achieved significant coverage in the traditional channel.



We inaugurated a new distribution center that will serve thousands of customers in different municipalities in Coahuila, Mexico. With an **investment of 216 million MXP**, this center can store 7,000 pallets of merchandise and 97 tons of refrigerated products.



UNITED STATES

The U.S. region includes the beverage business of Arca Continental Coca-Cola Southwest Beverages (AC-CCSWB) and the snack business of Wise and Deep River.

| Volume by category (MCU) | 2021 | 2020 | Variation (%) |
|-----------------------------------|--------|--------|---------------|
| Colas | 204.1 | 202.2 | 0.9 |
| Flavors | 116.1 | 108.9 | 6.6 |
| Sparkling Total Volume | 320.2 | 311.1 | 2.9 |
| Water* | 52.8 | 53.5 | -1.2 |
| Still Beverages** | 71.7 | 66.8 | 7.3 |
| Total Volume | 444.7 | 431.4 | 3.1 |
| Mix (%) | | | |
| Multi-serve | 67.1 | 67.4 | -0.3 |
| Single-serve | 32.9 | 32.6 | 0.3 |
| Income Statement (MM M XP) | | | |
| Net Sales *** | 69,323 | 66,380 | 4.4 |
| EBITDA | 9,250 | 8,846 | 4.6 |

* * Includes purified, flavored, and mineral water in single-serve presentations of up to 5Lts.

** Includes teas, isotonic, energy drinks, juices, nectars and fruit-drinks.

***Net sales not including revenues outside the territory in the USA.

4.4%

Net sales grew

to 69,323 million MXP and volume was 3.1% higher compared to 2020 and 0.7% higher compared to 2019.

4.6%

As of December 2021, EBITDA increased,

a representing a margin of 13.3%, in line with 2020 results.

- At the channel level, **on-premise grew 18.6%** versus the previous year and the **large stores channel increased 5.7%**, mainly due to execution initiatives in the market where packaging with better profitability was promoted, such as soft drinks in personal packaging and BodyArmor.



- Value share in the large store channel increased 0.7 percentage points**, driven by a solid performance in soft drinks, which gained 1.7 percentage points.

SOUTH AMERICA

The South America region includes the beverage businesses in Peru, Argentina, Ecuador, and the Inalecsa snack business in Ecuador.

| Volume by category (MCU) | 2021 | 2020 | Variation (%) |
|-----------------------------------|--------|--------|---------------|
| Colas | 252.7 | 226.4 | 11.6 |
| Flavors | 175.7 | 156.0 | 12.6 |
| Sparkling Total Volume | 428.4 | 382.4 | 12.0 |
| Water* | 66.6 | 57.5 | 15.8 |
| Still Beverages** | 50.2 | 36.9 | 35.9 |
| Volume excluding Jug | 545.1 | 476.8 | 14.3 |
| Jug | 7.6 | 8.0 | -4.9 |
| Total Volume | 552.7 | 484.9 | 14.0 |
| Mix (%) | | | |
| Returnable | 31.1 | 32.6 | -1.5 |
| Non-Returnable | 68.9 | 67.4 | 1.5 |
| Multi-serve | 71.8 | 74.8 | -3.1 |
| Single-serve | 28.2 | 25.2 | 3.1 |
| Income Statement (MM M XP) | | | |
| Net Sales | 35,402 | 32,760 | 8.1 |
| EBITDA | 6,903 | 6,458 | 6.9 |



* Includes purified, flavored, and mineral water in personal presentations of up to 5Lts.

** Includes teas, isotonic, energy, juices, nectars, and fruit drinks.

8.1%

In 2021, sales reached 35,402 million MXP, a 8.1% higher than 2020 results.

14%

Total volume in this region increased 14.% compared to 2020 and 2.6% versus 2019.

6.9%

As of December 2021, EBITDA was 6,903 million MXP, a growth of 6.9% and a margin of 19.5%.





Peru

- Sales volume increased 16.1% over 2020 and was in line compared to 2019.



- **The soft drink category grew 10.4%** as a result of the recovery of personal packaging and the launches of Inca Kola Power and Fanta Pineapple; the recovery of the on-premise channel was also leveraged.
- **The direct-to-home channel captured around four thousand customers during the year.** The development of this platform takes place under a strategic framework of promotional actions of value and discounts.
- The rollout of the “Universal Bottle” packaging has complemented the multi serve returnable packaging portfolio and the expansion to more flavor options with launches such as Fanta Pineapple in 1.5 Lt and 2.0 Lt formats. Currently, 67% of the bottles produced nationally are universal bottles.
- During the year, **a pilot of the Suggested Ordering** use case was deployed in the traditional channel, similar to the one in Mexico. This pilot reached 80% of the territory, with more than 250 thousand customers.



Ecuador

- **Sales volume grew 8.3% with respect to 2020.**
- **The flavors category recorded a 1.6% increase in volume,** as a result of a positive performance in the traditional channel with a 4.0% increase, as well as growth in the Fanta and Inca Kola brands of 15.5% and 6.6%, respectively. Growth in the multi serve format was due to the strategic focus on consumer affordability.
- **The mix of returnables increased 1.6% during the fourth quarter,** led by the launch of the Coca-Cola No Sugar 2L format. Additionally, the flavor category contributes to the increase in returnability thanks to Fanta and Sprite products.
- **Single serve packaging increased its mix by 3.7%,** driven by the colas and flavors categories.
- In the fourth quarter, Inalecsa **developed more than 2 thousand new customers in the traditional channel.** Additionally, the new launches helped to strengthen the positioning of the brands with flavors and affordable packaging presentations such as Pizzerolas, Saritas, Cuates Mix, and Ryskos BBQ.



Argentina

- As of December 2021, **sales volume increased 15.8%** compared to 2020 and 17.5% versus 2019.
- We continue to **focus on affordability,** primarily in returnable flavor packaging.



Distribution of Economic Value¹

(GRI 3-3, 201-1, 415-1)

By capturing market opportunities and contributing to innovation and quality service to our different sales channels, we remained a profitable company, with an adequate balance of revenues and expenses.

We present our main financial indicators, detailing the generated (income), distributed (costs and

expenses) and retained. economic value. The latter will allow us to continue generating opportunities in the short and medium term.

We communicate how we generate and distribute value to our stakeholders through these items, such as salaries and employee benefits.

| | 2021 | | 2020 | | 2019 | |
|--|----------------|-----------------|----------------|-----------------|----------------|-----------------|
| | Million pesos | Million dollars | Million pesos | Million dollars | Million pesos | Million dollars |
| Economic Value Generated (VEG) | | | | | | |
| Total Revenue | 185,746 | 9,110 | 171,586 | 7,948 | 165,041 | 8,556 |
| Financial Products | 4,549 | 223 | 6,501 | 301 | 2,758 | 143 |
| Sale of Assets | 322 | 16 | 377 | 17 | 1,813 | 94 |
| TOTAL | 190,617 | 9,349 | 178,464 | 8,266 | 167,300 | 8,673 |
| Distributed Economic Value (VED) | | | | | | |
| Cost of Sales | 102,414 | 5,023 | 94,881 | 4,395 | 91,968 | 4,768 |
| Operating Expenses, including salaries and social benefits | 57,536 | 2,822 | 54,447 | 2,522 | 52,284 | 2,654 |
| Taxes | 6,983 | 342 | 5,427 | 251 | 5,031 | 2,710 |
| Dividends | 9,734 | 477 | 8,680 | 402 | 4,058 | 210 |
| Interests | 7,842 | 385 | 9,977 | 462 | 6,349 | 329 |
| Community Investments | 150.8 | 7.4 | 136 | 7 | 80 | 4 |
| TOTAL | 184,659 | 9,056 | 173,548 | 8,038 | 159,770 | 8,283 |
| Retained Economic Value (VER) | 5,957 | 292 | 4,916 | 228 | 7,730 | 390 |

Tax Distribution and Taxation Management

Arca Continental complies with all the tax laws of the countries where we work.

We do not tolerate the use of mechanisms such as tax evasion or tax havens to reduce our obligations. We do not use tax structures without a commercial reason. Transfer prices are calculated based on international best practices and are audited. An independent third party audits our tax obligations each year.

¹ Figures expressed on millions of pesos.
*Average exchange rate for 2021 of 20.39 pesos.

Having our stakeholders' trust allows us to create a favorable environment for the achievement of our shared goals. We built, maintained, and increased that trust through transparency and integrity, being coherent between what we say and do, and fulfilling our commitments, all within a corporate governance framework that integrates the best international practices in this area, based on a solid foundation of ethical principles and zero tolerance to corruption.



WITH ETHICS AND TRANSPARENCY

- ETHICS AND COMPLIANCE
- CORPORATE GOVERNANCE

Ethics and Compliance

(GRI 2-23, 2-24) (PM - Principio 2, 3, 4, 5, 6, 10)

The activities and decisions of all associates at Arca Continental must be aligned with the principles of our Code of Ethics and Policies of Conduct. This Code goes beyond the requirements of laws and regulations of each of the countries where we operate and commits us to have the strictest standards of behavior.

This code, along with the Ethics and Integrity Management Manual, the Transparency Mailbox, policies, and procedures for issuing sanctions and assigning incentives, make up our **Ethics and Compliance System**, which responds to the value of “Integrity Based on Respect and Justice”, expressed as a pillar of the organizational culture.



[Click here to learn more about Ethics and Integrity Management at Arca Continental.](#)



Ethics and Compliance System

(GRI 2-16, 2-26)

The Ethics and Compliance Steering Committee is responsible for the management of this System. It is comprised of the Chief Executive Officer and part of the Senior Management. Its task is to report the status of the system to the Audit Committee of the Board of Directors, through the Ethics and Compliance Officer.

In addition to this corporate structure, each territory and business has a Local Ethics and Compliance Committee, comprised of four high-level directors. They are the ones who resolve the infractions to be registered on the subject and execute the action plans. The Ethics and Compliance Officer articulates the local areas with the corporate and provides support to all of them in their functions' fulfillment.

The contents of the Code of Ethics and other policies that are part of the Ethics and Compliance System are communicated so that they are known, understood and complied with by our associates.

Through e-learning supports, these documents are available to associates at any time. This allowed us to achieve 87% compliance with training in the existing modalities for filing a complaint. Webinars were also held with operations managers, aimed at teams with functions entailing close, direct contact with government officials.

Conduct contrary to the Code of Ethics and Policies of Conduct, as well as other Arca Continental policies, may be reported to the Transparency Mailbox.

ACCESS TO TRANSPARENCY MAILBOX:

- **Corporate Intranet**
<https://www.buzondetransparenciaac.com>
www.arcacontal.com
- **E-mail:**
informa@buzondetransparenciaac.com
- **Telephone numbers**
 - En Argentina: 0800-345-5478
 - En Ecuador: 1-800-001-135
 - En Estados Unidos: 1-888-303-8442
 - En México: 800 8228966
 - En Perú: 1-705-2233

Through this externally managed system we ensure that the complainant can anonymously report a non-conformity, if they wish to do so, as well as to follow up on each complaint in a timely manner.

Any retaliation against a complainant is prohibited, and we make sure they have channels to provide as much information and evidence as possible.

Click here to learn more
about our Code of Ethics
and Policies of Conduct.



Conflicts of Interest and Anti-Corruption Measures

(GRI 2-15-a, 2-15b, 2-16-a, 2-16b, 2-27, 3-3, 205-1, 205-2, 205-3, 206-1) (PM – Principio 10)

Derived from the Code of Ethics, we have specific policies that clarify the management of possible acts or situations contrary to our principles, such as:

- **Conflict of Interest Policy:** establishes the principles to identify and manage situations of conflict of interest, real or apparent, seeking to align the interests of the company and its associates and thus avoid situations that could affect the operation, trust, and organizational culture of the company.
- **Anti-Corruption Policy:** stipulates the principles and rules in cases where Arca Continental associates interact with government officials, in order to avoid acts of corruption and/or violations of the Code of Ethics and Policies of Conduct, as well as the company's policies related to applicable laws.
- **Corporate Assets Protection Policy:** defines the principles, procedures, and standards for protecting Arca Continental's assets and promoting integrity and responsibility among associates in the use of the company's assets and resources.
- **Policy to Prevent Money Laundering:** establishes the principles, procedures, and standards to protect the company and its associates against risks due to the use of resources of illicit origin.

Conflict of Interest

The members of the Board of Directors are governed by the provisions of the Mexican Securities Market Law and our bylaws, which establish that directors are required to abstain from participating in the deliberation and voting on matters in which they have a conflict of interest.

Furthermore, for transparency purposes, we disclose the profile and resume of each of them, their existing family relationships, and the percentage of shareholding - if significant.

Given that conflicts of interest can be difficult to identify, we have made mechanisms for consultation with our Compliance Officer available, so that any doubts can be clarified, and any possible violation of the policy can be correctly channeled to a superior or through the Transparency Mailbox.

Additionally, we make the Conflict of Interest Statement (Declaration of Independence) available to our associates to indicate any conflict with a business partner in the bidding process, with gift receipt, with the relationship with a government official, or with a current supplier.



Prevention of Corruption

Our Anti-Corruption Policy contemplates the prohibition and/or regulation of activities such as donations, sponsorships, purchases, permits and licenses, participation in bidding processes, among others, that could corrupt our principles of professionalism, transparency, respect, integrity, and zero tolerance to any act of corruption.

During 2021, all our operations carried out an assessment of their corruption risks, identifying improper gifts, conflicts of interest with suppliers, or mispriced commissions as relevant.

To help mitigate or eliminate these cases, we also implemented the completion of the Conflict of Interest Statement and the Gifts, Meals, and Entertainment Request Form.

We also reviewed new associates and suppliers profiles in search of associations to acts of corruption, as well as associations or organizations with which we are close to establishing a partnership or commercial cooperation.

All members of the governing body, as well as our associates, are informed of our anti-corruption policies and procedures. Our anti-corruption policies and procedures also cover business partners in all our operations and subsidiaries. By 2021, we reached 61% of employees trained in anti-corruption measures.

Neither Arca Continental at the corporate level, nor its local companies and subsidiaries have been denounced or involved in a legal case of corruption, unfair competition, or anti-competitive practices.



Public Policies

We are subject to multiple laws and regulations in the countries where we are present. They impact our operations, finances, and prospects.

Any legislative changes, even if they relate to industries other than ours, could also impact our cost schemes, forcing us to implement important operational changes related to changes in tariff, health, labeling, environmental, and food safety policies. We seek to proactively participate in the understanding of these changes in the regulatory environment and actively contribute to the dialogue between social, economic, and political actors that every democracy must conduct in order to define legislative changes.

The objective is to contribute our knowledge of the industry, the consumer, and the market to generate integral solutions to the challenges faced by society, through the Corporate Affairs and Sustainability teams.

We adhere to the regulatory compliance of each country where we operate in terms of contributions, in line with the Code of Ethics. It is our policy to avoid any situation susceptible to anti-competitive practices, as well as to reject and condemn any criminal conduct.

Corporate Governance

(GRI 2-9, 2-10, 2-11a, 2-11b, 2-12, 2-13, 2-14, 405-1)

We assume that sound corporate governance influences the various aspects that make a company great. For this reason, we comply with the BMV's¹ Code of Best Corporate Practices and our philosophy, which consists of four pillars:

- **Accountability:** Guaranteed accountability of the General Management to the Board of Directors and of the Board to the shareholders.
- **Equity:** All shareholders are treated equally, and their rights are protected.
- **Transparency:** Timely, material, and accurate information is available, with emphasis on the means of internal control and independent reporting.
- **Independence:** We avoid conflicts of interest and ensure participation of independent expert directors.

If you would like to learn more about Arca Continental's Corporate Governance, please see the annual report to the Mexican Stock Exchange at the following link: <https://www.arcacontal.com/inversionistas/reportes-financieros.aspx>



We received PRIME Certification, a recognition awarded to companies that have established best practices to ensure good corporate governance. The certification is issued by a specialized committee formed by the Mexican Association of Stock Market Institutions (AMIB), the Institutional Stock Exchange (BIVA), the Mexican Stock Exchange (BMV), Nacional Financiera (NAFIN), and the National Bank of Foreign Trade (BANCOMEXT).



¹ Mexican Stock Exchange

Composition of the Board of Directors

(GRI 2-10-a, 2-10-b, 2-17)

The Board of Directors is made up of twenty highly qualified members with a long history of service to the organization. 25% of whom are independent and 10% are women.

| Board Member Name | Gender | Title | Condition ³ | Committees | | | |
|--------------------------------------|--------|------------------------|------------------------|------------|---|---|---|
| | | | | C | E | P | A |
| Jorge Humberto Santos Reyna | Male | Chairman | Patrimonial | X | X | X | |
| Manuel L. Barragán Morales | Male | Honorary Life Chairman | - | | | | |
| Luis Arizpe Jiménez | Male | Board Member | Patrimonial | | X | X | |
| Alejandro José Arizpe Narro | Male | Board Member | Patrimonial | | | X | |
| Alfonso J. Barragán Rodríguez | Male | Board Member | Patrimonial | X | | | |
| Juan Carlos Correa Ballesteros | Male | Board Member | Independent | X | | | |
| Felipe Cortés Font | Male | Board Member | Independent | | | X | |
| Alejandro M. Elizondo Barragán | Male | Board Member | Patrimonial | | | X | |
| Francisco Rogelio Garza Egloff | Male | Board Member | Patrimonial | | | | |
| Roberto Garza Velázquez | Male | Board Member | Patrimonial | | X | X | |
| Rodrigo Alberto González Barragán | Male | Board Member | Patrimonial | | | X | |
| Cynthia H. Grossman | Female | Board Member | Patrimonial | | | | |
| Johnny Robinson Lindley Suárez | Male | Board Member | Patrimonial | | | | |
| Ernesto López de Nigris | Male | Board Member | Independent | X | | | X |
| Miguel Ángel Rábago Vite | Male | Board Member | Patrimonial | X | X | X | |
| Alberto Sánchez Palazuelos | Male | Board Member | Patrimonial | | | | |
| Daniel H. Sayre | Male | Board Member | Independent | | | | |
| Armando Solbes Simón | Male | Board Member | Independent | | | | X |
| Bernardo González Barragán | Male | Board Member | Patrimonial | X | | | |
| Jesús Viejo González | Male | Board Member | Patrimonial | | | X | |
| Marcela Villareal Fernández | Female | Board Member | Patrimonial | X | | | |
| Jaime Sánchez Fernández ⁴ | Male | Non-Member Secretary | N/A | | | | |

Committees:

- C Human Capital and Sustainability Committee
- E Executive Committee
- P Planning and Finance Committee
- A Audit and Corporate Practices Committee

³ All members of the Board of Directors are non-executive members, except for the Secretary of the Board.

⁴ Executive Legal Director and Secretary of the Board of Directors.

To support business objectives, the Board of Directors has a structure of four committees:

Executive Committee: It facilitates decision-making on strategic projects by the Planning and Finance Committee and the Board of Directors and analyzes and, if necessary, authorizes the decisions delegated to it by the Board to streamline administrative processes.

Audit and Corporate Practices Committee: It verifies that operations are conducted within the applicable regulatory framework, supervises and ensures the veracity of the financial performance information reported, and ensures compliance with the principles governing the Company in accordance with the provisions of the law.

Planning and Finance Committee: Evaluates and suggests policies and guidelines for investment, financing, dividends, and strategic planning; gives opinions and follows up on the application of the annual budget and the achievement of the strategic plan; identifies and proposes policies to address risk factors; among other functions.

Human Capital and Sustainability Committee: Evaluates, reviews, and ensures compliance with the Company's compensation and human capital guidelines, proposes the criteria for the selection and evaluation of the Chief Executive Officer and the principal officers of the Company. Oversees the implementation of the sustainability strategy, evaluates the effectiveness of communications, monitors the progress of the main programs and related indicators, among other activities.

[Click here to see Arca Continental's bylaws.](#)



Members of the Board of Directors are elected annually by the General Shareholders' Meeting by means of a vote, respecting the requirement of 25% of independent directors, as established by the Mexican Securities Market Law.

The Board of Directors appoint the members of the Committees, with the exception of the Chairman of the Audit and Corporate Practices Committee, appointed by the General Shareholders' Meeting.

In terms of share ownership, the Control Trust⁵ owns 46.57% of the voting shares⁶. All shares grant the same rights and one vote per share.

Attendance at Board meetings is monitored, in line with the obligation imposed by the stock exchange regulatory authority to attend such meetings and to have alternate directors for each director.

[Click here to learn more about committee functions.](#)



⁵ Trust held by Scotiabank Inverlat, S.A. under registration number 1451028995, in which the Barragán, Arizpe, Fernández, and Grossman families participate.
⁶ Mrs. Cynthia H. Grossman owns, directly and indirectly, more than 5% of the voting shares.

Board of Directors and Management Team

Jorge Humberto Santos Reyna (47) 1,C,P

Alternate: Samira Barragán Juárez de Santos

Chairman of the Board of Directors of Arca Continental since 2019.

Chairman of the Board of Directors at AC Bebidas. Chief Executive Officer of Grupo SanBarr and member of the Board of Directors of Regional SAB de C.V. Chairman of the Board of Directors of Regio Engordas, S.A. de C.V. Also, Vice Chairman of the Board of Directors of the Mexican Red Cross of Monterrey. Member of the Executive Committee of the Consejo Nacional Agropecuario (CNA, or National Agriculture Board). Previously, he was Vice Chairman of the Board of Directors of Arca Continental from 2007 to 2019. Former Chairman of the Board of Directors of Arca Continental South America. Former Chairman of the Board of the Consejo Estatal Agropecuario de Nuevo León, A.C. (Nuevo Leon State Agricultural Board), former President of the Asociación de Engordadores de Ganado Bovino del Noreste A.C. (Northeastern Mexico Beef Association). Former Treasurer of the Asociación Mexicana de Engordadores de Ganado Bovino (Mexican Beef Association); former President of the Unión Social de Empresarios de México en Monterrey, (USEM or Mexico Entrepreneur Union - Monterrey). Former Board member of Grupo Procor, CAINTRA Nuevo León and Papas y Fritos Monterrey.

Luis Arizpe Jiménez (59) 1, P, E

Alternate: Carlos Arizpe Jiménez

Board Member since 2003 and Vice-Chairman of the Board of Directors since 2008.

Member of the Board of Directors of Grupo Industrial Saltillo and Chairman of the Audit Committee, Chairman of the Board of Directors of Saltillo Kapital, Inversiones del Norte, and Inmobiliaria BIRARMA, Vice-Chairman of the Board of ITESM, Saltillo Campus, member of the Board of the Consejo Cívico de Instituciones de Coahuila (Civic Council of Institutions from Coahuila). He is also President of the Saltillo Diocese Tithing Committee and, President of the Northern Federation of COPARMEX, as well as a member of the Advisory Board at Grupo Financiero Banorte, Northern Region. Former President of the Coahuila Southeastern Chapter of COPARMEX and former Chairman of the Mexican Red Cross, Saltillo Delegation.

Manuel L. Barragán Morales 1

Honorary Lifetime Chairman of the Board since 2019.

Chairman of the Board from 2005 to 2019 and Board Member since 2001.

Alejandro José Arizpe Narro (67) 1, P

Alternate: Joaquín Mario Arizpe Sada

Board Member since 2011.

He was a Board Member of Embotelladoras Arca from 2008 to 2010. He holds a Biochemical Engineering degree from ITESM. He was CEO of Productos Alimenticios YUL up until 2008 and is currently CEO of Desarrollos Zendo and Elemento Cero Ediciones. He is a member of COCEEPA (Consejo Ciudadano Estatal para el Equilibrio Ecológico y la Protección al Ambiente de Coahuila, or State Citizens Counsel for the Ecological Balance and Environmental Protection of Coahuila), as well as an advisor at CONALEP and PRONATURA.

Alfonso J. Barragán Rodríguez (36) 1, C

Alternate: Juan Manuel Barragán Treviño

Board Member since 2019 and Alternate Board Member since 2014.

He has Industrial and Information Technology Engineering degree from Tecnológico de Monterrey, is a graduate of the AD2 Senior Management Program from IPADE and has taken continuing education courses at MIT. He is Executive President of Eon Corporation and on the Boards of various commercial and technology companies in the U.S. and Mexico. He has contributed to various international patents and participated in intellectual property licensing programs for several Fortune 500 companies.

Juan Carlos Correa Ballesteros (51) 2, C

Alternate: Adrián Jorge Lozano

Board Member since 2016.

Former member of the Executive Committee and of the Human Capital Committee of the Board of Directors at Arca Continental South America since 2010. He worked for 14 years at Ecuador Bottling Company, the Coca-Cola bottler in Ecuador, holding a number of different positions, including COO and Corporate Vice-President during his last three years at the company. He is currently Executive Vice-President at CorMa Holding Family Office. He has a Master's Degree in Finance from the University of Miami.

Felipe Cortés Font (80) 2, A**Alternate:** Pau Cortés Valdés**Board Member since 2013.**

He currently serves on the Boards of Grupo Promax, Arendal, Stiva and Ternium. Founding partner at Auric. He worked for Grupo Alfa for 28 years where, as the head of the Planning and Controllershship divisions, he was part of the team leading the strategic and financial restructuring of the company. He also led the Petrochemical Sector division at Hylsamex. He was Director of the American Iron and Steel Institute and President of Canacero, Nuevo León Productivity Center, and the Latin American Institute for Steel and Iron. He has a Bachelor of Science Degree from MIT.

Alejandro M. Elizondo Barragán (68) 1, P**Alternate:** Alberto Javier Elizondo Barragán**Board Member since 2004.**

Former Director of Development at Grupo Alfa, holding various positions in Corporate as well as steelmaking and petrochemical divisions during his 43-year career at Alfa. He currently serves on the Boards of Grupo Stiva, Axtel, and The Museum of Steel.

Francisco Rogelio Garza Egloff (67) 1, P**Alternate:** Manuel Gutiérrez Espinoza**Board Member since 2019.**

Former Chief Executive Officer of Arca Continental from 2003 to 2018. He is currently a member of the Board of Directors of AC Alimentos y Botanas, an AC subsidiary. He is also President of Proval Consultores and member of the Boards of Directors of Grupo Industrial Saltillo, Alpek, Banco Banregio, Ragasa, Proeza and Fundación Coca-Cola de México. Current President of Fundación UANL and Advisor to Escuela de Ingeniería y Ciencias (The School of Engineering and Sciences) at the Instituto Tecnológico de Monterrey, and Vice-President of CONCAMIN. Former Chief Executive Officer of Sigma Alimentos, Akra, Petrocel-Temex and Polioles at Grupo Alfa, where he had a 26-year career. He has a Chemical Engineering Degree from the Instituto Tecnológico de Monterrey and completed Senior Management studies at IPADE.

Roberto Garza Velázquez (65) 1, P, E**Alternate:** Miguel C. Barragán Villarreal**Board Member since 2001 and Vice-Chairman since 2019.**

Shareholder at Industria Carrocera San Roberto, S.A. de C.V., as well as Board Member of Grupo Index, Afirme Grupo Financiero, and AMANEC, A.C. He has been a member of the Grupo Autofin Monterrey Board of Directors since 2017.

Rodrigo Alberto González Barragán (62), P**Alternate:** Guillermo Javier González Barragán**Board Member since 2021.**

He holds Bachelors, Masters and Doctoral degrees in Musical Execution from the University of Texas at Austin. He is Vice Presidente of the ESMDM Society since 2001, and Advisor to the Ballet Society of Monterrey A. C. since 1998. Advisor at CONARTE since 2009, and Member of the Committee on Culture of San Pedro Garza García from 2015 to 2019. Founder of the Expresión Musical Artística School (1995-2019).

Cynthia H. Grossman 1**Alternate:** Herman Goettsch Amigot**Board Member since 2011.**

She was Chairman of the Board of Directors of Grupo Continental since 2000 and a Board Member since 1983.

Johnny Robinson Lindley Suárez (47) 1**Alternate:** Jose Roberto Gavilano Ramírez**Board Member since 2018.**

He was CEO of Corporación Lindley from 2007 to 2014 and has served as its Chairman of the Board since 2013. He is the Chairman of the Board of Directors for Lindcorp since 2015. He holds a Degree in Business Administration, specializing in Marketing, from Bentley College. He also graduated from the OPM program at Harvard Business School in 2016.

Ernesto López de Nigris (61) 2, A, C**Alternate:** Juan Carlos López Villareal**Board Member since 2001.**

Member of the Board of Directors of Grupo Industrial Saltillo, where he also served as Vice-Chairman of the Board of Directors and Operations. Additionally, he is a member of the Advisory Board at Teléfonos de México, as well as a Regional Director for Nafinsa and Grupo Financiero Banorte.

Miguel Ángel Rábago Vite (66) 1, C, P, E**Alternate:** Roberto Martínez Garza**Board Member and Vice-Chairman since 2011.**

Current board member of Board of Directors at AC Bebidas and AC Alimentos y Botanas, subsidiaries of AC. Former CEO and Member of the Board of Directors of Grupo Continental, where he also held several other positions during more than 35 years with the company. He is a Certified Public Accountant and Auditor having graduated from the Universidad Autónoma de Tamaulipas.

Alberto Sánchez Palazuelos (82) 1

Alternate: Brett E. Grossman

Board Member since 2011.

He was President of Negromex, Grupo Novum, and Troy Grupo Industrial. He served on the Boards of BBVA Bancomer, Grupo Martí, Probusa, and Cityexpress Hotels, among others. He is currently President of ASP y Asociados, S.C. He serves on the Boards of Procorp and Inmobiliaria CADU and is a member of the Advisory Board at Purdue University.

Daniel H. Sayre (65) 2

Alternate: Luis Burgueño Colín

Board Member since 2018.

Former President of the Western Europe, Japan and Latin Center Divisions at The Coca-Cola Company, and held several leadership positions at the Rio de la Plata, Andean, and Mexico Divisions. He served on the Board of Directors of Grupo Continental from 2003 to 2006, and of Coca-Cola East Japan from 2012 to 2017. He has a Degree in Economics from Rice University and an MBA from the Kellogg School of Management, as well as completed leadership programs for senior management at the Wharton and Emory University Business Schools.

Armando Solbes Simón (66) 2, A

Alternate: José Luis Fernández Fernández

Board Member since 2011.

Former Board Member of Grupo Continental. He is currently Director of the Tampico Office of Banco Base, member of the boards of Promotora Turística Punta Bete, S.A.P.I. de C.V. and Vista Inn, S.A. de C.V., is an associate and member of the Management Committees at Bene Hospital del Centro Español de Tampico and Universidad IEST Anáhuac. He is also a member of the Regional Consulting Board of ITESM, Tampico Campus (ESTAC). He was Chairman of the Board and CEO at Central de Divisas Casa de Cambio for 23 years. He held several positions in the finance division of Grupo Cydsa, S.A.B. for eight years, and in external auditing services for Gossler, Navarro, Cenicerros y Cia. for three years.

Bernardo González Barragán (43) 1, C

Alternate: Eduardo Manuel Treviño Barragán

Board Member since 2020 and Alternate in 2019.

Since 2011, he has been a professor of accounting and finance at the Universidad de Monterrey. He was a corporate finance analyst at Fitch Ratings covering the retail and housing sectors. He has formally covered the NARTD beverage industry for over 25 years. He holds a master's in finance with a specialization in economics and an MBA, both from EGADE Business School. He has obtained various certifications in the areas of finance and economics from the University of Edinburgh, London School of Economics and Political Science and the University of Essex in the UK. He has a Degree in Marketing from the Instituto Tecnológico y de Estudios Superiores de Monterrey.

Jesús Viejo González (48) 1, P

Alternate: Magda Cristina Barragán Garza de Viejo

Board Member since 2007.

He is Executive President of Trefilia Capital. Currently, he serves as Technical Secretary for the Nuevo León Strategic Planning Board and is a Board Member of the Universidad de Monterrey (UEM), the John F. Kennedy School of Government, the Center for International Development at Harvard, and Grupo Topaz. He was Vice-President of Economic Research for Emerging Markets at Goldman Sachs and Chief Economist at Grupo Alfa. He holds a Degree in Economics from ITESM, and a Master's Degree in Public Policy from Harvard University. He also holds a PhD in Economics from Boston University.

Marcela Villareal Fernández 1, C

Alternate: Miguel Antonio Panetta Villareal

Board Member since 2019.

Former Board Member of Embotelladoras Arca from 2001 to 2010. Advisor at Tulane University's School of Public Health and Tropical Medicine, Research Project. Board Member of Sistema Axis and Argos, and President of the El Paso Museum of Art.

Jaime Sánchez Fernández (Non-member Secretary)**Non-member Secretary of the Board of Directors since 2009.**

Executive Legal Director of the company since 2011 and Executive Legal Director of Embotelladoras Arca from 2008 to 2011.

Legend

1. Patrimonial
2. Independent

Committees

- A. Audit and Corporate Practices
- C. Human Capital and Sustainability
- P. Planning and Finance
- E. Executive Committee

Senior Management

Arturo Gutiérrez Hernández (56)**Chief Executive Officer**

Chief Executive Officer since 2019. Prior to that he was Deputy Chief Executive Officer. He has held several positions during his 20 years with the company, including Chief Operating Officer, Director of the Mexico Beverages Division, Director of Human Resources, Director of Planning, and General Counsel. He is a member of the Board of Directors of KKR & Co. He holds a Law Degree from the Escuela Libre de Derecho and a Master's Degree in Law from Harvard University.

José Borda Noriega (53)**Chief Commercial and Digital Officer**

Formerly the General Manager of Lindley Corporation, General Manager for Coca-Cola Central America and Chief Operating Officer for Sparkling Beverages at Coca-Cola de México. He holds a degree in Industrial Engineering from the Pontificia Universidad Católica del Perú and an MBA from J.L. Kellogg School of Management.

Guillermo Garza Martínez (54)**Chief Corporate Affairs and Sustainability Officer**

Formerly held the position of Communications and Social Responsibility Director. He serves on several boards for industry-related local and international companies. He has over 30 years of experience in journalism, communications, social responsibility and public affairs. He holds a Degree in Communications from the Universidad Regiomontana, a Master's in Science Degree from ITESM, and post graduate executive studies from Boston College, Harvard University and IPADE.

Alejandro González Quiroga (60)**Executive Director Latin America Beverages**

He has been with the company for more than 34 years holding several positions. He was Director of AC Beverages Mexico, Arca Continental South America and Arca Continental Argentina. He was President of the Asociación de Embotelladores de Coca-Cola in Mexico. He holds a Degree in Business Administration from the Universidad Regiomontana and post-graduate certificates in Top Management from ITESM and IPADE.

Emilio Marcos Charur (58)**Chief Financial Officer**

He was formerly Director of Mexico Beverage Operations and Director of the Complementary Businesses Division, besides heading the Treasury and Procurement areas. He holds a Degree in Industrial Engineering and Computer Systems from ITESM and an MBA from the University of Illinois.

Denise Martínez Aldana (49)**Chief Human Resources Officer**

She worked formerly as Talent and Culture Director for Arca Continental and Human Resources Director for Arca Continental- Coca-Cola Southwest Beverages. She has over 20 years of experience within the Coca-Cola system holding several positions in human resources areas, including Human Resources Director in the corporate offices of The Coca-Cola Company, at Atlanta. She has both a Bachelor's and Master's Degree in Business Administration from the University of Texas.

Alejandro Molina Sánchez (54)**Chief Technical and Supply Chain Officer**

He is member of the Activation Committee at the Global Supply Chain Board for the Coca-Cola System, where he formerly served as President. He worked for Coca-Cola de México for more than 15 years in the Quality Control, Environmental Sustainability, and Supply Chain divisions. He holds a degree in Chemical Engineering from Universidad La Salle, and a postgraduate certificate in Supply Chain from the Instituto Tecnológico Autónomo de México (ITAM).

Alejandro Rodríguez Sáenz (59)**Chief Strategic Planning Officer**

He formerly held the positions of Executive Director for Complementary Businesses, Director of Bokados, and General Manager of Topo Chico. He currently serves on the boards of Andamios Atlas S.A., Holding Tonicorp and Tambo. He has held several management positions at Alfa. He holds a Degree in Chemical Engineering and Computer Systems and an MBA from ITESM, and a post-graduate certificate in Top Management from IPADE.

Jaime Sánchez Fernández (51)**General Counsel**

He is Secretary of the Board of Directors. Formerly Legal Director, Secretary of the Board of Directors and Legal Corporate Manager at Embotelladoras Arca prior to the merger with Arca Continental. He worked for Grupo Alfa as their corporate lawyer and also practiced law independently. He holds a law degree from the Universidad de Monterrey and a Master's Degree in Law from the University of Michigan.

Jean Claude Tissot Ruiz (50)**President of Arca Continental Coca-Cola Southwest Beverages**

He formerly held the position of Chief Operating Officer at Coca-Cola Southwest Beverages and Chief Marketing Officer of Arca Continental. Previously, Mr. Tissot worked as an executive at The Coca-Cola Company for more than 15 years serving as General Director of Northern and Southern Mexico, and Central America Honduras and El Salvador, as well as director roles in Colombia, and at Warner Lambert for five years. He has a Bachelor's Degree in Business Administration from ICESI University in Colombia, and Master's degrees in Marketing and Finance from Colegio de Estudios Superiores de Administración, also in Colombia.

CONSOLIDATED FINANCIAL STATEMENTS

ARCA CONTINENTAL, S.A.B. DE C.V. AND SUBSIDIARIES

DECEMBER 31 2021 AND 2020

WITH INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report



To the Stockholders of Arca Continental, S.A.B. de C.V.

Opinion

We have audited the consolidated financial statements of Arca Continental, S.A.B. de C.V. and its subsidiaries (the Company), which comprise the consolidated statement of financial position as of December 31, 2021 and 2020, and the consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico according with the "Código de Ética Profesional del Instituto Mexicano de Contadores Públicos" ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The recovery value estimation of intangible assets with indefinite useful lives

Description and why it was considered a key audit matter

We have determined the recovery value estimation of intangible assets with indefinite useful lives to be a key audit matter. Given the significant judgments and estimations involved in determining the approaches, assumptions and premises used by management to calculate the recovery value of those indefinite life intangible assets, we also focused in this area because of the significance of the balances of those assets as of December 31, 2021, which are mainly comprised of goodwill, bottler's agreements and brands of \$57,219,349, \$50,290,811 and \$3,629,669, respectively.

In Note 5 “Accounting estimations and judgments” and Note 12 “Goodwill and intangible assets, net” to the consolidated financial statements describes with more detail the impairment testing analysis of indefinite life intangible assets performed by the Company. This analysis includes an annual recovery value estimation of the cash-generating units (CGU) which those assets are assigned to identify and record any potential impairment. The impairment testing valuation involves the application of significant judgments due to the analysis of assumptions and premises such as profitability and economic conditions, discount rates, operation margin, weighted average cost of capital, and others. Those assumptions are sensitive and are affected by economic and technology changes, market conditions and other factors.

How our audit addressed the key audit matter

We evaluated management assumptions and premises used to identify and assign a group of long-lived assets to each CGU. Regarding the recovery value of indefinite life intangible assets, we evaluated the future cash flow projections prepared by management, and reviewed the information used to prepare them, verifying that future cash flow projections are in line with historical trends and long-term business plans approved by the Board of Directors for 2022 to 2026.

For each CGU, we compared the actual results for the past four years with the figures budgeted for each of those years, to consider the adequacy of the assumptions included in the projections.

With respect to the assumptions and premises used by the Company’s management, we involved our internal valuation specialist to support us in evaluating the reasonableness of the approach used by the Company to determine the recoverable value of all CGUs (revenue approach, using discounted future cash flows to determine the value in use).

We compared the results of the calculation of the recovery values against the book values of the CGUs; we discussed with management the differences between the methodologies used for calculation of the recovery value and we verified that they were applied consistently with prior years.

We analyzed the impairment testing calculation of the long-lived assets prepared by management, and we evaluated the competences, technical capabilities, and objectivity of the Company internal valuation specialists.

Furthermore, we assessed the adequacy of related disclosures with respect to the identification and determination of the recoverable value of long-lived assets made in the consolidated financial statements as of December 31, 2021.

Other information contained in the Company’s 2021 Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual Report corresponding to the year ended December 31, 2021, that will be presented to the Comisión Nacional Bancaria y de Valores (“CNBV”) and the Annual Information presented to the Bolsa Mexicana de Valores, but does not include the consolidated financial statements and our auditor’s report thereon. The Annual Report is expected to be made available to us after to the date of this auditor’s report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of the Company are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company and subsidiaries audit. We remain solely responsible for our audit opinion.


We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The partner in charge of the audit resulting in this independent auditor's report is stated below.

Mancera, S.C.
A Member Practice of
Ernst & Young Global Limited



C.P.C. Aldo A. Villarreal Robledo

Monterrey, N. L.
February 21, 2022.

Consolidated statements of financial position

(Thousands of Mexican pesos)

| | | | | December 31, |
|--|------|----------------|----|--------------|
| | Note | 2021 | | 2020 |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | 7 | \$ 32,116,974 | \$ | 27,335,702 |
| Account receivables from clients and others, net | 8a | 12,806,423 | | 9,212,914 |
| Related parties | 27 | 1,965,316 | | 977,695 |
| Inventories | 9 | 9,639,708 | | 8,250,619 |
| Derivative financial instruments | 20 | 317,594 | | 871,339 |
| Prepayments | | 585,636 | | 451,010 |
| Total current assets | | 57,431,651 | | 47,099,279 |
| Non-current assets: | | | | |
| Investment in shares of associates | 10 | 8,613,862 | | 8,308,209 |
| Property, plant and equipment, net | 11 | 68,789,909 | | 69,658,796 |
| Goodwill and intangible assets, net | 12 | 117,342,882 | | 116,424,326 |
| Right-of-use assets, net | 13 | 1,083,036 | | 1,189,996 |
| Deferred income taxes | 17 | 3,632,245 | | 2,590,689 |
| Derivative financial instruments | 20 | 175,092 | | - |
| Other assets | | 958,243 | | 702,344 |
| Total non-current assets | | 200,595,269 | | 198,874,360 |
| Total assets | | \$ 258,026,920 | \$ | 245,973,639 |
| Liabilities and stockholders' equity | | | | |
| Current liabilities: | | | | |
| Current debt | 14 | \$ 7,546,533 | \$ | 7,132,136 |
| Suppliers | | 12,329,853 | | 8,028,352 |
| Related parties | 27 | 4,119,234 | | 2,649,481 |
| Derivative financial instruments | 20 | 17,198 | | 334,987 |
| Income tax payable | 25 | 2,195,877 | | 1,328,360 |
| Lease liabilities | 13 | 406,675 | | 358,034 |
| Other liabilities | 15 | 12,260,549 | | 10,947,623 |
| Total current liabilities | | 38,875,919 | | 30,778,973 |
| Non-current liabilities: | | | | |
| Non-current debt | 14 | 43,526,998 | | 43,444,973 |
| Lease liabilities | 13 | 745,338 | | 853,223 |
| Employee benefits | 16 | 5,797,979 | | 5,249,179 |
| Derivative financial instruments | 20 | 21,894 | | 357,150 |
| Deferred income taxes | 17 | 17,378,337 | | 17,039,846 |
| Other liabilities | 15 | 1,543,357 | | 830,106 |
| Total non-current liabilities | | 69,013,903 | | 67,774,477 |
| Total liabilities | | 107,889,822 | | 98,553,450 |
| Stockholders' equity: | 18 | | | |
| Controlling interest: | | | | |
| Capital stock | | 981,959 | | 981,959 |
| Share premium | | 43,051,569 | | 45,086,473 |
| Retained earnings | | 73,120,289 | | 69,882,571 |
| Other comprehensive income | 19 | 3,222,970 | | 902,854 |
| Total controlling interest | | 120,376,787 | | 116,853,857 |
| Non – controlling interest | | 29,760,311 | | 30,566,332 |
| Total stockholders' equity | | 150,137,098 | | 147,420,189 |
| Total liabilities and stockholders' equity | | \$ 258,026,920 | \$ | 245,973,639 |

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.


Arturo Gutiérrez Hernández
 Chief Executive Officer


Emilio Marcos Charur
 Chief Finance Officer

Consolidated statements of income

(Thousands of Mexican pesos)

| | | For the years ended December 31, | |
|--|----------|----------------------------------|----------------|
| | Note | 2021 | 2020 |
| Net sales | 6 | \$ 183,366,377 | \$ 169,313,779 |
| Income related NPSG | 6 and 27 | 2,379,992 | 2,272,068 |
| Cost of sales | 21 | (102,413,689) | (94,881,270) |
| Gross profit | | 83,332,680 | 76,704,577 |
| Operating expenses: | | | |
| Selling expenses | 21 | (48,504,225) | (45,806,543) |
| Administrative expenses | 21 | (9,031,993) | (8,640,656) |
| Equity in the results of strategic associates | 10 | 105,701 | 61,961 |
| Other expenses, net | 22 | (541,231) | (846,934) |
| Operating profit | | 25,360,932 | 21,472,405 |
| Financial income | 24 | 4,548,808 | 6,501,092 |
| Financial expenses | 24 | (7,841,799) | (9,977,006) |
| Financial costs, net | | (3,292,991) | (3,475,914) |
| Equity in the results of associates | 10 | 4,456 | 4,247 |
| Profit before income tax | | 22,072,397 | 18,000,738 |
| Income tax | 25 | (6,983,093) | (5,427,150) |
| Net consolidated profit | | 15,089,304 | 12,573,588 |
| Net consolidated profit attributable to: | | | |
| Equity holders of the parent | | 12,282,048 | 10,276,089 |
| Non-controlling interest | | 2,807,256 | 2,297,499 |
| | | \$ 15,089,304 | \$ 12,573,588 |
| Basic earnings per share, in pesos | | \$ 6.99 | \$ 5.84 |
| Diluted earnings per share, in pesos | | \$ 6.99 | \$ 5.84 |
| Weighted average of outstanding shares (thousands) | | 1,757,187 | 1,759,876 |

The above consolidated statements of income should be read in conjunction with the accompanying notes.



Arturo Gutiérrez Hernández
Chief Executive Officer



Emilio Marcos Charur
Chief Finance Officer

Consolidated statements of comprehensive income

(Thousands of Mexican pesos)

| | Note | For the years ended December 31, | |
|---|------|----------------------------------|---------------|
| | | 2021 | 2020 |
| Net consolidated profit | | \$ 15,089,304 | \$ 12,573,588 |
| Other consolidated comprehensive income items, net of income tax: | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Remeasurement loss of defined benefit plans, net | 19 | (156,145) | (391,626) |
| Equity in other comprehensive income of associated companies accounted for using equity method, net | 19 | (56,335) | (171,837) |
| | | (212,480) | (563,463) |
| Items that may be reclassified to profit or loss: | | | |
| Effect of derivative financial instruments contracted as cash flow hedges, net | 19 | 544,054 | (6,046) |
| Exchange differences on translation of foreign operations | 19 | 2,348,598 | 3,639,072 |
| | | 2,892,652 | 3,633,026 |
| Total other comprehensive income for the year | | 2,680,172 | 3,069,563 |
| Total consolidated comprehensive income | | \$ 17,769,476 | \$ 15,643,151 |
| Attributable to: | | | |
| Equity holders of the parent | | \$ 14,602,164 | \$ 12,745,994 |
| Non-controlling interest | | 3,167,312 | 2,897,157 |
| Total consolidated comprehensive income | | \$ 17,769,476 | \$ 15,643,151 |

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.



Arturo Gutiérrez Hernández
Chief Executive Officer



Emilio Marcos Charur
Chief Finance Officer

Consolidated statements of changes in stockholders' equity

For the years ended December 31, 2021 and 2020
(Thousands of Mexican pesos)

| | Controlling interest | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------------|----------------------------|--------------------------|----------------------------|--|
| | Capital stock | Share premium | Retained earnings | Other comprehensive income | Total controlling interest | Non-controlling interest | Total stockholders' equity | |
| Balances at January 1, 2020 | \$ 981,959 | \$ 45,089,220 | \$ 68,391,858 | \$ (1,567,051) | \$ 112,895,986 | \$ 28,490,691 | \$ 141,386,677 | |
| Transactions with stockholders: | | | | | | | | |
| Dividends declared in cash (Note 18) | - | - | (8,680,273) | - | (8,680,273) | (821,516) | (9,501,789) | |
| Repurchase of own shares (Note 3w) | - | (2,747) | (105,103) | - | (107,850) | - | (107,850) | |
| | - | (2,747) | (8,785,376) | - | (8,788,123) | (821,516) | (9,609,639) | |
| Net consolidated profit | - | - | 10,276,089 | - | 10,276,089 | 2,297,499 | 12,573,588 | |
| Total other comprehensive income for the year (Note 19) | - | - | - | 2,469,905 | 2,469,905 | 599,658 | 3,069,563 | |
| Comprehensive income | - | - | 10,276,089 | 2,469,905 | 12,745,994 | 2,897,157 | 15,643,151 | |
| Balances at December 31, 2020 | 981,959 | 45,086,473 | 69,882,571 | 902,854 | 116,853,857 | 30,566,332 | 147,420,189 | |
| Balances at January 1, 2021 | 981,959 | 45,086,473 | 69,882,571 | 902,854 | 116,853,857 | 30,566,332 | 147,420,189 | |
| Transactions with stockholders: | | | | | | | | |
| Dividends declared in cash (Note 18) | - | - | (9,734,073) | - | (9,734,073) | (2,446,810) | (12,180,883) | |
| Repurchase of own shares (Note 3w) | - | (2,034,904) | 723,210 | - | (1,311,694) | - | (1,311,694) | |
| Acquisition of non-controlling interest in subsidiaries (Note 2) | - | - | (33,467) | - | (33,467) | (1,526,523) | (1,559,990) | |
| | - | (2,034,904) | (9,044,330) | - | (11,079,234) | (3,973,333) | (15,052,567) | |
| Net consolidated profit | - | - | 12,282,048 | - | 12,282,048 | 2,807,256 | 15,089,304 | |
| Total other comprehensive income for the year (Note 19) | - | - | - | 2,320,116 | 2,320,116 | 360,056 | 2,680,172 | |
| Comprehensive income | - | - | 12,282,048 | 2,320,116 | 14,602,164 | 3,167,312 | 17,769,476 | |
| Balances at December 31, 2021 | \$ 981,959 | \$ 43,051,569 | \$ 73,120,289 | \$ 3,222,970 | \$ 120,376,787 | \$ 29,760,311 | \$ 150,137,098 | |

The above consolidated statement of changes in stockholders' equity should be read in conjunction with the accompanying notes.


Arturo Gutiérrez Hernández
Chief Executive Officer


Emilio Marcos Charur
Chief Finance Officer

Consolidated statements of cash flows

(Thousands of Mexican pesos)

| | | For the years ended December 31, | |
|---|----------|----------------------------------|----------------------|
| | Note | 2021 | 2020 |
| Profit before income tax | | \$ 22,072,397 | \$ 18,000,738 |
| Adjustments arising from: | | | |
| Depreciation and amortization | 21 | 9,500,414 | 9,623,648 |
| Disposals of property, plant and equipment | | 969,880 | 1,384,241 |
| Increase in the provision for impairment of clients | 8 and 21 | 36,016 | 90,700 |
| Gain on disposal on property, plant and equipment | 22 | (99,743) | (119,723) |
| Costs related to employee benefits | 16 | 658,592 | 644,872 |
| Equity in the results of associates | 10 | (110,157) | (66,208) |
| Financial result, net | 24 | 2,945,741 | 3,214,678 |
| | | 35,973,140 | 32,772,946 |
| Changes in working capital: | | | |
| Clients and other accounts receivable, net | | (4,865,884) | 190,342 |
| Inventories | | (1,466,190) | (365,762) |
| Suppliers and related parties | | 4,285,887 | 433,923 |
| Derivative financial instruments | | (274,392) | (420,033) |
| Employee benefits | | (613,868) | 978,132 |
| Other liabilities | | 4,320,785 | 975,081 |
| | | 1,386,338 | 1,791,683 |
| Income taxes paid | | (6,639,488) | (5,533,277) |
| Net cash flows provided by operating activities | | 30,719,990 | 29,031,352 |
| Investing activities | | | |
| Acquisition of property, plant and equipment | 11 | (7,175,639) | (6,723,110) |
| Disposal of property, plant and equipment | | 322,147 | 376,698 |
| Purchase of intangible assets | 12 | (232,824) | (172,550) |
| Additions to investment of shares of associates | 10 | (243,838) | (316,665) |
| Dividends received from associates | 10 | 35,436 | 34,216 |
| Interest received and other financial income | 24 | 765,161 | 977,794 |
| Business acquisition, net of cash received | 2 | (617,093) | - |
| Net cash flows used in investing activities | | (7,146,650) | (5,823,617) |
| Financing activities | | | |
| Current and non-current debt obtained | 14 | 18,689,737 | 4,089,303 |
| Payment of current and non-current debt | 14 | (19,053,034) | (8,329,158) |
| Interest paid and other financial expense | 24 | (3,249,992) | (3,856,613) |
| Repurchase of own shares | 3w | (1,311,694) | (107,850) |
| Payment of principal portion of lease liabilities | 13 | (591,433) | (616,055) |
| Dividends paid to non-controlling interest | | (2,446,810) | (821,516) |
| Acquisition of non-controlling interest | | (1,559,990) | - |
| Dividends paid to equity holders | 18 | (9,734,073) | (8,680,273) |
| Net cash flows used in financing activities | | (19,257,289) | (18,322,162) |
| Net increase in cash and cash equivalents | | 4,316,051 | 4,885,573 |
| Effects of exchange rate changes on cash and cash equivalents | | 465,221 | 398,849 |
| Cash and cash equivalents at beginning of year | | 27,335,702 | 22,051,280 |
| Cash and cash equivalents at end of year | | \$ 32,116,974 | \$ 27,335,702 |
| Investing activities not requiring use of cash flows: | | | |
| Additions of right-of-use assets | 13 | \$ 660,229 | \$ 875,097 |

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.


Arturo Gutiérrez Hernández
 Chief Executive Officer


Emilio Marcos Charur
 Chief Finance Officer

Notes to the consolidated financial statements

At December 31, 2021 y 2020

(Figures expressed in thousands of Mexican pesos, unless otherwise specified)

1. THE ENTITY AND ITS OPERATIONS

Arca Continental, S.A.B. de C.V. and subsidiaries (AC or the Company) is mainly engaged in the production, distribution and sale of soft drinks pertaining to the brands owned by or licensed from The Coca-Cola Company (TCCC). AC shares are registered at the National Securities Registry of the National Banking and Securities Commission (NBSC) and are quoted on the Mexican Stock Exchange.

According to the bottler's agreement signed between AC and the bottler, authorization is granted by TCCC to the latter, AC holds the exclusive right to conduct this type of activity with Coca-Cola products in different territories in Mexico, Argentina, Ecuador, Peru and the United States (US). The Company's portfolio of beverages includes cola and flavored soft drinks, purified and flavored water, and other carbonated and non-carbonated beverages in sundry presentations (see Note 26).

Additionally, the Company produces, distributes and sells food and snacks through its own brands such as Bokados, Wise, Deep River and other brands used by its subsidiaries Nacional de Alimentos y Helados, S. A. de C. V., Bbox Vending, S. de R. L. de C. V., Industrias Alimenticias Ecuatorianas, S. A. (Inalecsa), Vending del Ecuador, S. A., Wise Foods, Inc. (Wise Foods) and Old Lyme Gourmet, Co. (Deep River) and Carlita Snacks Carlisnacks CIA, LTDA (CarliSnacks); as well as dairy products of high added value under the Industrias Lácteas Toni, S.A. (Toni) brand in Ecuador.

AC conducts its activities through subsidiary companies of which it is the owner or of which it controls, either directly or indirectly, most of the common shares representing their capital stock (see Note 28).

Arca Continental, S.A.B. de C.V. is a variable capital publicly traded stock company incorporated in Mexico, domiciled at Ave. San Jerónimo 813 Poniente, in Monterrey, Nuevo León, Mexico.

The symbol "\$" in the following notes to the consolidated financial statements refers to thousands of Mexican pesos. The acronym "US" refers to thousands of US dollars, unless otherwise indicated.

2. RELEVANT EVENTS

2021

Acquisition of Carlisnacks

On June 3, 2021, A.C. Alimentos y Botanas S.A. de C.V., a subsidiary of AC, entered into an agreement for the acquisition of 100% of the capital stock of Carli Snacks, an Ecuadorian company dedicated to the production and marketing of potato chips, extruded snacks, tortillas, protein snacks and banana-based chips ("the acquisition").

As of December 31, 2021, AC Alimentos y Botanas is in the process of determining the purchase price allocation considering the fair value of the acquired assets and the liabilities assumed of Carli Snacks, mainly because as of the date of these financial statements, the necessary valuations of the independent experts are not available. Therefore, the valuation and accounting recognition will be

completed within a maximum period of 12 months after the date of acquisition in accordance with IFRS 3 Business Combinations, furthermore, it is estimated that such values do not have a significant variation from the values to be determined.

The following table summarizes the consideration paid by AC and the preliminary determination of the fair value of the assets and liabilities acquired at the acquisition date:

| | | |
|---------------------------------|----|----------|
| Current assets and liabilities | \$ | 14,743 |
| Property, plant and equipment | | 218,281 |
| Intangible assets | | 226,840 |
| Deferred taxes | (| 102,152) |
| Net assets acquired | | 357,712 |
| Goodwill | | 306,918 |
| Total consideration paid | | 664,630 |
| Cash assumed in the transaction | (| 47,537) |
| Total net consideration paid | \$ | 617,093 |

Acquisition of non-controlling interest of Corporación Lindley, S.A. (CL)

During the months of March to May 2021, AC Bebidas entered into agreements with several holders in Peru, through which it acquired an investment of 51,737,189 non-voting shares of CL, representing 71.89% investment shares. As a result, AC Bebidas has acquired 93.85% of the non-voting investment shares of CL.

2020

COVID-19

In late 2019, the disease known as “COVID-19” began to spread in the Wuhan region of the People’s Republic of China. On January 30, 2020, the Emergency Committee of the International Health Regulations of the World Health Organization declared an international health emergency due to the outbreak and spread of COVID-19. Because of COVID-19, cases spread to several countries, causing thousands of deaths, the World Health Organization declared the disease a global pandemic in March 2020. The spread of COVID-19 around the world, the declaration of the disease as a pandemic and the actions taken by governments, companies and individuals over the world, have generated high volatility in global financial markets, as well as significant economic impacts worldwide. As of the date of these consolidated financial statements, it is impossible to predict how long the COVID-19 pandemic will last, or the measures that will be taken to prevent its spread.

The spread of COVID-19 and other adverse events related to public health in Mexico, the United States, Argentina, Ecuador and Peru, could have a significant adverse effect on AC’s business, financial position, operations and prospective results. However, AC has modified its strategy and objectives, to mitigate the effects and uncertainty caused by the COVID-19 disease.

Operations in Houston, Texas

In March 2020, the new plant and distribution center in Houston, Texas started operations with an investment of \$5,151,176 (US\$ 261.5 million). As of December 31, 2020, the entire investment had been incurred and at December 31, 2019, the investment to date was \$4,169,174 (US\$ 216.1 million).

As of February 26, 2021, issuance date of the consolidated financial statements, the new plant is operating 5 production lines. As a result of this project, the Company restructured its production, storage and distribution capacity in the territory of the US, managing to consolidate the activities of three plants, four warehouses and distribution centers.

Modifications to labeling specifications “NOM 051”

In March 2020, the Ministry of Economy in Mexico published in the Official Gazette of the Federation modifications to the Official Mexican Standard 051-SCFI / SSA1-201 “General labeling specifications for prepackaged food and non-alcoholic beverages - Commercial and health information (“NOM-051”)” in which the mandatory inclusion of certain labels (complementary nutritional information) and legends (precautionary / caffeine and sweeteners) is highlighted.

These modifications to NOM-051 generated a change in AC’s business, mainly on the requirement to develop and apply new labels that contain nutritional information to food and beverage products as of December 1, 2020. The impacts of the application of the modifications to NOM-051 were \$281,400 related to shrinkage and decrease in containers. This impact is included in other expenses, net (see Note 22).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements and notes thereto were authorized for issuance on February 21, 2022 by the undersigned officers. The consolidated financial statements and their notes will be presented to the Board of Directors for approval of issuance and will then be submitted to the consideration of the General Assembly of Shareholders which will be held within the period established by law. The Company considers that the consolidated financial statements for the year ended December 31, 2021, will be approved by the stockholders without modifications.

Following is a summary of the most significant accounting policies followed by the Company, which have been applied consistently in preparing its financial information in the years presented, unless otherwise specified.

a) Basis for preparation

The consolidated financial statements of Arca Continental, S.A.B. de C.V. and subsidiaries have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). IFRS include all International Accounting Standards (“IAS”) in effect, as well as all the related interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”), including those issued previously by the Standing Interpretations Committee (“SIC”).

The consolidated financial statements have been prepared on the basis of historical cost, except for: (i) derivative financial instruments designated as hedges which are measured at fair value and (ii) net assets and the results of the operations conducted by the company in Argentina, an hyperinflationary economy, which are stated in the terms of the current unit of measure at the closing date of the period reported on (see Note 3d).

Preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimations. It also requires Management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a greater degree of judgment or complexity and those involving assumptions and estimations that are significant for the consolidated financial statements are described in Note 5.

b) Changes in accounting policies and disclosures

i. New standards and changes adopted by the Company

The Company has applied the following standards and modifications for the first time for the annual reporting period beginning on January 1, 2021:

- Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (Phase 2).
- Modifications to IFRS 16 Covid-19-Related Rent Concessions.

The aforementioned amendments did not have an impact in the Company's consolidated financial statements.

ii. New standards and interpretations issued but not yet effective

The Company has identified no other standards that are not yet effective and which could have a significant impact on the entity in current and future reporting periods and in foreseeable future transactions.

c) Consolidation

i. Subsidiaries

Subsidiaries are entities over which the Company exercises control in accordance with IFRS 10. The Company controls an entity when it is exposed or is entitled to variable yields arising from an interest in the entity and is capable of affecting yields through its power over the entity. Subsidiaries consolidate as from the date on which control is transferred to the Company. They cease consolidating as from the date on which said control ceases (see Note 28).

When combinations are made in the form of the acquisition of businesses under common control, the Company initially records the assets transferred and the liabilities incurred at the predecessor value in the books of the selling entity at the date of the transaction, which includes adjustments to fair value and goodwill of previous combinations. Any difference between the equity issued by the Company or the consideration paid, and the predecessor values are recorded directly in stockholders' equity. Acquisition-related costs are recorded as expenses as they are incurred.

The Company uses the purchase method of accounting to record business combinations. The consideration transferred in the acquisition of an independent entity is the fair value of the assets transferred, the liabilities incurred, and the equity issued by the Company. The consideration transferred includes the fair value of all assets and liabilities resulting from a contingent consideration agreement.

When payment of any portion of the consideration in cash is deferred, amounts to be paid in the future are discounted at present value on the date of the transaction. The discount rate used is the incremental rate of the Company's debt, as this rate is similar to that which would be obtained in a debt from independent sources of financing under comparable terms and conditions, depending on their characteristics. The contingent consideration is classified as capital or as a financial liability. The amounts classified as financial liabilities are subsequently disclosed at fair value with the changes recognized in the consolidated results.

Acquisition-related costs related to the acquisition are recorded as expenses as they are incurred. The identifiable assets acquired, and contingent liabilities assumed in a business combination are initially valued at their fair value at the acquisition date. The Company recognizes any non-controlling interest in the acquired entity based on fair values or in proportion to the non-controlling interest in the net assets of the acquired entity, as opted for in each particular case. The surplus of the transferred consideration, the amount of any non-controlling interest in the acquired entity and the fair value at the acquisition date of any previous interest held in the equity of the acquired entity over the fair value of the identifiable net assets acquired is recognized as goodwill. If the total amount of the transferred consideration, the minority interest recognized and the previous interest held in the acquired entity are lower than the fair value of the net assets of the acquired subsidiary, in the event of a purchase at below market price, the difference is directly recognized in the consolidated statements of income.

Unrealized balances and profits on transactions between entities belonging to the Company are eliminated in consolidation. Unrealized losses are also eliminated. The subsidiaries' accounting policies have been amended.

ii. Changes in the interest in subsidiaries without loss of control

The transactions with the non-controlling interest not conducive to a loss of control are recorded as transactions in stockholders' equity, that is, as transactions with stockholders in their capacity as such. The difference between the fair value of the consideration paid and the interest acquired in the book value of the subsidiary's net assets is recorded in stockholders' equity. Gains or losses on the sale of non-controlling interest are also recorded in stockholders' equity.

iii. Sale or disposal of subsidiaries

When the Company no longer controls, any interest retained in the entity is revalued at fair value, and the change in book value is recorded in income for the year. The fair value is the initial book value for accounting purposes, subsequent to the retained interest in the associate, joint business or financial asset. Any amounts recognized previously recorded in comprehensive income with respect to said entity is accounted for as though the Company had directly disposed of the related assets and liabilities. This implies that amounts previously applied to other comprehensive income are reclassified as income for the year.

iv. Associate companies

Associate companies are all entities over which the Company exercises significant influence, although not control or joint control, which generally occurs when the Company holds from 20% to 50% of the voting rights in the associate. The Company's investment in associates includes the goodwill related to the acquisition, net of accumulated impairment losses. The existence and effects of the potential voting rights currently exercisable or convertible are considered in evaluating whether or not the Company controls another entity. Furthermore, the Company evaluates the existence of control in cases where it holds no more than 50% of voting rights but is in a position to control financial and operating policy. Acquisition-related costs are charge to income when incurred.

The investment in shares of associated companies is valued using the equity method. That method is used to initially recorded investments at acquisition cost. Said investments are subsequently valued by the equity method, which consists of adjusting the value of the investment by the proportionate part of profits or losses and the distribution of profits by capital reimbursements subject to the acquisition date.

If investment in shares of associated companies is reduced but the significant influence is retained, only a portion of the amounts previously applied to comprehensive income will be reclassified to income for the year, when appropriate.

Equity in the results of associated companies is recognized in the consolidated statement of income, and equity in movements in other comprehensive income, subsequent to acquisition, is recognized in other consolidated comprehensive income. The Company presents the equity in the results of associated companies considered integral vehicles through which the Company conducts operations and strategies as part of operating income. Post-acquisition accrued movements are adjusted against the book value of the investment. When the Company's interest in the losses of an associate equals or exceeds its investment therein, including any other accounts receivable, the Company recognizes no additional losses, unless it has incurred in obligations or has made payments on behalf of the associated company.

On each reporting date, the Company determines whether there is any objective evidence of impairment of the investment in the associate. If so, the Company calculates impairment as the difference between the recoverable value of the associate and its book value and records that figure in "Equity in the results of associates" by the equity method in the consolidated statement of income.

Unrealized gains on transactions between the Company and its associates are eliminated according to the interest the Company has in each. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. In order to ensure consistency with

Company policies, the accounting policies of associates have been modified as appropriate. When the Company no longer exercises significant influence over an associate, any difference between the fair value of the investment retained, including any consideration received from disposal of a portion of the interest, and the book value of the investment is recognized in income for the year.

When an investment in associates is transferred due to restructuring under common control, it is valued at fair value by the entity receiving the transfer.

v. Joint agreements

The Company has applied IFRS 11 to all its joint agreements. Under IFRS 11, investments in joint arrangements are classified either as a joint operation or a joint business, depending on the contractual rights and obligations of each investor. The Company has determined that its joint agreement qualifies as a joint operation. In joint operations, each joint operator records its assets, liabilities, income and expenses in the percentages specified in the contractual agreement. A contractual agreement can be a joint agreement even if not all its parts have joint control over of agreement.

Sales arising from the joint operation regarding goods or services acquired by the Company as joint operator, as well as any unrealized profit with third parties are eliminated as part under consolidation and reflected in the consolidated financial statements until they are realized with third parties.

d) Foreign currency conversion

i. Functional and reporting currency

The amounts included in each of the financial statements of the Company's entities must be measured in the currency of the primary economic environment in which the entity operates (functional currency). AC, as ultimate holding entity, defined the Mexican peso as its functional currency, which represents the primary economic environment where it operates as an independent legal entity. Therefore, its management determined that the consolidated financial statements are to be presented in Mexican pesos. Note 28 provides descriptions of the functional currency of the Company and its subsidiaries.

ii. Transactions and balances

Foreign currency transactions are converted to the functional currency using the exchange rate in effect on the transaction or valuation dates when items are re-measured. Exchange gains and losses from settlement of those transactions and from conversion of monetary assets and liabilities denominated in foreign currency at the closing exchange rates are recognized as gain or loss on exchange fluctuations in the consolidated statement of income, except when deferred to other comprehensive income because they qualify as cash flow coverage.

iii. Conversion of foreign subsidiaries

Results of operations and the financial position of all Company entities whose functional currency differs from the Company's reporting currency are translated to the reporting currency as follows, depending on whether the subsidiary's functional currency is in a hyperinflationary economy:

Non-hyperinflationary economy

- Assets and liabilities on each statement of financial position presented are converted at the closing exchange rate in effect at the date of the statement of financial position.
- The stockholders' equity of each statement of financial position presented is converted using the historical exchange rate.
- Sales, costs and expenses shown in each statement of income are converted at the average exchange rate (unless this average is not a reasonable approximation of the accumulated effect of transaction rates, in which case, the exchange rate in effect on the transaction date is used).

- All resulting exchange differences are recorded under comprehensive income as exchange differences on translation of foreign entities.

Goodwill and adjustments to fair value arising at acquisition date of a foreign transaction that are to be measured at fair value are recognized as assets or liabilities of the foreign entity and converted at the closing exchange rate. Exchange differences are recorded in comprehensive income.

Hyperinflationary economy

- Assets, liabilities (including goodwill and fair value adjustments arising at the acquisition date) and stockholders' equity of the financial position, as well as the income and expenses shown in the statement of income, are translated to the exchange rate prevailing at the close of the statement of financial position, after being restated to their functional currency; and
- assets, liabilities, capital, income and expenses for the comparative period are maintained according to the amounts obtained from the translation of the year in question, which are, the financial statements of the preceding period. Such amounts are not adjusted to subsequent exchange rates, as the Company presents its financial information in Mexican pesos, which correspond to a currency of a non-hyperinflationary economy.

When a foreign operation is disposed of, any exchange difference pertaining to net worth is reclassified to the consolidated statement of income as part of the gain or loss on disposal.

The exchange rates used in preparing these consolidated financial statements are as follows:

| | 2021 | 2020 |
|-----------------------------|-------|-------|
| Pesos to the US dollar | 20.52 | 19.94 |
| Pesos to the Peruvian sol | 5.15 | 5.51 |
| Pesos to the Argentine peso | 0.20 | 0.24 |

The average exchange rates used in preparing these consolidated financial statements are as follows:

| | 2021 | 2020 |
|-----------------------------|-------|-------|
| Pesos to the US dollar | 20.39 | 21.63 |
| Pesos to the Peruvian sol | 5.23 | 6.17 |
| Pesos to the Argentine peso | 0.21 | 0.31 |

Translation of consolidated financial statements

Prior to its translation to pesos, the reporting currency of the consolidated financial statements, the financial statements of foreign subsidiaries whose functional currency is that of a hyperinflationary economy are adjusted for inflation to reflect changes in the purchasing power of the functional currency. In order to determine whether an economy is hyperinflationary, the Company evaluates the qualitative features of the economic environment, as well as the quantitative features established by IFRS, when an inflation rate accrued over the most recent three-year period is equal to 100%.

Inflation in Argentina

As from July 1, 2018, cumulative inflation over the past three years in Argentina exceeded 100%; therefore, the Argentine peso qualified as the currency of a hyperinflationary economy. As a result of this situation, the financial statements of the subsidiaries located in said country, whose functional currency is the Argentine peso, has been restated as per the requirements of IAS 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29) and have been consolidated as per the requirements of IAS 21 "The effects of changes in foreign exchange rates". The purpose of meeting said requirements is to consider the changes in the general purchasing power of the Argentine peso and thus present the financial statements in the current unit of measure at the reporting date. The financial statements of said operations prior to restatement were prepared using the historical cost

method.

The inflationary adjustment was calculated considering the indexes established by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE by its Spanish Acronym) based on the price indexes published by the National Institute of Statistics and Censuses (INDEC by its Spanish Acronym).

The price indexes used for restatement of the consolidated financial statements are::

| Year | Index |
|------|----------|
| 2021 | 582.4575 |
| 2020 | 385.8619 |
| 2019 | 283.4442 |

The financial information pertaining to the subsidiaries in Argentina are restated as follows:

- a. The amounts corresponding to non-monetary items of each statement of financial position, that are not measured at the date of the statement of financial position at fair value or net realization value, as applicable, are restated applying the change in the general price index to the historical cost, from the date of acquisition or the date of the last measurement at fair value, to the date of the statement of financial position;
- b. the amounts corresponding to monetary items shown in the statement of financial position are not restated;
- c. the components of capital of each statement of financial position are restated:
 - 1) At the start of the first period in which IAS 29 is applied, using the change of a general price index, from the date on which the items originated to the date of restatement, except for retained earnings, which arise from the rest of the balances in the statement of financial position.
 - 2) At the end of the first application period, in subsequent periods, all the elements of capital are restated, applying a general price index, from the start of the period, or from the date of the contribution, if subsequent.
- d. Sales and expenses are restated applying the change in the general price index, from the date on which the expenses and revenue were recognized, to the date of the report.
- e. Gains and losses in purchasing power arising from the net monetary position are recognized in the statement of income as part of the financial costs (see Note 24).

Initial recognition of hyperinflation in the consolidated financial statements where the reporting currency does not pertain to a hyperinflationary economy does not require changing the comparative balances; therefore, the hyperinflation and foreign currency conversion effects for the Company's subsidiaries in Argentina for the years ended December 31, 2021 and 2020 of \$1,223,544 and \$(176,629), respectively. This effect is presented in the Effect of translation of foreign entities within other comprehensive income.

e) Current classification - non-current

The Company presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period.

Or

- It is cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period.

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits available for operations and other highly liquid short-term investments with original maturities of three months or less, all subject to immaterial risk of change in value or country risk.

g) Clients and other accounts receivable

Clients and other accounts receivable are amounts owed by clients on goods sold or services provided in the ordinary course of business. Accounts receivable are generally settled within a 90 day term and are therefore classified as current. Clients and other accounts receivable are initially recognized based on the consideration, unless they contain significant financing components, in which case they are recognized at fair value. The Company holds clients and other accounts receivable for the objective of collect the contractual cash flows and therefore, measures them subsequently amortized cost using the effective interest rate method.

The provision for impairment of clients is based on assumptions on the risk of default and expected loss rates. The Company applies the simplified approach allowed under IFRS 9, which requires that losses expected over the lifetime of the instruments to be recorded as from initial recognition of accounts receivable and uses judgments upon making these assumptions and upon selecting the data for calculation of impairment, based on the Company's historical information, in the existing market conditions, as well as in future estimations at the end of each reporting period.

Due to the short-term nature of the other account receivable, the book value thereof is considered the same as its fair value. For most non-current accounts receivable, fair values are also not significantly different from their book values.

h) Financial instruments

Financial assets

i. Classification

The Company classifies its financial assets in the following measurement categories:

- Those subsequently measured at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of cash flows and where these cash flows are consistent with the definition of solely payments of principal and interest.

For assets measured at fair value, gains and losses are applied to the year's gain or loss.

The Company reclassifies debt instruments when, and only when, its business model for managing those assets changes.

ii. Recognition and disposal

Regular purchases and sales of financial assets are recognized on the trade date, the date on which the Company agrees to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from financial assets expire or are transferred and the Company has transferred substantially all the risks and rewards ownership.

iii. Measurement

At the initial recognition, financial assets are measured at fair value plus, in the case of a financial asset not at fair value profit and loss (FVPL), transaction costs directly attributable to the acquisition of the financial asset. The transaction costs of financial assets carried at FVPL are expensed in profit and loss.

Financial assets with embedded derivatives are entirely considered when determining whether cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model to manage the asset and the cash flow characteristics of the asset. There are three measurement categories which the Company classifies their debt instruments:

- **Amortized cost:** Assets held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at their amortized cost. Interest income from these financial assets is included in the financial income, using the effective interest rate method. Any gain or loss, arising on derecognition is recognized directly in profit or loss and presented in other gains (losses) together with for age exchange gain and losses. Impairment losses are presented as a separate line in the consolidated statement of income.
- **Fair value through Other Comprehensive Income (FV-OCI):** Assets held for collection of contractual cash flows and for the sale of financial assets, when the cash flows of assets represent solely payments of principal and interest, are measured at FV-OCI. Movements in book value are recognized through other comprehensive income (OCI), except as concerns recognition of impairment gains or losses, interest income and exchange rate gains and losses applied to income. When financial assets are disposed of, the accumulated gain or loss previously recognized in the OCI is reclassified from capital to income and recognized in other income (expenses). Interest income from said financial assets are included in the financial income, using the effective interest rate method. Exchange gains and losses are shown in financial income and expenses, and impairment expenses are shown as a separate item in the consolidated statement of income.
- **FVPL:** Assets failing to meet the amortized cost or FV-OCI criteria are measured at FVPL. A gain or loss in a debt instruments subsequently measured at FVPL is applied to income and shown in net terms in other (expenses, net in the period in which it arises).

The Company reclassifies debt instruments when, and only when, it changes its business model for managing those assets.

Equity instruments

The Company subsequently measures all equity investments at fair value.

Changes in the fair value of financial assets are recognized in financial income in the consolidated statement of income as applicable.

iv. Impairment

The Company assesses on forward looking basis the expected credit losses associated with its debt instruments at amortized cost and FV-OCI. The impairment methodology applied depends on whether a significant increase in credit risk has arisen.

For trade receivables, the Company applies the simplified method permitted by IFRS 9, which requires expected lifetime losses to be recorded recognized as from initial recognition of accounts receivables (see note 8a).

v. Offsetting of financial instruments

Financial assets and liabilities were offset and the net amount is shown in the consolidated statement of financial position when the right to offset amounts recognized is legally binding and there is the intention to settle them on net bases or to simultaneously realize the asset and pay the liability. The legal right should not be contingent upon future events and must be executable in the regular course of business operations as well as in the event of non-compliance, insolvency or bankruptcy of the Company or the counterparty.

i) Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date on which the contract is entered into and are subsequently re-measured at fair value at the end of each reporting period. Recognition of changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the item hedged. The Company designates certain derivatives as:

- Fair value coverage of recognized assets and liabilities or of a firm commitment (fair value hedges).
- Hedging of a particular risk related to the cash flows of assets and liabilities recognized.

At inception of the hedge relationship, the Company documents the economic relationship between hedge instruments and the items hedged, the risk-management objective and the strategy for conducting hedging transactions.

The fair values of derivative financial instruments designated in hedge relationships are described in Note 20. Movements in the hedge reserve in net capital stock is shown in Note 19. The complete fair value of derivative hedging instruments is classified as a non-current asset or liability, when maturity of the remaining hedge item exceeds 12 months, and as a current asset or liability when maturity of the remaining hedge amount is under 12 months.

i. Cash flow hedging qualifying for hedge accounting

The effective portion of changes in the fair value of derivatives designated and qualified as cash flow hedging is recognized in the cash flow hedge reserve in other comprehensive income (OCI). The gain or loss related to the non-effective portion is immediately applied to income under financial income and expense.

When options contracts are used to hedge forecasted transactions, the Company designates only the intrinsic value of options as a hedge instrument.

Gains or losses related to the effective portion of the change in the intrinsic value of options are recognized in the cash flow hedge reserve under OCI. The changes in value over time of options related to the hedged item (aligned time value) are applied to OCI in the costs of the hedge reserve in capital stock.

When forward contracts are used to hedge forecasted transactions, the Company generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses related to the effective portion of the change in the spot component of forward contracts are recognized in the cash flow hedge reserve under OCI. The change in the forward element of the contract that refers to the hedged item ("aligned forward element") is recognized in other comprehensive income in the costs of the hedge reserve in capital stock. In some cases, the Company can designate the total change in the fair value of the forward contract (including forward points) as a hedging instrument. In those cases, gains or losses related to the effective portion of the change in the fair value of the overall forward contract are recognized in the cash flow hedge reserve under OCI.

The amounts accumulated in capital stock are reclassified in the periods in which the hedged item is applied to income, as follows:

- When, subsequently, the hedged item gives rise to recognition of a non-financial asset, both deferred hedging gains and losses, and the value of the time deferral of options contracts or forwards (if any) are included in the initial cost of the asset. Deferred amounts are ultimately applied to income for the period, as the hedged item affects the gain or loss.
- The gain or loss related to the effective portion of interest rate swaps that cover variable interest rates of loans is applied to income under "financial expenses", at the same time as the interest expense of the hedged loans.

When a hedge instrument matures, it is sold or terminated, or when a hedge no longer meets hedge accounting criteria, any deferred accumulated gain or loss and hedging costs deferred in OCI remain at that time in capital until the forecasted transaction occurs, giving rise to recognition of a non-financial asset. When the forecasted transaction is no longer expected to occur, the accumulated gain or loss and the deferred hedging costs reported in OCI are immediately reclassified to income.

ii. Derivatives no qualifying for hedge accounting

Certain derivative financial instruments do not qualify for hedge accounting. Changes in fair value of any derivative instrument that does not qualify for hedge accounting are immediately applied to income and included in other income (expenses).

j) Inventories

Inventory is shown at the lesser of cost and net realizable value. Cost is determined using the average cost method. The cost of finished products and of products in progress includes design, raw materials and direct labor costs and other direct costs and general manufacturing expenses (based on regular operating capacity). Borrowing costs are excluded. Net realizable value is the sales price estimated in the normal course of Company operations less the respective variable selling expense.

k) Prepayments

Prepayments represent disbursements made by the Company for insurance or advertising where the benefits and risks inherent in the goods to be acquired or the services to be received (such as prepaid insurance premiums) have not yet been transferred.

l) Property, plant and equipment

Property, plant and equipment are recorded at cost, except for the assets in Argentina, which is considered an hyperinflationary economy, that are expressed in terms of the current unit of measure at the closing date of the period reported, less accumulated depreciation and any accumulated impairment losses. The cost includes expenses directly attributable to acquisition of the asset.

Subsequent costs are included in the book value of the asset or recorded as a separate asset, as appropriate, only when the Company is likely to receive future economic benefits attributable from

the same and the cost of the property, plant and equipment can be reliably determined. The carrying amount of replaced parts is capitalized. Repair and maintenance expenses are recognized in the consolidated statement of income in the year in which they are incurred. Significant improvements are depreciated over the remaining useful life of the asset in question.

Depreciation is calculated by the straight-line method, considering each component separately. Following are the average useful lives of the families of assets:

| | |
|-----------------------------------|---------------|
| Buildings | 30 – 70 years |
| Machinery and equipment | 10 – 25 years |
| Transportation equipment | 10 – 15 years |
| Furniture and other equipment | 3- 10 years |
| Bottles and delivery containers | 2 – 7 years |
| Refrigerators and sales equipment | 10 years |
| Computer equipment | 4 years |

Land and investments in process are valued at cost and are not depreciated.

Spares and parts for use over more than a year attributable to specific machinery are classified as property, plant and equipment under furniture and other equipment.

The borrowing costs of general and specific loans directly related to the acquisition, construction or production of qualifying assets, which require a substantial period (12 months or more), are capitalized to form part of the acquisition cost of said qualifying assets until the moment they are ready to be used for their intended purpose. At December 31, 2021 and 2020, the determination of said costs is based on specific and general financing.

The residual value and useful lives of assets are reviewed at least at the end of each reporting period and if expectations differ from prior estimates, the changes are recorded as a change in accounting estimate.

Assets classified as property, plant and equipment are subject to impairment testing when there are events or circumstances that indicate that the carrying value of the assets may not be recovered. An impairment loss corresponds to the amount at which the carrying value of the asset exceeds its recovery value. Recovery value is the greater of fair value net of selling costs and the asset's value in use.

If the carrying value exceeds the estimated recovery value, impairment of an asset's carrying value is recognized and the asset is immediately recognized at its recovery value.

Gains or losses on asset disposals are determined by comparing the sales value and the carrying value and are recognized in "Other income (expenses), net" in the consolidated statement of income.

Returnable and non-returnable containers (bottles)

Company operations involve both returnable and non-returnable containers. Returnable containers are recorded as property, plant and equipment and are depreciated by the straight-line method, based on their estimated useful lives.

Under certain historic operating practices in certain territories, returnable containers provided to customers are subject to agreements whereby the Company retains ownership of the container and requires the customer to pay a deposit. The container is controlled by the Company via its commercial distribution network and the Company is entitled to charge customers for identifiable breakage.

Non-returnable containers are expensed, as part of cost of sales, at the time of sale.

m) Leases

The Company leases various offices, warehouses, machinery, equipment and vehicles. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as guarantee for borrowing purposes.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate and transportation equipment for which the Company is a lessee, the Company has chosen, as allowed by the practical expedient of IFRS 16, to not separate lease and non-lease components and instead accounts for these as a single lease component.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability, and
- any lease payments made at or before the commencement date.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

IFRS 16 offers practical expedients, therefore, payments associated with short-term leases and leases of insignificant value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer and telecommunication equipment and small items of office furniture.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments and
- variable lease payments that are based on an index or a rate

Lease payments to be made under reasonably certain extension options to be exercised are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease, if readily determined, or the incremental interest rate of the Company, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, guarantee and conditions.

To determine the incremental borrowing rate, the Company:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by those subsidiaries, which does not have recent third-party financing, and
- Adjusts specific to the lease, i.e., term, country, currency and security.

The Company is exposed to possible future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and is adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

In determining the lease term, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease terms if there is a reasonable certainty that the leases will be extended (or not terminated).

n) Intangible assets

Goodwill represents the acquisition cost of a business in excess of the Company's interest in the fair value of the identifiable net assets acquired, determined at the acquisition date. Goodwill is shown separately in the consolidated statement of financial position under "Goodwill and intangible assets, net" and is recorded at cost, except for those assets in Argentina considered an hyperinflationary economy that are expressed in terms of the current unit of measure at the closing date of the period reported, less accumulated impairment losses, which are not reversed. Gains or losses on the disposal of an entity include the book value of goodwill related to the entity sold.

For impairment testing purposes, goodwill is assigned to the cash-generating units (CGU). The assignment is made to CGUs or groups of CGUs expected to benefit from the business combination from which the goodwill arises, identified in accordance with the respective operating segment.

Intangible assets are recorded when they are identifiable, they provide future economic benefits and there is control over such benefits.

Intangible assets are classified as follows:

- i. Indefinite life intangible assets are not amortized and are subject to annual impairment testing. To date, no factors have been determined that might limit the useful life of these intangible assets.

Indefinite life intangible assets consist mainly of: a) bottler agreements entered into by the Company with TCCC, which grant rights to product, bottle and distribute TCCC brands products in the territories in which the Company operates, b) brands with which Nacional de Alimentos y Helados, S. A. de C. V. (Nayhsa), Wise Foods, Deep River, Tonicorp and Inalecsa market their products, which are considered of high value and positioning in the market and c) Tonicorp, Monster Energy and Ades distribution rights. The aforementioned bottler agreements have specific expiration dates and do not guarantee they are perpetual; however, based on Company experience and market evidence, the Company considers it will continue to renew these agreements and has thus assigned them as indefinite life intangible assets (see Notes 5, 12, and 26). Brands and distribution rights have no expiration and are those used by the Company to operate its snack and dairy product segments. Those indefinite life intangible assets are assigned to the CGU for impairment-testing purposes.

- ii. Defined useful life assets are recognized at cost, less accumulated amortization and impairment losses recognized. They are amortized by the straight-line method, according to their useful life, determined based on expected future economic benefits, and are subject to testing when there is evidence of impairment. These intangible assets correspond to the non-compete agreements of some business combinations and to certain distribution rights, certain brands and software, which are amortized over 5, 10 and 30 years periods according to each asset's features (see Note 12).

The estimated useful lives of definite-life and indefinite life intangible assets are reviewed annually.

o) Impairment of non-financial assets

Assets with an undefined useful life, such as goodwill, are not depreciated or amortized and are subject to impairment testing once a year or before that when there are indicators of impairment. Assets subject to amortization are tested for impairment when events or changes in circumstances indicate that the book value might not be recoverable. An impairment loss is recognized by the amount by which the carrying value of the asset exceeds its recovery value. The recovery value of an asset is defined as the higher between the value in use and the fair value of an asset less the related sales costs. In order to evaluate impairment, assets are grouped based on the minimum levels of cash flows that can be identified separately (CGU). Impaired non-financial assets other than goodwill are reviewed in search of possible impairment reversal on each reporting date.

p) Suppliers and other liabilities

These balances represent liabilities arising from goods and services provided to the Company prior to the period end, that have not been paid. Suppliers and other liabilities are presented as current liabilities, unless the payment is not due within 12 months following the reporting period. They are initially recognized at fair value and subsequently valued at amortized cost, using the effective interest rate method.

The carrying amounts of trade and other liabilities are considered to be the same as their fair values, due to their short-term nature.

q) Debt

The debt is initially recognized at fair value, net of transaction costs incurred. The debt is subsequently recognized at amortized cost. Any differences between the amounts received (net of transaction costs) and the settlement value are recognized in the consolidated statement of income during the term of the loan, using the effective interest rate method.

Loans are eliminated from the consolidated statement of financial position when the obligation specified in the contract is met, canceled or expires. The difference between the book amount of a financial liability that has been canceled or transferred to another party and the consideration paid, including non-monetary assets transferred or assumed liabilities, is applied to financial income or expenses.

r) Income taxes

Income taxes reflected in the consolidated statement of income represents tax incurred in the year, as well as the effects of deferred taxes on income determined by the method of assets and liabilities, applying the rate established in current legislation or substantially enacted and in effect on the statement of financial position date in the location in which the Company operates, and generate taxable income from all temporary differences determined by comparing the book and tax values of assets and liabilities expected to apply when the deferred tax asset is realized or the deferred tax liability is settled, considering any unamortized tax losses prior to analysis of recovery. Tax is applied to income, except to the extent it relates to other comprehensive income, in which case, tax is recorded in other comprehensive income, based on the considerations taken by Management for the accumulation or deductibility of the corresponding items. The effect of changes in tax rates is recognized in income for the period in which the rate change is determined. During the year ended December 31, 2021, based on the periodic reviews of the deferred income tax calculation, the Company chose to fully recognize the value of the employee-benefit obligations in Mexico, which had an approximate effect of \$707,654.

Management periodically evaluates positions declared in tax returns with respect to situations in which applicable legislation is subject to interpretation at the end of each reporting period. To this effect, Management applies its professional judgement to determine the probability that the positions it has adopted are subject to payment, considering the documentation of each position and the expectations of the authorities in their review faculties. Therefore, the Company recognizes provisions when necessary based on the amounts expected to be paid to the tax authorities.

A deferred tax asset is recorded only when there is likely to be future taxable income against which to apply deductions arising from temporary differences.

Deferred taxes on income applicable to temporary differences arising from investments in subsidiaries, associates and joint agreements is recorded, except when the temporary difference reversal period is controlled by the Company and temporary differences may not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if there is the legal right to do so and when taxes are collected by same the tax authority.

s) Employee benefits

The Company provides the following employee plans:

i. Pension plans

Defined contribution plans:

A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. The Company has no legal or assumed obligations to pay additional contributions if the fund fails to maintain sufficient assets with which to pay all employees the benefits related to service in the current and past periods. Contributions are recorded as employee benefit expenses on the date on which the contribution is due.

Defined benefit plans:

A defined benefit plan is defined as the pension benefit to be received by an employee upon retirement, which usually depends on one or more factors, such as age, years of service and compensation.

The liability recognized in the consolidated statement of financial position with respect to defined benefit plans is the present value of the defined benefit obligation at the end of the accounting period, less the fair value of plan assets. Obligations for defined benefits are calculated annually by independent actuaries via the projected unit credit method. The present value of defined benefit obligations is determined by discounting estimated future cash flows using discount rates (per IAS 19) denominated in the currency in which the benefits are to be paid and with maturity dates similar to those of the pension liability. In countries with no in-depth market for said instruments, market rates for government bonds are used.

Remeasurements of the liability caused by gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to stockholders' equity in other comprehensive income in the period in which they occur.

The cost of past services is recognized immediately in income.

ii. Termination benefits

Termination benefits are paid when the Company terminates employment prior to the regular retirement date or when an employee accepts termination of employment in exchange for those benefits. The Company recognizes termination benefits when there is a verifiable commitment to conclude the work relationship of certain employees and a formal detailed plan providing so and that cannot be surrendered. In the event there is an offer that encourages employee resignation, the related termination benefits are valued based on the number of employees expected to accept the offer. The benefits payable over the long-term are discounted at present value.

iii. Short-term benefits

The Company provides short-term employee benefits, which can include wages, salaries, annual bonuses, employee profit sharing, gratifications and bonuses payable over the following 12 months. The Company recognizes a provision when it is contractually obligated or when the former practice has created an obligation.

t) Provisions

Liability provisions represent a present legal obligation, or an obligation assumed as a result of past events where resources are likely to be required to comply with the obligation, when the amount in question has been reliably estimated. No provisions are recorded for future operating losses.

Provisions are measured at the present value of the amount necessary to cover the obligation at the date of the consolidated financial statements and are recorded based on Management's best estimation.

u) Capital stock

The Company's capital stock is classified as capital. Incremental costs attributable directly to the issuance of new shares are included in equity as a deduction of the consideration received, net of taxes, although the Company has not yet incurred such costs.

v) Comprehensive income

Comprehensive income consists of net consolidated profit, plus remeasurement of the defined benefit plans and other capital reserves, net of taxes, which are composed of the effects of conversion of foreign entities, the effects of derivative financial instruments for cash flow hedging and interest in other items of the comprehensive income of associates, as well as other items required by a specific provision to be reflected in stockholders' equity, which do not constitute capital contributions, reductions or distributions.

w) Fund for repurchase of own shares

The stockholders periodically authorize disbursement of a maximum amount for the acquisition of Company shares. When Company shares are acquired, they are classified as treasury shares and the amount is charged to equity at the purchase price. These amounts are stated at their historical cost.

x) Segment information

Segment reporting is presented consistently with the internal reports provided to the Chief Executive Officer, who is the highest authority for making operating decisions, allocation the resources and evaluating the operating segments' yield.

y) Revenue recognition

The Company produces and sells carbonated and non-carbonated beverages under TCCC's trademarks, dairy products, foodstuff and snacks wholesale, in the markets in which it operates, based on formal and informal agreements entered into with different customers in the Modern and Traditional Channel (supermarkets, convenience stores and others), in which prices are negotiated continually, given the turnover of products and the competitiveness it must maintain in the market. Revenue from these sales is recognized at the fair value of the consideration collected or to be collected and represents the amounts receivable on the sale of products, net of discounts, returns and taxes. The Company recognizes sales when control of the products is transferred, which is when the products are delivered to the customer, and there is unsatisfied obligation that could affect acceptance of the products by the customer. Delivery is effective when the products are delivered to the specific location, the risk of loss has been transferred to the customer and the customer has accepted the products. Further to the above, it is concluded that the Company's sales are generated at a specific point in time.

In the Modern Channel, retail products are sold at a discount for volume, based in the total sales during the period, which is usually under 12 months, given the dynamics of displacement of the products in the market. Revenue on these sales is recognized based in the price established in the agreements, net of discounts for estimated volume. Accumulated experience is used to estimate and foresee discounts, using the expected value method. No element of financing is considered present, due to the fact that sales are, for the most part, made in cash for the Traditional Channel, or with a credit term for the Modern Channel.

An account receivable is recognized when the products are delivered and the payment is not in cash, and only the passage of time is required before the payment is made.

Sales discounts are considered variable consideration and are reflected in the client's invoices; therefore, discounts are recorded at the time of sale, that is, sales are recorded net of discounts. In the list price is already discounted and therefore, making a discount estimate is not needed.

z) Earnings per share

The basic earnings per share is calculated dividing the net consolidated profit attributable to the controlling interest by the weighted average of common shares outstanding during the year.

The amounts used in the determination of the basic earnings per share are adjusted on the basis of the diluted profits from taking into account the weighted average of the number of additional shares that would have been outstanding, assuming the conversion of all potentially dilutive ordinary shares.

aa) Bottler incentive agreement

At its discretion, and as per the bottler's incentive agreement, TCCC provides the Company several incentives, including contributions for the maintenance of equipment of cold drinks, advertising and marketing expenses, and others. The terms and conditions of those agreements require reimbursement when certain stipulated conditions are not met, including minimum volume performance requirements. Incentives provided by TCCC for maintenance of beverage refrigeration equipment and/or advertising and marketing expenses are deducted from the respective expense.

4. RISK AND CAPITAL MANAGEMENT

i. Risk management

The Company's operations are exposed to different financial risks: market risk (including exchange rate risk, interest rate risk and risk for price of production materials and other production materials), credit risk and liquidity risk. It is Company policy to contract derivative financial instruments held only for hedging, in order to reduce the risks related to its financial liabilities, and to cover certain purchases, projected operations and firm commitments set in foreign currencies.

The exposure to credit, market and liquidity risks is managed through the Company's Financial Risk Committee.

The Company's main exposure to financial risk is mainly related to the security liabilities at variable interest rates and to present or future currency commitments, all related to its line of business or certain forecasted operations, such as prices of raw material and other production materials, accounts receivable from customers and liquidity.

The Company has current Master Agreements for Derivative Financial Instrument Operations or ISDA Master Agreements in order to ensure that a number of quotations are available when deciding whether to carry out transactions with instruments of that type, which are used only for raw material exchange rate price hedge and are documented in simple instruments such as swaps and forwards. The Company's operations with swaps allow only the conversion of different currencies or interest rates (variable or fixed or vice versa).

All the Company's derivative financial instrument operations are previously analyzed, approved and periodically monitored by the Financial Risk Committee. That committee submits proposals to the Chief Executive Officer, who in turn periodically informs the Board of Directors. Both the Financial Risk Committee and the Chief Executive Officer review the performance of those instruments on a quarterly basis, and make any required advance cancellations, changes in term, etc.

The Company operates that type of agreement with recognized banking and financial entities with a robust operating and financial structure.

Market risk**a. Foreign currency risk (exchange rate)**

The foreign currency risk is related to the risk of the fair value of future cash flows from a financial instrument fluctuating due to changes in the exchange rate. The Company is exposed to exchange rate risks stemming from: a) its net exposure of foreign currency assets and liabilities, b) income from export sales; c) purchases of raw materials, production materials and capital investments made in foreign currencies, and d) the net investment in subsidiaries and joint operations held abroad. The Company's greatest exchange risk exposure is the exchange rate of the Mexican peso to the US dollar, the Peruvian sol and the Argentine peso for conversion of investments to the reporting currency.

It is Company policy to operate mainly in the markets in which its subsidiaries reside. Accordingly, debt is contracted in said markets' local currency, except Mexico and Peru (see Note 14).

Net sales are expressed in Mexican pesos, Argentine pesos, US dollars and Peruvian soles. During 2021 and 2020, 42.66% and 41.45% of sales were generated in Mexican pesos, 4.52% and 3.34% in Argentine pesos, 44.33% and 46.49% in US dollars, and 8.49% and 8.73% in Peruvian soles. Those are the functional currencies of each of the consolidating entities (see Note 28).

Following is the Company's exposure to exchange risk at December 31, 2021 and 2020, respectively. The following tables show the book value of the Company's monetary assets and liabilities denominated in foreign currency.

| Figures in thousands of Mexican pesos At December 31, | | | | | | |
|--|-----------------|----------------|-----------------|---------------|----------------|-----------------|
| 2021 | | | | 2020 | | |
| | US dollar | Argentine peso | Peruvian sol | US dollar | Argentine peso | Peruvian sol |
| Monetary assets | \$ 36,101,637 | \$ 3,012,734 | \$ 4,097,891 | \$ 35,913,084 | \$ 1,975,225 | \$ 3,340,142 |
| Monetary liabilities | (15,313,985) | (1,304,630) | (4,780,574) | (14,663,069) | (951,978) | (6,049,176) |
| Non-current monetary liabilities | (22,915,015) | (38,166) | (3,549,220) | (20,108,554) | (28,246) | (3,382,820) |
| Net position | \$ (2,127,363) | \$ 1,669,938 | \$ (4,231,904) | \$ 1,141,461 | \$ 995,001 | \$ (6,091,854) |

The following is a sensitivity analysis related to the adverse impact on the comprehensive income the Company would have due to its exposure to the net foreign currency position at December 31, 2021 and 2020, respectively:

| Hypothetical variation maintaining all other variables constant | | |
|---|---------------|--------------|
| | 2021 | 2020 |
| One peso increase/(decrease) to the US dollar | \$ (103,694) | \$ 57,259 |
| A 50-cent (decrease) with respect to the Argentine peso | (4,195,824) | (2,097,388) |
| A 50-cent increase with respect to the Peruvian sol | 411,240 | 552,950 |

This exposure corresponds to the movements in exchange rates related to conversion from US dollars, Argentine pesos and Peruvian soles to Mexican pesos of the results, assets and liabilities of subsidiaries in the US, Argentina, Ecuador and Peru. As detailed later in this note, the Company also contracts coverage derivative financial instruments to cover certain commitments in foreign currency involving the purchase of raw materials and other production materials. The Company does not cover the risks related to conversion of its subsidiaries and joint operations, the effects of which are recorded in stockholders' equity.

The intrinsic value of foreign currency options is determined with respect to the spot exchange rate of the relevant market. The difference between the exercise rate contracted and the market's discounted spot exchange rate is determined as the time value. It is discounted when it is material.

Changes in the time value of options related to hedged elements are deferred in the costs of the hedging reserve in OCI and the time value is amortized linearly to income.

See Note 20 for further information on foreign currency risk hedging instruments.

b. Interest rate risk

The interest rate risk arises mainly from the Company's sources of financing. The main exposure comes from variable interest rate obligations based on the TIIE (Interbank interest rate) and bank debt subject to LIBOR (London InterBank Offered Rate) interest. Fixed rates expose the Company to the fair value risk.

The Company occasionally enters into derivative financial instrument agreements with a view to minimizing the market risk and the potential effects arising from a significant rise in interest rates.

The derivative financial instruments occasionally contracted by the Company are interest rate swaps on security liabilities subject to variable interest rates. At December 31, 2021 and 2020, the Company maintains an interest rate swap to hedge \$1,000,000 from variable rate to a fixed rate at 7.369% (see Note 14). Additionally, at December 31, 2021 and 2020, the Company maintains two interest rate swaps to hedge \$2,450,000 from variable rate to a fixed rate at 7.225%.

At December 31, 2021 and 2020, a large part of the debt, considering its value in pesos, was referred to a fixed interest rate. At December 31, 2021 and 2020, \$16,819 and \$34,078 million representing 33% and 67% of the overall debt, respectively.

In order to manage interest rate risks, Company policy is designed to reduce volatility of its financial expenses and keep an ideal percentage of debt in fixed rate instruments. The financial position is mainly fixed as a result of the use of short and long-term debt and the occasional use of derivative instruments such as interest rate swaps

The terms and conditions of the Company's obligations at December 31, 2021 and 2020, including exchange rates, interest rates, maturities and effective interest rates, are described in detail in Note 14.

At December 31, 2021 and 2020, if the TIIE or the LIBOR has risen by more than 100 base points (1.00%), all other risk factors remaining constant, the detrimental impact on comprehensive income would have been \$128,184 and \$10,532 in 2021 (\$146,450 and \$13,509 in 2020), respectively.

See Note 20 for further information on foreign currency risk hedging instruments.

c. Risk of price of raw materials

The main exposure to variations in the prices of raw materials and other production materials has to do with the supply of sweeteners, diesel, aluminum for cans and plastic containers used in the production of soft drinks. Additionally, the Company is exposed to the risk of exchange fluctuations related to the prices of sweeteners, diesel, aluminum for cans and plastic containers, in US dollars mainly, which, in the aggregate, represent approximately 21% of the cost of sales at December 31, 2021 (21% in 2020). The Company contracts hedges for the purchase of these raw materials and other production materials with a view to offset the effect of variations in exchange rates (see Note 20).

At December 31, 2021 and 2020, the appreciation of 1 Mexican peso and 1 Peruvian sol value compared to the US dollar, with all other variables remaining constant, would have had a positive (negative) impact on valuation of derivative financial instruments in stockholders' equity of (\$4,631) and (\$1,639) in 2021 ((\$14,843) and \$1,124 in 2020), respectively. The impact on net income for the

period is not material because the instruments exposing the Company to those risks are accounted for in accordance with highly effective cash flow hedging.

See Note 20 for further information on instruments for hedging against the risk of raw and other production materials.

Credit risk

Regular operations expose the Company to potential default when its customers and counterparties are unable to comply with their financial or other commitments. The Company mitigates this risk by entering transactions with a wide range of counterparties and considers that third parties that could affect its operations are unlikely to give rise to unexpected financial difficulties.

The Company has established conservative policies for the cash management and temporary investments which make it possible to minimize the risk arising from that type of financial asset, aside from which, operations are conducted only with highly accredited financial entities.

The risk exposure related to accounts receivable is limited, given the large number of customers located in different parts of Mexico, Peru, Argentina, Ecuador and the US; however, the Company maintains certain reserves for impairment losses of accounts receivable from customers. Risk control includes determining the credit standing of the customer, considering its financial situation, past experience and other factors.

Given the fact that a significant portion of the Company's customers have no independent rating of their credit standing, Management determines the maximum rated risk for each, considering their financial position and past experiences, among other factors. Credit limits are set in accordance with policies established by Management, which applies controls to ensure compliance.

For the year ended December 31, 2021 and 2020, 40.76% and 47.26%, respectively, of the Company's sales corresponded to cash transactions and 37.40% and 37.23% of net sales in 2021 and 2020, respectively, were made to institutional customers.

See Note 8 for further information on credit risk.

Liquidity risk

The Company finances its liquidity requirements and capital resources mainly through the cash generated from its own operations and from the debt and private bonds issued at short, medium and long term. The Company has access to local and international bank credit to cover its treasury requirements, aside from which, it has been assigned the highest rating for Mexican issuers (AAA) and a rating of A and A2, both issued by independent rating agencies, which makes it possible to evaluate local and international capital markets in the event that resources are needed.

The Company cash surpluses are invested according to the guidelines established by the Board of Directors, based on the recommendation of the Planning and Finance Committee. The Financial Risk Committee, comprising basically executives from the Financial and Planning Management areas, decides on a series of custodian entities of proven prestige and liquidity. Foreign-currency investments in specific projects are authorized only in US dollars or euros.

The Company does not invest in capital markets or investment companies and repurchase operations are entered into only with federal Mexican and US government paper. Those operations are conducted with the largest and most prestigious banks in Mexico. The foreign banks in which investments can be made are those with the greatest international coverage. Investments are made in federal government and bank debt securities. AC does not invest in private and/or corporate paper.

The factors that could reduce the sources of liquidity include a significant reduction in demand or the price of its products, which could limit the amount of cash generated from its operations, and a reduction in the corporate credit rating, which could impair the Company's liquidity and increase its new debt costs. The Company's liquidity may also be affected by factors such as depreciation or appreciation of the Mexican peso and changes in interest rates. Company settles obligations with cash flows arising from operations.

The Company's remaining contractual maturities of financial liabilities, which include basically principal and interest payable in the future up to the date of maturity at December 31, 2021 and 2020, are:

| At December 31, 2021 | Under 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|---|---------------------|---------------------|---------------------|---------------------|---------------|
| Current non-current debt | \$ 11,143,754 | \$ 20,400,081 | \$ 12,333,853 | \$ 22,443,938 | \$ 66,321,626 |
| Suppliers, related parties, derivative financial instruments and sundry creditors | 17,892,306 | - | 21,894 | - | 17,914,200 |
| Lease liabilities current and non-current | 409,004 | 505,246 | 334,413 | 360,650 | 1,609,313 |
| | \$ 29,445,064 | \$ 20,953,327 | \$ 12,690,160 | \$ 22,804,588 | \$ 85,845,139 |

| At December 31, 2020 | Under 1 year | 1 to 3 years | 3 to 5 years | Over 5 years | Total |
|---|---------------------|---------------------|---------------------|---------------------|---------------|
| Current non-current debt | \$ 9,623,891 | \$ 22,400,784 | \$ 6,214,838 | \$ 25,268,687 | \$ 63,508,200 |
| Suppliers, related parties, derivative financial instruments and sundry creditors | 12,068,523 | - | 357,150 | - | 12,425,673 |
| Lease liabilities current and non-current | 447,142 | 509,681 | 272,829 | 220,409 | 1,450,061 |
| | \$ 22,139,556 | \$ 22,910,465 | \$ 6,844,817 | \$ 25,489,096 | \$ 77,383,934 |

ii. Capital management

The Company goal in managing its capital (which includes stockholders' equity, debt, working capital, and cash and cash equivalents) is to maintain a flexible capital structure that will reduce the capital cost to an acceptable level of risk, protect the Company's ability to continue operating as a going concern, and to take advantage of strategic opportunities that will allow it to generate returns for the shareholders.

The Company manages its capital structure and adjusts it when changes arise in economic conditions and in the risk features of the underlying assets. The Company monitors its capital based on the net debt to consolidated EBITDA ratio.

That ratio is calculated by dividing the net debt by the EBITDA, which is the way in which the Company measures its operating cash flow. The net debt is calculated by subtracting the cash and cash equivalents balance from the total debt (including the current and non-current portions, as shown in the consolidated statements of financial position).

The net debt to EBITDA ratio at December 31, 2021 and 2020 was as follows:

| | 2021 | 2020 |
|--|---------------|---------------|
| Total debt (Note 14) | \$ 51,073,531 | \$ 50,577,109 |
| Less: Cash and cash equivalents (Note 7) | (32,116,974) | (27,335,702) |
| Net debt | 18,956,557 | 23,241,407 |
| EBITDA (Note 6) | 35,405,533 | 32,147,387 |
| | 0.54 | 0.72 |

The index resulting from the calculation of these financial ratios is within the compliance parameters of the Company which has a maximum of 3.

5. ACCOUNTING ESTIMATIONS AND JUDGMENTS

The Company has identified certain key accounting estimations on which its financial condition and results of operations depend. Those accounting estimations normally involve an analysis or are based on subjective judgments or decisions that require Management to make estimations and assumptions affecting the figures reported in these consolidated financial statements. The Company's estimates are based on historical information when applicable, and other assumptions considered reasonable in the circumstances.

Current results can differ from those estimated under different assumptions or conditions. Furthermore, estimations normally require adjustments based on changing circumstances and on securing more recent or more accurate information.

When preparing these consolidated financial statements, the most critical accounting estimations under IFRS are those requiring Management to prepare estimations and assumptions affecting the reported figures involved in determining the value in use for identification of impairment of indefinite life intangible assets, fair value accounting for financial instruments, goodwill and other indefinite life intangible assets such as the result of business acquisitions and pension benefits.

a) Estimations and assumptions involving the risk of significant adjustments to the figures in the consolidated financial statements are as follows:

i. Estimated impairment of indefinite life intangible assets.

The identification and measurement of impairment in indefinite life intangible assets, including goodwill, involves the estimation of fair value (value in use or fair value). Those estimations and assumptions could have a significant impact on the decision as to whether to recognize a charge for impairment and on the magnitude of that charge. The Company analyzes valuation considering relevant internal information as well as public market information. Fair value estimations are mainly determined based on discounted cash flows and market comparisons. Those approaches use significant estimations and assumptions, including projected future cash flows (including terms), discount rates reflecting the risk inherent in future cash flows, multiples of exit cash flows, perpetual growth rates, determination of appropriate market comparable and determination of whether a premium or discount should be applied to comparable.

Certain level of risk inherent in these estimates and assumptions that the Company considers has been made in its valuations is possible, since in case the actual results were lower than the estimates an impairment charge would have to be recorded.

ii. Pension benefits

The present value of pension-related obligations depends on the number of factors determined on an actuarial basis, using several different assumptions. The assumptions used in determining the net cost for pensions include the discount rate. Any changes in these assumptions impact the carrying amount of pension obligations.

The Company determines the proper discount rate at each year end. That rate is the interest rate used to determine the present value of estimated future cash outflows expected to be required to settle pension plan obligations. To determine the proper discount rate, the Company considers the discount interest rate as per IAS 19 "Employee benefits", expressed in the currency in which the benefits are to be paid, at maturity dates approximating the dates pertaining to the pension obligation (see Note 16).

b) Critical accounting judgments in applying the Company's accounting policies are as follows:***i. Investments in associates***

Management has evaluated the level of influence exercised by the Company on its investment in Jugos del Valle, S.A.P.I. de C.V. and has determined that it exercises significant influence, although its shareholding is below 20%, given its representation on the Board of Directors and certain contractual terms. Consequently, that investment has been classified as an associate.

ii. Interest in joint operation

Management has evaluated the terms and conditions contained in the stockholders' agreement for joint agreement of JV Toni, S.L. in Holding Tonicorp, S.A. (Tonicorp) and has concluded that it should be classified as a Joint Operation because it considers that the design and purpose require AC's beverage business in Ecuador to acquire, distribute and market the Tonicorp production, thus transferring to the two stockholders jointly controlling the agreement substantially the rights to the benefits and liability obligations of Tonicorp and its subsidiaries, which according to IFRS 11 "Joint Agreements", requires the agreement to be classified as such (see Note 28).

iii. Useful lives of intangible assets

The Company's indefinite life intangible assets include the aforementioned bottler agreements entered into between AC and TCCC, which have specific expiration dates and do not guarantee they are perpetual; however, based on Company experience, during the business relationship of over 90 years with TCCC, and to the market evidence, the Company considers it will continue to renew these agreements and has thus assigned them as indefinite life intangible assets (see Note 26).

6. SEGMENT REPORTING

Segment reporting is presented consistently with the internal reports provided to the Chief Executive Officer, who is the highest authority for making operating decisions, allocation the resources and evaluating the operating segments' yield. An operating segment is defined as a component of an entity on which there is separate financial information which is evaluated on a regular basis.

The Company controls and evaluates its continuous operations from both a geographic and product perspective. Management considers performance in Mexico, the US, Ecuador, Argentina and Peru. From the perspective of the product, Management considers beverages and other products in those geographic areas separately.

Segments, by product to be reported by the Company, are:

- Beverages (including carbonated, non-carbonated, dairy beverages and carboy and individual format purified water): This segment produces, distributes and sells TCCC brand beverages in different territories in Mexico, US, Argentina, Ecuador and Peru as well as Santa Clara dairy beverages in Mexico and Toni in Ecuador. The Company's portfolio of beverages and dairy products includes cola and flavored soft drinks, individual purified and flavored water, dairy beverages and other carbonated and non-carbonated beverages in sundry presentations.
- Other segments - complementary businesses: This section represents operating segments that are not considered reportable segments on an individual basis, as they do not meet the quantitative limits, as established by the IFRS 8 to any of the years reported on. In accordance with this standard, the operating segments whose total net sales is equal to or under 10% of the Company's total net sales need not be reported individually and can be grouped with other operating segments that do not meet the 10% limit, provided the sum of these grouped operating segments does not exceed 25% of total net sales. These segments comprise the following complementary businesses:

- a. Beverages in the individual format that are marketed in vending machines (Mexico and Peru).
- b. Snack food (Mexico, Ecuador, Peru and US).

The Company evaluates the performance of each of the operating segments based on profits before the net financial results, taxes, depreciation and amortization (operating flow or EBITDA), considering that said indicator represents a good measure for evaluating the operating performance and the capability to satisfy capital and interest obligations with respect to the Company's debt, as well as the capability to fund capital investments and working capital requirements. However, the EBITDA is not a financial performance measure under IFRS and should not be considered an alternative to net profit when measuring operating performance, or to cash flows when measuring liquidity.

The Company has defined the EBITDA or operating flow as a consolidated operating profit (loss) after adding or subtracting the following, as the case may be: (1) depreciation, amortization, and (2) non-recurring expenses incurred (such as severance, business combination expenses among others, classified in the other expenses, net in the consolidated statement of income). Operations between operating segments are carried out at market value and accounting policies used in preparing information per segment are consistent with those described in Note 3.

Following is condensed financial information on the operating segments to be reported on:

| Year ended December 31, 2021 | | | | | | | | | |
|---|-----------------|---------------|---------------|---------------|----------------|-------------------|------------------|----------------|--|
| | Beverages | | | | | Others | | | |
| | Mexico | Argentina | Ecuador | Peru | US | Mexico and others | Eliminations | Total | |
| Statement of income: | | | | | | | | | |
| Sales per segment | \$ 74,846,427 | \$ 8,323,732 | \$ 11,331,833 | \$ 14,311,271 | \$ 67,209,152 | \$ 11,310,222 | \$ (1,586,268) | \$ 185,746,369 | |
| Inter-segment sales | \$ (1,030,659) | \$ - | \$ (6,893) | \$ (82,113) | \$ - | \$ (466,603) | \$ 1,586,268 | \$ - | |
| Sales to external customers | \$ 73,815,768 | \$ 8,323,732 | \$ 11,324,940 | \$ 14,229,158 | \$ 67,209,152 | \$ 10,843,619 | \$ - | \$ 185,746,369 | |
| Operating (loss) profit | \$ 15,965,865 | \$ 625,257 | \$ 927,339 | \$ 2,062,317 | \$ 6,790,287 | \$ (1,010,133) | \$ - | \$ 25,360,932 | |
| Operating cash flow ⁽¹⁾ | \$ 18,854,780 | \$ 1,390,522 | \$ 2,051,999 | \$ 3,233,829 | \$ 9,475,950 | \$ 398,453 | \$ - | \$ 35,405,533 | |
| Non-recurring (income) expenses | \$ (95,125) | \$ 134,600 | \$ 110,040 | \$ 26,519 | \$ 292,505 | \$ 75,648 | \$ - | \$ 544,187 | |
| Depreciation and amortization | \$ 2,984,040 | \$ 630,665 | \$ 1,014,620 | \$ 1,144,993 | \$ 2,393,158 | \$ 1,332,938 | \$ - | \$ 9,500,414 | |
| Financial income | \$ 2,244,919 | \$ 12,461 | \$ 80,596 | \$ 2,106,012 | \$ 25,863 | \$ 78,957 | \$ - | \$ 4,548,808 | |
| Financial expenses | \$ 4,084,522 | \$ 142,652 | \$ 190,952 | \$ 2,610,376 | \$ 712,643 | \$ 100,654 | \$ - | \$ 7,841,799 | |
| Equity in the results of associates | \$ (10,763) | \$ - | \$ - | \$ - | \$ 15,219 | \$ - | \$ - | \$ 4,456 | |
| Profit (loss) before taxes | \$ 14,115,499 | \$ 495,065 | \$ 816,983 | \$ 1,557,952 | \$ 6,118,725 | \$ (1,031,827) | \$ - | \$ 22,072,397 | |
| Statement of financial position: | | | | | | | | | |
| Total assets | \$ 83,689,099 | \$ 10,628,873 | \$ 23,182,030 | \$ 38,528,155 | \$ 103,380,078 | \$ 12,956,885 | \$ (14,338,200) | \$ 258,026,920 | |
| Investment in shares of associates ⁽²⁾ | \$ 7,535,197 | \$ 428,515 | \$ - | \$ - | \$ 650,150 | \$ - | \$ - | \$ 8,613,862 | |
| Total liabilities | \$ 53,039,939 | \$ 1,824,399 | \$ 5,645,617 | \$ 12,665,972 | \$ 36,592,436 | \$ 3,779,169 | \$ (5,657,710) | \$ 107,889,822 | |
| Investment in fixed assets (Capex) ⁽³⁾ | \$ 3,331,856 | \$ 440,578 | \$ 618,697 | \$ 571,915 | \$ 1,859,815 | \$ 352,778 | \$ - | \$ 7,175,639 | |

⁽¹⁾ Corresponds to how AC measures its operating cash flow.

⁽²⁾ In addition to the Mexico segment, there are investments in associates in other geographic segments (see Note 10).

⁽³⁾ Indicates the additions for the year presented in the consolidated statements of cash flow.

| Year ended December 31, 2020 | | | | | | | | | |
|---|---------------|--------------|---------------|---------------|----------------|-------------------|-----------------|----------------|--|
| | Beverages | | | | | | | Others | |
| | Mexico | Argentina | Ecuador | Peru | US | Mexico and others | Eliminations | Total | |
| Statement of income: | | | | | | | | | |
| Sales per segment | \$ 67,162,281 | \$ 5,647,112 | \$ 11,422,423 | \$ 14,485,587 | \$ 63,770,928 | \$ 10,582,086 | \$ (1,484,570) | \$ 171,585,847 | |
| Inter-segment sales | \$ (934,415) | \$ - | \$ (6,004) | \$ (144,238) | \$ - | \$ (399,913) | \$ 1,484,570 | \$ - | |
| Sales to external customers | \$ 66,227,866 | \$ 5,647,112 | \$ 11,416,419 | \$ 14,341,349 | \$ 63,770,928 | \$ 10,182,173 | \$ - | \$ 171,585,847 | |
| Operating profit | \$ 13,422,785 | \$ 291,273 | \$ 910,772 | \$ 1,723,372 | \$ 5,485,365 | \$ (361,162) | \$ - | \$ 21,472,405 | |
| Operating cash flow ⁽¹⁾ | \$ 16,657,319 | \$ 812,946 | \$ 2,099,143 | \$ 3,336,859 | \$ 8,676,649 | \$ 564,471 | \$ - | \$ 32,147,387 | |
| Non-recurring expenses | \$ 281,138 | \$ 12,766 | \$ 100,899 | \$ 171,399 | \$ 431,440 | \$ 53,692 | \$ - | \$ 1,051,334 | |
| Depreciation and amortization | \$ 2,953,396 | \$ 508,907 | \$ 1,087,472 | \$ 1,442,088 | \$ 2,759,844 | \$ 871,941 | \$ - | \$ 9,623,648 | |
| Financial income | \$ 4,871,194 | \$ 41,698 | \$ 47,848 | \$ 1,442,622 | \$ 32,974 | \$ 64,756 | \$ - | \$ 6,501,092 | |
| Financial expenses | \$ 6,532,915 | \$ 115,652 | \$ 231,357 | \$ 2,259,341 | \$ 731,242 | \$ 106,499 | \$ - | \$ 9,977,006 | |
| Equity in the results of associates | \$ (10,708) | \$ - | \$ - | \$ - | \$ 14,955 | \$ - | \$ - | \$ 4,247 | |
| Profit (loss) before taxes | \$ 11,750,356 | \$ 217,319 | \$ 727,262 | \$ 906,653 | \$ 4,802,052 | \$ (402,904) | \$ - | \$ 18,000,738 | |
| Statement of financial position: | | | | | | | | | |
| Total assets | \$ 69,758,460 | \$ 8,132,676 | \$ 22,293,566 | \$ 40,771,094 | \$ 101,271,081 | \$ 12,110,099 | \$ (8,363,337) | \$ 245,973,639 | |
| Investment in shares of associates ⁽²⁾ | \$ 7,380,576 | \$ 339,813 | \$ - | \$ - | \$ 587,820 | \$ - | \$ - | \$ 8,308,209 | |
| Total liabilities | \$ 43,492,611 | \$ 1,335,643 | \$ 5,612,425 | \$ 14,004,605 | \$ 35,803,677 | \$ 2,932,084 | \$ (4,627,595) | \$ 98,553,450 | |
| Investment in fixed assets (Capex) ⁽³⁾ | \$ 3,428,172 | \$ 243,354 | \$ 434,215 | \$ 312,650 | \$ 1,998,783 | \$ 305,936 | \$ - | \$ 6,723,110 | |

⁽¹⁾ Corresponds to how AC measures its operating cash flow.

⁽²⁾ In addition to the Mexico segment, there are investments in associates in other geographic segments (see Note 10).

⁽³⁾ Indicates the additions for the year presented in the consolidated statements of cash flow.

Following are sales to external customers, as well as property, plant and equipment, goodwill and intangible assets per geographic area:

| Year ended December 31, 2021 | | | | |
|------------------------------|-----------------------------|------------------------------|---------------|-------------------|
| | Sales to external customers | Property plant and equipment | Goodwill | Intangible assets |
| Mexico | \$ 78,642,018 | \$ 23,372,684 | \$ 8,237,790 | \$ 11,579,914 |
| Perú | 14,693,659 | 13,663,041 | 9,680,557 | 11,504,749 |
| US | 71,702,767 | 21,525,034 | 23,998,581 | 31,837,433 |
| Argentina | 8,323,732 | 3,312,017 | 3,105,524 | 726,727 |
| Ecuador | 12,384,193 | 6,917,133 | 12,196,897 | 4,474,710 |
| Total | \$ 185,746,369 | \$ 68,789,909 | \$ 57,219,349 | \$ 60,123,533 |

| Year ended December 31, 2020 | | | | |
|------------------------------|-----------------------------|------------------------------|---------------|-------------------|
| | Sales to external customers | Property plant and equipment | Goodwill | Intangible assets |
| Mexico | \$ 70,174,497 | \$ 23,217,601 | \$ 8,235,073 | \$ 11,726,159 |
| Perú | 14,770,490 | 15,277,730 | 10,363,895 | 12,431,548 |
| US | 68,651,772 | 21,699,814 | 23,319,531 | 31,622,043 |
| Argentina | 5,647,112 | 2,737,463 | 2,462,682 | 584,779 |
| Ecuador | 12,341,976 | 6,726,188 | 11,547,988 | 4,130,628 |
| Total | \$ 171,585,847 | \$ 69,658,796 | \$ 55,929,169 | \$ 60,495,157 |

For the years ended December 31, 2021 and 2020, none of AC's customers contributes individually or in the aggregate more than 10% of their net sales.

Company customers are commercial establishments classified as institutional customers and general customers, including supermarkets, convenience stores, institutions, businesses and particularly small to large grocery stores.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed as follows:

| | 2021 | 2020 |
|---|---------------|---------------|
| Cash on hand | \$ 206,667 | \$ 109,249 |
| Short-term bank deposits | 8,411,655 | 11,141,599 |
| Short-term investments (under three months) | 23,498,652 | 16,084,854 |
| Total cash and cash equivalents | \$ 32,116,974 | \$ 27,335,702 |

8. ACCOUNT RECEIVABLES FROM CLIENTS AND OTHERS, NET

a) Clients and other accounts receivable are comprised as follows:

| | 2021 | 2020 |
|---|---------------|--------------|
| Clients | \$ 9,609,272 | \$ 7,942,298 |
| Allowance for impairment of clients | (338,895) | (352,798) |
| Clients, net | 9,270,377 | 7,589,500 |
| Income tax and other taxes recoverable | 1,684,210 | 602,253 |
| Notes and other account receivable ⁽¹⁾ | 943,871 | 445,245 |
| Sundry debtors | 907,965 | 575,916 |
| | \$ 12,806,423 | \$ 9,212,914 |

⁽¹⁾ Net of expected losses.

Accounts receivable are denominated in the following currencies:

| | 2021 | 2020 |
|-----------------|----------------------|---------------------|
| Mexican pesos | \$ 5,343,206 | \$ 3,213,553 |
| Peruvian soles | 485,790 | 471,274 |
| Argentine pesos | 626,247 | 419,107 |
| US dollars | 6,351,180 | 5,108,980 |
| | \$ 12,806,423 | \$ 9,212,914 |

Impairment of clients

Clients are subject to the expected credit losses model.

The Company applies the simplified approach contained in IFRS 9 for measuring expected credit losses, using an expected loss provision over the lifetime of the instrument for all accounts receivable from customers.

In order to measure expected credit losses, accounts receivable from customers have been grouped based on their shared credit risk features and days past due.

The expected loss rates are based on the profiles for payment of sales in a 24-month period prior to December 31, 2021 or December 31, 2020, respectively, and on historical credit losses experienced within that period. Historical loss rates are adjusted to reflect current and prospective information on macroeconomic factors affecting client capacity to settle the accounts receivable.

On that basis, the allowance for impairment of clients at December 31, 2021 and 2020 was determined as follows for accounts receivable from customers:

| | Other current | Current | 1 to 30 days past due | 31 to 60 days past due | 61 to 90 days past due | 91 to 180 days past due | More than 180 days past due | Total |
|--|---------------|--------------|-----------------------|------------------------|------------------------|-------------------------|-----------------------------|---------------|
| December 31, 2021 | | | | | | | | |
| Average rate of expected loss | - | 1.27% | 13.88% | 13.73% | 13.73% | 1.00% | 77.80% | - |
| Gross book amount of accounts receivable | \$ 145,258 | \$ 8,274,870 | \$ 771,155 | \$ 58,338 | \$ 41,707 | \$ 74,846 | \$ 243,098 | \$ 9,609,272 |
| Provision for impairment of clients | \$ - | \$ (96,880) | \$ (21,017) | \$ (2,874) | \$ (1,218) | \$ (21,955) | \$ (194,951) | \$ (338,895) |

| | Other current | Current | 1 to 30 days past due | 31 to 60 days past due | 61 to 90 days past due | 91 to 180 days past due | More than 180 days past due | Total |
|--|---------------|---------------|-----------------------|------------------------|------------------------|-------------------------|-----------------------------|---------------|
| December 31, 2020 | | | | | | | | |
| Average rate of expected loss | \$ - | 1.81% | 1.39% | 1.39% | 1.39% | 1.00% | 86.77% | - |
| Gross book amount of accounts receivable | \$ 51,678 | \$ 6,876,977 | \$ 671,849 | \$ 54,370 | \$ 57,362 | \$ 47,368 | \$ 182,694 | \$ 7,942,298 |
| Provision for impairment of clients | \$ - | \$ (172,020) | \$ (10,019) | \$ (1,349) | \$ (2,262) | \$ (403) | \$ (166,745) | \$ (352,798) |

The final balances of the allowance for impairment of clients at December 31, 2021 and 2020 are adjusted to the allowance for initial losses as follows:

| | 2021 | 2020 |
|--|------------|------------|
| Opening loss allowance at January 1 | \$ 352,798 | \$ 342,141 |
| Increase in the allowance for impairment of clients applied to income for the year | 36,016 | 90,700 |
| Accounts receivable canceled during the year as uncollectible | (48,896) | (75,264) |
| Unused reversed amount | (1,023) | (4,779) |
| Ending loss allowance at December 31 | \$ 338,895 | \$ 352,798 |

Accounts receivable from customers are canceled when there is no reasonable expectation of recovery. Indicators showing that there is no reasonable expectation of recovery include, among others, the fact that the debtor suggests no payment plan to the Company and the impossibility of making contractual payments over a period of more than 180 days past due.

Impairment losses from clients is shown as provision for impairment of clients under operating profit. Subsequent recovery of amounts previously canceled are credited to the same line.

b) Financial assets at amortized cost

Other assets at amortized cost, which includes accounts receivable from related parties, are also subject to impairment requirements under IFRS 9. As of December 31, 2021 and 2020, no impairment loss has been identified.

9. INVENTORIES

Inventories are analyzed as follows:

| | 2021 | 2020 |
|---------------------------|--------------|--------------|
| Raw materials | \$ 3,732,823 | \$ 3,057,228 |
| Finished products | 3,898,076 | 3,440,712 |
| Materials and spare parts | 1,929,687 | 1,679,427 |
| Products in process | 79,122 | 73,252 |
| | \$ 9,639,708 | \$ 8,250,619 |

For the years ended December 31, 2021 and 2020, \$89,579,809 and \$82,434,501 was applied to income, respectively, corresponding to inventories consumed (including (\$24,691) and \$49,280, respectively, corresponding to damaged, slow-moving and obsolete inventories).

10. INVESTMENT IN SHARES OF ASSOCIATES

Investments in the shares of associates are comprised as follows:

| | 2021 | 2020 |
|---|--------------|--------------|
| Opening balance | \$ 8,308,209 | \$ 8,168,311 |
| Additions | 143,838 | 316,665 |
| IAS 29 (hyperinflationary economies) effect | 143,428 | 86,447 |
| Disposals and/or transfers | - | (123,369) |
| Dividends received | (35,436) | (34,216) |
| Share in the results of associated companies | 110,157 | 66,208 |
| Share in other comprehensive income of associated companies | (56,334) | (171,837) |
| Ending balance | \$ 8,613,862 | \$ 8,308,209 |

Following are the Company's associated companies at December 31, 2021 and 2020, which, in Management's opinion, are material and strategic for the Company, mostly because they relate to the Group's main activity. The capital stock of the following entities consists exclusively of ordinary voting shares held directly by the Company, and in the case of Jugos del Valle, S.A.P.I. de C.V., also includes non-voting shares. The country in which an associate is incorporated and registered is also its main place of business and the percentage of shareholding is the same as the percentage of votes held.

Participation movements per share for the years ended December 31, 2021 and 2020, are analyzed as follows:

| | Country of | Nature | Valuation method | Balance | Gain (loss) | Shareholding interest |
|---|--------------------------|------------|------------------|--------------|-------------|-----------------------|
| December 31, 2021 | | | | | | |
| Promotora Industrial Azucarera, S.A. de C.V. (PIASA) ⁽¹⁾ | Mexico | Associated | Equity method | \$ 3,476,627 | \$ 135,822 | 49.1849% |
| Jugos del Valle, S.A.P.I. de C.V. (JDV) ⁽²⁾ | Mexico | Associated | Equity method | 1,094,115 | 56,450 | 14.4600% |
| PetStar, S.A.P.I. de C.V. (PETSTAR) ⁽³⁾ | Mexico | Associated | Equity method | 473,603 | (77,493) | 49.9000% |
| | Country of incorporation | Nature | Valuation method | Balance | Gain (loss) | Shareholding interest |
| December 31, 2020 | | | | | | |
| Promotora Industrial Azucarera, S.A. de C.V. (PIASA) ⁽¹⁾ | Mexico | Associated | Equity method | \$ 3,310,952 | \$ 70,572 | 49.1849% |
| Jugos del Valle, S.A.P.I. de C.V. (JDV) ⁽²⁾ | Mexico | Associated | Equity method | 981,517 | 10,082 | 14.4600% |
| PetStar, S.A.P.I. de C.V. (PETSTAR) ⁽³⁾ | Mexico | Associated | Equity method | 500,903 | (22,652) | 49.9000% |

⁽¹⁾ PIASA is a company mainly engaged in marketing the sugar it produces or acquires, among its stockholders and to third parties, and the electric power it generates, as a byproduct. That investment allows the Company to supply itself with sugar for production while at the same time reducing its exposure to the risk of sugar prices.

⁽²⁾ JDV is a strategic investment mainly engaged in the production, bottling, purchase, sale, distribution and marketing of juices, nectars, fruit drinks, other drinks and dairy products sold under the Santa Clara brand name. JDV also markets products of third parties.

⁽³⁾ PETSTAR is engaged in collecting and recycling PET (Polyethylene Terephthalate) waste and its conversion to food grade resin and sale, mainly but not exclusively to its stockholders.

Following is a summary of the financial information pertaining to associated companies considered to be material to AC. That information reflects the figures contained in the financial statements of relevant associates, but not of the Company's share of those amounts.

These amounts have been modified to reflect the adjustments made by AC in applying the equity method, including fair value adjustments, when applicable, and changes arising from differences in accounting policies.

There are no contingent liabilities relating to Company interest in its associates.

| | PIASA | | JDV | | PETSTAR | |
|---|--------------|--------------|---------------|---------------|---------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Summary statement of financial position | | | | | | |
| Current assets | \$ 2,391,530 | \$ 2,558,739 | \$ 7,009,308 | \$ 5,947,763 | \$ 573,396 | 329,792 |
| Non-current assets | 8,209,345 | 8,113,764 | 7,483,157 | 7,259,703 | 1,146,315 | 1,110,081 |
| Current liabilities | 2,380,228 | 2,259,960 | 4,896,707 | 5,817,814 | 695,890 | 362,755 |
| Non-current liabilities | 1,152,162 | 1,680,900 | 2,029,263 | 601,845 | 74,717 | 73,304 |
| Stockholders' equity | \$ 7,068,485 | \$ 6,731,643 | \$ 7,566,495 | \$ 6,787,807 | \$ 949,104 | \$ 1,003,814 |
| Reconciliation of book balances | | | | | | |
| Beginning balance | \$ 6,731,643 | \$ 6,666,303 | \$ 6,787,807 | \$ 6,767,066 | \$ 1,003,814 | \$ 1,049,158 |
| Capital increase | - | - | 185,715 | 99,503 | 102,010 | - |
| Income for the year | 276,146 | 143,484 | 390,390 | 69,727 | (155,297) | (45,395) |
| Other comprehensive income | 60,696 | (78,144) | 202,583 | (148,489) | (1,423) | 51 |
| Ending balance | 7,068,485 | 6,731,643 | 7,566,495 | 6,787,807 | 949,104 | 1,003,814 |
| Shareholding % | 49.1849% | 49.1849% | 14.4600% | 14.4600% | 49.9000% | 49.9000% |
| Book balance | \$ 3,476,627 | \$ 3,310,952 | \$ 1,094,115 | \$ 981,517 | \$ 473,603 | \$ 500,903 |
| Summary statement of comprehensive | | | | | | |
| Income | \$ 8,997,253 | \$ 7,931,992 | \$ 23,590,244 | \$ 21,062,361 | \$ 2,004,810 | \$ 1,441,372 |
| Income for the year | \$ 276,146 | \$ 143,484 | \$ 390,390 | \$ 69,727 | \$ (155,297) | \$ (45,395) |
| Other comprehensive income | 60,696 | (78,144) | 202,583 | (148,489) | (1,423) | 51 |
| Total comprehensive income | \$ 336,842 | \$ 65,340 | \$ 592,973 | \$ (78,762) | \$ (156,720) | \$ (45,344) |

During the years ended December 31, 2021 and 2020, the Company has not received material and strategic dividends from its associates.

The Company exercises significant influence over its associates since it is empowered to participate in the making of financial and operating policies without exercising control over them (see Note 5b. point i.).

In addition to the aforementioned interest in associated companies, AC also has interests in some other associated companies that are not considered material, and which are recognized by the equity method; the value, recognized in AC, of its investments in said associated companies is as follows:

| | 2021 | 2020 |
|---|--------------|--------------|
| Aggregate balance of individual immaterial entities | \$ 3,569,517 | \$ 3,514,837 |
| Aggregated amounts of AC's share in: | | |
| (Loss) profit from continuing operations | \$ (4,622) | \$ 8,206 |
| Total comprehensive income | \$ (4,622) | \$ 8,206 |

None of the associated companies' shares is publicly traded, therefore, there are no published market prices.

11. PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment for the years ended December 31, 2021 and 2020 are analyzed as follows:

| | Assets subject to depreciation | | | | | | | | Assets not subject to depreciation | | |
|--|--------------------------------|-------------------------|--------------------------|-----------------------------------|---------------------------------|--------------------|---------------------|----------------|------------------------------------|------------------------|----------------|
| | Buildings | Machinery and equipment | Transportation equipment | Refrigerators and sales equipment | Bottles and distribution crates | Computer equipment | Furniture and other | Subtotal | Land | Investments in process | Total |
| For the period ended December 31, 2021 | | | | | | | | | | | |
| Beginning balance as of January 1, 2020 | \$ 15,783,456 | \$ 16,770,799 | \$ 4,686,577 | \$ 9,660,777 | \$ 2,651,127 | \$ 712,506 | \$ 624,494 | \$ 50,889,736 | \$ 16,822,122 | \$ 1,946,938 | \$ 69,658,796 |
| Reclassifications | 40,321 | 601,773 | - | (536,511) | - | - | - | 105,583 | (105,583) | - | |
| Reclassified balances as of January 1, 2021 | \$ 15,823,777 | \$ 17,372,572 | \$ 4,686,577 | \$ 9,124,266 | \$ 2,651,127 | \$ 712,506 | \$ 624,494 | \$ 50,995,319 | \$ 16,716,539 | \$ 1,946,938 | \$ 69,658,796 |
| Effect of IAS 29 (hyperinflationary economy) | 223,979 | 374,972 | 67 | 36,729 | 54,353 | 2,483 | 4,105 | 696,688 | 90,528 | 6 | 787,222 |
| Effects of conversion | (162,114) | (60,434) | 54,833 | 150,219 | 32,247 | 7,981 | 19,164 | 41,896 | (240,632) | 28,997 | (169,739) |
| Additions for Business acquisition | 94,015 | 39,959 | 3,740 | - | - | - | 944 | 138,658 | 77,851 | 1,772 | 218,281 |
| Additions | 245,589 | 371,340 | 802,108 | 1,312,032 | 1,911,135 | 260,291 | 96,490 | 4,998,985 | 60,948 | 2,115,706 | 7,175,639 |
| Transfers | 292,270 | 352,144 | 249,027 | 67,746 | - | 95,154 | 90,208 | 1,146,549 | 3,473 | (1,150,022) | - |
| Disposals | (28,985) | (70,506) | (106,982) | (387,936) | (360,627) | (4,338) | (5,631) | (965,005) | (99,602) | (38,553) | (1,103,160) |
| Depreciation charges recognized in the year | (678,645) | (2,036,387) | (986,645) | (2,142,260) | (1,407,750) | (393,890) | (131,553) | (7,777,130) | - | - | (7,777,130) |
| Ending balance | \$ 15,809,886 | \$ 16,343,660 | \$ 4,702,725 | \$ 8,160,796 | \$ 2,880,485 | \$ 680,187 | \$ 698,221 | \$ 49,275,960 | \$ 16,609,105 | \$ 2,904,844 | \$ 68,789,909 |
| December 31, 2021 | | | | | | | | | | | |
| Cost | \$ 23,411,543 | \$ 35,047,852 | \$ 12,616,853 | \$ 21,310,576 | \$ 7,003,515 | \$ 2,944,934 | \$ 2,023,339 | \$ 104,358,612 | \$ 16,609,105 | \$ 2,904,844 | \$ 123,872,561 |
| Accumulated depreciation | (7,601,657) | (18,704,192) | (7,914,128) | (13,149,780) | (4,123,030) | (2,264,747) | (1,325,118) | (55,082,652) | - | - | (55,082,652) |
| Ending balance | \$ 15,809,886 | \$ 16,343,660 | \$ 4,702,725 | \$ 8,160,796 | \$ 2,880,485 | \$ 680,187 | \$ 698,221 | \$ 49,275,960 | \$ 16,609,105 | \$ 2,904,844 | \$ 68,789,909 |
| For the period ended December 31, 2020 | | | | | | | | | | | |
| Beginning balances as of December 31, 2019 | \$ 14,577,218 | \$ 15,183,574 | \$ 5,467,783 | \$ 10,974,164 | \$ 3,053,740 | \$ 849,322 | \$ 549,919 | \$ 50,655,720 | \$ 17,366,733 | \$ 3,914,653 | \$ 71,937,106 |
| Reclassifications | 949,600 | 638,873 | (928,798) | 94,450 | 17,060 | (69,961) | 132,110 | 833,334 | (675,775) | (157,559) | - |
| Reclassified balances as of January 1, 2020 | \$ 15,526,818 | \$ 15,822,447 | \$ 4,538,985 | \$ 11,068,614 | \$ 3,070,800 | \$ 779,361 | \$ 682,029 | \$ 51,489,054 | \$ 16,690,958 | \$ 3,757,094 | \$ 71,937,106 |
| Effect of IAS 29 (hyperinflationary economy) | 126,279 | 255,795 | 5,003 | 27,439 | 17,661 | 2,268 | 1,663 | 436,108 | 55,308 | 4 | 491,420 |
| Effects of conversion | (62,072) | (189,777) | 117,943 | 259,437 | 351,367 | 18,353 | (29,656) | 465,595 | 99,110 | 39,735 | 604,440 |
| Additions / transfers | 150,170 | 705,796 | 597,522 | 921,063 | 1,707,421 | 113,835 | 57,334 | 4,253,141 | 195,468 | 2,274,501 | 6,723,110 |
| Transfers | 685,882 | 2,399,746 | 542,556 | 80,994 | 336 | 184,846 | 123,476 | 4,017,836 | - | (4,017,836) | - |
| Disposals | (93,202) | (284,243) | (44,161) | (158,871) | (732,670) | (30,903) | (80,680) | (1,424,730) | (218,722) | (106,560) | (1,750,012) |
| Depreciation charges recognized in the year | (550,419) | (1,938,965) | (1,071,271) | (2,537,899) | (1,763,788) | (355,254) | (129,672) | (8,347,268) | - | - | (8,347,268) |
| Ending balance | \$ 15,783,456 | \$ 16,770,799 | \$ 4,686,577 | \$ 9,660,777 | \$ 2,651,127 | \$ 712,506 | \$ 624,494 | \$ 50,889,736 | \$ 16,822,122 | \$ 1,946,938 | \$ 69,658,796 |
| December 31, 2020 | | | | | | | | | | | |
| Cost | \$ 22,474,996 | \$ 33,300,827 | \$ 11,852,503 | \$ 21,374,708 | \$ 6,428,360 | \$ 2,626,914 | \$ 1,764,660 | \$ 99,822,968 | \$ 16,822,122 | \$ 1,946,938 | \$ 118,592,028 |
| Accumulated depreciation | (6,691,540) | (16,530,028) | (7,165,926) | (11,713,931) | (3,777,233) | (1,914,408) | (1,140,166) | (48,933,232) | - | - | (48,933,232) |
| Ending balance | \$ 15,783,456 | \$ 16,770,799 | \$ 4,686,577 | \$ 9,660,777 | \$ 2,651,127 | \$ 712,506 | \$ 624,494 | \$ 50,889,736 | \$ 16,822,122 | \$ 1,946,938 | \$ 69,658,796 |

Of the depreciation expense for 2021 of \$7,777,130 (\$8,347,268 in 2020), \$2,601,079 (\$2,768,003 in 2020) was recorded in cost of sales, \$4,532,139 (\$4,911,841 in 2020) in selling expenses and \$643,912 (\$667,424 in 2020) in administration expenses, respectively.

Investments in process at December 31, 2021 and 2020 correspond mainly to investments in production equipment, distribution and building improvements.

12. GOODWILL AND INTANGIBLE ASSETS, NET

Movements in intangible assets for the years ended December 31, 2021 and 2020, are as follows:

| | Intangible assets acquired | | | | | |
|--|----------------------------|--------------------|--------------|-------------------|--------------|----------------|
| | Goodwill | Bottling contracts | Trademarks | Software licenses | Other | Total |
| Beginning balances as of December 31, 2020 | \$ 55,929,169 | \$ 50,109,908 | \$ 3,442,448 | \$ 603,136 | \$ 6,339,665 | \$ 116,424,326 |
| Effect of translation | (56,185) | (61,585) | 90,584 | 44,008 | 25,367 | 42,189 |
| Acquisition of Business Combinations | 306,918 | - | 99,694 | - | 127,146 | 533,758 |
| Additions | - | - | - | 12,991 | 219,833 | 232,824 |
| IAS 29 (hyperinflationary economy) effect | 1,039,447 | 242,488 | - | - | - | 1,281,935 |
| Disposals | - | - | - | - | (23,379) | (23,379) |
| Amortization charges | - | - | (3,057) | (127,743) | (1,017,971) | (1,148,771) |
| | \$ 57,219,349 | \$ 50,290,811 | \$ 3,629,669 | \$ 532,392 | \$ 5,670,661 | \$ 117,342,882 |

| | | | | | | |
|--------------------------|---------------|---------------|--------------|------------|--------------|----------------|
| December 31, 2021 | | | | | | |
| Attributed cost | \$ 57,219,349 | \$ 50,290,811 | \$ 3,646,870 | \$ 989,118 | \$ 9,533,206 | \$ 121,679,354 |
| Accumulated amortization | - | - | (17,201) | (456,726) | (3,862,545) | (4,336,472) |
| Net book value | \$ 57,219,349 | \$ 50,290,811 | \$ 3,629,669 | \$ 532,392 | \$ 5,670,661 | \$ 117,342,882 |

| | Intangible assets acquired | | | | | |
|---|----------------------------|--------------------|--------------|-------------------|--------------|----------------|
| | Goodwill | Bottling contracts | Trademarks | Software licenses | Other | Total |
| Beginning balances as of December 31, 2019 | \$ 54,349,606 | \$ 50,499,021 | \$ 3,928,376 | \$ 1,189,483 | \$ 3,451,051 | \$ 113,417,537 |
| Reclassifications | (594,725) | (1,487,279) | (643,026) | (514,004) | 3,239,034 | - |
| Reclassified balances as of January 1, 2020 | \$ 53,754,881 | \$ 49,011,742 | \$ 3,285,350 | \$ 675,479 | \$ 6,690,085 | \$ 113,417,537 |
| Effect of translation | 1,530,329 | 947,940 | 163,931 | 63,964 | 97,427 | 2,803,591 |
| Additions | - | - | - | 2,434 | 170,116 | 172,550 |
| IAS 29 (hyperinflationary economy) effect | 643,959 | 150,226 | - | - | (1,355) | 792,830 |
| Disposals | - | - | - | - | (63,405) | (63,405) |
| Amortization charges | - | - | (6,833) | (138,741) | (553,203) | (698,777) |
| | \$ 55,929,169 | \$ 50,109,908 | \$ 3,442,448 | \$ 603,136 | \$ 6,339,665 | \$ 116,424,326 |

| | | | | | | |
|--------------------------|---------------|---------------|--------------|------------|--------------|----------------|
| December 31, 2020 | | | | | | |
| Attributed cost | \$ 55,929,169 | \$ 50,109,908 | \$ 3,511,038 | \$ 948,472 | \$ 9,323,050 | \$ 119,821,637 |
| Accumulated amortization | - | - | (68,590) | (345,336) | (2,983,385) | (3,397,311) |
| Net book value | \$ 55,929,169 | \$ 50,109,908 | \$ 3,442,448 | \$ 603,136 | \$ 6,339,665 | \$ 116,424,326 |

Of the amortization expense for 2021 of \$1,148,771 (\$698,777 in 2020), \$15,320 (\$17,622 in 2020) was recorded in cost of sales, \$61,594 (\$30,981 in 2020) in selling expenses and \$1,071,857 (\$650,174 in 2020) in administration expenses, respectively.

Goodwill acquired from business combinations is assigned at the acquisition date to CGUs expected to benefit from the synergies arising from said combinations.

The book value of goodwill assigned to the different CGUs or groups of CGUs are as follows:

| | 2021 | 2020 |
|-----------------------|----------------------|----------------------|
| Cash generating unit: | | |
| Beverages Mexico | \$ 7,835,007 | \$ 7,835,007 |
| Beverages US | 21,259,375 | 20,657,832 |
| Beverages Peru | 9,359,953 | 10,020,660 |
| Beverages Ecuador | 9,487,193 | 9,218,749 |
| Beverages Argentina | 3,105,524 | 2,462,682 |
| Wise Foods | 2,739,206 | 2,661,699 |
| Toni | 1,723,734 | 1,674,960 |
| Inalecsa | 673,331 | 654,279 |
| Carli Snack | 312,639 | - |
| Vend | 320,604 | 343,235 |
| Nayhsa | 256,773 | 256,773 |
| Other | 146,010 | 143,293 |
| | \$ 57,219,349 | \$ 55,929,169 |

At December 31, 2021 and 2020, the estimation of the recovery value of the CGUs identified was conducted through the value in use, using the revenue approach. The value in use was determined by discounting future cash flows generated by the continuous use of the CGUs, using the following key assumptions, among others::

| | Range among CGUs | | | |
|--|------------------|-------|------|-------|
| | 2021 | | 2020 | |
| Rate of growth in volume | 0.2% | 7.0% | 0.8% | 6.4% |
| Rate of growth in sales ⁽¹⁾ | 3.4% | 29.1% | 3.4% | 34.8% |
| Operating margin (as a % of sales) | 2.4% | 19.2% | 2.8% | 18.8% |
| Other operating costs | 2.4% | 19.6% | 1.4% | 19.2% |
| Annual CAPEX (as a % of sales) | 0.9% | 7.1% | 2.2% | 7.0% |
| Discount rate | 5.3% | 18.9% | 5.2% | 13.3% |

⁽¹⁾ Including the hyperinflation effects.

At December 31, 2021 and 2020:

- The determination of cash flows is based on the financial projections approved by Management for a five-year period and considering a multiple of operating cash flow to perpetuity and are dependent on the expected growth rates of the volume, which are based in historical performances and the expectation of growth of the industry in which AC operates.
- The discount rate was calculated based on the weighted average of the capital (at market value) of the cost of all sources of financing that form part of the capital structure of CGUs (liabilities with cost and shareholding capital) and reflect the specific risks related to AC's relevant operating segments.
- The volume of sales is the average growth rate over the five year projection period. It is based on past performance and Management expectations for market development.
- The sales price is the average growth rate over the five years projection period. It is based on actual industry trends and includes long-term inflation forecasts for each territory.
- The operating margin corresponds to the average margin as a percentage of sales over the five-year projection period. It is based on actual sales margin levels and product mixture. Given the nature of the operation, no increases are expected in the cost of raw materials that cannot be passed on to customers, which may have required an adjustment in the determination of future margins.

- Other operating costs are fixed costs of CGUs, as a percentage of sales, which do not differ significantly from sales volumes and prices. Management projected those costs based on the current business structure, and adjusted increases for inflation. They do not reflect any future restructuring or cost reduction measures. The percentages disclosed above are the average of other operating costs for the five-year projected period with respect to sales.
- Annual CAPEX represents the percentage of sales for investing in machinery and equipment in order to maintain operations at current levels. It is based on historical Management experience and on plans for machinery and equipment replacement as required in accordance with the Coca-Cola System. No incremental sales or cost reductions are assumed in the value in use model as a result of these investments.

Values in use resulting from impairment calculations for all Company CGUs, prepared on the aforementioned basis, exceed the book value of each of the CGUs, as shown below:

| | % of value in use over book value | |
|------------------------------------|-----------------------------------|------|
| | 2021 | 2020 |
| Cash generating unit: | | |
| Beverages Mexico | 633% | 589% |
| Beverages US | 92% | 64% |
| Beverages Peru | 44% | 37% |
| Beverages Argentina ⁽¹⁾ | 580% | 856% |
| Bebidas Ecuador | 41% | 37% |
| Toni | 9% | 14% |
| Wise Foods | 10% | 6% |
| Inalecsa | 27% | 25% |
| Nayhsa | 231% | 235% |

⁽¹⁾ Including the hyperinflation effects.

Management considers that a possible change in the key assumptions used, within a reasonable range, would not cause the book value of the CGUs to materially exceed their value in use.

As a result of annual testing for impairment, the Company recognized no impairment losses in the years ended December 31, 2021 and 2020 (see Note 5).

13. LEASES

This note provides information for leases where the Company is a lessee.

i. Amounts recognized in the consolidated statements of financial position

The consolidated statements of financial position present the following amounts relating to leases:

| | 2021 | 2020 |
|---|--------------|--------------|
| Right-of-use assets | | |
| Buildings | \$ 1,375,556 | \$ 1,223,275 |
| Transportation equipment | 335,990 | 414,818 |
| Machinery and equipment | 322,990 | 236,549 |
| Land | 18,658 | 13,447 |
| | 2,053,194 | 1,888,089 |
| Accumulated depreciation of right-of-use assets | (970,158) | (698,093) |
| Right-of-use assets | \$ 1,083,036 | \$ 1,189,996 |

Additions to the right-of-use assets during the 2021 and 2020 financial years were \$660,229 and \$875,097, respectively.

| | 2021 | | 2020 |
|-------------------|--------------|----|-----------|
| Lease liabilities | | | |
| Current | \$ 406,675 | \$ | 358,034 |
| Non-current | 745,338 | | 853,223 |
| | \$ 1,152,013 | \$ | 1,211,257 |

ii. Amounts recognized in the consolidated statement of income

The consolidated statement of income shows the following amounts relating to leases:

| | 2021 | | 2020 |
|--|------------|----|---------|
| Depreciation expense of right-of-use assets: | | | |
| Buildings | \$ 253,904 | \$ | 281,568 |
| Transportation equipment | 199,309 | | 193,539 |
| Machinery and equipment | 116,358 | | 98,899 |
| Land | 4,942 | | 3,597 |
| | \$ 574,513 | \$ | 577,603 |

| | 2021 | | 2020 |
|--|-----------|----|--------|
| Interest expense (included in financial expenses) (Note 24) | \$ 76,880 | \$ | 78,355 |

| | | | |
|--|------------|----|---------|
| Expense relating to short-term leases, insignificant value assets and variable lease payments (included in cost of goods sold and administrative expenses) (Note 21) | \$ 195,004 | \$ | 191,910 |
|--|------------|----|---------|

The total cash outflow for leases in 2021 and 2020 was \$591,433 and \$616,055, respectively.

14. DEBT

a) As of December 31, 2021 and 2020 the debt is analyzed as follows:

| | 2021 | | 2020 |
|----------------------------------|---------------|----|------------|
| Debt instruments and bonds | \$ 32,499,268 | \$ | 32,609,184 |
| Scotiabank | 6,199,601 | | 4,614,527 |
| Bancomext | 4,144,022 | | 4,189,019 |
| HSBC México | 2,000,000 | | - |
| Banamex | 1,599,234 | | 2,696,391 |
| Santander | 1,449,302 | | 1,448,125 |
| Banco JP Morgan | - | | 1,491,123 |
| Bank of America, N.A. | 1,209,117 | | 1,173,856 |
| Banco de Crédito del Perú | 874,701 | | - |
| BBVA | - | | 699,069 |
| International Finance Corp. | 327,253 | | 472,855 |
| Banco Interamericano de Finanzas | 360,171 | | 444,804 |
| Banco Rabobank | 61,536 | | 347,308 |
| Banco Internacional | 304,868 | | 338,898 |
| Banco Bolivariano | 44,458 | | 49,838 |
| Financial leases and other | - | | 2,112 |
| Total debt | 51,073,531 | | 50,577,109 |
| Current portion of debt | (7,546,533) | (| 7,132,136) |
| Non-current debt | \$ 43,526,998 | \$ | 43,444,973 |

b) The terms, conditions and book value of non-current debt are as follows:

| | Country | Currency | Interest rate | | Maturity date | Frequency Interest payment | | |
|---|---------|----------|--------------------|-----------|---------------|----------------------------|---------------|---------------|
| | | | Contractual | Effective | | | 2021 | 2020 |
| CEB UR ARCA 13-2 | Mexico | MXN | 5.88% | 5.99% | 10/03/2023 | Biyearly | \$ 1,700,000 | \$ 1,700,000 |
| CEB UR ACBE 17 | Mexico | MXN | 7.84% | 7.95% | 03/09/2027 | Biyearly | 6,000,000 | 6,000,000 |
| CEB UR ACBE 17-2 ⁽¹⁾ y ^(2a) | Mexico | MXN | TIIE 28 plus 0.20% | 4.49% | 09/09/2022 | Monthly | - | 1,000,000 |
| Corporate Bonds 144 A | Peru | US | 4.63% | 4.68% | 12/04/2023 | Biyearly | 668,430 | 2,006,325 |
| Private Bond | Peru | PEN | 7.50% | 7.64% | 09/12/2026 | Biyearly | 771,795 | 826,275 |
| Private Bond at 12 years | USA | US | 3.49% | 3.52% | 28/12/2029 | Biyearly | 8,183,593 | 7,950,075 |
| Private Bond at 15 years | USA | US | 3.64% | 3.66% | 28/12/2032 | Biyearly | 8,183,593 | 7,950,075 |
| CEB UR ACBE 21 2V | Mexico | MXN | 6.75% | 6.87% | 02/05/2028 | Biyearly | 3,000,000 | - |
| CEB UR ACBE 21V | Mexico | MXN | TIIE 28 plus 0.07% | 5.46% | 06/05/2025 | Monthly | 1,650,000 | - |
| Debt instruments and bonds | | | | | | | \$ 30,157,411 | \$ 27,432,750 |

| | Country | Currency | Interest rate | | Maturity date | Frequency Interest payment | | |
|----------------------------------|---------|----------|--------------------|-----------|---------------|----------------------------|--------------|--------------|
| | | | Contractual | Effective | | | 2021 | 2020 |
| Bancomext | Mexico | MXN | TIIE 91 plus 0.80% | 6.80% | 22/06/2027 | Quarterly | \$ 3,928,281 | \$ 4,130,186 |
| Banamex | Mexico | MXN | TIIE 91 plus 1.50% | 6.15% | 18/05/2022 | Quarterly | - | 1,098,396 |
| Banamex | Mexico | MXN | TIIE 91 plus 0.20% | 6.11% | 14/06/2024 | Quarterly | 1,599,234 | 1,597,995 |
| Santander ^(2b) | Mexico | MXN | TIIE 91 plus 0.60% | 6.58% | 20/06/2024 | Quarterly | 869,737 | 1,448,125 |
| Banco JP Morgan | Mexico | US | 3.84% | 3.95% | 26/04/2021 | Biyearly | - | 1,305,508 |
| Scotiabank | Mexico | MXN | TIIE 91 plus 1.45% | 6.11% | 08/02/2021 | Quarterly | - | 1,248,060 |
| Scotiabank | Mexico | MXN | TIIE 28 plus 0.60% | 5.09% | 19/01/2022 | Monthly | - | 273,738 |
| Scotiabank ^(2c) | Mexico | MXN | TIIE 91 plus 0.50% | 6.46% | 20/06/2024 | Quarterly | 599,875 | 999,033 |
| Scotiabank | Mexico | MXN | TIIE 91 plus 0.50% | 6.40% | 15/06/2024 | Quarterly | 599,814 | 998,747 |
| BBVA | Mexico | MXN | TIIE 91 plus 0.90% | 5.50% | 21/12/2021 | Quarterly | - | 699,069 |
| Bank of America | Ecuador | US | 0.91% | 0.66% | 16/07/2024 | Monthly | 725,950 | 704,724 |
| International Finance Corp. | Ecuador | US | 3.55% | 3.55% | 15/12/2023 | Biyearly | 161,336 | 314,473 |
| Bank of America | Ecuador | US | 2.75% | 2.63% | 16/07/2024 | Monthly | 483,167 | 469,132 |
| Banco Internacional | Ecuador | US | 7.40% | 7.61% | 12/04/2022 | Quarterly | - | 47,052 |
| Banco Internacional | Ecuador | US | 8.75% | 9.11% | 07/04/2025 | Monthly | 256,446 | 249,190 |
| Banco Bolivariano | Ecuador | US | 8.16% | 9.15% | 25/09/2025 | Biyearly | 37,625 | 43,200 |
| Banco Interamericano de Finanzas | Peru | PEN | 1.94% | 1.94% | 30/12/2023 | Quarterly | 308,718 | 385,595 |
| Scotiabank Inverlat | Mexico | MXN | TIIE 28 + 0.24 % | 5.48% | 08/09/2023 | Monthly | 1,350,000 | - |

| | Country | Currency | Interest rate | | Maturity date | Frequency Interest payment | 2021 | 2020 |
|----------------------------|---------|----------|-------------------|-----------|---------------|----------------------------|---------------|---------------|
| | | | Contractual | Effective | | | | |
| Scotiabank Inverlat | Mexico | MXN | TIIIE 91 + 0.20 % | 6.05% | 21/06/2024 | Quarterly | 700,000 | - |
| Banco de Crédito del Perú | Peru | PEN | 3.57% | 3.57% | 19/03/2026 | Quarterly | 437,351 | - |
| Banco de Crédito del Perú | Peru | PEN | 3.57% | 3.57% | 19/03/2026 | Quarterly | 437,351 | - |
| Scotiabank | Peru | PEN | 3.57% | 3.57% | 19/03/2026 | Quarterly | 437,351 | - |
| Scotiabank | Peru | PEN | 3.57% | 3.57% | 19/03/2026 | Quarterly | 437,351 | - |
| Financial bank loans | | | | | | | \$ 13,369,587 | \$ 16,012,223 |
| Financial leases and other | | | | | | | - | - |
| Total | | | | | | | \$ 43,526,998 | \$ 43,444,973 |

(1) Short-term stock certificate derived at its expiration date.

(2) The Company has contracted swaps for these loans in order to fix the interest rate at 7.369%(2a), in 7.225% (2b) and 7.225% (2c). Considering for the payment the agreed spreads.

c) At December 31, 2021, annual maturities of the non-current debt are comprised as follows:

| | 2023 | 2024 | 2025 | 2026 onward | Total |
|----------------------------|--------------|--------------|--------------|---------------|---------------|
| Debt instruments and bonds | \$ 2,368,430 | \$ - | \$ 1,650,000 | \$ 26,138,981 | \$ 30,157,411 |
| Bank loans | 2,575,116 | 6,234,615 | 2,521,960 | 2,037,896 | 13,369,587 |
| | \$ 4,943,546 | \$ 6,234,615 | \$ 4,171,960 | \$ 28,176,877 | \$ 43,526,998 |

At December 31, 2020, annual maturities of the non-current debt are comprised as follows:

| | 2022 | 2023 | 2024 | 2025 onward | Total |
|----------------------------|--------------|--------------|--------------|---------------|---------------|
| Debt instruments and bonds | \$ 2,295,450 | \$ 2,407,369 | \$ - | \$ 22,729,931 | \$ 27,432,750 |
| Bank loans | 5,761,135 | 3,516,862 | 3,451,756 | 3,282,470 | 16,012,223 |
| | \$ 8,056,585 | \$ 5,924,231 | \$ 3,451,756 | \$ 26,012,401 | \$ 43,444,973 |

d) Following is an analysis and movements of net debt during the years ended December 31, 2021 and 2020:

| | 2021 | 2020 |
|---------------------------|------------------|------------------|
| Cash and cash equivalents | \$ 32,116,974 | \$ 27,335,702 |
| Current debt | (7,546,533) | (7,132,136) |
| Non-current debt | (43,526,998) | (43,444,973) |
| Net debt | \$ (18,956,557) | \$ (23,241,407) |
| Cash and cash equivalents | \$ 32,116,974 | \$ 27,335,702 |
| Debt at fixed rate | (16,818,872) | (34,078,189) |
| Debt at variable rate | (34,254,659) | (16,498,920) |
| Net debt | \$ (18,956,557) | \$ (23,241,407) |

| | Cash and cash equivalents | Financial liabilities | | | |
|--|---------------------------|-----------------------|-----------------|------------------|------------------|
| | | Short term | | Long term | |
| | | Bonds | Financial debt | Bonds | Financial debt |
| Net debt at January 1, 2021 | \$ 27,335,702 | \$ (5,187,260) | \$ (1,944,876) | \$ (27,432,750) | \$ (16,012,223) |
| Cash inflow | 90,909,201 | - | (6,872,694) | (4,638,432) | (7,178,611) |
| Cash outflow | (86,562,906) | 5,546,501 | 13,237,335 | - | 269,198 |
| Exchange rate effects | 159,513 | 182,799 | (10,368) | (296,671) | 2,306 |
| Other movements not requiring cash flows | 275,464 | (2,901,242) | (9,596,728) | 2,210,442 | 9,549,743 |
| Net debt at December 31, 2021 | \$ 32,116,974 | \$ (2,359,202) | \$ (5,187,331) | \$ (30,157,411) | \$ (13,369,587) |

| | Cash and cash equivalents | Financial liabilities | | | |
|--|---------------------------|-----------------------|-----------------|------------------|------------------|
| | | Short term | | Long term | |
| | | Bonds | Financial debt | Bonds | Financial debt |
| Net debt at January 1, 2020 | \$ 22,051,280 | \$ (4,916,812) | \$ (1,844,226) | \$ (31,580,031) | \$ (14,920,397) |
| Cash inflow | 94,198,208 | - | (887,773) | - | (3,201,530) |
| Cash outflow | (89,294,634) | 5,206,499 | 2,462,692 | 12,486 | 647,481 |
| Exchange rate effects | 139,701 | 182,205 | (27,785) | (988,172) | (189,987) |
| Other movements not requiring cash flows | 241,147 | (5,659,152) | (1,647,784) | 5,122,967 | 1,652,210 |
| Net debt at December 31, 2020 | \$ 27,335,702 | \$ (5,187,260) | \$ (1,944,876) | \$ (27,432,750) | \$ (16,012,223) |

e) Main features of the debt:

Significant debt issuances in 2021

Distribuidora Arca Continental, S.A. de C.V., subsidiary in Mexico of AC Bebidas, S. de R.L. C.V. in Mexico, signed a new loan agreement on December 21, 2021 with Scotiabank Inverlat, S.A. for \$700,000, with a term of 30 months at an annual nominal rate of 6.05%.

Arca Continental, S.A.B. de C.V. (Holding) in Mexico, signed a new loan agreement on October 1, 2021 with HSBC Mexico, S.A. for \$2,000,000, with a term of 1 year at a nominal rate of TIIE 28 days plus 0.089 basis points.

Corporación Lindley, S.A., subsidiary in Peru of AC Bebidas, S. de R.L. C.V. in Mexico, signed two new loan agreements on September 27, 2021 with Banco de Crédito del Perú for \$437,354 (PEN \$85,000) each, with a term of 54 months at an annual nominal rate of 3.57%.

Arca Continental, S.A.B. de C.V. (Holding) in Mexico, signed a new loan agreement on September 8, 2021 with Scotiabank Inverlat, S.A. of \$1,000,000, with a term of 2 years at a nominal rate of TIIE 28 days plus 0.24 basis points.

Corporación Lindley, S.A., subsidiary in Peru of AC Bebidas, S. de R.L. C.V. in Mexico, signed two new loan agreements on May 27, 2021 with Scotiabank Perú for \$437,354 (PEN \$85,000) each, with a term of 58 months at an annual nominal rate of 3.57%.

AC Bebidas, S. de R.L. (Holding) in Mexico issued new Stock Certificates on May 11, 2021 for \$3,000,000 with a term of 7 years at an annual fixed rate of 6.75%.

AC Bebidas, S. de R.L. (Holding) in Mexico issued new Stock Certificates on May 11, 2021 for \$1,650,000 with a term of 4 years at a nominal rate of TIIE 28 days plus .07 basis points.

Significant debt issuances in 2020

Distribuidora Importadora Dipor, S.A., subsidiary in Ecuador of AC Bebidas, S. de R.L. C.V. in Mexico, signed a new loan contract on September 29, 2020 with Banco Bolivariano CA for \$111,799 (USD \$ 5,000) with a term of 5 years at a nominal rate of 8.83% per year.

Industrias Lácteas Toni, S.A., a subsidiary in Ecuador of AC Bebidas, S. de R.L. C.V. in Mexico signed a new loan agreement on September 28, 2020 with Banco Internacional S.A. for \$558,995 (USD \$ 25,000) with a term of 55 months at a nominal rate of 8.75% per year.

Arca Continental, S.A.B. de C.V. (Holding) in Mexico signed a new loan agreement on May 18, 2020 with Banco Nacional de Mexico, S.A. for \$1,100,000 with a term of 2 years at a nominal rate of TIIE 91 days + 1.50 percentage points.

Arca Continental, S.A.B. de C.V. (Holding) in Mexico signed a new loan agreement on May 6, 2020 with Scotiabank Inverlat, S.A. for \$1,250,000 with a term of 2 years at a nominal rate of TIIE 91 days + 1.45 percentage points.

The cash flows obtained from the new loans mentioned in the previous paragraphs were used to make the payment for 25,000,000 Stock Certificates issued by Embotelladoras Arca, S.A.B. de C.V., with ticker symbol "ARCA 10" for a total amount of \$2,500,000 in addition to \$ 97,825 corresponding to financial expenses accrued during the term of the issuance. The payment of interest and principal was made on November 13, 2020.

The debt of the Tonicorp subsidiaries owed to International Finance Corp. is secured with certain fixed assets belonging to those subsidiaries, whose net book value at December 31, 2021, in the percentage corresponding to AC is \$1,079,577 (\$1,049,029 in 2020). These guarantees were granted as a result of the investment in Tonicorp joint operation. Those guarantees fall within the parameters permitted by the debt restrictions specified later herein.

AC Bebidas, Distribuidora Arca Continental, S.A. de C.V. and Bebidas Mundiales, S.A. de C.V. act as guarantors of the debt in Mexico, and AC Bebidas is guarantor of the private bonds by its subsidiary CCSWB in the US.

Debt restrictions:

Most long-term debt agreements specify normal conditions, mainly as concerns the delivery of internal and audited financial information. Failure to provide that information within the specified term to the satisfaction of the creditors could be considered a default.

Furthermore, long-term debt certificates are subject to certain restrictive obligations, which, among other things, unless authorized in writing by the holders of the debt certificates, limit the capacity to:

- Change or modify the main line of business or operations of the Company and of its subsidiaries.
- Incur or assume any guaranteed debt on a lien, including the subsidiaries, unless: i) simultaneously at the time of creating any lien, the issuer (the Company in this case) guarantees in the same manner its obligations pertaining to the debt certificates, or ii) the liens are permitted as described in dual revolving debt certificate programs.
- In the case of mergers in which the Company is merged, the surviving company must expressly assume the Company obligations as issuer of the debt.

Furthermore, certain bank loan agreements and the private bonds of CCSWB contain obligations similar to the foregoing and require compliance with of financial ratios, interest coverage and maximum debt over cash flow ratios, noncompliance with which requires dispensation by the respective bank.

The fair value of the non-current debt is disclosed in Note 20. The fair value of current debt is equivalent to book value, as the discount impact is not significant. Fair values at December 31, 2021 and 2020 are based on several different discount rates, which fall within level 2 of the fair value hierarchy (see Note 20).

At December 31, 2021 and 2020, and at the date of issuance of these consolidated financial statements, the Company and its subsidiaries had duly complied with the obligations set down in the loan agreements.

15. OTHER LIABILITIES

Other current and non-current liabilities is comprised as follows:

| | 2021 | 2020 |
|---|---------------|---------------|
| Current: | | |
| Sundry creditors | \$ 1,426,025 | \$ 1,055,702 |
| Federal and state taxes payables ⁽¹⁾ | 2,596,456 | 2,418,195 |
| Accrued expenses payable | 6,753,900 | 6,179,929 |
| Employees' statutory profit sharing payable | 1,038,514 | 866,193 |
| Bonuses | 49,399 | 41,859 |
| Contingent liabilities | 299,981 | 299,207 |
| Dividends payable | 88,564 | 77,989 |
| Other | 7,710 | 8,549 |
| Total current liabilities | \$ 12,260,549 | \$ 10,947,623 |
| Non-current | | |
| Guarantee deposits per bottle | \$ 289,357 | \$ 252,997 |
| Contingent liabilities | 71,889 | 20,446 |
| Other | 1,182,111 | 556,663 |
| Total other non-current liabilities | \$ 1,543,357 | \$ 830,106 |

⁽¹⁾ Sales in Mexico, Peru and Ecuador of beverages containing added sugar, as well as snack food with a certain caloric density defined by law are subject to special taxes. These are indirect taxes where the Company acts as a collection agent by charging the amount in question to the end consumer. That tax is paid to the authorities on a monthly basis.

Movements in the contingent liabilities are as follows.

| | 2021 | 2020 |
|---------------------------|------------|------------|
| Beginning balance: | \$ 319,653 | \$ 120,553 |
| Debit (credit) to income: | | |
| Additional provisions | 117,682 | 290,384 |
| Provisions used | (105,207) | (64,535) |
| Exchange rate differences | 39,742 | (26,749) |
| Ending balance | \$ 371,870 | \$ 319,653 |

16. EMPLOYEE BENEFITS

The Company has several labor liabilities for employee benefits related to pensions, seniority premiums, major medical expenses and severance indemnities.

The Company operates defined benefit pension plans based on compensation at retirement and length of service. Most plans have been funded by the Company. Plan assets are held in trust and governed by local regulations and practices, such as the nature of the relationship between the Company and the trust beneficiaries (or equivalents) and the composition thereof. The recording method, assumptions and frequency of valuation are similar to those used for pension benefit plans. The major medical expense plan for a group of employees complying with certain requirements, mainly related to previous defined obligation plans; The recording method, assumptions and frequency of valuation are similar to those used in long-term employee benefit plans. Certain Company subsidiaries have defined contribution plans.

The following table shows the payments or contributions of the plans expect to make in the next few years:

| | Pension benefits | Seniority premium | Major medical expenses | Termination benefits | Total |
|-----------|------------------|-------------------|------------------------|----------------------|------------|
| 2022 | \$ 232,283 | \$ 83,966 | \$ 43,225 | \$ 36,499 | \$ 395,973 |
| 2023 | 232,123 | 83,689 | 46,091 | 36,165 | 398,068 |
| 2024 | 271,434 | 89,299 | 49,256 | 35,845 | 445,834 |
| 2025 | 315,842 | 95,688 | 52,925 | 35,541 | 499,996 |
| 2026 | 411,398 | 99,712 | 57,174 | 35,252 | 603,536 |
| 2027-2031 | 2,756,900 | 581,180 | 365,610 | 169,187 | 3,872,877 |

The Company's main subsidiaries in Mexico have set up funds for the payment of pensions, seniority premiums and medical expenses, which are handled through irrevocable trusts. In 2021 and 2020, no contributions were made.

In Argentina and Peru, there is no obligation to provide long-term employee benefits, which are covered by the government of each country. In Ecuador, there are pension plans in place for retirement and dismissal (benefits upon termination of employment). In a termination of employment, whether voluntary or involuntary, the employer pays the employee 25% of the equivalent of the most recent monthly remuneration for each year worked.

a) Balances of pension plan liabilities:

| | 2021 | 2020 |
|---|-----------------|-----------------|
| Pension benefits: | | |
| Present value of defined benefit obligations | \$ (5,072,895) | \$ (5,295,329) |
| Fair value of plan assets | 1,278,887 | 1,988,060 |
| Liabilities in the consolidated statement of financial position | (3,794,008) | (3,307,269) |
| Seniority premium: | | |
| Present value of defined benefit obligations | (1,011,409) | (882,857) |
| Fair value of plan assets | 6,730 | 6,434 |
| Liabilities in the consolidated statement of financial position | (1,004,679) | (876,423) |
| Major medical expenses: | | |
| Present value of defined benefit obligations | (1,160,498) | (1,105,824) |
| Fair value of plan assets | 251,834 | 260,309 |
| Liabilities in the consolidated statement of financial position | (908,664) | (845,515) |
| Termination benefits: | | |
| Present value of defined benefit obligations | (90,628) | (219,972) |
| Liabilities in the consolidated statement of financial position | (90,628) | (219,972) |
| Employee benefits | \$ (5,797,979) | \$ (5,249,179) |

b) Movement in the employee benefit obligation:

| | 2021 | | 2020 | |
|--|------|--------------|------|--------------|
| Pension benefits: | | | | |
| As of January 1 | \$ | (5,295,329) | \$ | (4,852,877) |
| Labor cost | | (248,910) | | (216,362) |
| Interest cost | | 106,272 | | (288,682) |
| Remeasurement - actuarial gains | | 67,671 | | (212,533) |
| Exchange differences | | - | | (25,070) |
| Benefits paid | | 290,587 | | 287,444 |
| Labor cost for past services | | - | | 12,751 |
| Personnel transfers | | 6,814 | | - |
| As of December 31 | \$ | (5,072,895) | \$ | (5,295,329) |
| Seniority premium: | | | | |
| As of January 1 | \$ | (882,857) | \$ | (738,498) |
| Labor cost | | (59,313) | | (50,310) |
| Interest cost | | (63,676) | | (52,625) |
| Remediation - for changes in assumptions | | (82,034) | | (90,667) |
| Benefits paid | | 73,830 | | 49,243 |
| Personnel transfers | | 2,641 | | - |
| As of December 31 | \$ | (1,011,409) | \$ | (882,857) |
| Major medical expenses: | | | | |
| As of January 1 | \$ | (1,105,824) | \$ | (865,735) |
| Current service cost | | (6,577) | | (6,045) |
| Interest cost, net | | (77,800) | | (61,826) |
| Remediation - losses due to changes in assumptions | | (12,948) | | (174,955) |
| Benefits paid | | 42,651 | | 2,737 |
| As of December 31 | \$ | (1,160,498) | \$ | (1,105,824) |
| | | | | |
| | | 2021 | | 2020 |
| Termination benefits: | | | | |
| As of January 1 | \$ | (219,972) | \$ | (192,036) |
| Current service cost | | (6,524) | | (26,204) |
| Interest cost, net | | (2,201) | | (7,016) |
| Remediation - gains from changes in assumptions | | 133,164 | | (6,958) |
| Exchange differences | | - | | (10,552) |
| Benefits paid | | 4,723 | | 22,794 |
| Reductions | | 182 | | - |
| As of December 31 | \$ | (90,628) | \$ | (219,972) |

c) Changes in the fair value of plan assets:

| | 2021 | | 2020 | |
|-----------------------|------|-----------|------|-----------|
| As of January 1 | \$ | 2,254,803 | \$ | 2,259,127 |
| Return on plan assets | | 88,477 | | 135,419 |
| Benefits paid | (| 805,829) | (| 142,388) |
| Reductions | | - | | 2,645 |
| As of December 31 | \$ | 1,537,451 | \$ | 2,254,803 |

Plan assets include the following:

| | 2021 | | 2020 | |
|--------------------|------|-----------|------|----------------|
| Equity instruments | \$ | 119,701 | 8% | \$ 316,749 14% |
| Debt instruments | | 1,417,750 | 92% | 1,853,670 82% |
| Real estate | | - | - | 66,300 3% |
| Others | | - | - | 18,084 1% |
| Total | \$ | 1,537,451 | | \$ 2,254,803 |

d) Amounts recognized in the consolidated statements of income and comprehensive income:

| | 2021 | 2020 |
|-----------------------------------|------------|------------|
| Pension benefits: | | |
| Labor cost | \$ 248,910 | \$ 216,362 |
| Interest cost, net | 220,591 | 184,803 |
| Personnel transfers | 17,761 | - |
| Reductions and other | - | (2,900) |
| Total included in personnel costs | 487,262 | 398,265 |
| Seniority premium: | | |
| Labor cost | 59,313 | 50,310 |
| Interest cost, net | 59,407 | 52,340 |
| Total included in personnel costs | 118,720 | 102,650 |
| Major medical expenses: | | |
| Current cost of service | 6,577 | 6,045 |
| Interest cost, net | 37,308 | 51,378 |
| Total included in personnel costs | 43,885 | 57,423 |
| Termination benefits: | | |
| Current cost of service | 6,524 | 26,204 |
| Interest cost, net | 2,201 | 7,342 |
| Reductions and other | - | 52,988 |
| Total included in personnel costs | 8,725 | 86,534 |
| | \$ 658,592 | \$ 644,872 |

Total expenses recognized for the years ended December 31 were prorated as follows:

| | 2021 | 2020 |
|--|---------------|------------|
| Cost of sales | \$ 34,865 | \$ 82,548 |
| Sales expenses | 178,048 | 183,235 |
| Administrative expenses | 98,429 | 117,853 |
| Financial result (Note 24) | 347,250 | 261,236 |
| Total | \$ 658,592 | \$ 644,872 |
| | 2021 | 2020 |
| Actuarial losses - Financial assumptions | \$ (274,239) | \$ 129,788 |
| Actuarial losses - Adjustments to the minimum wage | 151,547 | - |
| Actuarial losses - Experience adjustments | 119,234 | 164,806 |
| Actuarial losses - Demographic assumptions and past services | 231,114 | 160,258 |
| Remeasurements recognized in other comprehensive income for the period | \$ 227,656 | \$ 454,852 |

e) Actuarial assumptions and associated risks:

The main actuarial assumptions were as follows:

| | 2021 | 2020 |
|--------------------------------|-------------|-------------|
| Discount rate Mexican pesos | 8.00% | 7.25% |
| Discount rate U.S. dollars | 5.99% | 3.16% |
| Inflation rate | 3.50% | 3.50% |
| Wage growth rate | 4.50% | 4.50% |
| Future pension increase | 4.50% | 4.50% |
| Expected return on plan assets | 8.00% | 7.25% |
| Life expectancy | 25.24 years | 26.37 years |

The sensitivity of the pension benefit plans to change in key assumptions at December 31, 2021 is as follows:

| | Change in the assumption | Percentage impact on the plan | |
|-------------------------|--------------------------|-------------------------------|----------------------------|
| | | Increase in the assumption | Decrease in the assumption |
| Discount rate | 1.00% | (8.76)% | 10.33% |
| Wage growth rate | 1.00% | 4.10% | (3.94)% |
| Future pension increase | 1.00% | 1.63% | (1.44)% |

The above sensitivity analyses are based on a change in one assumption with all other assumptions remaining constant. In practice, these are very unlikely to occur, and there could be changes in other related assumptions. When calculating the sensitivity of pension benefit plans based on the main actuarial assumptions, the same method has been used as for calculating pension benefit plan liabilities recorded in the consolidated statement of financial position. The methods and type of assumptions used in preparing the sensitivity analysis was consistent with respect to the prior period.

As concerns the defined benefit pension plan and major medical expense plans, the Company is exposed to a number of risks, the most significant of which are listed below:

Asset volatility - Labor liability obligations are calculated at a discount rate determined as per IAS 19. If plan assets show returns below that rate, the difference is recorded as a deficit. The Company intends to reduce the risk level to a minimum, through investment in assets with a profile similar to the liabilities in question and considers that due to the long-term nature of the labor obligations and to AC strength, the level of investment in capital instruments is a relevant element that forms part of the Company's long-term strategy, with a view to managing the plans efficiently.

Changes in the discount rate - A decrease in the discount rate would result in an increase in plan obligations. However, that would be partially offset by the increase in value of bonds held by those plans.

Inflation risk - Certain labor obligations are linked to inflation and higher inflation would result in an increase in plan obligations.

Life expectancy - Most plan obligations give rise to benefits for their members, which means that an increase in life expectancy would lead to an increase in plan obligations.

The Company has not modified the processes and activities involved in managing the aforementioned risks in relation to prior years. Investments are diversified, and therefore, circumstances relating to any investment would have no significant impact on the value of plan assets.

17. DEFERRED TAXES ON INCOME

Following is an analysis of the deferred tax asset and the deferred tax liability:

| | 2021 | | 2020 |
|-----------------------------|------------------|------|-------------|
| Deferred tax asset | \$ 3,632,245 | \$ | 2,590,689 |
| Deferred tax liability | (17,378,337) | (| 17,039,846) |
| Deferred tax liability, net | \$ (13,746,092) | \$ (| 14,449,157) |

The net movement in the deferred taxes, without this representing that the balances of deferred tax assets and liabilities meet the compensation criteria, is as follows::

| | 2021 | | 2020 |
|--|------------------|------|-------------|
| At January 1 | \$ (14,449,157) | \$ (| 14,867,839) |
| Credit to the consolidated statement of income | 1,003,904 | | 400,468 |
| Favorable tax pertaining to components on other comprehensive income items | (53,712) | | 105,060 |
| Increase for Business Combination | (102,152) | | - |
| Effect of translation | (144,975) | (| 86,846) |
| At December 31 | \$ (13,746,092) | \$ (| 14,449,157) |

Deferred tax liability details over the years are explained below:

| | | Asset (liability) At December 31, | |
|---|------------------|--------------------------------------|-------------|
| | 2021 | | 2020 |
| Employee benefits | \$ 1,646,563 | \$ | 857,773 |
| Unamortized tax losses | 172,296 | | 120,877 |
| Provisions and employees' statutory profit sharing (ESPS) | 1,717,397 | | 1,883,267 |
| Deferred tax asset | 3,536,256 | | 2,861,917 |
| Property, plant and equipment – net | (4,835,189) | (| 4,783,548) |
| Intangible assets | (12,334,214) | (| 12,296,742) |
| Prepayments | (112,945) | (| 230,784) |
| Deferred tax liability | (17,282,348) | (| 17,311,074) |
| Deferred tax liability - net | \$ (13,746,092) | \$ (| 14,449,157) |

The following are the movements in temporary differences over the years without this representing that the balances of deferred tax assets and liabilities meet the compensation criteria:

| | Balance at December 31, 2020 | Applied to income | Increase by Business acquisition | Applied to other comprehensive income | Translation effect | Balance at December 31, 2021 |
|------------------------------------|------------------------------------|----------------------|--|--|-----------------------|------------------------------------|
| Employee benefits | \$ 857,773 | \$ 711,965 | \$ 5,314 | \$ 71,511 | \$ - | \$ 1,646,563 |
| Unamortized tax losses | 120,877 | 51,419 | - | - | - | 172,296 |
| Provisions and (ESPS) | 1,883,267 | (40,359) | (288) | (125,223) | - | 1,717,397 |
| | 2,861,917 | 723,025 | 5,026 | (53,712) | - | 3,536,256 |
| Property, plant and equipment, net | (4,783,548) | 30,867 | (41,893) | - | (40,615) | (4,835,189) |
| Intangible assets | (12,296,742) | 131,886 | (64,998) | - | (104,360) | (12,334,214) |
| Prepaid expenses | (230,784) | 118,126 | (287) | - | - | (112,945) |
| | (17,311,074) | 280,879 | (107,178) | - | (144,975) | (17,282,348) |
| Deferred tax liability | \$ (14,449,157) | \$ 1,003,904 | \$ (102,152) | \$ (53,712) | \$ (144,975) | \$ (13,746,092) |

| | Balance at December 31, 2019 | Applied to income | Applied to other comprehensive income | Translation effect | Balance at December 31, 2020 |
|------------------------------------|------------------------------------|----------------------|---|-----------------------|---------------------------------|
| Employee benefits | \$ 665,302 | \$ 129,245 | \$ 63,226 | \$ - | \$ 857,773 |
| Unamortized tax losses | 331,983 | (211,106) | - | - | 120,877 |
| Provisions and ESPS | 1,113,627 | 727,806 | 41,834 | - | 1,883,267 |
| | 2,110,912 | 645,945 | 105,060 | - | 2,861,917 |
| Property, plant and equipment, net | (5,133,849) | 357,660 | - | (7,359) | (4,783,548) |
| Intangible assets | (11,777,376) | (439,879) | - | (79,487) | (12,296,742) |
| Prepaid expenses | (67,526) | (163,258) | - | - | (230,784) |
| | (16,978,751) | (245,477) | - | (86,846) | (17,311,074) |
| Deferred tax liability | \$ (14,867,839) | \$ 400,468 | \$ 105,060 | \$ (86,846) | \$ (14,449,157) |

The deferred income tax asset arising from unamortized tax losses is recorded when the respective tax benefit to be realized via future tax profits becomes likely. The Company recorded a deferred tax asset of \$172,296 and \$120,877 for 2021 and 2020, respectively, with respect to remaining tax losses of \$799,603 for 2021 and \$561,588 for 2020, which can be amortized against future tax profits.

At December 31, 2021, accrued unamortized tax losses of the Mexican entities totaling \$4,487 expire in 2031 and those of the entities abroad a totaling \$795,116 do not have an expiration date.

At December 31, 2021, the Company has not recorded estimated deferred tax liabilities of approximately \$5,243 million (\$5,938 million in 2020) arising from the difference between the tax cost of the shares of subsidiaries and the value of net consolidated assets, mainly due to undistributed profits and exchange effect, among others, because based on the exception applicable to the Company, it considers that it will not sell its investments in subsidiaries any time in the near future and has the policy of paying dividends to its subsidiaries only up to the amounts on which tax has been paid.

18. STOCKHOLDERS' EQUITY

In the Ordinary General Shareholders' Meetings, it was agreed to paid cash dividends from CUFIN as shown below:

| Assembly date | 2021 | 2020 |
|--|--------------|--------------|
| Dividend per share for the year ended December 31, 2021 of \$1.10 (\$1.00 in 2020) | \$ 1,922,339 | \$ 1,764,283 |
| Dividend per share for the year ended December 31, 2021 of \$1.50 (\$1.50 in 2020) | 2,631,738 | 2,646,425 |
| Dividend per share for the year ended December 31, 2021 of \$2.94 (\$2.42 in 2020) | 5,179,996 | 4,269,565 |
| Total | \$ 9,734,073 | \$ 8,680,273 |

Such dividends were paid to their holders immediately after their declaration.

The Company's capital stock at December 31, 2021 and 2020 was comprised as follows:

| | Subscribed capital stock | | |
|--|--------------------------|-------------|---------------|
| | Number of shares | | |
| | Fixed | Variable | Total |
| Total shares at December 31, 2021 and 2020 | 902,816,289 | 861,466,867 | 1,764,283,156 |

The Company's capital stock consists of a single series of ordinary, nominative shares with no par value and no restrictions on holding. They confer the same rights to their holders.

In accordance with the Mexican Corporations Law, the net profit for the year is subject to the legal provision that requires that at least 5% of the net profit of each year be allocated to increase the legal reserve until it is equal to one fifth of the social capital paid. As of December 31, 2021 and 2020, the legal reserve amounts to \$23,982,012 and is included in retained earnings.

At December 31, 2021 and 2020, 17,297,487 and 7,136,460 Company shares are retained in the repurchasing fund, respectively.

The Mexican Income Tax Law establishes a 10% tax on profits generated as from 2014 paid to parties resident abroad and to Mexican individuals in the form of dividends. That tax must be withheld by the Company and is considered a definitive tax. However, the Company's retained earnings up to December 31, 2013 are supported by the balance of the CUFIN (previously taxed retained earnings account) and will therefore not be subject to said withholding.

Dividends are not subject to income tax if paid from the aforementioned CUFIN. Dividends in excess of that account they will be subject to the payment of corporate income tax at the rate in force at the time of their distribution; will cause a tax equivalent of 42.86% if they are paid in 2021. Tax is payable by the Company and may be credited against income tax for the current period or in the following two periods.

According to the Mexican Income Tax Law, in the event of a capital reduction, any excess of stockholders' equity over capital contributions restated for inflation (CUCA), is accorded the same tax treatment as dividends, provided the Company lacks sufficient CUFIN balances to offset the deemed dividend.

At December 31, 2021, the tax values of CUFIN and CUCA are \$30,232,558(*) and \$35,411,907 (*), respectively.

(*) Stemming from earnings in 2013 of \$34,262 and rest from subsequent years \$30,198,296.

19. OTHER COMPREHENSIVE INCOME (OCI)

As of December 31, 2021 and 2020, the OCI is composed as follows:

| | Effect of conversion of foreign entities | Remeasurement of defined benefit plans | Effect of cash flow hedging | Total |
|--|--|--|--------------------------------|--------------|
| Balance at December 31, 2020 | \$ 3,699,242 | \$ (2,718,904) | \$ (77,484) | \$ 902,854 |
| Remeasurement loss of defined benefit plans | - | (227,656) | - | (227,656) |
| Effect of deferred taxes | - | 71,511 | - | 71,511 |
| Equity in other comprehensive income of associated companies accounted for using equity method | (104,912) | 48,578 | - | (56,334) |
| Effect of derivative financial instruments contracted as cash flow hedges | - | - | 669,277 | 669,277 |
| Effect of deferred taxes | - | - | (125,223) | (125,223) |
| Exchange differences on translation of foreign operations | 2,348,597 | - | - | 2,348,597 |
| Effect of conversion of foreign entities of non-controlling interest | (360,056) | - | - | (360,056) |
| Balance at December 31, 2021 | \$ 5,582,871 | \$ (2,826,471) | \$ 466,570 | \$ 3,222,970 |

| | Effect of conversion of foreign entities | Remeasurement of defined benefit plans | Effect of cash flow hedging | Total |
|--|--|--|--------------------------------|-----------------|
| Balance at December 31, 2019 | \$ 730,828 | \$ (2,226,441) | \$ (71,438) | \$ (1,567,051) |
| Remeasurement loss of defined benefit plans | - | (454,852) | - | (454,852) |
| Effect of deferred taxes | - | 63,226 | - | 63,226 |
| Equity in other comprehensive income of associated companies accounted for using equity method | (71,000) | (100,837) | - | (171,837) |
| Effect of derivative financial instruments contracted as cash flow hedges | - | - | (47,880) | (47,880) |
| Effect of deferred taxes | - | - | 41,834 | 41,834 |
| Exchange differences on translation of foreign operations | 3,639,072 | - | - | 3,639,072 |
| Effect of conversion of foreign entities of non-controlling interest | (599,658) | - | - | (599,658) |
| Balance at December 31, 2020 | \$ 3,699,242 | \$ (2,718,904) | \$ (77,484) | \$ 902,854 |

20. FINANCIAL INSTRUMENTS

This note provides information on the Company's financial instruments, including a summary of all financial instruments held, specific information on each type of financial instrument and information on the determination of the fair value of said instruments.

The Company holds the following financial instruments:

| | December 31, 2021 | | |
|--|-------------------|---------------|---------------|
| | Current | Non-current | Total |
| Financial assets | | | |
| Cash and cash equivalents | \$ 32,116,974 | \$ - | \$ 32,116,974 |
| Financial assets at amortized cost: | | | |
| Clients and other accounts receivable | 11,122,213 | - | 11,122,213 |
| Related parties | 1,965,316 | - | 1,965,316 |
| Financial assets at fair value with changes in OCI: | | | |
| Derivative hedging instruments ⁽¹⁾ | 317,594 | 175,092 | 492,686 |
| | \$ 45,522,097 | \$ 175,092 | \$ 45,697,189 |
| Financial liabilities | | | |
| Financial liabilities at amortized cost: | | | |
| Debt | \$ 7,546,533 | \$ 43,526,998 | \$ 51,073,531 |
| Suppliers, related parties, sundry creditors | 17,875,112 | - | 17,875,112 |
| Lease liabilities | 406,675 | 745,338 | 1,152,013 |
| Financial liabilities at fair value with changes in OCI: | | | |
| Derivative hedging instruments ⁽¹⁾ | 17,198 | 21,894 | 39,092 |
| | \$ 25,845,518 | \$ 44,294,230 | \$ 70,139,748 |
| | | | |
| | December 31, 2020 | | |
| | Current | Non-current | Total |
| Financial assets | | | |
| Cash and cash equivalents | \$ 27,335,702 | \$ - | \$ 27,335,702 |
| Financial assets at amortized cost: | | | |
| Clients and other accounts receivable | 8,610,661 | - | 8,610,661 |
| Related parties | 977,695 | - | 977,695 |
| Financial assets at fair value with changes in OCI: | | | |
| Derivative hedging instruments ⁽¹⁾ | 871,339 | - | 871,339 |
| | \$ 37,795,397 | \$ - | \$ 37,795,397 |

| | December 31, 2020 | | |
|--|-------------------|---------------|---------------|
| | Current | Non-current | Total |
| Financial liabilities | | | |
| Financial liabilities at amortized cost: | | | |
| Debt | \$ 7,132,136 | \$ 43,444,973 | \$ 50,577,109 |
| Suppliers, related parties, sundry creditors | 11,733,535 | - | 11,733,535 |
| Lease liabilities | 358,034 | 853,223 | 1,211,257 |
| Financial liabilities at fair value with changes in OCI: | | | |
| Derivative hedging instruments ⁽¹⁾ | 334,987 | 357,150 | 692,137 |
| | \$ 19,558,692 | \$ 44,655,346 | \$ 64,214,038 |

⁽¹⁾ Classified in level 2 of the fair value hierarchy.

The additional information related to the loan with related parties is detailed in Note 27.

i. Fair value of financial assets and liabilities

Due to the short-term nature of cash and cash equivalents, clients and other accounts receivable, suppliers, sundry creditors included in other accounts payable, current debt and other current liabilities, their book value is considered equal to their fair value. For most non-current accounts receivable and payable, fair values are also not significantly different from their book values.

The estimated book value and fair value of other financial assets and liabilities are shown below:

| | December 31, 2021 | |
|----------------------------------|-------------------|------------|
| | Book value | Fair value |
| Assets: | | |
| Derivative financial instruments | \$ 492,686 | \$ 492,686 |
| Liabilities: | | |
| Derivative financial instruments | 39,092 | 39,092 |
| Non-current debt | 43,526,998 | 43,666,465 |

| | December 31, 2020 | |
|----------------------------------|-------------------|------------|
| | Book value | Fair value |
| Assets: | | |
| Derivative financial instruments | \$ 871,339 | \$ 871,339 |
| Liabilities: | | |
| Derivative financial instruments | 692,137 | 692,137 |
| Non-current debt | 43,444,973 | 43,867,364 |

ii. Impairment and exposure to risks

Note 8 contains information on impairment of financial assets on the Company's exposure to the credit risk.

iii. Fair value hierarchy

The Company applies the three-level hierarchy in measuring and disclosing fair value. Classification of an instrument within the fair value hierarchy is based on the lowest value of significant data used in the valuation. Following is a description of the three levels of hierarchy:

- Level 1 - Prices quoted for identical instruments on active markets.

The fair value of financial instruments traded in active markets is based on prices quoted in the markets at the date of the consolidated statement of financial position. A market is considered to be active if quoted prices are clearly and regularly available through a stock exchange, trader, broker, industry group, price setting service or regulating body, and those prices currently and regularly reflect market transactions in conditions of independence.

- Level 2 - Prices quoted for similar instruments on active markets; prices quoted for identical or similar instruments on non-active markets; and valuations through models where all significant data are observable on active markets.

The fair value of financial instruments not traded in an active market is determined via valuation methods. Those valuation techniques maximize the use of observable market information in cases where it is available and depends as little as possible on the entity's specific estimations. If all significant data required to measure an instrument at fair value are observable, the instrument is classified in this Level.

- Level 3 - Valuations performed through techniques whereby one or more of the significant data are not observable.

This hierarchy requires the use of observable market data when available. Company valuations consider relevant and observable market data to the extent possible.

If one or more relevant variables is/are not based on observable market information, the instrument is included in Level 3.

iv. Determination of fair value and measurement

The Company generally uses quotations of market prices (when available) to determine fair value and classifies said data as Level 1. If market quotations are not available, fair value is determined using standard valuation models.

When applicable, those models project future cash flows and discount future figures at observable data set at present value, including interest rates, exchange rates, volatility, etc. Items valued using said data are classified according to the lowest level of data that is significant for the valuation. Therefore, an item can be classified as Level 3, even when some of the significant data are observable. Additionally, the Company considers assumptions for its own credit risk, as well as for the risk of its counterparty.

Assets and liabilities measured at amortized cost and at fair value are summarized at the top of this Note.

There were no transfers between levels 1 and 2 nor between levels 2 and 3 in the periods shown.

v. Derivative financial instruments

The Company's derivative financial operations have been privately concentrated at several financial entities whose financial soundness is supported by high ratings assigned by rating securities and credit risks entities. The documentation used to formalize operations is common documentation, as specified in the following contracts: Framework Contract For Derivative Financial Operations or ISDA Master Agreement, drawn up by the "International Swaps & Derivatives Association" (ISDA), accompanied by accessory documents used in this type of operations, generally known as "Schedule", "Credit Support Annex" and "Confirmation".

At December 31, 2021 and 2020, the following derivative financial instruments exist in Mexico: foreign currency forwards and interest rate swaps; and in Peru, currency call spread, sugar hedge futures and coverage cross currency swap and in the US were held, currency forwards, aluminum and diesel hedges.

Classification of derivatives

Derivatives are only used for economic hedging and not as speculative investments. However, when derivatives fail to meet hedge accounting requirements, they are classified as "held for trade" for accounting purposes and are recognized at fair value with changes in income. They are shown as current assets and liabilities to the extent they are expected to be settled within the 12 months following the end of the reporting period.

The Company holds the following derivative financial instruments:

a) Positions in derivative financial instruments of raw materials and other production materials:

| December 31, 2021 | | | | | | | | |
|--------------------------------|-------------|---------------------|---------------|---------------|--------------------------|-----------|-----------|------------------------|
| Contract | Tons hedged | Value of underlying | | Fair Value US | Maturities per year (US) | | | |
| | | Units | Price US\$ | | 2022 | 2023 | 2024 + | Collateral / guarantee |
| Cargill ⁽¹⁾ | 118,272 | US Dollar/Lb. | 0.17-0.20 | \$ 3,160 | \$ | \$ 2,376 | \$ 784 | \$ - |
| Cargill ⁽¹⁾ | 2,000 | US Dollar/Ton. | 477.8 | 110 | - | 110 | - | - |
| MacQuaire ⁽¹⁾ | 35,500 | US Dollar/Ton. | 483.70-496.60 | 1,057 | 846 | 211 | - | - |
| BNP Paribas ⁽¹⁾ | 4,200 | US Dollar/Ton. | 492.80-496.6 | 339 | 339 | - | - | - |
| Citibank ⁽¹⁾ | 2,550 | US Dollar/Ton. | 489.2 | 217 | 217 | - | - | - |
| Bank of America ⁽¹⁾ | 3,750 | US Dollar/Ton. | 483.70-496.60 | 129 | 129 | - | - | - |
| JPMorgan ⁽¹⁾ | 63,000 | US Dollar/Ton. | 483.70-496.60 | 2,804 | 1,809 | 995 | - | - |
| Rabobank UA ⁽²⁾ | 22,913 | US Dollar/Tm. | 2,667-2,808 | 2,299 | 2,299 | - | - | - |
| Rabobank UA ⁽²⁾ | 21,280 | US Dollar/Tm. | 598-609 | 1,680 | 1,680 | - | - | - |
| Rabobank UA ⁽³⁾ | 1,878,597 | US Dollar/Gal. | 1.85-1.85 | 652 | 652 | - | - | - |
| | | | | \$ 12,447 | \$ 7,971 | \$ 3,692 | \$ 784 | \$ |
| Fair value in Mexican pesos | | | | \$ 255,370 | \$ 163,542 | \$ 75,744 | \$ 16,084 | \$ |

| December 31, 2020 | | | | | | | | |
|-----------------------------|-------------|---------------------|-----------------|---------------|--------------------------|------|--------|------------------------|
| Contract | Tons hedged | Value of underlying | | Fair Value US | Maturities per year (US) | | | |
| | | Units | Price US\$ | | 2021 | 2022 | 2023 + | Collateral / guarantee |
| Cargill ⁽¹⁾ | 33,000 | US Dollar/Ton. | 303 – 347 | \$ 2,464 | \$ 2,464 | \$ - | \$ - | \$ - |
| MacQuaire ⁽¹⁾ | 2,900 | US Dollar/Ton. | 348 | 134 | 134 | - | - | - |
| JPMorgan ⁽¹⁾ | 20,500 | US Dollar/Ton. | 342 – 349 | 1,093 | 1,093 | - | - | - |
| Rabobank UA ⁽²⁾ | 40,984 | US Dollar/Tm. | 1,522 – 1,865 | 12,864 | 12,864 | - | - | - |
| Rabobank UA ⁽²⁾ | 38,475 | US Dollar/Tm. | 227 – 327 | 34 | 34 | - | - | - |
| Rabobank UA ⁽³⁾ | 6,295,422 | US Dollar/Gal. | 1.0322 – 1.1921 | 1,945 | 1,945 | - | - | - |
| | | | | \$ 18,534 | \$ 18,534 | \$ - | \$ - | \$ - |
| Fair value in Mexican pesos | | | | \$ 369,479 | \$ 369,479 | \$ - | \$ - | \$ - |

⁽¹⁾ Sugar.

⁽²⁾ Aluminum.

⁽³⁾ Diesel.

b) Positions in derivative financial instruments for hedging purposes of exchange rates:

| December 31, 2021 | | | | | | | | |
|-----------------------|-----------------|---------------------------|--------------------|---------------|----------------------------|----------|--------|-----------------------|
| Contract | Notional Amount | Value of underlying asset | | Fair Value US | Maturities prior year (US) | | | |
| | | Units | Range of reference | | 2022 | 2023 | 2024 + | Collateral/ Guarantee |
| CCS - JP Morgan | 65,000 | Soles/US Dollar | 3.98 | \$ 4,728 | \$ 2,697 | \$ 2,031 | \$ - | \$ - |
| CCS - Bank of America | 65,000 | Soles/US Dollar | 3.98 | 4,795 | 2,743 | 2,05 | - | - |
| Banbif | 14,514 | Soles/US Dollar | 3.98 | 109 | 109 | - | - | - |
| Banco Santander | 8,519 | Soles/US Dollar | 3.98 | 204 | 204 | - | - | - |
| BBVA Continental | 77,547 | Soles/US Dollar | 3.98 | (217) | (217) | - | - | - |
| Scotiabank | 8,809 | Soles/US Dollar | 3.98 | 113 | 113 | - | - | - |

| December 31, 2021 | | | | | | | | | |
|-----------------------------|-----------------|-----------------|--------------------|----------------------------|---------|--------|---------|--------|-----------------------|
| Value of underlying asset | | | | Maturities prior year (US) | | | | | |
| Contract | Notional Amount | Units | Range of reference | Fair Value US | | 2022 | 2023 | 2024 + | Collateral/ Guarantee |
| Banco de Crédito | 7,557 | Soles/US Dollar | 3.98 | | 9 | 9 | - | - | - |
| Cross Currency Leasing | 4,659 | Soles/US Dollar | 3.98 | (| 795) | - | - | (| 795) |
| Rabobank UA | 28,739 | Pesos/US Dollar | 20.52 | | 286 | 286 | - | - | - |
| BBVA | 30,448 | Pesos/US Dollar | 20.52 | | 607 | 607 | - | - | - |
| Banco Nacional de México | 20,097 | Pesos/US Dollar | 20.52 | | 286 | 286 | 4,083 | (| 795) |
| | | | | \$ | 10,125 | \$ | 6,837 | \$ | 8,166 |
| Fair value in Mexican pesos | | | | \$ | 207,721 | \$ | 140,266 | \$ | 167,531 |
| | | | | \$ | (| 1,590) | \$ | (| 32,620) |
| Scotiabank Inverlat SA | 1,000,000 | Interest rate | | \$ | (| 5,069) | \$ | (| 5,069) |
| Rabobank UA | 2,450,000 | Interest rate | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
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| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
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| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| 5,069) | \$ | (| 5,069) |
| | | | | \$ | (| | | | |

Ineffective hedging portion

Hedging effectiveness is determined at the beginning of the hedge relationship, through periodic prospective assessments of effectiveness to ensure that is an economic relationship between the hedged item and the hedging instrument. At December 31, 2021 and 2020, the Company held cash flow hedging financial instruments corresponding to forwards and swaps, as well as sugar futures for hedging, aluminum and diesel swaps, which were determined to be highly effective.

For foreign currency hedges, the Company generates hedge relationships where the critical terms of the hedging instrument match the terms of the hedged item exactly. Therefore, the Company conducts a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item to the extent that the critical terms no longer match the critical terms of the hedging instrument exactly, the Company uses the hypothetical derivative method to evaluate effectiveness.

In foreign currency hedges, ineffectiveness can arise if the moment of the forecast transaction changes from that originally estimated, or if there are changes in Mexico's credit risk or of the counterpart.

The Company contracts interest rate swaps with critical terms similar to those of the hedged item, such as the reference rate, the starting date, payment dates, maturities and the nominal amount. The Company does not hedge 100% of its loans, which means that the hedged item is identified as a portion of current loans in effect up to the nominal amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedging ineffectiveness for interest rate swaps is evaluated using the same principles as those for hedging of purchases of foreign currencies. Can occur due to:

- The adjustment to the creditor/debtor value in interest rate swaps that does not correspond to the loan, and
- The differences in critical terms between interest rate swaps and the loans.

There was no ineffectiveness during 2021 or 2020 regarding the derivative financial instruments contracted by the Company.

21. COSTS AND EXPENSES BY NATURE

Cost of sales and selling and administrative expense classified by nature for the years ended December 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|----------------|----------------|
| Raw materials and other production materials ⁽¹⁾ | \$ 89,579,809 | \$ 82,434,501 |
| Personnel expenses | 30,467,730 | 30,393,089 |
| Employee benefit expenses (Note 16) | 311,342 | 383,636 |
| Variable selling expenses | 11,157,189 | 9,141,646 |
| Depreciation (Notes 11 and 13) | 8,351,643 | 8,924,871 |
| Transportation | 3,722,956 | 3,334,764 |
| Advertising, promotion and public relations | 3,086,850 | 3,049,972 |
| Maintenance and conservation | 4,094,743 | 3,307,269 |
| Professional fees | 3,104,903 | 3,052,137 |
| Suppliers (electricity, gas, telephone, etc.) | 525,064 | 526,797 |
| Taxes ⁽²⁾ | 777,329 | 959,599 |
| Spillage, breakage and shortages | 830,694 | 870,605 |
| Leases (Note 13) | 195,004 | 191,910 |
| Travel expenses | 372,888 | 344,765 |
| Provision for impairment of clients (Note 8) | 36,016 | 90,700 |
| Amortization (Note 12) | 1,148,771 | 698,777 |
| Insurance premiums | 824,770 | 651,299 |
| Consumption of materials and production materials | 157,070 | 162,325 |
| Revaluation of operating expenses | 538,564 | 341,851 |
| Other expenses | 666,572 | 467,956 |
| Total | \$ 159,949,907 | \$ 149,328,469 |

⁽¹⁾ Includes damaged, slow-moving and obsolete inventory.

⁽²⁾ Taxes different than income taxes, value added taxes and special tax on production and services.

22. OTHER EXPENSES, NET

Other income/expenses for the years ended December 31, 2021 and 2020 are comprised as follows:

| | 2021 | 2020 |
|---|---------------|---------------|
| Expenses related to new projects | \$ (174,529) | \$ (140,853) |
| Indemnities | (262,403) | (213,295) |
| Covid-19 expenses | - | (293,948) |
| Income from secondary taxes, rights and dues | 397,511 | 801,950 |
| Write-off of fixed assets and disposals | (458,950) | (956,393) |
| Gain on disposal of property, plant and equipment | 99,743 | 119,723 |
| Other | (142,603) | (164,118) |
| Total | \$ (541,231) | \$ (846,934) |

23. EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses incurred in the years ended December 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|------------------------------|---------------|---------------|
| Salaries, wages and benefits | \$ 27,010,169 | \$ 27,162,473 |
| Termination benefits | 113,265 | 170,343 |
| Social security costs | 3,344,296 | 3,060,273 |
| Employee benefits (Note 16) | 311,342 | 383,636 |
| Total | \$ 30,779,072 | \$ 30,776,725 |

24. FINANCIAL INCOME AND EXPENSES

Financial income and expenses for the years ended December 31, 2021 and 2020 are as follows:

| | 2021 | 2020 |
|---|-----------------|-----------------|
| Financial income: | | |
| Interest income from short-term bank deposits | \$ 702,963 | \$ 689,999 |
| Other financial income | 62,198 | 287,795 |
| Financial income, excluding exchange gains | 765,161 | 977,794 |
| Gain from exchange fluctuations | 4,074,671 | 5,595,432 |
| Gain (loss) on monetary position | (291,024) | (72,134) |
| Total financial income | 4,548,808 | 6,501,092 |
| Financial expenses: | | |
| Interest on debt instruments | (1,910,300) | (970,687) |
| Interest on bank loans | (1,012,952) | (2,421,334) |
| Interest on leases due to adoption of IFRS 16 | (76,879) | (78,355) |
| Financial cost (employee benefits) (Note 16) | (347,250) | (261,236) |
| Taxes pertaining to financial operations | (89,421) | (78,046) |
| Other financial expenses | (249,861) | (386,237) |
| Financial expenses, excluding exchange losses | (3,686,663) | (4,195,895) |
| Losses on exchange fluctuations | (4,155,136) | (5,781,111) |
| Total financial expenses | (7,841,799) | (9,977,006) |
| | \$ (3,292,991) | \$ (3,475,914) |

25. INCOME TAXES

i. Tax Reform 2022 in Mexico

On October 25, 2021, the Mexican Congress approved the 2022 Tax Reform, which was published on November 12, 2021 and became effective on January 1, 2022. This reform does not provide increases in tax rates, nor the creation of new taxes. However, new requirements are established in the tax deductions of companies, among which include the condition of the business reason in

backed loans between related parties, mergers, divisions and international restructuring, as well as the impossibility of a favorable resolution for the deduction of uncollectible credits greater than 30 thousand UDIS and the capitalization of certain expenditures on fixed asset investments. The Company did not identify significant accounting impacts of the 2022 Tax Reform in the consolidated financial statements.

ii. Profit before taxes on income

Following are the domestic and foreign components of pretax profits:

| | 2021 | 2020 |
|----------|---------------|---------------|
| Domestic | \$ 14,172,914 | \$ 11,608,344 |
| Foreign | 7,899,483 | 6,392,394 |
| | \$ 22,072,397 | \$ 18,000,738 |

iii. Components of income tax expense

Components of income tax expense include:

| | 2021 | 2020 |
|--|-----------------|-----------------|
| Current tax: | | |
| Current tax incurred on taxable profits for the year | \$ (7,986,997) | \$ (5,827,618) |
| Deferred tax: | | |
| Origin and reversal of temporary differences | 1,003,904 | 400,468 |
| Total income tax | \$ (6,983,093) | \$ (5,427,150) |

Domestic federal income tax, foreign federal income tax and foreign state income tax expense shown in the consolidated statement of income are comprised as follows:

| | 2021 | 2020 |
|---------------|-----------------|-----------------|
| Current tax | | |
| Domestic | \$ (5,628,242) | \$ (4,447,044) |
| Foreign | (2,358,754) | (1,380,574) |
| | (7,986,996) | (5,827,618) |
| Deferred tax: | | |
| Domestic | 850,657 | 561,301 |
| Foreign | 153,246 | (160,833) |
| | 1,003,903 | 400,468 |
| Total | \$ (6,983,093) | \$ (5,427,150) |

iv. Book / tax reconciliation

For the years ending December 31, 2021 and 2020, the reconciliation between the statutory tax rate and the effective income tax rate is as follows:

| | 2021 | 2020 |
|---|-----------------|-----------------|
| Tax at the statutory rate (30%) | \$ (6,621,719) | \$ (5,400,221) |
| Tax effects of inflation | (369,911) | (24,610) |
| Differences due to the tax rate of foreign subsidiaries | 498,904 | 454,161 |
| Non-deductible expenses | (460,334) | (370,197) |
| Other tax deductions | 155,845 | 51,528 |
| Other non-taxable income | 101,365 | 168,722 |
| Other | (287,243) | (306,533) |
| Total income tax expense | \$ (6,983,093) | \$ (5,427,150) |
| Effective rate | 31.6% | 30.1% |

v. Tax pertaining to the components of other comprehensive income

The debit / (credit) of tax related to other comprehensive income components is as follows:

| | 2021 | | | 2020 | | |
|---|--------------|--------------------------|-------------|---------------|--------------------------|---------------|
| | Before taxes | Tax payable (receivable) | After taxes | Before taxes | Tax payable (receivable) | After taxes |
| Effect of derivative financial instruments contracted as cash flow hedging | \$ 669,277 | \$ (125,223) | \$ 544,054 | \$ (47,880) | \$ 41,834 | \$ (6,046) |
| Remeasurement of defined benefit plans | (227,656) | 71,511 | (156,145) | (454,852) | 63,226 | (391,626) |
| Other comprehensive income | \$ 441,621 | \$ (53,712) | \$ 387,909 | \$ (502,732) | \$ 105,060 | \$ (397,672) |
| Effect of translation of initial balances with respect to the ending balances from conversion of foreign subsidiaries | | (144,220) | | | (86,846) | |
| Deferred tax | | \$ (197,932) | | | \$ 18,214 | |

26. COMMITMENTS AND CONTINGENCIES

Commitments

Bottling agreements

The current bottling contracts and authorizations held by AC for the bottling and distribution of Coca-Cola products in the different regions are as follows:

| Region | Date of signing / renewal | Maturity date |
|----------------------------------|---------------------------|-------------------|
| Mexico (North) | July 1, 2017 | June 30, 2027 |
| Mexico (West) ⁽¹⁾ | July 1, 2017 | June 30, 2027 |
| Argentina (North) ⁽²⁾ | June 30, 2017 | December 31, 2022 |
| Ecuador ⁽³⁾ | December 31, 2017 | December 31, 2022 |
| Peru | May 1, 2020 | April 30, 2025 |
| Southwest US ⁽⁴⁾ | April 1, 2017 | April 1, 2027 |
| Oklahoma US ⁽⁴⁾ | August 25, 2017 | April 1, 2027 |

⁽¹⁾ Correspond to the agreements held by AC to which AC Bebidas has access through a specific agreement contemplating the payment of royalties with respect to the total net sales generated in the western territory of Mexico.

⁽²⁾ The contract was extended on January 1, 2022, effective December 31, 2022.

⁽³⁾ Corresponds to the agreement owned by AC, which grants AC Bebidas the benefit to carry out the sales generated by the Branch in Ecuador and the operation performed by the subsidiary Bebidas Arca Continental Ecuador Arcador, S. A. in this country. AC Bebidas pays royalties to AC for the use of this agreement.

⁽⁴⁾ In the US there are two agreements for bottling, selling and marketing products in the Southwest US, including Oklahoma City and Tulsa. These contracts are called "Comprehensive Beverage Agreement" and "Regional Manufacturing Agreement" and have a term of 10 years with the possibility of renewing for another 10 years.

During the more than 90 years of business relations with TCCC, the latter has never refused to renew bottling agreements with AC or to enter into new agreements to replace previous ones. As a result, indefinite useful lives were assigned to those intangibles (see Note 5). Management considers that TCCC will continue renewing contracts and extending bottling permits when they expire or will enter into new agreements or issue new permits to replace those currently in effect, although there is not an absolute certainty that this will be the case. If that were not the case, the AC business and operating results would be adversely affected.

Additionally, bottling agreements signed with TCCC establish that AC may bottle no beverages other than those of the Coca-Cola brand, except for those specifically authorized in the aforementioned agreements.

Concentrate supply

TCCC provides the concentrates used in producing the products sold and is unilaterally entitled to set prices on said raw materials. If TCCC significantly increases concentrate prices, AC operating results could be negatively affected.

Contingencies

As of December 31, 2021, a number of claims have been filed for judicial, tax, labor and administrative processes of the Company and its subsidiaries for a total of approximately \$2,810,282 (approximately \$1,327,485 at December 31, 2020) pending of final judicial resolution. Management and the Company's legal advisors consider that those processes could have an unfavorable result for the Company in the amount of approximately \$371,870, for which the Company registered the corresponding provision (approximately \$319,653 at December 31, 2020).

27. RELATED PARTIES AND ASSOCIATES

The Company is controlled by Fideicomiso de Control (Controlling Trust), which holds 47% at December 31, 2021 and 2020 of the Company's outstanding shares. The remaining 53% of the shares is widely distributed. The parties ultimately controlling the group are the Barragán, Grossman, Fernández and Arizpe families, who also hold shares outside the controlling trust.

Operations with related parties were carried out at market value.

a) Remuneration of key management personnel

Key personnel include key management staff or directors that are relevant to the entity. Compensation paid to key personnel for their services are shown below:

| | 2021 | 2020 |
|--|------------|------------|
| Salaries and other short-term benefits | \$ 390,094 | \$ 353,580 |
| Pension plans | \$ 271,398 | \$ 266,308 |
| Seniority premium | \$ 643 | \$ 475 |
| Post-retirement medical expenses | \$ 24,702 | \$ 21,520 |

b) Related party balances and transactions

Current related parties balances:

| | 2021 | 2020 |
|---|------------|-----------|
| Other related parties: | | |
| The Coca Cola Export Corporation | \$ 764,016 | \$ 11,439 |
| Coca Cola North America (CCNA) | 271,117 | 197,357 |
| The Coca Cola Company (TCCC) | 248,399 | 466,809 |
| Embotelladores NPSG y otros | 114,063 | 172,111 |
| Coca-Cola Refreshments (CCR) | 32,652 | 31,739 |
| Coca-Cola Servicios del Perú, S.A. | 4,836 | - |
| Coca-Cola de Chile, S. A. (CCCH) | 3,905 | - |
| Corporación Inca Kola Perú, S. R. L. | 3,072 | - |
| Monster Energy México, S. de R. L. de C. V. | 2,701 | - |
| Coca Cola del Ecuador, S. A. | 4 | - |

| | 2021 | 2020 |
|--|--------------|------------|
| Promotora Industrial Azucarera, S.A. de C.V. (PIASA) | 217,183 | 44,226 |
| Petstar, S. A. P. I. de C. V. (PETSTAR) ⁽¹⁾ | 124,717 | - |
| Kolact, S.A.P.I. de C.V. | 66,137 | - |
| Jugos del Valle, S.A.P.I. de C.V. | 50,616 | 27,315 |
| JDV Markco, S.A.P.I. de C.V. | 24,708 | - |
| Tiendas Tambo, S.A.C. (TAMBO) | 24,492 | 20,452 |
| Santa Clara Mercantil de Pachuca, S.A. de C.V. | 10,338 | - |
| Bebidas Refrescantes de Nogales, S.A.P.I. de C.V. | 2,346 | - |
| Alimentos de Soja, S. A. U. | 14 | - |
| Other associates | - | 6,247 |
| Total current related parties balances | \$ 1,965,316 | \$ 977,695 |

Current related party liability balances:

| | 2021 | 2020 |
|--|--------------|--------------|
| Other related parties: | | |
| Coca- Cola North America (TCCNA) | \$ 1,496,386 | \$ 716,231 |
| The Coca-Cola Export Corporation (TCCEC) | 680,933 | 494,773 |
| The Coca-Cola Company (TCCC) | 404,054 | 230,420 |
| Plantas Industriales, S.A. | 245,011 | - |
| Coca Cola Industrias, LTDA | 228,725 | 197,250 |
| Corporación Inca Kola Perú, S.R.L. | 144,829 | 173,139 |
| Criotec, S. A. de C. V. | 114,842 | - |
| BA Sports Nutrition, LLC | 92,851 | - |
| Coca Cola Servicios del Perú, S.A. | 82,043 | 71,980 |
| Monster Energy México, S. de R.L. de C.V. | 53,169 | 24,695 |
| Servicios Integrados de Administracion y Alta Gerencia, S.A. de C.V. | 14,581 | - |
| Monster Beverage Company Peru S.C. de R.L. | 7,419 | - |
| Coca-Cola de Chile, S. A. (CCCH) | 6,125 | 27,275 |
| Agencies (NPSG Companies) | 4,506 | - |
| Coca-Cola Business Services North América (BSNA) | 60 | 25,314 |
| CONA Services LLC | - | 55,556 |
| Other related parties | - | 27,446 |
| Associates: | | |
| Promotora Industrial Azucarera, S.A. de C.V. (PIASA) | 132,961 | - |
| Petstar, S.A.P.I. de C.V. (PETSTAR) | 131,145 | 301,021 |
| Jugos del Valle, S.A.P.I. de C.V. (JDV) | 110,727 | 110,238 |
| Fevisa Industrial, S.A. de C.V. (FEVISA) | 58,663 | 46,461 |
| Western Container, Co. | 57,931 | 50,104 |
| Industria Envasadora de Querétaro, S.A. de C.V. (IEQSA) | 47,337 | 61,317 |
| Tiendas Tambo, S.A.C. | 4,922 | - |
| JDV Markco, S.A.P.I. de C.V. | 14 | 36,261 |
| Current related parties balances | \$ 4,119,234 | \$ 2,649,481 |

The main transactions with related parties and associates were the following:

| | 2021 | 2020 |
|---|----------------------|----------------------|
| Net sales: | | |
| Other related parties: | | |
| Sale of products and services to CCNA | \$ 2,608,414 | \$ 2,678,925 |
| Sales to NPSG ⁽¹⁾ | 2,379,992 | 2,272,068 |
| Sale of products called Nostalgia | 1,055,548 | 1,145,018 |
| Associates: | | |
| Sale of products to Tambo | 123,292 | 133,979 |
| Other income | 258,836 | 89,023 |
| | \$ 6,426,082 | \$ 6,319,013 |
| | 2021 | 2020 |
| Purchases: | | |
| Other related parties: | | |
| Purchase of concentrate (CCNA, TCCC, TCCEC, CCCH and CCI) | \$ 35,485,827 | \$ 33,944,805 |
| Royalties (TCCC y TCCEC) | 808,145 | 589,457 |
| Purchase of Monster products | 575,627 | 240,913 |
| Purchase of containers (FEVISA) | 525,138 | 566,457 |
| Management services and others | 523,967 | 539,826 |
| Purchase of refrigerators (CRIOTEC) | 351,619 | 391,480 |
| NPSG purchases | 150,527 | 273,157 |
| Air taxi | 74,465 | 67,676 |
| Associates: | | |
| Purchase of juice and nectar (JDV) | 3,011,117 | 2,505,144 |
| Purchase of sugar (PIASA) | 2,400,445 | 2,317,636 |
| Purchase of containers (Western Container) | 1,270,097 | 1,403,641 |
| Purchase of canned goods (IEQSA) | 1,103,951 | 871,441 |
| Purchase of Kolact and Santa Clara products | 669,276 | 616,043 |
| Purchase of resin (PETSTAR) | 616,032 | 610,481 |
| Management services and others | 337,249 | 331,695 |
| Others | 277,089 | 250,938 |
| | \$ 48,180,571 | \$ 45,520,790 |

⁽¹⁾ National Product Supply Group (NPSG) in the US -

As part of the Framework Agreement and other agreements signed for the acquisition and operation of the Territory, as described in Note 2, on April 1, 2017, CCSWB signed the NPSG Governance Agreement, which was also signed by eight other Coca-Cola bottlers in the US, including Coca-Cola North America, which are considered to be Regional Producing Bottlers (RPBs) in the TCCC national supply system in the US. According to the NPSG Governance Agreement, TCCC and the RPBs have formed a national product supply group (the NPSG Board) composed of a CCSWB representative, a TCCC representative and one representative each of the remaining RPBs. That NPSG Board now has the maximum number of members (nine).

The NPSG Agreements require the Company to comply with a product supply schedule to other RPBs, based on the needs of the US system, where the Company does not unilaterally decide on respective volumes. This can give rise to sales volatility in NPSG income.

28. SUBSIDIARIES, JOINT OPERATIONS AND TRANSACTIONS WITH NON-CONTROLLING PARTIES

i. Interest in subsidiaries

The Company's main subsidiaries at December 31, 2021 and 2020 are as follows unless otherwise indicated, the subsidiaries hold capital stock consisting exclusively of ordinary shares or equity units, which are the direct property of the Company, and the ownership interest held in each is equal to the voting shares held by the Company.

The country of incorporation or registration is also the main place of business.

| Company | Country | Activities | Shareholding of controlling company ⁽¹⁾ | | Shareholding non-controlling interest | | Functional Currency |
|--|---------|------------|--|--------|---------------------------------------|-------|---------------------|
| | | | 2021 | 2020 | 2021 | 2020 | |
| Arca Continental, S.A. B. de C.V. (Tenedora) | Mexico | B / E | | | | | Mexican peso |
| Desarrolladora Arca Continental, S. de R.L. de C.V. | Mexico | B / F | 100.00 | 100.00 | - | - | Mexican peso |
| Servicios Ejecutivos Arca Continental, S.A. de C.V. (a) | Mexico | E | - | 100.00 | - | - | Mexican peso |
| AC Bebidas Ecuador, S. de R.L. de C.V. | Mexico | B | 100.00 | 100.00 | - | - | Mexican peso |
| AC Bebidas, S. de R.L. de C.V. (AC Bebidas) | Mexico | B | 80.00 | 80.00 | 20.00 | 20.00 | Mexican peso |
| Bebidas Mundiales, S. de R.L. de C.V. | Mexico | A | 80.00 | 80.00 | 20.00 | 20.00 | Mexican peso |
| Distribuidora Arca Continental, S. de R.L. de C.V. | Mexico | A | 80.00 | 80.00 | 20.00 | 20.00 | Mexican peso |
| Productora y Comercializadora Bebidas Arca, S.A. de C.V. | Mexico | A / B | 80.00 | 80.00 | 20.00 | 20.00 | Mexican peso |
| Compañía Topo Chico, S. de R.L. de C.V. | Mexico | A | 80.00 | 80.00 | 20.00 | 20.00 | Mexican peso |
| Procesos Estandarizados Administrativos, S.A. de C.V. | Mexico | E | 80.00 | 80.00 | 20.00 | 20.00 | Mexican peso |
| Fomento de Aguascalientes, S.A. de C.V. | Mexico | F | 80.00 | 80.00 | 20.00 | 20.00 | Mexican peso |
| Fomento Durango, S.A. de C.V. | Mexico | F | 80.00 | 80.00 | 20.00 | 20.00 | Mexican peso |
| Fomento Mayrán, S.A. de C.V. | Mexico | F | 80.00 | 80.00 | 20.00 | 20.00 | Mexican peso |
| Fomento Potosino, S.A. de C.V. | Mexico | F | 80.00 | 80.00 | 20.00 | 20.00 | Mexican peso |
| Fomento Río Nazas, S.A. de C.V. | Mexico | F | 80.00 | 80.00 | 20.00 | 20.00 | Mexican peso |
| Fomento San Luis, S.A. de C.V. | Mexico | F | 80.00 | 80.00 | 20.00 | 20.00 | Mexican peso |
| Fomento Zacatecano, S.A. de C.V. | Mexico | F | 80.00 | 80.00 | 20.00 | 20.00 | Mexican peso |
| Inmobiliaria Favorita, S.A. de C.V. | Mexico | F | 80.00 | 80.00 | 20.00 | 20.00 | Mexican peso |
| Holding AC Lacteos, S.A.P.I. de C.V. | Mexico | A / C | 80.00 | 79.18 | 20.00 | 20.82 | Mexican pesos |
| Comercializadora AC Lácteos, S.A.P.I. de C.V. | Mexico | A / C | 80.00 | 76.29 | 20.00 | 23.71 | Mexican pesos |
| Coca Cola Southwest Beverages, L.L.C. | US | A | 80.00 | 80.00 | 20.00 | 20.00 | US dollar |
| Great Plains Coca-Cola Bottling Company | US | A | 80.00 | 80.00 | 20.00 | 20.00 | US dollar |
| Texas-Cola Leasing, Corp. | US | F | 80.00 | 80.00 | 20.00 | 20.00 | US dollar |
| AC Bebidas Argentina, S. de R.L. de C.V. | Mexico | B | 80.00 | 80.00 | 20.00 | 20.00 | Mexican peso |

| Company | Country | Activities | Shareholding of controlling company ⁽¹⁾ | | Shareholding non-controlling interest | | Functional Currency |
|--|-----------|------------|--|--------|---------------------------------------|-------|---------------------|
| | | | 2021 | 2020 | 2021 | 2020 | |
| Salta Refrescos, S.A. | Argentina | A | 80.00 | 80.00 | 20.00 | 20.00 | Argentine peso |
| Envases Plásticos, S.A.I.C. | Argentina | F | 80.00 | 80.00 | 20.00 | 20.00 | Argentine peso |
| Corporación Lindley, S.A. (b) | Peru | A / B | 79.83 | 79.82 | 20.17 | 20.18 | Peruvian sol |
| Embotelladora La Selva, S.A. | Peru | A | 79.83 | 79.82 | 20.17 | 20.18 | Peruvian sol |
| Empresa Comercializadora de Bebidas, S.A.C. | Peru | A | 79.83 | 79.82 | 20.17 | 20.18 | Peruvian sol |
| AC Comercial del Perú, S.A.C. | Peru | A | 79.83 | 79.82 | 20.17 | 20.18 | Peruvian sol |
| AC Logística del Perú, S.A.C. | Peru | A | 79.83 | 79.82 | 20.17 | 20.18 | Peruvian sol |
| Industrial de Gaseosas, S.A. | Ecuador | E | 80.00 | 80.00 | 20.00 | 20.00 | US dollar |
| Bebidas Arca Continental Ecuador ARCADOR, S.A. | Ecuador | A | 80.00 | 80.00 | 20.00 | 20.00 | US dollar |
| AC Alimentos y Botanas, S.A. de C.V. | Mexico | B | 100.00 | 100.00 | - | - | Mexican peso |
| Nacional de Alimentos y Helados, S.A. de C.V. | Mexico | C | 100.00 | 100.00 | - | - | Mexican peso |
| Industrial de Plásticos Arma, S.A. de C.V. | Mexico | D | 100.00 | 100.00 | - | - | Mexican peso |
| Bbox Vending, S. de R.L. de C.V. | Mexico | A / C | 100.00 | 100.00 | - | - | Mexican peso |
| Interex, Corp. | US | A / C | 80.00 | 80.00 | 20.00 | 20.00 | US dollar |
| Bbox Vending USA, L.L.C | US | A / C | 100.00 | - | - | - | US dollar |
| Arca Continental USA, LLC. | US | B | 100.00 | 100.00 | - | - | US dollar |
| AC Foods, LLC | US | B | 100.00 | 100.00 | - | - | US dollar |
| Old Lyme Gourmet Co. (Deep River Snacks) | US | C | 100.00 | 100.00 | - | - | US dollar |
| AC Snacks Foods, Inc. | US | B | 100.00 | 100.00 | - | - | US dollar |
| Wise Foods, Inc. | US | C | 100.00 | 100.00 | - | - | US dollar |
| Vending del Ecuador, S.A. | Ecuador | A / C | 100.00 | 100.00 | - | - | US dollar |
| Industrias Alimenticias Ecuatorianas, S.A. | Ecuador | C | 100.00 | 100.00 | - | - | US dollar |
| Carlita Snacks Carlisnacks CIA. LTDA. | Ecuador | C | 100.00 | - | - | - | US dollar |
| Vend, S.A.C. | Peru | A / C | 100.00 | 100.00 | - | - | Peruvian sol |
| Vendtech, S.A.C. | Peru | A / C | 100.00 | 100.00 | - | - | Peruvian sol |
| Soluciones Brio, S.A.P.I. de C.V. | México | E | 100.00 | 100.00 | - | - | Mexican peso |
| Abastecedora de Bebidas y Snacks, S. de R.L. de C.V. | México | C | 100.00 | 100.00 | - | - | Mexican peso |
| Arrendadora de Equipos de Café, S.A.P.I. de C.V. | México | C | 40.00 | 40.00 | 60.00 | 60.00 | Mexican peso |

⁽¹⁾ The controlling interest is determined according to the shares that confer corporate rights to AC, such as voting rights, the right to attend stockholders meetings, and the right to appoint members to the Board of Directors.

(a) On November 1, 2021, Servicios Ejecutivos Arca Continental, S.A. de C.V. merged with Arca Continental, S.A.B. de C.V.

(b) The percentage of voting shares at December 31, 2021 and 2020 is 79.31% and 72.96%, respectively, considering investment and common shares.

Operations per group:

- A. The production and/or distribution of carbonated and non-carbonated beverages.
- B. Holding shares
- C. The production and/or distribution of sugar, snacks and/or confectionery
- D. The production of materials for the AC group, mainly
- E. The rendering of administrative, corporate and shared services
- F. The rendering of real property leasing services to AC companies

ii. Summary of financial information of subsidiaries with significant non-controlling interest before eliminations due to consolidation:

| | | AC Beverages and subsidiaries | |
|--|----|--------------------------------------|----------------|
| | | 2021 | 2020 |
| Consolidated statement of financial position-Summary | | | |
| Current asset | \$ | 54,943,883 | \$ 45,106,731 |
| Non-current assets | | 173,703,827 | 172,296,201 |
| Current liabilities | (| 33,362,903) | (27,224,840) |
| Non-current liabilities | (| 63,558,213) | (61,276,284) |
| Net assets | \$ | 131,726,594 | \$ 128,901,808 |
| | | AC Beverages and subsidiaries | |
| | | 2021 | 2020 |
| Consolidated statement of income-Summary | | | |
| Net sales | \$ | 173,708,779 | \$ 160,214,293 |
| Net profit | | 14,102,105 | 11,623,291 |
| Total comprehensive income | | 16,604,017 | 14,550,317 |
| Consolidated statement of cash flows – Summary | | | |
| Operating activities | | 27,027,192 | 26,332,258 |
| Investment activities | | (5,930,933) | (5,411,717) |
| Financing activities | | (18,265,177) | (15,448,896) |

iii. Transactions with non-controlling interests

Except for the acquisition of non-controlling interests described in point i. above, in the years ended December 31, 2021 and 2020, there were no transactions with non-controlling interests and no conflicts of interest to be disclosed.

iv. Interest in joint operation

At December 31, 2021 and 2020, the Company holds a 50% investment in JV Toni, S.L., a Spanish company, for the purpose of joint operation of its investment in Holding Tonicorp, S. A. and its subsidiaries, as shown below:

| Entity | Country | Operation | Holding percentage | | Functional Currency |
|--------------------------------------|----------------|------------------|---------------------------|-------------|----------------------------|
| | | | 2021 | 2020 | |
| Holding Tonicorp, S. A. | Ecuador | A | 89.00 | 89.00 | US dollar |
| Industria Lácteas Toni, S. A. | Ecuador | B / C | 100.00 | 100.00 | US dollar |
| Plásticos Ecuatorianos, S. A. | Ecuador | D | 100.00 | 100.00 | US dollar |
| Distribuidora Importada Dipor, S. A. | Ecuador | E | 100.00 | 100.00 | US dollar |

- A. Holding shares
- B. The production and/or distribution of high value-added dairy products
- C. The production and/or distribution of ice cream and related products
- D. The production and/or distribution of different types of plastic containers
- E. The distribution and marketing of high value-added dairy products and others

According to an evaluation conducted by AC, that joint agreement states that its design and purpose requires the AC beverage business in Ecuador to acquire, distribute and market the Tonicorp production. The rights to the benefits and the obligations for the liabilities of Tonicorp and its subsidiaries were therefore transferred to the two stockholders jointly and substantially controlling the agreement. Consequently, the agreement has been classified as a joint operation (see Notes 3 and 5). The AC consolidated financial statements therefore include its interest in the assets and liabilities of that joint operation as from the date of contribution.

The clauses of the joint partner agreement contemplate options for the purchase/sale of the portion pertaining to the other partner in the event of a change of control or change of business strategy of either of the two partners.

29. SUBSEQUENT EVENTS

When preparing these consolidated financial statements, the Company has evaluated events and transactions for subsequent recognition or disclosure at December 31, 2021 and up to February 21, 2022 (date of issuance of these consolidated financial statements) and has identified no significant subsequent events affecting them.



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Chief Executive Officer



Emilio Marcos Charur
Chief Finance Officer

[102-53]

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THIS ANNUAL REPORT CONTAINS FORWARD-LOOKING STATEMENTS REGARDING ARCA CONTINENTAL AND ITS SUBSIDIARIES BASED ON MANAGEMENT'S EXPECTATIONS. THIS INFORMATION AS WELL AS STATEMENTS REGARDING FUTURE EVENTS AND EXPECTATIONS ARE SUBJECT TO RISKS AND UNCERTAINTIES, AS WELL AS FACTORS THAT COULD CAUSE THE RESULTS, PERFORMANCE AND ACHIEVEMENTS OF THE COMPANY TO COMPLETELY DIFFER AT ANY TIME. SUCH FACTORS INCLUDE CHANGES IN THE GENERAL ECONOMIC, POLITICAL, GOVERNMENTAL AND COMMERCIAL CONDITIONS AT THE NATIONAL AND GLOBAL LEVELS, AS WELL AS VARIATIONS IN INTEREST RATES, INFLATION RATES, EXCHANGE RATE VOLATILITY, TAX RATES, THE DEMAND FOR AND PRICE OF CARBONATED BEVERAGES AND WATER, TAXES AND THE PRICE OF SUGAR, THE PRICES OF RAW MATERIALS USED IN THE PRODUCTION OF SOFT DRINKS, WEATHER CONDITIONS AND VARIOUS OTHERS. AS A RESULT OF THESE RISKS AND FACTORS, ACTUAL RESULTS COULD BE MATERIALLY DIFFERENT FROM THE ESTIMATES DESCRIBED IN THIS DOCUMENT. THEREFORE, ARCA CONTINENTAL DOES NOT ACCEPT ANY RESPONSIBILITY FOR VARIATIONS ON THE INFORMATION PROVIDED BY OFFICIAL SOURCES.



ARCACONTINENTAL