WE ARE INDUSTRIAS BACHOCO

Everyday by your side

Annual Report

2022

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Bachoco
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BACHOCO'S **PROFILE**

Industrias Bachoco is leader in the Mexican poultry industry and one of the ten largest poultry producers globally.

The Company was founded in 1952 and became a public company in 1997, via a public offering of shares on the Mexican and the New York stock exchanges.

Bachoco is a vertically-integrated company with operations in Mexico and the US with its headquarters located in Celaya, Guanajuato, Mexico. Its main business lines are: chicken, table eggs, balanced feed, pork, beef and turkey.

Bachoco owns and manages more than a thousand farms,
9 processing plants,
9 further **processing plants,**
2 swine **processing plants,**
23 **feed mills,** 22 **hatcheries,**
and more than **100 distribution centers.**
At the date of this report The Company employs more than **34,000 people.**

Currently the Company is rated AAA (MEX), the highest rating awarded by Fitch Mexico, and HR AAA which signals that the Company and their bonds both have the highest credit quality by HR Ratings de Mexico S.A. de C.V.

HIGHLIGHTS

OPERATING DATA

In millions pesos	In U.S. Dollars[1] 2022	December 31, 2022	2021	2020
Net sales	**$ 5,068.7**	**$ 98,890.7**	**81,699.1**	**68,792.0**
Gross profit	864.1	16,857.9	13,342.4	11,084.4
Operating income	429.8	8,385.9	5,891.9	4,301.5
EBITDA Result	522.7	10,198.6	7,355.7	6,036.7
Net income	**$ 310.0**	**6,047.8**	**4,934.1**	**3,972.1**
EPS in pesos	0.52	10.20	8.45	6.56
Earnings per ADR en pesos	6.27	122.41	101.36	78.74
Gross margin	17.0%	17.0%	16.3%	16.1%
Operating margin	8.5%	8.5%	7.2%	6.3%
EBITDA margin	10.3%	10.3%	9.0%	8.8%
Net margin	6.1%	6.1%	6.0%	5.8%

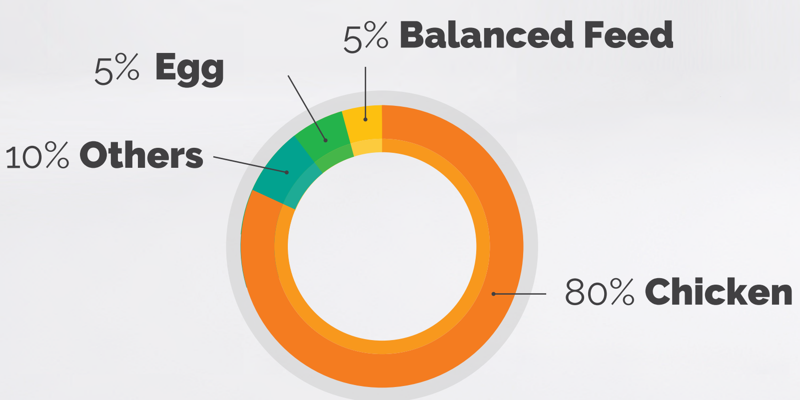
1 One dollar equals to $19.51 pesos

STATEMENT OF FINANCIAL DATA

In millions pesos	In U.S. Dollars[1] 2022	December 31, 2022	2021	2020
TOTAL ASSETS	**$ 3,719.6**	**$ 72,568.8**	**65,988.8**	**58,475.0**
Cash and cash equivalents	1,029.3	20,080.9	20,776.8	19,242.3
Inventories	421.0	8,214.1	6,376.0	5,688.3
TOTAL LIABILITIES	**$ 1,008.1**	**$ 19,667.5**	**17,704.7**	**14,548.2**
Notes payable to banks	60.6	1,181.5	1,993.9	1,057.6
Accounts payable	455.5	8,886.8	10,015.3	5,753.1
Long-term debt	154.3	3,010.5	-	1,460.4
TOTAL STOCKHOLDERS' EQUITY	**$ 2,711.5**	**52,901.3**	**48,284.1**	**43,926.8**
Capital stock	60.2	1,174.4	1,174.4	1,174.4
Retained earnings	2,508.2	48,934.6	43,839.2	39,607.8

[1] One dollar equals to $19.51 pesos

NET SALES



SALES BY GEOGRAPHY

74%
Mexico

26%
United States

EMPLOYEES

2022	34,098
2021	32,058
2020	29,780

MESSAGE TO **SHAREHOLDERS**

Dear Shareholders of Industrias Bachoco:

2022 was a year of overcoming challenges and delivering positive results. Like we mentioned in our quarterly reports, prices for corn and soybean meal reported record highs during most part of the year which had a significant negative impact in our cost of sales across our operations. Nonetheless, Bachoco kept its commitment by delivering high quality animal protein products to our customers who have always been key to our Company´s success.

In that same line, we continued taking solid steps towards our growth strategy. In January 2022, we announced we concluded the purchase of 100% stock of RYC Alimentos. This is a multiprotein meat processor and distributor with national coverage that participates in all the distribution channels with fresh and value-added products of beef, pork and chicken. This acquisition also allowed us to enter into the owned stores segment. Moreover, we were able to integrate to our team RYC's valuable talent who has been an important piece towards capturing the synergies initially identified.

Also, in December 2022 we announced we reached an agreement to acquire Norson Holding, a vertically integrated pork producer and exporter, with operations in Sonora, Mexico. As of the date of this report, this transaction is being reviewed by Mexican antitrust authorities (COFECE). We look forward to completing this process as soon as possible as we consider it will be a perfect fit with our SASA and RYC operation.

As important as our financial results is our commitment and contribution to our society. This was recognized by MERCO by placing us as one of the ten best food companies in Mexico.

As a result of the aforementioned, and by managing our sales mix, our total net sales grew by 21.0% compared to 2021 which allowed us to offset the 20% increase in cost of sales. Ultimately, for 2022, we were able to achieve a double-digit EBITDA margin of 10.3%. Within the high end of the last five years.

Despite the increase in working capital is mainly due to an increase on inventory, value resulting from more expensive raw materials costs, our financial structure remained solid. We ended 2022 with net cash of $15,888.8 million, which will allow us to continue with our growth plans and at the same time, face the uncertainties and volatilities of the protein industry.

As important as our financial results is our commitment and contribution to our society. This was recognized by MERCO by placing us as one of the ten best food companies in Mexico. Likewise, our CEO, Rodolfo Ramos Arvizu, once again was ranked as one of the most respected CEOs in the country.

In order to reinforce our culture of ethics and integrity within the Company, in 2022 we revised and updated our Code of Ethics. Particularly, we focused on the creation of a Human Rights and Conflict of Interest Policies which will be deployed in 2023.

2022 not only brought positive results, but also brought some changes in our organization. We said goodbye to our Purchasing Director, Mr. Alejandro Elias who retired during the year. We also welcomed Ms. Stephanie Petite who is now the first woman to fill an Executive Officer position in Bachoco. Also, Mr. Fernando Ramirez and Mr. James Young joined the Executive team leading the positions of Commercial and Marketing Strategy Director and Bachoco OK Foods CEO respectively. We are sure that each one of these members, in their own way, will bring value to the Company and we wish them the best of success.

In that same line, on February of 2023, we announced that Bachoco's CEO, Mr. Rodolfo Ramos, would be retiring effective in April 2023. For him, I would like to reiterate my gratitude and recognition for his hard and valuable work during the 43 years he was part of Bachoco's team. During that time, I had the opportunity to watch him grow not only professionally but as a natural team leader.

Assuming the CEO role is Mr. Ernesto Salmon. I would like to welcome Mr. Salmón who has been part of Bachoco's team since 1991 and, most recently, held the position Mexico Operations Director. Likewise, I am confident that with Ernesto's expertise and drive, as well as the executive team, the Company will continue to grow towards the business our family envisioned one day when they dreamt about Bachoco back then in Obregon Sonora in 1952.

Javier Bours Castelo
Chairman of the Board of Director

CEO's LETTER

Dear Shareholders:

All figures discussed below are information of 2022 with comparative figures of 2021. It was prepared under IFRS accounting principles and is presented in millions of pesos unless otherwise indicated.

In 2022 we started seeing macroeconomic improvements in some areas. In México, where more than 70% of our net sales are generated, according to INEGI, the economy grew 3.1% and Mexican peso appreciated by 4.9% vs the U.S. dollar by year-end. However, inflation rate was 7.82% which is above the already high level reported in 2021 of 7.36%. Regarding the U.S. according to information from the Federal Reserve, economy grew 0.9% and inflation rate remained at the 5.7% range reported in 2021.

According to the Mexican National Poultry Association estimates, in 2022, chicken produced in Mexico is expected to grow around 2.7% while table eggs production showed an estimated decrease of around 1.5%. Regarding the US poultry industry, according to the USDA, chicken volume produced grew 2.9% in 2022, which is above its normalized growth rate. Per capita consumption of chicken increased in both markets.

On the other hand, during the majority of 2022, we observed high prices for corn and soybean meal both in U.S. dollars and Mexican peso terms, when compared to 2021 values. In this regard we made important efforts on trying to offset that negative impact thru operational efficiencies and sales mix.

2022 & 2021 RESULTS

Net sales in 2022 totaled $98,890.7 million, $17,191.6 million more or 21.0% increase in net sales, when compared to $81,699.1 million reported in 2021. Sales from our operation in the US represented 25.5% of total revenue, compared to the 24.9% reported the previous year.

On the operating segment view, from the 21.0% increase compared to 2021, 9.6% comes from Poultry in México; 6.0% comes from our U.S. operation and the remaining 5.5% from our Others segment.

Volume from our Poultry segment showed a slight decrease vs 2021 both in México and the U.S. following demand seasonality. Particularly in Mexico, we managed to improve the value of our sales mix while transferring some of the increases of our cost of sales to our net price. On the other hand, in the U.S. market, during most part of the year, we observed high commodity prices mainly for breast meat, leg quarters and WOGS following also the behavior of raw materials costs.

About our Others segment, in 2022, we consolidated the results from RYC alimentos. In that regard, volume sold from total Others increased 8.2%. The majority of that growth came from the mentioned integration.

Cost of sales totaled $82,032.8 million, 20.0% higher than the $68,356.7 million reported in 2021. The increase in cost of sales is mainly attributed to the impact of the escalation in prices of raw materials such as grain and soybean meal.

Despite the volatility of the commodity markets, our focus on efficiencies allowed us to achieve a gross profit of $16,857.9 million, with a gross margin of 17.0%; higher than the $13,342.4 million of gross profit and margin of 16.3% achieved in 2021.

Total SG&A in 2022 were $8,506.3 million, an increase of $1,378.5 million or 19.3% compared to $7,127.8 million in 2021. SG&A as a percentage of net sales represented 8.6% in 2022 and 8.7% in 2021. This increase was mainly driven by items impacted by high inflation rates both in Mexico and the U.S. such as fuel, energy and salaries.

In 2022, we had other income of $34.3 million, compared to other expenses of $322.8 reported in 2021.

As a result, Operating income in 2022 was $8,385.9 million, a margin of 8.5%. This represents a 42.3% increase compared to the $5,891.9 million and a margin of 7.2% achieved in 2021.

In 2022, we reached an EBITDA of $10,198.6 million, a margin of 10.3%, 38.7% higher when compared to the EBITDA of $7,355.7 million obtained in 2021, with a margin of 9.0%.

In 2022 we reported net financial expenses of $301.7 million, compared with net financial income of $849.9 million obtained in 2021.

Total taxes were $2,036.4 million. This includes $1,188.0 million for income tax and $848.4 million for deferred taxes. This figure compares to total taxes of $1,807.6 million, which includes income taxes of $1,790.6 and $17.0 million of deferred taxes in 2021.

As a result, the profit for the year attributable to controlling interest in 2022 was $6,114.2 million, with a net margin of 6.1%, which represents earnings per share of $10.20 pesos, compared to $5,065.6 million, 6.0% margin and $8.45 earnings per share achieved in 2021.

Cash and equivalents as of December 31, 2022, totaled $20,080.6 million, a decrease of $696.2 million vs the $20,776.8 million reported as of December 31, 2021.

Total debt as of December 31, 2022, was $4,192.0 million, compared to total debt of $1,993.9 million reported as of December 31, 2021. As a result, our net cash as of December 31, 2022 totaled $15,888.8 million, compared to the net cash of $18,782.9 million as of December 31, 2021. An important part of that decrease was related to higher inventories mainly as a result of the increase in raw materials value.

Capital investments in 2022 totaled $4,840.8 million, an increase of 39.1% compared to the $3,479.5 million reported in 2021. In 2022, the company continued with the implementation of new projects oriented towards organic growth and productivity improvements.

R. Ramos A.

Rodolfo Ramos Arvizu
Chief Executive Officer

REPORT FROM THE BOARD OF DIRECTORS

As Chairman of the Board of Directors of Industrias Bachoco, and pursuant to the provisions of Section IV of Article 28 of the Securities Market Law, I hereby inform you of the following:

This Board of Directors reviewed and approved the Chief Executive Officer's report which supports the performance of management for fiscal year 2022, and it was based on the independent auditor's Opinion.

The Board believes that the CEO's report was prepared in accordance with the Financial Reporting Standards and reflects the Company's financial position and its operating results.

We believe that the Company's policies, accounting and reporting principles followed are adequate and consistent with the Audited Financial Statements.

This Board directed the Company to continue acting in strict accordance with IFRS principals.

We determined that during year 2022, the Company did not engage in unusual operations or other activities different from the normal course of the business. No exemptions were granted to any member of the Board, executive officers or any other member of the Company to take advantage of business opportunities for themselves or in favor of third parties.

Lastly, the Board presented in the Annual Ordinary Shareholders' Meeting the report of the Auditing and Corporate Practices Committee, the Chief Executive Officer's report, the report on prompt compliance with tax obligations, and the report on the principal accounting and information policies and criteria followed by the Company in the preparation of its financial statements for fiscal year 2022.

Javier Bours Castelo
Chairman of the Board of Director

AUDIT AND CORPORATE PRACTICES COMMITTEE

Bachoco has an Audit and Corporate Practices Committee to support the Board of Directors, which is comprised of three Independent Directors This Committee was last ratified on the Annual and General Ordinary Shareholders´ Meeting on April 27, 2022.

_AUDIT COMMITTEE AND CORPORATE PRACTICES MEMBERS

Guillermo Ochoa Maciel (President)
Humberto Schwarzbeck Noriega
Avelino Fernandez Salido

ANNUAL REPORT OF THE PRESIDENT OF THE AUDIT AND CORPORATE PRACTICES COMMITTEE TO THE BOARD OF DIRECTORS

In accordance with the terms of the Mexican Market Security Law (LMV), this report is issued by the President of the Audit and Corporate Practices Committee of Industrias Bachoco S.A.B. de C.V. (the "Society").

This report has been submitted to the Audit and Corporate Practices Committee of the Company, which validated content, scope and conclusions for the Board of Directors approval and through the Board, its validation in the Annual and General Ordinary Shareholders' Meeting of the Company that will take place in April 2023.

In the exercise of the Committee functions, and in attention of its responsibilities, the Committee has counseled with the Chief Financial Officer, the Internal Audit Manager and the Chief Executive Officer of the Society.

The resolutions adopted by the Audit Committee have been informed timely and submitted to the consideration of the Board of Directors by means of the respective report submitted to this ultimate superior social entity in the corresponding meetings. A file has been integrated from each meeting, including the reports and other relevant documents.

_ Regarding Corporate Practices:

We concluded that the Officers performance was aligned with the Company's objectives. We reviewed the CEO and senior officers and compensation packages were granted. We verified that there was no existence of any grant or exceptions to Directors, senior officers, or other employees of the Company. In 2022, the total transactions in connection to related parties represented less than 1.90% of the Company's net sales. After an exhaustive review of the transactions carried out with related parties, we concluded that they were conducted in fair-market terms. We reviewed policies and guidelines related to the use of goods that constitute the equity of the Company and its subsidiaries, by any related parties, as well as policies for granting of loans or any type of credit or guarantees. We analyzed and assessed the services provided by the independent experts, when it was required.

_ Regarding Internal Audit Function:

The Audit and Corporate Practices Committee has remained involved with the needs of the internal audit area to make sure they have the necessary human and material resources for the suitable performance of its function. The evaluations carried out by the Internal Audit, the external auditors, and the General Director have been reviewed, and it is concluded that the internal control processes provide reasonable security to prevent or detect errors or material irregularities in the normal course of social operations, although these processes are constantly improving and the corresponding revisions continue.

_ Regarding Financial Information

The Financial Statements of the Company were discussed quarterly with the executives responsible for their preparation and review, there were no significant observations to the information presented. Before being forwarded to the Mexican Stock and Exchange, the Financial Statements were reviewed by the Committee for its approval or ratification by the Board of Directors. In each quarterly Committee´s meeting, reports to the Stock Exchange were analyzed and approved, having made the observations or suggestions of the case and recommending to the Board of Directors its approval (or ratification) in each case regarding its public disclosure. During the period in question, Financial Statements corresponding to 2022 fiscal year were reviewed and discussed, and did not submit observations and/or qualifications, in consequence, the Committee recommended its approval by the Board of Directors for submission to the Shareholders´ Meeting.

_ Regarding External Audit Performance:

The services of Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte) continued to be used as External Auditors of the Company. We worked with Deloitte to insure the compliance, from both Deloitte and the Company, of the regulation issued by the Mexican Authorities (Comision Nacional Bancaria y de Valores), regarding the "Circular Unica de Auditores Externos", (External Audit Regulation). The fees corresponding to 2022 were duly revised and approved. The Audited Financial Statements as of December 31, 2022 were received on the part of the External Auditor. The Audit Committee concludes that the performance of Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte) as External Auditors of the Company and of its partners in charge of the respective audit, is appropriate and that the communication between such Committee and the auditors referred herein is consistent. The External Auditors confirmed their independence.

_ Regarding Accounting and Self-Regulatory Policies

The main accounting policies followed by the Company were reviewed and approved in terms of the information received by reason of new regulations. During the period, the updates proposed by the Administration to various self-regulatory policies were reviewed, on which were favorably expressed for submission to the Board of Directors. The accounting policies, criteria, and information observed by the Company are adequate and sufficient.

_ Conclusions

The recommendations of the Audit and Corporate Practices Committee have been or are being addressed by the Administration of the company. During the reported period, the Audit and Corporate Practices Committee did not receive from Shareholders, Directors, relevant executives, employees and in general from any third party, any remarks about accounting, internal controls and other matters related to the Internal or External Audit, other than those issued by the management during the preparation or revision of the respective documentation; no complaints were received about any irregular matters regarding the Administration. The Audit and Corporate Practices Committee has followed, within its competence and in accordance with the instructions received, the resolutions of the Board of Directors and the Shareholders' Meeting during the reporting period. From all the above, the Audit and Corporate Practices Committee has fulfilled the functions stated in Article 42, paragraph II of the LMV, during the reporting period.

OPINION OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS ON THE ANNUAL REPORT OF THE CHIEF EXECUTIVE OFFICER

After having listened and analyzed the CEO´s report for the fiscal year ended on December, 31, 2022, prepared in terms and for the purposes of the stated of Article 44, section XI of the Security Market Law, in relation to Article 172 of the General Law of Business Corporations and based on the reports of the External Audit presented to the Committee, the Audit and Corporate Practices Committee has determined that: (i) the accounting and information policies and criteria followed by the Company are adequate and sufficient, taking into account the Company´s particular circumstances; (ii) these accounting policies and criteria have been consistently applied in the information presented by the CEO; (iii) as consequence of the previous numerals (i) and (ii), the information presented by the CEO reflects the Company´s financial situation and results for the fiscal year 2022.

Based on the above, under the terms and for the purpose of the provisions of the Article 42, paragraph II, section e) of the LMV, the Audit and Corporate Practices Committee recommend to the Board of Directors the approval of the CEO`s annual report for fiscal 2022, for its presentation to the Annual and General Ordinary Shareholder´s Meeting of the Company.

Guillermo Ochoa Maciel
President of Bachoco´s Audit and Corporate Practices Committee

HIGHLIGHTS **TO INVESTORS**

In 2022, the Company´s shares and ADRs reported increases in yield of 16.26% on the BMV and of 19.86% on NYSE.

BACHOCO IN THE STOCKS

- **600 million** shares
- One single class **(Class B)**
- Full rights
- An ADR **equals 12 shares**
- **12.3%** of float
- An estimated **$50,706 million** pesos in market capitalization

The founding family holds 87.7%
of total shares:

Control Trust with 52.0%

Underwriting Trust with 21.3%

Edificios del Noroeste, S.A. de C.V. 14.4%

SHARE PRICES

Bolsa Mexicana de Valores

Ticker symbol: Bachoco | In pesos per-Share

YEAR	HIGH	LOW	AVERAGE	CLOSE
2022	86.31	64.93	76.29	84.51
2021	78.00	67.16	72.97	72.69
2020	82.40	58.76	69.22	74.85
2019	92.44	65.38	80.46	81.43
2018	98.16	63.50	88.29	64.52

The New York Stock Exchange

Ticker symbol: IBA | In dollars per-ADR

YEAR	HIGH	LOW	AVERAGE	CLOSE
2022	53.44	37.36	45.55	50.99
2021	47.60	38.30	43.23	42.54
2020	52.70	28.67	38.95	45.16
2019	56.34	40.07	50.10	52.00
2018	63.84	38.08	55.23	39.56

Source: Yahoo Finance

BOARD OF DIRECTORS

Bachoco's Board of Directors is comprised of eight Proprietary Shareholder Directors, four Alternate Shareholder Directors, and four Independent Proprietary Directors. This board was last ratified on April 27, 2022. The Board's main duties include the following:

Determine policies, general strategies, and the organization and management criteria that guide the activities of the Company.

Prepare and develop programs to optimize resource management and the operation of the business, such as budgets and financial planning.

After considering the Auditing and Corporate Practices Committee's opinion, approve the internal control and guidelines of the internal auditing of the Company.

Authorize acquisitions or disposing, as well as the granting of guarantees or the taking of liabilities for a value equal to or higher than five per cent of the consolidated assets of the Company, except for investments in debt securities or bank instruments; provided such are made in accordance with the policies approved by the Board for such purposes.

Review and authorize operating results and work plans, and the overall compensation of the Company's senior officers.

_PROPRIETARY SHAREHOLDERS DIRECTORS

Javier Bours Castelo (Chairman of the Board), Jose Gerardo Robinson Bours Castelo, Jesus Enrique Robinson Bours Muñoz, Jesus Rodolfo Robinson Bours Muñoz, Arturo Bours Griffith, Octavio Robinson Bours, Ricardo Aguirre Borboa and, Juan Salvador Robinson Bours Martinez.

_INDEPENDENT PROPRIETARY DIRECTORS

Avelino Fernandez Salido, Humberto Schwarzbeck Noriega, Guillermo Ochoa Maciel and, David Gastelum Cazares.

_ALTERNATE SHAREHOLDERS DIRECTORS

Jose Eduardo Robinson Bours Castelo alternate of Javier Bours Castelo and Jose Gerardo Robinson Bours Castelo.
Jose Francisco Robinson Bours Griffith, alternate of Octavio Robinson Bours and Arturo Bours Griffith.
Guillermo Pineda Cruz, alternate of Jesus Enrique Robinson Bours Muñoz and Jesus Rodolfo Robinson Bours Muñoz.
Gustavo Luders Becerril, alternate of Juan Salvador Robinson Bours Martinez and Ricardo Aguirre Borboa.

_SECRETARY OF THE BOARD

Daniel Salazar Ferrer

SENIOR **MANAGEMENT TEAM**

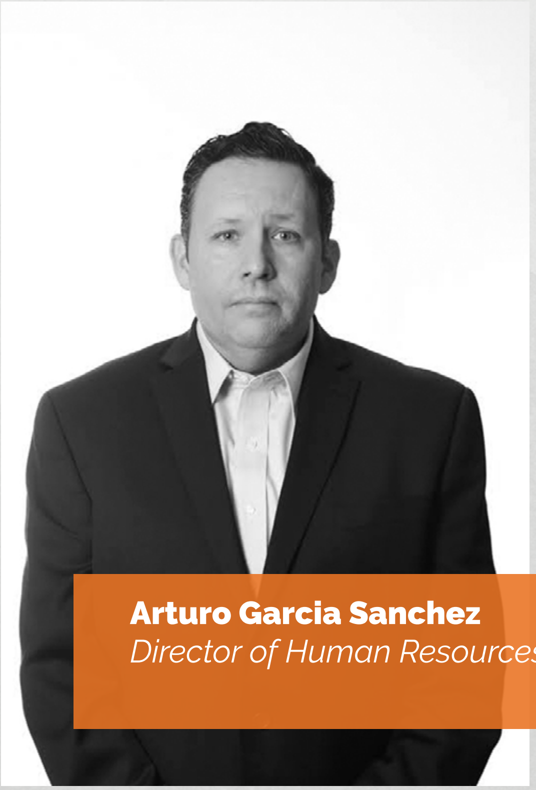
Rodolfo Ramos Arvizu
Chief Executive Officer

Daniel Salazar Ferrer
Chief Financial Officer

Ernesto Salmon Castelo
Director of Mexico Operations

Fernando Ramirez Martin del Campo
Director of Commercial Strategy

Stephanie Petit
Director of Purchasing



Arturo Garcia Sanchez
Director of Human Resources

James Young
Director of US Operations

SUSTAINABILITY
Report 2022 Bachoco

Since its founding more than 70 years ago, at Bachoco, we are commited to bring nutritious, healthy, and delicious food to the family table. Fulfilling this promise and enhancing its scope has inspired us to continuously improve our processes and develop sustainable strategies to create shared value with all our stakeholders.

_We Strengthen our Business

In order to meet our consumers' and customers' needs, we continually work on improving the quality of the products we sell and diversifying our business portfolio, thus fulfilling our promise to contribute to family health and nutrition.
As part of our efforts to strengthen our integrity and transparency culture, in 2022, we created two fundamental policies to meet our objectives: the Conflicts of Interest Policy and the Human Rights Policy, which will become efective in 2023.

In 2022, we ranked 55 in the MERCO (Corporate Reputation Business Monitor) Ranking of 100 Companies with the Best Corporate Reputation in Mexico

_We Empower our People

Our employees' talent and dedication to meeting our business objectives are one of Bachoco's key differentiators. As part of our commitment to our people, we work daily to create initiatives that promote a positive and safe work environment where our employees feel recognized and can develop their full potential.

Our training and development program offers options for employees to acquire valuable information, update and certify their expertise, and sharpen their skills and knowledge. At Bachoco, we have also implemented solid health and safety practices and protocols focused on risk prevention in our operations centers.

We Imparted 274,040 Hours of Workforce Training in 2022

_We Take Care of Our Planet

Caring for our planet has driven us to promote the development of projects with a sustainable approach and to adopt green practices and technologies in our operations that allow us to efficiently streamline our use of natural resources and improve our environmental performance.

In all our farms, we work with experts who supervise our breeding practices to ensure the animals' full development and enjoyment of the five fundamental freedoms throughout their lifetimes.

80% of the Materials Used in our Packaging Products are Recycled

_We Contribute to Our Community

We believe that we can make a profound change by working together. Hence, we collaborate with civil organizations, companies and government agencies to implement programs contributing to community development and well-being.

At Bachoco, we implement initiatives centered on addressing food shortages in Mexico, as an example is the Bachoco's Half Marathon. Through this marathon organized to promote a social cause, we encourage physical activity and raise funds to rehabilitate, adapt and build school and community kitchens.

We raised MXN 2,083,540 in the 2022 Edition of the Bachoco Half Marathon

For additional information, please consult our full Sustainability Report, at the following:
https://en.bachoco.com/sustainability/

CONSOLIDATED **FINANCIAL STATEMENTS**

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Independent Auditors' Report to the Board of Directors and Stockholders of Industrias Bachoco S.A.B. de C.V. and Subsidiaries

(In thousands of Mexican pesos)

Opinion

We have audited the consolidated financial statements of Industrias Bachoco, S.A.B. de C. V. and its subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2022, 2021 and 2020, and the consolidated statements of profit and loss and other comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of 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 Entity as of December 31, 2022, 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 ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing ("ISAs"). 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 Entity in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* ("IESBA Code") together with the Code of Ethics issued by the Mexican Institute of Public Accountants ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

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

Key Audit Matter

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 the forming our opinion, thereon and we do not provide a separate opinion on these matters. We have determined that the matter described below is the key audit issue which should be communicated in our report.

Valuation of goodwill and intangible assets of the Ok Foods - Albertville Quality Foods Inc. cash-generating unit—Refer to Notes 3. e), j), and 15 to the consolidated financial statements.

As of December 31, 2022, the carrying amount of the Entity's' goodwill was $2,627,663, of which $1,146,143 was allocated to the Ok Foods - Albertville Quality Foods, Inc. cash generating unit ("AQF CGU").

The recoverable amount of the AQF CGU was determined based on its value in use, which used projections of estimated cash flows. The significant assumptions used in projecting estimated cash flows were the revenue growth rate and annual discount rate. A change in the revenue growth rate or annual discount rate could have a significant impact on the recoverable amount of the AQF CGU. The recoverable amount of the AQF CGU exceeded its carrying value, and therefore, no impairment was recognized for the year ended December 31, 2022.

We identified the valuation of the AQF CGU goodwill and intangibles as a key audit matter due to the significant judgment made by Management relating to the revenue growth rate and annual discount rate used in projecting estimated cash flows. This included considering the effects of the avian flu, the inflation and the slowdown in economic growth, which caused contractions of the demand in the US market. This required a high degree of auditor judgment and increased effort, including involvement of our valuation specialists, in performing audit procedures to evaluate the reasonableness of the methodology used, the revenue growth rate and annual discount rate.

Our audit procedures related to the revenue growth rate and annual discount rate used to project estimated cash flows in determining the recoverable amount of the AQF CGU included the following, among others:

- We obtained an understanding and evaluated the Entity's methodology for determining the recoverable amount of the AQF CGU, including the process for developing revenue growth rate and annual discount rate.
- We tested the effectiveness of controls over Management's evaluation of revenue growth rate and annual discount rate used in the projected estimated cash flows.
- We compared the sales of the current year with sales from the previous year, and also compared actual results obtained in previous years with the results historically budgeted.
- We evaluated the reasonableness of the revenue growth rate and annual discount rate assumptions by comparing them to (i) historical information; and (ii) information obtained from external sources (expectation of analysts and industry reports).
- With the assistance of our valuation specialists, we evaluated the reasonableness of (1) the valuation methodology and the current market data used by Management to determine the revenue growth rate and annual discount rate, and (2) developed an independent range of the recoverable amount of the AQF CGU.
- We evaluated whether the projected estimated cash flows were consistent with evidence obtained in other areas of the audit.
- We evaluate the sensitivity analysis prepared by the Entity considering a decrease or increase in the revenue growth rate and in the annual discount rate.

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Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the information other than the consolidated financial statements (the "other information"). The other information will comprise the information that will be incorporated in the Annual Report that the Entity is obliged to prepare pursuant to Article 33 Fraction I, clause b) of Title Four, First Chapter of the "General Provisions Applicable to Issuers and Other Stock Market Participants" in Mexico, together with the Instructions Guide accompanying those provisions (collectively, the "Provisions"). The Annual Report is expected to be made available to us after the date of this audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form 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, we will issue the declaration surrounding the reading of the annual report required by Article 33 Fraction I, clause b) number 1.2. of the Provisions. If, based on the work we have performed, we conclude that there is a material misstatement therein, we are required to communicate the matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's consolidated 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 on the basis of these consolidated financial statements.

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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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Entity 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 Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of an affiliate of Deloitte Touche Tohmatsu Limited

Alberto Del Castillo V.V.
L.C.C. Alberto Del Castillo Velasco Vilchis

April 24, 2023

INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Financial Position

December 31, 2022, 2021 and 2020

(Thousands of pesos)

Assets	Note	2022	2021	2020
Current assets:				
Cash and cash equivalents	7	$ 18,698,892	19,136,443	17,286,374
Investment in securities at fair value through profit or loss	8	206,737	10,841	1,018,322
Investment in securities at fair value through other comprehensive income	8	1,143,994	1,559,823	937,715
Derivative financial instruments	8	31,264	69,862	-
Accounts receivable, net	9	5,953,904	5,108,167	4,366,019
Due from related parties	20	637	291	686
Inventories	10	8,214,122	6,375,990	5,688,338
Current biological assets	11	3,377,910	2,769,612	2,012,668
Prepaid expenses and other current assets	12	2,349,582	2,757,123	1,221,255
Assets held for sale	13	56,754	57,436	54,630
Total currents assets		**40,033,796**	**37,845,588**	**32,586,007**
Non-current assets:				
Property, plant and equipment, net	14	24,578,494	21,763,402	19,733,822
Right-of-use assets	24	602,386	680,210	678,845
Non-current biological assets	11	2,661,991	2,358,137	1,991,530
Deferred income tax	21	458,114	213,739	261,934
Goodwill	15	2,627,663	1,688,607	1,650,716
Intangible assets	16	589,715	704,374	753,224
Other non-current assets	17	1,016,684	734,704	818,922
Total non-currents assets		**32,535,047**	**28,143,173**	**25,888,993**
Total assets		$ **72,568,843**	**65,988,761**	**58,475,000**

Liabilities and equity	Note	2022	2021	2020
Current liabilities:				
Short-term debt	18	$ 1,181,532	500,081	848,061
Current portion of long-term debt	18	-	1,493,830	209,499
Derivative financial instruments	8	-	-	194,181
Trade payable and other accounts payable	19	8,886,810	10,015,256	5,753,137
Lease liabilities	24	350,562	279,809	278,981
Income tax payable	21	52,724	360,898	815,082
Due to related parties	20	195,617	185,429	80,842
Total current liabilities		**10,667,245**	**12,835,303**	**8,179,783**
Long term liabilities:				
Long-term debt, excluding current installments	18	3,010,483	0	1,460,405
Lease liabilities	24	219,023	371,671	440,730
Deferred income tax	21	4,883,507	3,841,475	3,874,980
Employee benefits	22	887,238	656,252	592,294
Total long term liabilities		**9,000,251**	**4,869,398**	**6,368,409**
Total liabilities		**19,667,496**	**17,704,701**	**14,548,192**
Equity:	25			
Capital stock		1,174,432	1,174,432	1,174,432
Share premium		414,070	414,070	413,423
Reserve for repurchase of shares		1,224,000	1,199,423	1,266,469
Retained earnings		48,934,600	43,839,229	39,607,821
Effects of derivatives classified as hedging instruments		(174,911)	(49,751)	(267,352)
Foreign currency translation reserve		1,283,999	1,501,440	1,391,534
Actuarial remeasurements, net	22, 25	(364,344)	(272,527)	(268,692)
Equity attributable to controlling interest		**52,491,846**	**47,806,316**	**43,317,635**
Non-controlling interest		409,501	477,744	609,173
Total equity		**52,901,347**	**48,284,060**	**43,926,808**
Commitments	27			
Contingencies	28			
Susequent events	31			
Total liabilities and equity		$ **72,568,843**	**65,988,761**	**58,475,000**

See accompanying notes to consolidated financial statements.

INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Profit and Loss and Other Comprehensive Income

Years ended December 31, 2022, 2021 and 2020

(Thousands of pesos, except share and per share amount)

	Note	2022	2021	2020
Net revenues		$ 98,890,655	81,699,068	68,792,002
Cost of sales	23	(82,032,790)	(68,356,654)	(57,707,566)
Gross profit		16,857,865	13,342,414	11,084,436
General, selling and administrative expenses	23	(8,506,312)	(7,127,780)	(6,420,397)
Other income (expenses), net	30	34,342	(322,779)	(362,527)
Operating income		8,385,895	5,891,855	4,301,512
Finance income	29	859,189	1,117,406	1,173,520
Finance costs	29	(1,160,915)	(267,523)	(291,329)
Finance (costs) income, net		(301,726)	849,883	882,191
Profit before income taxes		8,084,169	6,741,738	5,183,703
Income taxes	21	2,036,377	1,807,638	1,211,611
Profit for the year		$ **6,047,792**	**4,934,100**	**3,972,092**
Other comprehensive (loss) income items:				
Items that may be reclassified subsequently to profit or loss:				
Currency translation effect		$ (217,441)	109,906	317,609
Net effects of derivatives classified as hedging instruments		(125,160)	217,601	(247,581)
Items that will not be reclassified subsequently to profit or loss:				
Actuarial remeasurements	22	(131,167)	(5,478)	(103,982)
Income taxes related to actuarial remeasurements		39,350	1,643	31,195
Other comprehensive income		(434,418)	323,672	(2,759)
Comprehensive income for the year		$ **5,613,374**	**5,257,772**	**3,969,333**
Profit attributable to:				
Controlling interest	26	$ 6,114,154	5,065,554	3,935,672
Non-controlling interest		(66,362)	- 131,454	36,420
Profit for the year		$ **6,047,792**	**4,934,100**	**3,972,092**
Comprehensive income attributable to:				
Controlling interest		$ 5,679,736	5,389,226	3,932,913
Non-controlling interest		(66,362)	- 131,454	36,420
Comprehensive income for the year		$ **5,613,374**	**5,257,772**	**3,969,333**
Weighted average outstanding shares	26	599,380,457	599,730,270	599,818,022
Basic and diluted earnings per share	26	$ 10.20	8.45	6.56

See accompanying notes to consolidated financial statements.

INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

Years ended December 31, 2022, 2021 and 2020

(Thousands of pesos)

		Attributable to controlling interest									
		Capital stock		**Retained earnings**		**Accumulated other comprehensive income**					
	Note	**Capital stock**	**Share premium**	**Reserve for repurchase of shares**	**Retained earnings**	**Effects of derivatives classified as hedging instruments**	**Foreign currency translation reserve**	**Actuarial remeasurements net**	**Total**	**Non-controlling interest**	**Total equity**
Balance at January 1, 2020		$ 1,174,432	414,516	1,308,367	36,424,411	(19,771)	1,073,925	(195,905)	40,179,975	80,360	40,260,335
Dividends paid	25	-	-	-	(791,744)	-	-	-	(791,744)	-	(791,744)
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	-	(1,879)	(1,879)
Reserve for repurchase of shares		-	-	(39,482)	39,482	-	-	-	-	-	-
Repurchase and sale of shares	25	-	(1,093)	(2,416)	-	-	-	-	(3,509)	-	(3,509)
Increase in non-controlling interest in acquired business	4	-	-	-	-	-	-	-	-	494,272	494,272
Comprehensive income for the year:											
Profit for the year		-	-	-	3,935,672	-	-	-	3,935,672	36,420	3,972,092
Other comprehensive income		-	-	-	-	(247,581)	317,609	(72,787)	(2,759)	-	(2,759)
Total comprehensive income for the year		-	-	-	3,935,672	(247,581)	317,609	(72,787)	3,932,913	36,420	3,969,333
Balance at December 31, 2020		1,174,432	413,423	1,266,469	39,607,821	(267,352)	1,391,534	(268,692)	43,317,635	609,173	43,926,808
Dividends paid	25	-	-	-	(851,619)	-	-	-	(851,619)	-	(851,619)
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	-	(2,023)	(2,023)
Reserve for repurchase of shares		-	-	(34,068)	34,068	-	-	-	-	-	-
Repurchase and sale of shares	25	-	647	(32,978)	-	-	-	-	(32,331)	-	(32,331)
Other capital movements	5	-	-	-	(16,595)	-	-	-	(16,595)	-	(16,595)
Increase in non-controlling interest in acquired business	5	-	-	-	-	-	-	-	-	2,048	2,048
Comprehensive income for the year:											
Profit for the year		-	-	-	5,065,554	-	-	-	5,065,554	(131,454)	4,934,100
Other comprehensive income		-	-	-	-	217,601	109,906	(3,835)	323,672	-	323,672
Total comprehensive income for the year		-	-	-	5,065,554	217,601	109,906	(3,835)	5,389,226	(131,454)	5,257,772
Balance at December 31, 2021		1,174,432	414,070	1,199,423	43,839,229	(49,751)	1,501,440	(272,527)	47,806,316	477,744	48,284,060
Dividends paid	25	-	-	-	(982,984)	-	-	-	(982,984)	-	(982,984)
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	-	(1,881)	(1,881)
Reserve for repurchase of shares		-	-	24,577	(24,577)	-	-	-	-	-	-
Other capital movements		-	-	-	(11,222)	-	-	-	(11,222)	-	(11,222)
Comprehensive income for the year:											
Profit for the year		-	-	-	6,114,154	-	-	-	6,114,154	(66,362)	6,047,792
Other comprehensive income		-	-	-	-	(125,160)	(217,441)	(91,817)	(434,418)	-	(434,418)
Total comprehensive income for the year		-	-	-	6,114,154	(125,160)	(217,441)	(91,817)	5,679,736	(66,362)	5,613,374
Balance at December 31, 2022		$ 1,174,432	414,070	1,224,000	48,934,600	(174,911)	1,283,999	(364,344)	52,491,846	409,501	52,901,347

See accompanying notes to consolidated financial statements.

INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2022, 2021 and 2020

(Thousands of pesos)

	Note		2022	2021	2020
Cash flows from operating activities:					
Profit for the year		$	6,047,792	4,934,100	3,972,092
Adjustments for:					
Deferred income tax recognized in profit or loss	21		848,375	17,017	(109,443)
Current income tax recognized in profit or loss	21		1,188,002	1,790,621	1,321,054
Bargain purchase gain of domestic business acquisition	4		-	-	(90,889)
Depreciation and amortization	14		1,812,739	1,463,799	1,735,146
Depreciation of right-of-use assets			351,032	343,367	307,757
Intangible impairment loss	16		18,930	5,459	-
Loss of property, plant and equipment			28,977	95,341	12,987
Interest income earned	29		(859,189)	(597,610)	(705,986)
Interest expense and financial expense	29		524,942	265,982	291,038
Unrealized foreign exchange loss on loans			18,104	34,146	320,880
Subtotal			9,979,704	8,352,222	7,054,636
Derivative financial instruments			(86,562)	(46,442)	212,279
Accounts receivable, net			134,420	(811,965)	(335,742)
Due from related parties			(346)	395	12,988
Inventories			(1,553,220)	(685,817)	(850,655)
Current and non-current biological assets			(903,103)	(1,125,369)	(145,670)
Prepaid expenses and other current assets			429,632	(1,536,093)	32,866
Assets held for sale			682	(2,806)	(1,714)
Trade payable and other accounts payable			(1,763,906)	4,265,240	320,821
Due to related parties			10,188	104,587	4,138
Income taxes paid			(2,301,112)	(2,161,321)	(590,836)
Employee benefits			98,925	60,123	104,484
Net cash provided by operating activities			4,045,302	6,412,754	5,817,595
Cash flows from investing activities:					
Payments for acquisition of property, plant and equipment			(4,496,985)	(3,479,493)	(2,346,415)
Proceeds from sale of property, plant and equipment			101,252	29,772	23,802
Investment in securities at fair value through profit or loss			(195,896)	1,007,481	(832,038)
Investment in securities at fair value through other comprehensive income			415,829	(622,108)	(621,954)
Other assets			(280,715)	84,080	(26,569)
Interest collected			859,189	597,610	705,986
Bussiness acquisition	4		(1,182,880)	-	-
Net cash used in investing activities			(4,780,206)	(2,382,658)	(3,097,188)
Cash flows from financing activities:					
Payment for repurchase of shares	25		-	(46,392)	(15,594)
Proceeds from issuance of repurchased shares	25		-	14,061	12,085
Dividends paid	25		(982,984)	(851,619)	(791,744)
Dividends paid to non-controlling interest			(1,881)	(2,023)	(1,879)
Proceeds from borrowings	18		4,676,000	1,709,080	4,030,700
Principal payment on loans	18		(2,496,000)	(2,267,280)	(6,762,222)
Interest paid on lease	24		-	-	(53,639)
Interest paid	29		(502,673)	(234,134)	(237,399)
Payment of lease liability	24		(366,483)	(358,987)	(386,710)
Net cash provided by (used in) financing activities			325,979	(2,037,294)	(4,206,402)
Net (decrease) increase in cash and cash equivalents			(408,925)	1,992,802	(1,485,995)
Cash and cash equivalents at January 1			19,136,443	17,286,374	18,662,765
Effect of exchange rate fluctuations on cash and cash equivalents			(28,626)	(142,733)	109,604
Cash and cash equivalents at December 31		$	18,698,892	19,136,443	17,286,374

See accompanying notes to consolidated financial statements.

(1) Reporting entity

Industrias Bachoco, S.A.B. de C.V. and subsidiaries (hereinafter, "Bachoco" or the "Company") is a publicly traded company and was incorporated on April 17, 1980, as a legal entity. The Company's registered address is Avenida Tecnológico 401, Ciudad Industrial, Celaya, Guanajuato, Mexico.

The Company is engaged in breeding, processing and marketing poultry (chicken and eggs), swine and other products (primarily balanced animal feed). Bachoco is a holding company that has control over a group of subsidiaries (see note 5).

The shares of the Company are listed on the Mexican Stock Exchange (BMV for its Spanish acronym) under the ticker symbol "Bachoco," and in the New York Stock Exchange ("NYSE"), under the ticker symbol "IBA" (see note 31 b).

(2) Basis of preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"/"IAS"), as issued by the International Accounting Standard Board ("IASB").

On April 24, 2023, the accompanying consolidated financial statements and related notes were authorized for issuance by the Company's Chief Financial Officer, Mr. Daniel Salazar Ferrer, for review and approval by the Audit Committee, Board of Directors and stockholders. In accordance with Mexican General Corporate Law and the Company's bylaws, the stockholders are empowered to modify the consolidated financial statements after their issuance should they deem it necessary.

Going concern

The consolidated financial statements have been prepared by Management assuming that the Company will continue to operate as a going concern.

Convenience translation

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

b) Basis of measurement

The accompanying consolidated financial statements were prepared on the historical cost basis (historical cost is generally based on the fair value of the consideration given in exchange for goods and services), except for the following items in the consolidated statement of financial position, which are measured at fair value:

- Derivative financial instruments for trading and hedging, and investment in securities at fair value through profit or loss and investment in securities at fair value through other comprehensive income
- Biological assets

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable either directly or indirectly.

Level 3 inputs are unobservable inputs.

c) Functional and presentation currency

These consolidated financial statements are presented in thousands of Mexican pesos (“pesos” or “$”), the official currency of Mexico, which is the currency in which the Company’s accounting records are maintained and functional currency for most of its subsidiaries, except for foreign subsidiaries for which the U.S. dollar is the functional currency as well as the currency in which accounting records are maintained.

For disclosure purposes, in the notes to the consolidated financial statements, “thousands of pesos” or “$” means thousands of Mexican pesos, and “thousands of dollars” means thousands of U.S. dollars.

When deemed relevant, certain amounts are included between parentheses as a translation into thousands of dollars, into thousands of Mexican pesos, or both, as applicable. These translations are performed for the convenience of the reader at the closing exchange rate issued by Bank of Mexico, which is $19.51, $20.51 and $19.95 pesos to one U.S. dollar as of December 31, 2022, 2021 and 2020, respectively.

d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and significant assumptions are reviewed on an ongoing basis. Changes in estimates are recognized in the period in which they occur and in any future periods affected.

The following are the critical accounting estimates and assumptions in the application of the Company's accounting policies, which are significant to the amounts recognized in the consolidated financial statements.

Critical accounting judgments

i. Fair value of biological assets

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

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

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

ii. Business combinations or acquisition of assets

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

iii. Aggregation of operating segments

The Company's chicken and egg operating segments are aggregated to present one reportable segment (Poultry) as they have similar products and services, production processes, classes of customers, methods used for distribution, the nature of the regulatory environment in which they operate, and similar economic characteristics as evidenced by similar 5 trends in average gross profit margins. These factors are evaluated at least annually.

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

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

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

v.Estimate of the term of the lease contracts

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

Additionally, the Company considers the early termination clauses of its contracts and the probability of exercising them, as part of its estimation of the lease term.

Key sources of estimation uncertainty on the application of accounting policies

i.Assessments to determine the recoverability of deferred tax assets

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

ii.Useful lives and residual values of property, plant and equipment

Useful lives and residual values of intangible assets and property, plant and equipment are used to determine amortization and depreciation expense of such assets and are determined with the assistance of internal and external specialists, as deemed necessary.

Useful lives and residual values are reviewed periodically at least once a year, based on the current conditions of the assets and the estimate of the period during which they will continue to generate economic benefits to the Company. If there are changes in the related estimate, measurement of the net carrying amount of assets and the corresponding depreciation expense are affected prospectively.

iii.Measurements and disclosures at fair value

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

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

iv. ***Impairment of long-lived assets and goodwill***

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

v. ***Employee retirement benefits***

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

vi. ***Expected credit losses on accounts receivable***

The expected credit losses on financial assets are estimated using a provision matrix based on the Company's historical experience of credit losses, adjusted for factors that are specific to each of the Company's customer and debtor groups, general economic conditions and Management's assessment both current and forecast conditions as of the reporting date, including the value of money when applicable.

vii. ***Contingencies***

A contingent liability is defined as:

- A possible obligation that arises from past events and whose existence can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or

- A present obligation that arises from past events but is not recognized because:
    a. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
    b. the amount of the obligation cannot be measured with sufficient reliability.

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

viii. ***Uncertainties***

Pandemics or disease outbreaks, such as the novel coronavirus ("COVID-19"), may alter consumption and trade patterns, supply chains, and production processes, which could affect the Company's business and results of operations.

e) COVID

In March 2020, the World Health Organization declared the COVID-19 a Global pandemic. As a result, measures established by the federal, state and local authorities in Mexico and the United, that required the forced closure of certain activities considered non-essential (businesses, non-essential government agencies, educational sector, among others) which negatively affected the operations of some of the Company's customers.

Currently globally we continue to experience the impacts of the COVID-19 pandemic, the variants and their peak waves of contagion challenged us. During 2021, the start of the global vaccination campaign which in the progressive reactivating economic and social activities. Authorities in Mexico and the United States continued to impose restrictive measures on mobility and economic reopening, although greater flexibility was undoubtedly observed as a result of progress in vaccination. This led to greater economic activity even in non-essential sectors.

During 2022, 2021 and 2020, Management performed an analysis to measure the financial impact on the Company derived from the possible effects of COVID 19, which included the following:

- Review of potential impairment of non-financial assets (including goodwill, right-of-use assets and property, plant and equipment) - Based on medium and long-term projections, a possible impairment in goodwill has not been identified in long-lived assets, except for intangible assets where an impairment of $18,930 and $5,459, was recognized during 2022 and 2021, respectively, in the United States subsidiary, see note 16.
- Inventory valuation - The Company has not had an impairment in the price of chicken and eggs. The Company qualified as an essential activity for which it has kept operations working normally, reinforcing sanitary measures in all work centers, in this way it has fulfilled its commitments to its customers. During 2022 there were no significant impacts, during 2021, the Hotel sector improved, but without reaching pre-pandemic levels and during 2020, the Hotel sector was the most affected in sales volume, for which the Company directed the volume to other channels such as self-services, rotisserie chains, public market and live chicken.
- During 2022, 2021 and 2020 in the acquisition of raw materials, even when there was volatility in the dollar exchange rate, the prices of the main raw materials such as corn and soybean paste were not affected in terms of cost and supply due to the pandemic, during 2020 in some other raw materials were delayed in shipments mainly due to logistical problems of ships in the ports of China, but without significantly affecting the Company's productive activities.
- Provision for expected losses - The estimate for expected credit losses was reviewed and based on this analysis, Management considered that the allowance for doubtful accounts is sufficient to support an increase in credit risk for certain clients. During 2022 there were no significant impacts, during certain months of the year 2021 and 2020, the level of the accounts receivable portfolio increased based on agreed terms and continues to be recovered considering the payment plans.
- Measurement at fair value - investments recognized at fair value consider all relevant market factors for their proper valuation.

- Breaches of agreements – The Company has fulfilled its commitments to suppliers and customers due to the fact that, as an essential sector, it has maintained its operations working normally, complying with the health protocols established by the competent authorities and due to its solid financial position.
- Going concern - The Company qualified as an essential activity in the markets it operates in and continues to operate normally with full operations in its farms, plants, distribution centers, logistics, supply chain and offices, despite partially working remotely in some of its corporate locations. Management has also implemented strict additional measures to guarantee the well-being of clients, suppliers and workers, as well as the quality and safety of its products, working in coordination with the health authorities and attending to all the recommendations issued by them.
- Labor relations have not been affected and no changes were made to contractual agreements with employees as the Company continues to operate normally.
- Liquidity risk management - The Company has sufficient liquidity to continue assuming its current and long-term commitments.
- Insurance recoveries related to business interruptions - The Company has insurance policies to cover business continuity, however, it is not expected that they will be used because it will continue to operate normally as it is considered to be an essential activity.
- Income tax considerations - So far, no adverse tax impact is anticipated as a result of the pandemic.

As the products that the Company manufactures and its industry is considered essential, there were no significant adverse effects on its consolidated position and financial performance resulting from COVID-19.

The impact of COVID-19 on the Company's operational and financial performance during 2022 and 2021 improved compared to 2020. In addition, the Company continues with the necessary measures to mitigate the residual risks caused by the pandemic.

In October 2022, the Company participated in the Opening Agreement Against Inflation and High Costs (“APECIC” for its Spanish acronym) that was signed between the Federal Executive and some companies, under which Bachoco assumed its commitment to maintain prices of some of its basic basket products only in the self-service channel and until December 31, 2022, guaranteeing their health, safety and quality at all times.

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

f) Labor Reform in Mexico

On April 23, 2021, various labor and tax provisions regarding labor subcontracting were published, which implied the elimination of the group's service providers, except in specific cases. Due to the foregoing, the Company in July 2021 carried out the employer substitution for the transfer of personnel from its service providers to its operating companies in which the employees directly participate, all these subsidiaries of Industrias Bachoco S.A.B. of C.V.

Due to the above in July 2021 the merger of these service providers with Bachoco S.A. de C.V. was carried out. As a result of the merger, there were no significant tax effects or significant effects on the labor liabilities of the pension plan.

g) Issuance of new IFRS

i. New and amended IFRS that affect reported balances and/or disclosures in consolidated financial statements

In the current year, the Company adopted a series of new and amended IFRS issued by the IASB which went into effect on January 1, 2022, as it relates to its consolidated financial statements.

Amendments to IFRS 3 - Reference to the Conceptual Framework

The amendments update IFRS 3 so that it can refer to the 2018 *Conceptual Framework* instead of the 1989 Framework. They also added a requirement that, for obligations within the scope of IAS 37, a buyer applies IAS 37 to determine whether the acquisition date is a present obligation or exists as a result of a past event. For liens that are within the scope of IFRIC 21 - Liens, the buyer applies IFRIC 21 to determine whether the obligation gives rise to a liability to pay the lien that occurred at the acquisition date.

Finally, the amendments add an explicit statement that the buyer will not recognize a contingent asset acquired from a business combination.

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

Amendments to IAS 16 - Property, Plant and Equipment - Economic benefits before the intended use.

The amendments prohibit the deduction from the cost of an asset of property, plant or equipment of any revenue from selling the asset after it is ready for use, for example, revenue while the asset is being brought to the location and the necessary refurbishment is being carried out to make it operable in the manner intended by management. Accordingly, an entity should recognize those sales revenues and costs in profit or loss. The entity measures the costs of these items in accordance with IAS 2 *Inventories*.

The amendments clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as an assessment in which the physical and technical performance of the asset is capable of being used in the production or supply of goods or services, for rental or other, or administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements must disclose the amounts of revenues and costs in income related to items that are not an outflow from the entity's ordinary activities in the line item(s) in the statement of comprehensive income where revenues and costs are included.

The modifications are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be able to operate as Management intends on or after the beginning of the period in which the entity's financial statements in which the modifications are first applied.

The Company shall recognize the cumulative effect of the initial application of the amendments as a balance sheet adjustment to retained earnings (or an appropriate component of equity) at the beginning of the earliest period presented.

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

<u>Amendments to IAS 37 - Onerous Contracts - Costs of Fulfilling a Contract</u>

The amendments specify that the ‘costs of fulfilling’ a contract comprise ‘costs directly related to the contract’. Costs that relate directly to a contract consist of incremental costs and costs of fulfilling a contract (e.g., labor or materials) and the allocation of other costs that relate directly to fulfilling a contract (such as the allocation of depreciation to items of property, plant and equipment to fulfill the contract).

The amendments apply to contracts in which the entity has not yet complied with all of its obligations at the beginning of the annual reporting period in which the entity applies the amendments for the first time. Comparatives should not be restated. Instead, an entity should recognize the cumulative effect of the initial application of the amendments as a balance sheet adjustment to retained earnings or such other component of equity, as appropriate, for the date of initial application.

The adoption of these amendments had no impact on the Company's consolidated financial statements.

<u>Annual Amendments to IFRS standards 2018-2020</u>

The Annual Amendments include amendments to four standards.

IFRS 1 *First-time Adoption of International Financial Reporting Standards*, the amendment provides additional relief for a subsidiary that adopts for the first time after its parent with respect to accounting for cumulative translation differences. As a result of the amendments, a subsidiary using the IFRS 1: D16(a) exception may now elect to measure the cumulative translation effects of foreign operations at the carrying amount that is included in the parent's consolidated statements, based on the parent's date of transition to IFRS, if there were no adjustments for consolidation procedures and for the effects of business combinations in which the parent acquired the subsidiary. A similar election is available for an associate or joint venture that uses the exception in IFRS 1: D16(a).

IFRS 9 *Financial Instruments*, the amendment clarifies that when applying the ‘10%’ test to assess whether a financial liability should be derecognized, an entity includes only the paid fees or received between the entity (the borrower) and the lender, including paid fees or received by the entity or the lender. The amendments are applied prospectively to modifications or changes that occur on or after the date the entity first applies the amendment.

IFRS 16 *Leases*, the amendments eliminate the figure of reimbursement for leasehold improvements. As the amendments to IFRS 16 are only in respect of an illustrative example, no commencement date has been established.

IAS 41 *Agriculture*, the amendments remove the requirement in IAS 41 for entities to exclude cash flows for tax purposes when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 *Fair Value Measurement* to be consistent with cash flows and discount rates and allows preparers to determine whether cash flows and discount rates are used on a pre-tax or after-tax basis as is more appropriate to estimate fair value. The amendments are applied prospectively, i.e., the fair value measurement on or after the initial date of application of the amendments applied to the entity.

The adoption of these amendments had no impact on the Company's consolidated financial statements.

ii. New IFRS issued but not yet effective

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

IFRS 17	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture
Amendments to IAS 1	Classification of liabilities as current or non-current.
IFRS practice statements 2	Disclosure of accounting policies
Amendments to IAS 8	Definition of accounting estimates
Amendments to IAS 12	Deferred taxes related to assets and liabilities arising from a single transaction.
Amendments to IAS 1	Classification of debt with covenants.

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 - Insurance contracts.

IFRS 17 describes a general model, which is modified for insurance contracts with direct participation features, which is described as the variable rate approach. The general model is simplified if certain criteria are met when measuring the liability for remaining coverage using the premium allocation method.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and will explicitly measure the cost of that uncertainty, taking into account market interest rates and the impact of options and guarantees of the insured.

In June 2020, the IASB issued the amendments to IFRS 17 to address the concerns and implementation of the changes that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to the annual report beginning on or after January 1, 2023. At the same time, the IASB issued a Temporary Extension of Exemption to Apply IFRS 9 (Amendments to IFRS 4) that extends the expiration date of the temporary exception to apply IFRS 9 to IFRS 4 for annual periods beginning on or after January 1, 2023.

In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9 Comparative Information (Amendments to IFRS 17) to address implementation challenges that were identified after IAS 17 was published. The amendments address challenges in presenting comparative information.

IFRS 17 should be applied retrospectively unless it is not practical, in which case the retrospective approach will be modified, or the fair value approach will be applied.

In accordance with the transition requirements, the date of initial application is the beginning of the annual reporting period in which the entity first applies the Standard and, the transition date is the beginning of the period immediately preceding the date of the initial application.

Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

The amendments to IFRS 10 and IAS 28 treat with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments establish that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in profit or loss. of the parent only to the extent that the participation of unrelated investors in that associate or joint venture. Similarly, profit and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) at fair value, are recognized in profit. or loss of the former parent, only to the extent of the participation of unrelated investors in the new associate or joint venture.

The effective date of the amendments has not yet been set by the IASB; however, early application is permitted.

Amendments to IAS 1 Classification of Liabilities as Current and Non-Current

The amendments to IAS 1 affect only the presentation of liabilities as current and non-current in the statement of financial position and not the amount or timing at which any asset, liability, income or expense is recognized, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current and non-current is based on the rights to exist at the end of the reporting period, specify that the classification is not affected by expectations about whether the entity will exercise the right to defer settlement of the liability, explain that rights exist if there are covenants to be met at the end of the reporting period, and introduce a definition of ‘arrangement’ to make it clear that the arrangement refers to the transfer of cash from the counterparty, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

Amendments to IAS 1 and the IFRS practice statements 2 Disclosure of Accounting Policies

The amendments change the requirements to IAS 1 with respect to the disclosure of accounting policies. The amendment replaces the terms “significant accounting policies” with “information on material accounting policies”. Information on accounting policies is material when it is considered that, together with other information included in the financial statements of an entity, they may influence the decisions of the primary users of the financial statements in general use and that they are made in the basis of those financial statements.

The supporting paragraphs in IAS 1 are amended to clarify accounting policy information that relates to immaterial transactions, other events or conditions that are themselves material.

To support these modifications, the IASB has developed guidance and examples to explain and demonstrate the application of the "4-step materiality process" described in the IFRS practice 2 statements.

The amendments to IAS 1 are effective for the annual periods beginning on January 1, 2022, with the option of early application and are applied prospectively. The amendments to the IFRS Practice 2 statements do not contain an effective date or transition requirements.

Amendments to IAS 8 Definition of accounting estimates

The amendments replace the definition of a change in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in the financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB maintained the concept of changes in an accounting estimate in the standard with the following clarifications:

- A change in an accounting estimate is the result of new information or a new development and is not the correction of an error.
- The effects of a change in an input or a valuation technique used to develop an accounting estimate are changes in accounting estimates if they do not result from a correction of prior period errors.

The IASB added two examples (Example 4-5) to the IAS 8 Implementation Guide that accompanies the standard. The IASB has removed one example (example 3) as it could cause confusion from the amendments.

The modifications are effective for the annual periods beginning on January 1, 2023 for changes in accounting policies and changes in accounting estimates that occur on or after the beginning of said period with the option of early application.

Amendments to IAS 12 Deferred taxes related to assets and liabilities arising from a single transaction.

The amendments introduced an additional exception aside from the initial recognition exemption. In the amendments, an entity does not apply the initial recognition exception for transactions that give rise to taxable and deductible temporary differences.

Depending on the applicable tax law, taxable and deductible temporary differences may occur on initial recognition of an asset and a liability in a transaction that is not a business combination and does not affect accounting or taxable profit. For example, it may occur with a recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 Leases at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognize deferred tax assets and liabilities, with the recognition of any deferred tax assets being subject to the recoverability criteria.

The IASB also adds an illustrative example to IAS 12 that explains how the amendments apply.

The amendments apply to transactions that occur on or after the first comparative period of the period presented. Additionally, at the beginning of the first comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable income is available against the deductible temporary difference) and a deferred tax liability for all taxable and temporary deductions associated with:
  - Right-of-use assets and lease liabilities
  - Decommissioning, restoration and similar liabilities that correspond to amounts recognized as part of the costs related to the asset.
- The cumulative effect at the beginning of the application of the amendments as an adjustment in the opening balances of retained earnings (or some other component of capital, as applicable) to date.

The amendments are effective for the annual periods beginning on January 1, 2023, with the option of early application.

Amendments to IAS 1 Amendments to IAS 1 Classification of debt with covenants

The amendments modify the information that an entity provides when its right to defer payment of a liability for at least twelve months is subject to compliance with agreements. The modifications also responded to the concerns of interested parties about the classification of such liability as current or non-current.

The amendments to IAS 1 are effective for the annual periods beginning on January 1, 2024.

The Company is in process of determining its conclusions, however, does not expect the adoption of the standards to have a material impact on the consolidated financial statements in future periods.

(3) Significant accounting policies

The significant accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

a) Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control is lost (see note 5).

The consolidated financial statements include the financial statements of the subsidiary companies up to December 31 of each year. Control is achieved when the Company:

- Has power over the investee
- It is exposed, or has rights, to variable returns derived from its participation in the investee
- Has the ability to use his power to affect his returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Profits and losses of subsidiaries acquired or sold during the year are included in the consolidated statements of profit and loss and other comprehensive income from the acquisition date to the disposal date.

Where necessary, the financial statements of subsidiaries are adjusted to align their accounting policies with the Company's consolidated accounting policies.

ii. Transactions eliminated in consolidation

Intercompany balances and transactions, and any unrealized gains and losses arising from transactions between consolidated companies have been eliminated in preparing these consolidated financial statements.

iii. Non-controlling interest

Non-controlling interests in subsidiaries are identified separately from the Company's capital in them. Non-controlling shareholders' interests that are current ownership interests that entitle their holders to a proportionate share of the net assets at liquidation may be initially measured at fair value or the proportionate share of non-controlling interest in the fair value of the identifiable net assets of the acquiree. The choice of measure is made acquisition by acquisition. Other non-controlling interests are initially measured at fair value.

Post-acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the participation of non-controlling interests in subsequent changes in capital. Total comprehensive income is attributed to non-controlling interests even if this results in non-controlling interests having a negative balance.

iv. Business combinations

Business combinations are accounted for using the acquisition method. For each business combination, any non-controlling interest in the acquiree is valued either at fair value or according to the proportionate interest in the acquiree's identifiable net assets.

In a business combination, the identifiable assets acquired and the liabilities assumed are recognized at their fair value on the date of acquisition, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit agreements are recognized and measured in accordance with IAS 12 and IAS 19, respectively.
- Liabilities or equity instruments related to share. The acquiree's payment agreements or the Company's share-based payment agreements entered into to replace the acquiree's share-based payment agreements, are measured in accordance with IFRS 2 in the acquisition date.
- Assets (or groups of assets) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that standard.

Goodwill is originally valued at cost and represents any excess of the transferred consideration over the net assets acquired and liabilities assumed. If the net amount of identifiable acquired assets and assumed liabilities as of the acquisition date exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the fair value of the prior shareholding of the acquirer in the acquired entity (if any), any excess is immediately recognized in the consolidated statement of profit and loss and other comprehensive income as a bargain purchase gain.

Transaction costs, other than those associated with the issuance of debt or equity securities, that the Company incurs related to a business combination are expensed as incurred.

The payable contingent considerations are measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit and loss.

The Company applies accounting for business combinations using the predecessor method in an entity under common control. The predecessor method consists of incorporating the book values of the acquired entity, which includes the goodwill recorded at the consolidated level with respect to the acquired entity. Any difference between the consideration paid by the Company and the book value of the net assets acquired at the subsidiary level is recognized in equity.

b) Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain and loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for interest and principal payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

ii. Translation of foreign operations

Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, of foreign operations whose functional currency differs from the reporting currency, are translated into Mexican pesos at the exchange rates at the reporting date. Income and expenses are translated to pesos at the average exchange rate of the period of the transactions.

Foreign currency differences associated with translating foreign operations into the reporting currency (Mexican peso) are recognized in other comprehensive income and presented in the foreign currency translation reserve in stockholders’ equity.

Exchange differences on monetary items receivable or payable to a foreign business, whose settlement is neither planned nor likely to occur in the foreseeable future (therefore, they are part of the net investment in the business business), that are initially recognized in other comprehensive income and reclassified from equity to income when the total or partial disposal of the net investment is made. For the years ended December 31, 2022, 2021 and 2020 the Company did not enter into such transactions.

c) Financial instruments

i. Financial assets

Classification of financial assets

The Company classifies and measures its financial assets under the following criteria:

- The Company's debt instruments are subsequently measured at amortized cost if the financial asset is maintained in a business model whose objective is to hold financial assets with the objective of obtaining contractual cash flows; and the contractual terms of the financial asset give rise on specific dates to cash flows that are only principal and interest payments on the amount of the principal.
- Furthermore, debt instruments are subsequently measured at fair value through other comprehensive income if the financial asset is maintained within a business model whose objective is met by obtaining contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise, on specific dates, to cash flows that are only principal and interest payments on the outstanding amount of the principal.
- By default, all other financial assets are subsequently measured at fair value through profit and loss.

Recognition and derecognition of financial assets

Assets are initially recognized on the date of the contract in which the Company becomes a member of the contractual provisions of the instruments and they are initially valued at their fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities (other than financial assets at fair value through profit or loss) are added to or reduced from the fair value of the financial assets or liabilities, where applicable, at initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities at fair value through profit or loss are recognized immediately in profit or loss.

All regular purchases or sales of financial assets are recognized and derecognized on a trade date. Regular purchases or sales are purchases or sales of financial assets that require the delivery of assets within the period established by the regulation or usual practices in the market.

All recognized financial assets are subsequently measured in full, either at amortized cost or fair value, according to the classification of financial assets.

Financial assets of the Company include cash and cash equivalents, investment in securities at fair value through profit or loss and through other comprehensive income, derivative financial instruments and trade receivables.

The Company initially recognizes accounts receivable and cash equivalents on the date that they arise. All other financial assets (including assets measured at fair value through profit and loss) are initially recognized on the trading date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which all the risks and rewards of ownership of the financial asset are substantially transferred.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position solely if the Company has a legal right to offset the amounts and intends either to settle them on a net basis of financial assets and liabilities or otherwise realize the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits or investments with original maturities of three months or less from the acquisition date, which are subject to an insignificant risk of changes in their fair value and are used by the Company in the management of its short-term commitments.

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, receivables are measured at amortized cost. Receivables comprise trade, due from related parties and other receivables.

Impairment of financial assets

The Company evaluates whether its financial assets accounted for at amortized cost and at fair value through other comprehensive income are impaired on the basis of losses due to expected credit losses.

The amount of expected credit losses is updated on each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Company recognizes lifetime expected credit losses for commercial accounts receivable, contract assets and accounts receivable for leases. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical experience of credit losses, adjusted for factors that are specific to the debtors, the general economic conditions and Management’s assessment, of both the current and forecast conditions at the reporting date, including the time value of money when appropriate.

For all other financial instruments, the Company recognizes the lifetime expected credit loss when there has been a significant increase in credit risk since the initial recognition. However, if the credit risk in the financial instrument has not increased significantly since the initial recognition, the Company measures the provision for losses for that financial instrument in an amount equal to the 12-month expected credit losses.

The Company considers a significant increase in credit risk to have occurred when the financial investment asset’s credit rating falls to the level of speculation, or when the rating provided by external ratings agencies has decreased by more than 2 levels with respect to the level at which it was acquired. Additionally, the Company considers that default has occurred when a financial asset is more than 90 days past-due, unless there is reasonable and reliable information demonstrating that a later default criterion is more appropriate.

ii. Financial liabilities

Debt and/or equity instruments are classified as financial liabilities or as equity according to the substance of the contractual agreement and the definitions of liability and equity.

All financial instrument liabilities are initially recognized on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial instrument liability when its contractual obligations are met, cancelled or expire.

The Company has the following non-derivative financial instrument liabilities: short-term and long-term debt, and trade and other payables and accounts payable to related parties.

The aforementioned financial liabilities are originally recognized at fair value, plus costs directly attributable to the transaction. Subsequently, these financial liabilities are measured at amortized cost using the effective interest method or at fair value through profit or loss during their contractual term.

iii. Derivative financial instruments

The Company participates in a variety of derivative financial instruments to manage its exposure to exchange rate risks, including currency forward contracts.

Derivative financial instruments entered into for fair value hedging or for trading purposes are initially recognized at fair value; any attributable transaction costs are recognized in profit and loss as incurred. Subsequent to the initial recognition, such derivative financial instruments are measured at fair value, and changes in such value are immediately recognized in profit and loss unless the derivative is designated and is effective as a hedging instrument, in which case, its recognition in profit and loss will depend on the nature of the hedging.

Fair value of derivative financial instruments that are traded in recognized financial markets is based on quotes issued by these markets; when a derivative financial instrument is traded in the "*Over the Counter*" market, the fair value is determined based on internal models and market inputs accepted in the financial environment.

A derivative with a positive fair value is recognized as a financial asset, while a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Company has both the legal right and the intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities. The Company analyzes if there are embedded derivatives that should be segregated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related.

A separate instrument with the same terms as those of the embedded derivative meets the definition of a derivative, and the combined instrument is not measured at fair value through profit and loss. Changes in fair value of the separable embedded derivatives are immediately recognized in profit and loss.

*iv.**<u>Hedge Accounting</u>***

The Company designates certain derivatives as hedging instruments with respect to foreign currency risk with fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Firm commitments that hedge foreign currency risk are accounted for as cash flow hedges.

At the beginning of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, together with its risk management objectives and its strategy to carry out various hedging transactions. In addition, at the beginning of the hedge and on an ongoing basis, the Company documents whether the instrument is effective to offset changes in the fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships comply with all of the following coverage effectiveness requirements:

- There is an economic relationship between the hedging instrument and the hedged item;
- The effect of credit risk does not dominate the value of the changes resulting from the economic relationship; and
- The coverage ratio of the coverage ratio is the same as that resulting from the amount of the hedged item that the Company actually covers and the amount of the hedging instrument that the Company actually uses to cover that amount of the hedged item.

If the hedging instrument no longer meets the effectiveness requirement related to the hedging relationship, but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedging relationship (that is, rebalances) so that it meets the qualification criteria again.

The Company designates the entire change in the fair value of a forward contract (that is, it includes the forward elements) as the hedging instrument for all its hedging relationships that involve forward contracts.

The Company designates only the intrinsic value of option contracts as a hedged item, that is, excluding the time value of the option. Changes in the fair value of the option are recognized in other comprehensive income and are accumulated in the cost of the hedge reserve. If the hedged item is related to the transaction, the fair value is reclassified to profit or loss when the hedged item affects the profit or loss. If the hedged item is related to the period of time, then the accumulated amount in the cost of the hedge reserve is reclassified to profit or loss in a rational manner: the Company amortizes the accumulated hedge reserve to profit or loss using the straight-line method.

These reclassified amounts are recognized in profit or loss on the same line as the hedged item. If the hedged item is a non-financial item, the accumulated amount in the cost of the hedge reserve is eliminated directly from equity and is included in the initial carrying amount of the recognized non-financial item. In addition, if the Company expects that part or all of the accumulated loss in the cost of the hedge reserve will not be recovered in the future, that amount will be reclassified immediately to results.

v. Capital stock

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Stock repurchase

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for repurchase of shares. When treasury shares are sold or are re-issued subsequently, the amount received as well as the resulting surplus or deficit on the transaction is recognized in equity.

d) Property, plant and equipment

i. Recognition and measurement

Property, plant and equipment, except for land, are recorded at acquisition cost less accumulated depreciation and any accumulated impairment losses. Land is measured at the acquisition costs less any accumulated impairment losses.

Acquisition cost includes the purchase price, as well as any cost directly attributable to the acquisition of the asset, including all costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.

When components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognized at the time of disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses on the sale of an item of property, plant and equipment are determined by comparing the proceeds from the sale with the carrying amount of property, plant and equipment, and are recognized net under “other income (expenses), net” in profit and loss for the year.

ii. Subsequent costs

The replacement cost of an item of property, plant and equipment is capitalized if the future economic benefits associated with the cost are expected to flow to the Company and the related cost is reliably determined. The carrying amount of the replaced item is written off from the accounting records. Maintenance and repair expenses related to property, plant and equipment are expensed as incurred.

iii. Depreciation

Depreciation is calculated over the cost of the asset less its residual value, using the straight line method, based on the estimated useful life of the assets. Depreciation is recognized in profit and loss beginning from the time when the assets are available for use.

Below are the estimated useful lives for 2022, 2021 and 2020:

	Average useful Life
Buildings	46
Machinery and Equipment	19
Vehicles	11
Computers	8
Furniture	11

The Company has estimated the following residual values as of December 31, 2022, 2021 and 2020:

	Residual Value
Buildings	9%
Machinery and Equipment	8%
Vehicles	5%
Computers	0%
Furniture	2%

e) Goodwill

Goodwill arises as a result of the acquisition of a business over which control is obtained and is measured at cost less cumulative impairment losses; it is subject to annual tests for impairment.

f) Intangible assets

They are comprised of trade names and customer relationships derived from the acquisition of businesses in the United States of America. The cost of intangible assets acquired through a business combination represents their fair value at the acquisition date and they are recognized separately from goodwill. Subsequently, they are valued at cost less amortization and accumulated impairment losses.

Intangible assets are classified as having a definite or indefinite life. Those with a defined life are amortized under the straight-line method during their estimated life and when there are impairment indicators, they are tested for impairment. The amortization methods and the useful life of the assets are reviewed and adjusted, if necessary, at the date of each consolidated statement of financial position. Amortization is charged to income in the general expenses category. Those with an indefinite life are not amortized, but are subject to impairment tests at least annually.

g) Biological assets

Biological assets whose fair value can be measured reliably are measured at fair value less costs of sale, with any change therein recognized in profit and loss. Costs of sale include all costs that would be necessary to sell the assets, excluding finance costs and income taxes.

The Company’s biological assets consist of growing poultry, poultry in its different production stages, hatching eggs, breeder pigs, and growing pigs.

When fair value cannot be reliably, verifiably and objectively determined, assets are valued at production cost less accumulated depreciation, and any cumulative impairment loss. Depreciation related to biological assets forms part of the cost of inventories and current biological assets and is ultimately recognized within cost of sales in the statement of profit and loss and other comprehensive income.

Depreciation of poultry and breeder pigs is estimated based on the expected future life of such assets and is calculated on a straight-line basis.

	Expected average useful life (weeks)
Poultry in its different production stages	40-47
Breeder pigs	156

Biological assets are classified as current and non-current assets, based on the nature of such assets and their purpose, whether for commercialization or for reproduction and production.

h) Leased assets

The Company evaluates whether a contract is or contains a lease at the beginning of the contract term. A lease is defined as a contract that grants the right to control the use of an identified asset, for a specified period, in exchange for consideration. The Company recognizes a right-of-use asset and a corresponding lease liability, with respect to all the lease agreements in which it operates as lessee, except in the following cases: short-term leases (defined as leases with a term of lease less than 12 months); low-value asset leases (defined as asset leases with an individual market value of less than 5 thousand dollars); and, the lease contracts whose payments are variable (without any fixed contractually defined payment). For these contracts that exclude the recognition of a right-of-use asset and a lease liability, the Company recognizes rental payments as a straight-line operating expense during the lease term.

The right-of-use asset is made up of discounted lease payments at present value; direct costs of obtaining a lease; advance lease payments; and the dismantling or asset removal obligations. The Company depreciates the right-of-use asset over the shorter period of the lease term and the useful life of the underlying asset; In this sense, when a purchase option in the lease is likely to be exercised, the right-of-use asset depreciates over its useful life. Depreciation begins on the start date of the lease.

The lease liability is measured at initial recognition by discounting future minimum income payments at present value according to a term, using a discount rate that represents the cost of obtaining financing in an amount equivalent to the value of the contract's income, for the acquisition of the underlying asset, in the same currency and for a period similar to the corresponding contract (incremental borrowing rate). When the contract payments contain non-lease components (services), the Company has chosen not to separate them and to measure all payments as a single lease component; however, for the rest of the asset classes, the Company measures the lease liability only considering the payments of components that are rents, while the services implicit in the payments are recognized directly in results as operating expenses.

To determine the term of the lease, the Company considers the mandatory term, including the probability of exercising any right to extend the term and / or an early termination.

Subsequently, the lease liability is measured by increasing the book value to reflect the interest on the lease liability (using the effective interest method) and reducing the book value to reflect the rental payments made.

When there are modifications to the lease payments for inflation, the Company remits the lease liability from the date the new payments are known, without reconsidering the discount rate. However, if the modifications are related to the term of the contract or change in circumstances that results in a change in the assessment of the exercise of a purchase option, the Company re-evaluates the discount rate in the measurement of the liability. Any increase or decrease in the value of the lease liability subsequent to this re-measurement is recognized by increasing or decreasing to the same extent, as the case may be, the value of the right-of-use asset.

Finally, the lease liability is derecognized at the time the Company pays all of the contract's payments. When the Company determines that it is probable that it will exercise an early termination from the contract that merits a cash outlay, said consideration is part of the re-measurement of the liability mentioned in the preceding paragraph; however, in those cases in which the early termination does not imply a cash outlay, the Company pays the lease liability and the corresponding right of use asset, recognizing the difference between the two immediately in the consolidated statement of income.

i) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on average cost, and includes expenditures incurred for acquiring inventories, production or transformation costs, and other costs incurred for bringing them to their present location and condition.

Agricultural products derived from biological asses are processed chickens, processed pork, and commercial eggs.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale.

Cost of sales represents cost of inventories at the time of sale, increased, if applicable, by reductions in inventory to its net realizable value, if lower than cost, during the year.

The Company records the necessary reductions in the value of its inventories for impairment, obsolescence, slow movement and other factors that may indicate that the use or performance of the items that are part of the inventory may be lower than the carrying value.

j) Impairment

<u>Non-financial assets</u>

The carrying amounts of the Company’s non-financial assets, other than inventories, biological assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the asset is estimated or cash generating units, as the lowest between its value in use and the fair value less cost of sale. Goodwill and indefinite-lived intangible assets are tested annually for impairment on the same dates.

The Company defines the cash generating units and also estimates the periodicity and cash flows that they should generate. Subsequent changes in the group of cash-generating units, or changes in the assumptions that support the cash flow estimates or the discount rate could impact the carrying amounts of the respective asset.

The main assumptions for developing estimates of recoverable amounts are the estimates the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate its present value. The Company estimates cash flow projections considering current market conditions, determination of future prices of goods and volumes of production and sales. In addition, for the purposes of the discount and perpetuity growth rates, the Company uses indicators of market and expectations of long-term growth in the markets in which it operates.

The Company estimates a discount rate before taxes for the purposes of the goodwill impairment test that reflects the risk of the corresponding cash-generating units and that enables the calculation of present value of expected future cash flows, as well as to reflect risks that were not included in the cash flow projection assumptions and premises. The discount rate that the Company estimates is based on the weighted average cost of capital. In addition, the discount rate estimated by the Company reflects the return that market participants would require if they had made a decision about an equivalent asset, as well as the expected generation of cash flow, time, and risk-and-return profiles.

The Company annually reviews the circumstances which led to an impairment loss arising from cash-generating units to determine whether such circumstances have been changed and that may result in the reversal of previously recognized impairment losses. An impairment loss in respect of goodwill is not reversed. For other long-lived assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if the impairment loss had not been recognized.

Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of CGUs), and subsequently to reduce the carrying amount of the other long-lived assets within the cash-generating unit (or group of CGUs) on a pro rata basis.

k) Held-for-sale assets

Held for sale assets mainly consist of foreclosed assets. Foreclosed assets are initially recorded at the lower of fair value less costs to sell or the net carrying amount of the related account receivable.

Immediately before being classified as held-for-sale, assets are valued according to the Company’s accounting policies in accordance with the applicable IFRS. Subsequently, held-for-sale assets are recorded at the lower of the carrying amount and fair value less costs to sell. Impairment losses on initial classification of held-for-sale assets and subsequent remeasurement gains and losses are recognized in profit and loss. Recognized gains shall not exceed cumulative impairment losses previously recognized.

l) Other assets

Other long-term assets primarily include advances for the purchase of property, plant and equipment, investments in insurance policies and security deposits.

The Company owns life insurance policies of some of the former stockholders of Bachoco USA, LLC (foreign subsidiary). The Company records these policies at their net cash surrender value which approximates its fair value (see note 17).

m) Employee benefits

The Company grants to its employees in Mexico and abroad, different types of benefits as described below and as detailed in note 22.

i.Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit and loss in the periods during which the related services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that the Company has the right to a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan due more than 12 months after the end of the period in which the employees render the service are discounted at present value.

ii. Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. It is funded by contributions made by the Company and is intended to meet the Company's labor obligations to its employees.

The Company´s net obligations in respect of defined benefit plans is calculated separately for each plan, estimating the amount of the future benefit that the employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value, and is reduced by the fair value of the plan assets. The discount rate is the yield at the end of the reporting period on high quality corporate bonds (or governmental bonds in the instance that a deep market does not exist for high quality corporate bonds, which is the case in Mexico) that have maturity dates approximating the terms of the Company´s obligations and that are denominated in the currency in which the benefits are expected to be paid. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

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

The Company presents service cost as part of operating income in the consolidated statements of profit or loss and other comprehensive income (loss). Gains and losses for reduction of service are accounted for as past service costs.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. When the benefits of a plan are modified or improved, the portion of the improved benefits related to past services by employees is recognized in profit and loss on the earlier of the following dates: when there is a modification or curtailment to the plan, or when the Company recognizes the related restructuring costs or termination benefits.

Remeasurement adjustments, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), are reflected immediately with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in equity and is not reclassified to profit or loss.

iii. Short-term benefits

Short-term employee benefits are valued on a non-discounted basis and are expensed as the respective services are rendered.

A liability is recognized for the amount expected to be paid under the short-term cash bonus plans or statutory employee profit sharing (PTU for its acronym in Spanish), if the Company has a legal or constructive obligation to pay such amounts as a result of prior services rendered by the employee, and the obligation may be reliably estimated.

On December 27, 2022, the decree was published by means of which articles 76 and 78 of the Federal Labor Law ("LFT" for its acronym in Spanish) for Mexico were amended, which will take effect on January 1, 2023. The main changes caused by this labor reform consider the increase in the minimum annual vacation period for workers who have more than one year of service.

The Company evaluated the accounting impacts generated by this labor reform and determined that the increases in the vacation and vacation premium provision, as a result of the increase in vacation days, were not significant as of December 31, 2022.

iv. Termination benefits from constructive obligations

Until 2020 the Company recognizes, as a defined benefit plan, a constructive obligation from past practices. The liability accrues based on the services rendered by the employee. Payment of this benefit is made in one installment at the time that the employee voluntarily ceases working for the Company.

n) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

When the effect of time value of money is significant, the amount of the provision is the present value of the disbursements expected to be necessary to settle the obligation. The discount rate applied is determined before taxes and reflects market conditions at the reporting date and takes into account the specific risk of the relevant liability, if any. The unwinding of the present value discount is recognized as a financial cost.

o) Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company as a joint operator recognizes, in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation, and its expenses, including its share of any expenses incurred jointly.

The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to such assets, liabilities, revenues and expenses.

The Company has joint operations derived from the agreements for the development of its biological assets. For such operations, the Company accounts for its biological assets, its obligations derived from technical support, as well as the expenses it incurs with respect to the joint operations. The live poultry produced by the joint operation is ultimately used internally by the Company and may be sold by the Company to third parties. As a result, the joint operation itself does not generate any revenues with third parties.

p) Revenues

Revenues from the sale of goods in the course of ordinary activities are measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenues are recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that control over the product has been transferred to the customer. If it is probable that discounts will be granted and the amount can be measured reliably, the discount is recognized as a reduction of revenue.

The Company generally does not accept sales returns. No asset is recognized for product returns, due to the fact that such products are not expected to be sold or recovered in another manner given that they are perishable. To the extent sales returns occur, the product returns are made simultaneously with the delivery and acceptance of the product (same day).

The Company has concluded that all performance obligations are satisfied at the time of delivery of the product to the customer.

The Company has a variety of credit terms for its various distribution channels, all of which have short terms, consistent with market and industry practices. Accordingly, there are no financing components. A significant portion of sales in Mexico are collected in cash on delivery.

q) Financial income and costs and dividend income

Financial income comprises interest income from funds invested, fair value changes on financial assets at fair value through profit or loss and foreign currency exchange gains. Interest income is recognized in profit and loss, using the effective interest method. Dividend income is recognized in profit and loss on the date that the Company´s right to receive the payment is established.

Financial costs comprise interest expense for borrowings, foreign currency exchange losses and fair value changes on financial assets at fair value through profit and loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit and loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Exchange gains and losses are reported on a net basis.

r) Income taxes

Income tax expense is comprised of current and deferred tax. Current income taxes and deferred income taxes are recognized in profit and loss provided they do not relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the fiscal year, which can be applied to taxable income from previous years, using tax rates enacted or substantively enacted in each jurisdiction at the reporting date, plus any adjustment to taxes payable with respect to previous years. Current income tax payable also includes any tax liability arising from the payment of dividends.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities and the amounts used for tax purposes.

Deferred income tax is not recognized for:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and did not affect either accounting or taxable profit or loss;

- differences related to investments in subsidiaries to the extent that it is probable that the Company is able to control the reversal date, and the reversion is not expected to take place in the near future.

- taxable temporary differences arising from the initial recognition of goodwill.

Deferred income tax is determined by applying the tax rates that are expected to apply in the period in which the temporary differences will reverse, based on the regulations enacted or substantively enacted at the reporting date.

The measurement of deferred income tax assets and liabilities reflect the tax consequences derived from the manner in which the Company expects to recover or settle the carrying amounts of its assets and liabilities.

In determining the amount of current and deferred income tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that the balance for its income tax liabilities are appropriate for all tax years subject to be reviewed by the tax authorities based on its assessment of several factors, including the interpretation of the tax laws and prior experience.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be realized.

s) Earnings per share

The Company presents information on basic and diluted earnings per share ("EPS") related to its ordinary shares. Basic EPS is computed by dividing the profit and loss attributable to the holders of the Company's common shares by the weighted average number of outstanding ordinary shares during the period, adjusted for treasury shares held. Diluted EPS is determined by adjusting the profit and loss attributable to the holders of the ordinary shares and the outstanding weighted average number of ordinary shares, adjusted for treasury shares held, for the potential dilutive effects of all ordinary shares, including convertible instruments and options on shares granted to employees. At December 31, 2022, 2021 and 2020, the Company has no outstanding instruments that imply the existence of potential ordinary shares, for which reason basic and diluted EPS are the same.

t) Segment information

An operating segment is a component of the Company: i) that is engaged in business activities from which revenues and expenses may be obtained and incurred, including revenues and expenses related to transactions with any of the other components of the Company, ii) whose results are reviewed periodically by the chief operating decision maker for the purpose of resource allocation and assessment of segment performance, and iii) for which discrete financial information exists.

The Company discloses reportable segments based on operating segments whose revenues exceed 10% of the combined revenues from all segments, whose absolute value of profit or loss exceeds 10% of the combined absolute value of profit or loss from all segments, whose assets exceed 10% of the combined assets from all segments, or that result from the aggregation of two or more operating segments that share similar economic characteristics and meet the aggregation criteria under IFRS (note 2 d) iii.).

u) Costs and expenses by function

Costs and expenses in the consolidated statements of profit and loss and other comprehensive income were classified by their function. The nature of costs and expenses is presented in Note 23.

v) Statement of cash flows

The Company presents cash flows from operating activities by using the indirect method, in which the income or loss is adjusted by the effects of items that do not require cash flows, including those related to investing or financing activities.

The Company classifies all interest received from its investments and accounts receivable as investment activities, and all interest paid as financing activities.

(4) Business and asset acquisitions

a) Acquisition of RYC Alimentos, S.A. de C.V.

On June 24, 2022, the Company acquired 100.00% of voting stock of RYC Alimentos, S.A. de C.V., which is dedicated to the processing and distribution of multiproteins with operations in the states of Puebla, Oaxaca Veracruz and Tlaxcala, Mexico. The purchase price paid in cash was $1,251,516.

The purchase of RYC Alimentos, S.A. de C.V. benefits the Company, within the “Other” segment which as it will allow to accelerate the pace of growth and continue advancing in the process of diversifying other animal proteins.

The assets acquired and the assumed liabilities of RYC Alimentos, S.A. de C.V. were recognized based on the best estimate of their fair value at the acquisition date.

The fair value of the assets was determined using cost and market approaches. The cost approach, which estimates the value based on the current replacement cost of an asset by another asset of equal usefulness, was used mainly for plant and equipment. The market approach, in which the value of an asset is based on available market prices for comparable assets, was used mainly for real estate.

Due to their liquidity or short-term maturities, as appropriate, the Company concluded that RYC Alimentos, S.A. de C.V.’s pre-acquisition carrying amounts for cash equivalents, accounts receivable, inventories, other current assets, accounts payable and other current liabilities approximate their fair value at the acquisition date.

Identifiable assets acquired and liabilities assumed

The following is a summary of the recognized amounts of acquired assets and assumed liabilities at the date, compared to the consideration paid:

		Acquisition value
Current assets, other than inventories	$	429,756
Inventories		265,188
Property, plant and equipment		343,841
Total assets		1,038,785
Current liabilities		(725,190)
Deferred income tax		(68,798)
Acquired net identifiable assets		244,797
Consideration paid		1,251,516
Goodwill (note 15)	$	(1,006,719)

Current assets are comprised of cash equivalents, accounts receivable and other current assets, for $68,636, $188,224 and $172,896, respectively; and current liabilities are comprised of trade payable and other accounts payable, and other liabilities for $588,889 and $136,301, respectively.

Goodwill arises because the consideration transferred exceeds the fair value of the net assets acquired and the liabilities assumed on the acquisition date.

If the acquisition had occurred on January 1, 2022, then consolidated revenues and consolidated profits for the year ended December 31, 2022 would have totaled $98,890,655 and $6,047,792, respectively. When determining these amounts, Management assumed that the provisional adjustments to fair value recognized at the date of acquisition would have been similar if the acquisition had occurred on January 1, 2022.

Costs related to acquisition.

During 2022 and 2021, the Company incurred costs related to the acquisition of RYC Alimentos, S.A. de C.V. of $8,678 corresponding to external legal fees and due diligence costs, which are included in other expenses in the Company's consolidated statement of profit and loss and other comprehensive income.

b) Acquisition of Sonora Agropecuaria, S.A. de C.V.

On June 26, 2020, the Company acquired 54.80% of voting stock of Sonora Agropecuaria, S.A. de C.V. The operating results are included in the consolidated financial statements as of that date. Sonora Agropecuaria, S.A. de C.V. is dedicated to the processing and distribution of pigs, and has operations in the states of Sonora, Jalisco, Guanajuato, Mexico City and Yucatan, Mexico. The purchase price paid as a capital contribution amounted to $215,000.

The purchase of Sonora Agropecuaria, S.A. de C.V. benefits the "Other" segment as it will allow it to accelerate the pace of growth and continue advancing in the process of diversifying other animal proteins.

The assets acquired and the assumed liabilities of Sonora Agropecuaria, S.A. de C.V. were recognized based on the best estimate of their fair value at the acquisition date.

The fair value of the assets was determined using cost and market approaches. The cost approach, which estimates the value based on the current replacement cost of an asset by another asset of equal usefulness, was used mainly for plant and equipment. The market approach, in which the value of an asset is based on available market prices for comparable assets, was used mainly for real estate.

Due to their liquidity or short-term maturities, as appropriate, the Company concluded that Sonora Agropecuaria, S.A. de C.V.’s pre-acquisition carrying amounts for cash equivalents, accounts receivable, inventories, other current assets, accounts payable and other current liabilities approximate their fair value at the acquisition date.

Identifiable assets acquired and liabilities assumed

The following is a summary of the recognized amounts of acquired assets and assumed liabilities at the date, compared to the consideration paid:

		Acquisition value
Current assets, other than inventories	$	349,834
Inventories		123,959
Property, plant and equipment		383,680
Total assets		857,473
Current liabilities		(263,365)
Deferred income tax		(35,916)
Acquired net identifiable assets		558,192
Controlling interest		305,889
Non-controlling interest		252,303
Consideration paid		215,000
Bargain purchase gain (note 30)	$	90,889

At the acquisition date, the non-controlling interest is measured on the basis of the proportional participation of the acquiree's identifiable net assets.

The bargain purchase gain arises because the net of fair value of the assets at the acquisition date exceeds the amount of the consideration transferred. The business strategies followed by the acquiree in the past resulted in a high cost structure and limited opportunity for improving profitability, resulting in a fair value of the business below that of its component parts. For this reason, a gain was recognized in other income (expense), net (see note 30) in the consolidated statement of profit or loss and other comprehensive income.

If the acquisition had occurred on January 1, 2020, consolidated revenues and consolidated profits for the year ended December 31, 2020 would have totaled $70,337,002 and $3,991,092, respectively. When determining these amounts, Management assumed that the provisional adjustments to fair value recognized at the date of acquisition would have been similar if the acquisition had occurred on January 1, 2020.

Costs related to acquisition.

During 2020, the Company incurred costs related to the acquisition of Sonora Agropecuaria, S.A. de C.V. of $1,704 corresponding to external legal fees and due diligence costs, which are included in other expenses in the Company's consolidated statement of profit and loss and other comprehensive income.

(5) Subsidiaries of the Company

A list of subsidiaries and the Company's shareholding percentage in such subsidiaries as of December 31, 2022, 2021 and 2020 are presented below:

Name	Shareholding percentage in subsidiaries			
		December 31,		
	Country	2021	2021	2020
Bachoco, S.A. de C.V.	Mexico	99.99	99.99	99.99
Bachoco USA, LLC. & Subsidiary	U.S.	100.00	100.00	100.00
Campi Alimentos, S.A. de C.V.	Mexico	99.99	99.99	99.99
Induba Pavos, S.A. de C.V.	Mexico	99.99	99.99	99.99
Bachoco Comercial, S.A. de C.V.	Mexico	99.99	99.99	99.99
PEC LAB, S.A. de C.V.	Mexico	64.00	64.00	64.00
Aviser, S.A. de C.V.	Mexico	-	-	99.99
Operadora de Servicios de Personal, S.A. de C.V.	Mexico	-	-	99.99
Secba, S.A. de C.V.	Mexico	-	-	99.99
Servicios de Personal Administrativo, S.A. de C.V.	Mexico	-	-	99.99
Sepetec, S.A. de C.V.	Mexico	-	-	99.99
Wii kit RE LTD.	Bermuda	100.00	100.00	100.00
Proveedora La Perla S.A. de C.V.	Mexico	100.00	100.00	100.00
Sonora Agropecuaria, S.A. de C.V.	Mexico	54.84	54.84	54.80
RYC Alimentos, S.A. de C.V.	Mexico	100.00	-	-

The main subsidiaries of the group and their activities are as follows:

- Bachoco, S.A. de C.V. ("BSACV") (includes four subsidiaries which are 51% owned, and over which *BSACV* has control). *BSACV* is engaged in breeding, processing and marketing poultry goods (chicken and eggs).

- Bachoco USA, LLC. holds the shares of OK Foods, Inc. and, therefore, all operations controlled by the Company in the United States of America. The primary activities of Bachoco USA, LLC and its subsidiary are comprised of the production of chicken products and hatching eggs, mostly marketed in the United States of America and, to a lesser extent, in other foreign markets.

- Campi Alimentos, S.A. de C.V., is engaged in producing and marketing balanced animal feed and pet treats, mainly for sales to third parties.

- The main activity of Bachoco Comercial, S.A. de C.V. is the distribution of turkey, beef and pig value-added products.

- The main activity of Induba Pavos, S.A. de C.V. and Proveedora La Perla, S.A. of C.V.is the leasing of property, plant and equipment to its related parties.

- PEC LAB, S.A. de C.V. is the holding of the shares of Pecuarius Laboratorios, S.A. de C.V. Its main activity consists of the production and distribution of medicines and vaccines for animal consumption.

- Aviser, S.A. de C.V., Operadora de Servicios de Personal, S.A. de C.V., Secba, S.A. de C.V., Servicios de Personal Administrativo, S.A. de C.V. and Sepetec, S.A de C.V. until July 2021, were engaged in providing administrative and operating services rendered to their related parties. Derived from the requirements of the Labor Reform in Mexico (see note 2f), in July 2021 these companies merged with Bachoco, S.A. de C.V., subsisting this as a merging company, which acquires all the debts and responsibilities of the merged companies, subrogating the merged company in all its commercial, civil, labor, fiscal rights and obligations and of any other nature without exception.

- Wii kit RE LTD. in Bermuda, it is a Class I reinsurance company that provides insurance coverage to its affiliates.

- Sonora Agropecuaria, S.A. DE C.V., in Mexico, it is dedicated to the pig processing and distribution. During 2021 the company merged Interswine S. de R.L. de C.V., Agropecuaria Sasapork S.P.R de R.L. de C.V., Cerdo Industrializado S.A. de C.V., Productora Industrializada S.A. of C.V. and Whitecaps S.A. de C.V., subsisting Sonora Agropecuaria, S.A. of C.V. as a merging. The transaction was recorded in accordance with that is described in the accounting policies, causing no impact on the Company's consolidated financial statements.

- RYC Alimentos, S.A. de C.V. in Mexico, it is dedicated to the processing and distribution of multi-proteins, mainly pork, beef and chicken.

None of the Company’s contracts or loan agreements restrict the net assets of its subsidiaries.

(6) Operating segments

Reportable segments have been determined based on a product line approach. Intersegment transactions have been eliminated. The poultry segment consists of chicken and egg operations. The information included in the “Others” segment corresponds to operations of swine, balanced feed for animal consumption and other by-products that do not meet the quantitative thresholds to be considered as reportable segments.

Inter-segment pricing is determined on an arm’s length basis comparable to those which would be used with or between independent parties in comparable transactions. The accounting policies of operating segments are as those described in note 3 t).

Below is the information related to each reportable segment. Performance is measured based on each segment’s income before taxes, in the same manner as it is included in Management reports that are regularly reviewed by the Company’s Board of Directors, which has been identified as being responsible for making operational decisions, allocating resources and evaluating the performance of the operating segments.

a) Operating segment information

	Year ended December 31, 2022		
	Poultry	**Other**	**Total**
Net revenues	$ 84,373,464	14,517,191	98,890,655
Cost of sales	69,183,402	12,849,388	82,032,790
Gross profit	15,190,062	1,667,803	16,857,865
Finance income	720,216	138,973	859,189
Finance costs	1,038,215	122,700	1,160,915
Income before taxes	7,476,958	607,211	8,084,169
Income taxes	1,877,563	158,814	2,036,377
Net income attributable to controlling interest	5,599,395	514,759	6,114,154
Property, plant and equipment, net	21,664,244	2,914,250	24,578,494
Non-current biological assets	2,549,763	112,228	2,661,991
Goodwill	1,532,929	1,094,734	2,627,663
Intangible assets	589,715	-	589,715
Total assets	61,325,726	11,243,117	72,568,843
Total liabilities	15,551,498	4,115,998	19,667,496
Purchases of property, plant and equipment	3,377,387	1,463,441	4,840,828
Depreciation and amortization	1,408,348	404,391	1,812,739
Depreciation of right-of-use assets	268,082	82,950	351,032
Intangible impairment loss	18,930	-	18,930

	Poultry revenues	**Other revenues**	**Total revenues**
Total revenues	$ 84,556,581	14,660,900	99,217,481
Intersegments	(183,118)	(143,708)	(326,826)
Net revenues	$ 84,373,463	14,517,192	98,890,655

	Year ended December 31, 2021		
	Poultry	**Other**	**Total**
Net revenues	$ 71,647,726	10,051,342	81,699,068
Cost of sales	59,195,273	9,161,381	68,356,654
Gross profit	12,452,453	889,961	13,342,414
Finance income	879,142	238,264	1,117,406
Finance costs	214,780	52,743	267,523
Income before taxes	6,052,051	689,687	6,741,738
Income taxes	1,655,934	151,704	1,807,638
Net income attributable to controlling interest	4,394,865	670,689	5,065,554
Property, plant and equipment, net	19,943,697	1,819,705	21,763,402
Non-current biological assets	2,308,577	49,560	2,358,137
Goodwill	1,600,592	88,015	1,688,607
Intangible assets	704,374	-	704,374
Total assets	58,387,628	7,601,133	65,988,761
Total liabilities	16,592,293	1,112,408	17,704,701
Purchases of property, plant and equipment	3,298,794	180,699	3,479,493
Depreciation and amortization	1,306,665	157,133	1,463,798
Depreciation of right-of-use assets	331,127	12,240	343,367
Intangible impairment loss	5,459	-	5,459

		Poultry revenues	Other revenues	Total revenues
Total revenues	$	71,660,739	10,090,925	81,751,664
Intersegments		(13,013)	(39,583)	(52,596)
Net revenues	$	71,647,726	10,051,342	81,699,068

		Year ended December 31, 2020		
		Poultry	**Other**	**Total**
Net revenues	$	61,323,853	7,468,149	68,792,002
Cost of sales		51,165,650	6,541,916	57,707,566
Gross profit		10,158,203	926,233	11,084,436
Finance income		998,654	174,866	1,173,520
Finance costs		260,570	30,759	291,329
Income before taxes		4,626,582	557,121	5,183,703
Income taxes		1,060,876	150,735	1,211,611
Net income attributable to controlling interest		3,532,589	403,083	3,935,672
Property, plant and equipment, net		17,146,405	2,587,417	19,733,822
Goodwill		1,562,404	88,312	1,650,716
Intangible assets		753,224	-	753,224
Total assets		51,081,829	7,393,171	58,475,000
Total liabilities		13,144,941	1,403,251	14,548,192
Purchases of property, plant and equipment		1,978,818	773,463	2,752,281
Depreciation and amortization		1,542,031	193,115	1,735,146

		Poultry revenues	Other revenues	Total revenues
Total revenues	$	61,332,013	7,506,962	68,838,975
Intersegments		(8,160)	(38,813)	(46,973)
Net revenues	$	61,323,853	7,468,149	68,792,002

b) Geographical information

When submitting information by geographic area, revenue is classified based on the geographic location where the Company’s poultry segment customers are located. Segment assets are classified in accordance with their geographic location. Geographical information for the “Others” segment is not included below because the operations are carried out entirely within Mexico.

		Year ended December 31, 2022			
		Domestic poultry	**Foreign poultry**	**Operations between geographical segments**	**Total**
Net revenues	$	59,136,046	25,367,292	(129,874)	84,373,464
Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and investments in insurance policies:					
Property, plant and equipment, net		19,337,610	2,326,634	-	21,664,244
Non-current biological assets		1,557,757	992,006		2,549,763
Goodwill		212,833	1,320,096	-	1,532,929
Intangible assets		-	589,715	-	589,715

		Year ended December 31, 2021			
		Domestic poultry	**Foreign poultry**	**Operations between geographical segments**	**Total**
Net revenues	$	51,287,149	20,490,145	(129,567)	71,647,726
Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and investments in insurance policies:					
Property, plant and equipment, net		17,602,324	2,341,373	-	19,943,697
Non-current biological assets		1,420,262	888,315	-	2,308,577
Goodwill		212,833	1,387,759	-	1,600,592
Intangible assets		-	704,374	-	704,374

		Year ended December 31, 2020			
		Domestic poultry	**Foreign poultry**	**Operations between geographical segments**	**Total**
Net revenues	$	41,835,033	19,573,023	(84,203)	61,323,853
Non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets, and investments in insurance policies:					
Property, plant and equipment, net		14,659,461	2,486,944	-	17,146,405
Non-current biological assets		1,185,308	806,222	-	1,991,530
Goodwill		212,536	1,349,868	-	1,562,404
Intangible assets		-	753,224	-	753,224

c) Major Customers

In Mexico, the Company's products are traded among a large number of customers, without significant concentration with any specific customer. Therefore, in 2022, 2021 and 2020, no customer represented over 10% of the Company's total revenues.

As of December 31, 2022, 2021 and 2020, the Company did not have operations with an individual customer that represented a significant concentration in the United States of America, more than 10% of the total income of the Company.

(7) Cash and cash equivalents

The consolidated balances of cash and cash equivalents as of December 31, 2022, 2021 and 2020 are as follows:

		December 31,		
		2022	**2021**	**2020**
Cash and banks	$	9,665,255	14,586,467	12,941,334
Investments with maturities less than three months		9,001,025	4,519,265	4,305,998
		18,666,280	19,105,732	17,247,332
Restricted cash		32,612	30,711	39,042
Total cash and cash equivalents	$	18,698,892	19,136,443	17,286,374

Restricted cash corresponds to the minimum margin required by the intermediary for the Company's derivative financial instruments on commodities in order to meet future commitments that may stem from adverse market movements affecting prices on the open positions as of December 31, 2022, 2021 and 2020.

(8) Financial instruments and risk management

The Company is exposed to market risks, liquidity risks and credit risks for the use of financial instruments, for which reason it exercises its risk management.

This note presents information on the Company's exposure to each one of the aforementioned risks, as well as the Company's objectives, policies and processes for the measurement and management of financial risks.

Risk management framework

The philosophy adopted by the Company seeks to minimize risks and, therefore maximize business stability, focusing decisions on creating an optimum combination of products and assets that produce a risk – return ratio more in agreement with the risk profile of its stockholders.

In order to establish a clear and optimal organizational structure with respect to risk management, a Risk Committee has been established which is the specialized body in charge of defining, proposing, approving and implementing the objectives, policies, procedures, methodologies and strategies, as well as the determination of the maximum limits of exposure to risk and contingency plans.

At December 31, 2022, 2021 and 2020, the Company has not identified the existence of embedded derivatives.

Some of the Company's derivative financial instruments as of December 31, 2022, 2021 and 2020 meet the requirements to be treated as hedging instruments for accounting purposes (188,296, 11,238 and 319,506 thousand U.S. dollars of notional amounts).

As of December 31, 2022 and 2021, the Company has no derivative trading instruments. Some of the Company's derivative financial instruments as of December 31, 2020 are recognized in earnings through profit or loss for accounting purposes (60,000 thousand U.S. dollars of notional amounts).

Management by type or risk

a) Categories of financial assets and liabilities

The Company's financial assets and liabilities are shown below:

	December 31,		
	2022	**2021**	**2020**
Financial assets			
Cash and cash equivalents	$ 18,698,892	19,136,443	17,286,374
Investment in securities at fair value through profit or loss	206,737	10,841	1,018,322
Investment in securities at fair value through other comprehensive income	1,143,994	1,559,823	937,715
Investments in life insurance	71,981	74,148	71,431
Trade receivables	3,781,629	3,102,203	2,704,058
Due from related parties	637	291	686
Other long-term receivables	207,314	211,278	193,689
Derivative financial instruments	31,264	69,862	-
Financial liabilities			
Current and non-current financial debt	$ (4,192,015)	(1,993,911)	(2,517,965)
Trade payables, sundry creditors and expenses payable	(7,055,762)	(8,977,051)	(5,049,103)
Current and non-current lease liabilities	(569,585)	(651,480)	(719,711)
Due to related parties	(195,617)	(185,429)	(80,842)
Derivative financial instruments	-	-	(194,181)

b) Credit risk

Credit risk is defined as the potential loss of a portfolio of an amount owed to the Company due to lack of payment from a debtor, or for breach by a counterparty with which derivative financial instruments and investment in securities at fair value through profit or loss and other comprehensive income transactions are conducted.

The risk management process of credit risk contemplates the use of derivative financial instruments and investments at fair value through profit and loss, which are exposed to a market risk, as well as counterparty risk.

Measurement and monitoring of counterparty risk

In terms of valuation and monitoring of *Over the counter* (“OTC”) derivative financial instruments and investments in securities, the Company currently measures its counterparty risk by identifying the *Credit Valuation Adjustment* (“CVA”) and *Debit Valuation Adjustment* (“DVA”).

For investments in securities denominated in Mexican pesos, the financial instruments valuation models used by price vendors incorporate market movements and credit quality of issuers, thereby implicitly including the counterparty risk of the transaction in the fair value measurement; therefore, the position in investment in securities includes the counterparty risk and no additional adjustment is carried out. The price of the instruments obtained from the price vendor is the mid-point between the bid price and the ask price (the “mid-price”).

Investments in securities denominated in a foreign currency, not listed in Mexico, are recorded at prices contained in the broker's statements of account. The Company validates these market prices using Bloomberg, which incorporate market movements and the credit quality of issuers; thereby implicitly including the counterparty risk of the transaction and no related adjustment is carried out. The prices obtained from Bloomberg are mid prices.

Trade accounts receivable and other accounts receivable measurement and monitoring

It is the policy of the Company to establish an allowance for doubtful accounts to cover the balances of accounts receivable that are not likely to be recovered. To set the required allowance, the Company considers historical losses, assesses current market conditions, as well as customers' financial conditions, accounts receivable in litigation, price differences, portfolio aging and current payment patterns.

The impairment assessment of accounts receivable is performed on a collective basis, as there are no accounts with individually significant balances. The Company's products are marketed to a large number of customers without any significant concentration with a specific customer. As part of the objective evidence that an account receivable portfolio is impaired, the Company considers past experiences with respect to collection, increases in the number of overdue payments in the portfolio exceeding the average loan period, as well as observable changes in national and local economic conditions that correlate to defaults.

The Company has a credit policy under which each new customer is analyzed individually in terms of its creditworthiness before offering it payment terms and conditions. The Company's review includes internal and external assessments, and in some cases, bank references and a search in the Public Registry of Properties. For each customer, purchase limits are established, which represent the maximum credit amount. Customers that do not meet the Company's credit references can solely conduct transactions in cash or through advance payments.

The allowance for doubtful accounts includes trade accounts receivable that are in process of legal recovery, which amount to $159,613, $157,012 and $143,278 as of December 31, 2022, 2021 and 2020, respectively. The reconciliation of movements of the allowance for doubtful accounts, and the analysis of past-due accounts receivable but not impaired, are presented in note 9.

The Company receives credit enhancements on credit lines granted to its clients, which consist of real and personal property, such as land, buildings, houses, vehicles, letters of credit, cash deposits and others. As of December 31, 2022, 2021 and 2020, the fair value of such credit enhancements, determined by an appraisal at the time the credit lines were granted, is $667,322, $667,322 and $180,513, respectively.

The fair value of trade accounts receivable is similar to the carrying amount, as the terms granted under credit lines are of a short term nature and do not include significant finance components.

Investments

The Company limits its exposure to credit risk investing solely with counterparties that have been rated on a well-recognized credit rating scale or are deemed to be investment grade. Management constantly monitors credit ratings, and as it invests solely in securities with high credit ratings, it is not expected that any counterparty will fail to fulfill its obligations.

Financial guarantees granted

It is the Company's policy to grant financial guarantees solely to 100% owned subsidiary companies.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure, which as of the reporting date is as follows:

		December 31,		
		2022	**2021**	**2020**
Cash and cash equivalents	$	18,698,892	19,136,443	17,286,374
Investments in securities at fair value through profit or loss		206,737	10,841	1,018,322
Investment in securities at fair value through other comprehensive income		1,143,994	1,559,823	937,715
Investments in life insurance		71,981	74,148	71,431
Accounts receivable net of guarantees received		3,322,258	2,646,450	2,717,920
Derivative financial instruments		31,264	69,862	-
	$	23,475,126	23,497,567	22,031,762

c) Liquidity risk

Liquidity risk is defined as the potential loss stemming from the impossibility to renew liabilities or enter into other liabilities under normal terms, the early or forced sale of assets or the need to grant unusual discounts in order to meet obligations, or by the fact that a position cannot be disposed of, acquired or covered promptly through the establishment of an equivalent contrary position.

Liquidity risk management process considers the management of the assets and liabilities included in the consolidated statements of financial position (*Assets Liabilities Management* - ALM) in order to anticipate funding difficulties because of extreme events.

Monitoring

The risk management and financial planning areas of the Company, measure, monitor and report to the Risk Committee liquidity risks associated with the ALM and prepare limits for the authorization, implementation and operation thereof, as well as contingent action measures in case of liquidity requirements.

Liquidity risk caused by differences between current and projected cash flows at different dates are measured and monitored, considering all asset and liability positions of the Company denominated in local and foreign currency. Similarly, funding diversification and sources to which the Company has access are evaluated.

The Company quantifies the potential loss arising from early or forced sale of assets or sale at unusual discounts to meet its obligations in a timely manner, as well as by the fact that a position cannot be disposed of, acquired or covered timely through the establishment of a contrary equivalent position.

Liquidity risk monitoring considers a liquidity gap analysis, scenarios for lack of liquidity and use of alternative sources of financing.

Below are the contractual maturities of the financial liabilities, including estimated interest payments. As of the date of the consolidated financial statements, there are no financial instruments which have been offset or recognized positions that are subject to offsetting rights.

Maturity table

		December 31, 2022		
		Less than 1 year	**1 to 3 years**	**3 to 5 years**
Trade payables, sundry creditors and expenses payable	$	7,055,762	-	-
Due to related parties		195,617	-	-
Lease liabilities		350,562	178,171	40,852
Financial debt, maturities at variable rates				
In pesos		1,181,532	3,010,483	-
Interest		433,294	529,690	-
Total financial liabilities	$	9,216,767	3,718,344	40,852

		December 31, 2021		
		Less than 1 year	**1 to 3 years**	**3 to 5 years**
Trade payables, sundry creditors and expenses payable	$	8,977,051	-	-
Due to related parties		185,429	-	-
Lease liabilities		279,809	324,630	47,041
Financial debt, maturities at variable rates				
In pesos		1,993,911	-	-
Interest		85,854	-	-
Total financial liabilities	$	11,522,054	324,630	47,041

		December 31, 2020		
		Less than 1 year	**1 to 3 years**	**3 to 5 years**
Trade payables, sundry creditors and expenses payable	$	5,049,103	-	-
Due to related parties		80,842	-	-
Derivative financial instruments		194,181	-	-
Lease liabilities		278,981	379,926	60,804
Financial debt, maturities at variable rates				
In U.S. dollars		778,050	-	-
In pesos		279,510	1,460,405	-
Interest		85,340	44,613	-
Total financial liabilities	$	6,746,007	1,884,944	60,804

At least on a monthly basis, Management evaluates and advises the Board of Directors on its liquidity. As of December 31, 2022, the Company has evaluated that it has sufficient resources to meet its obligations in the short and long term; therefore, it does not consider having liquidity gaps in the future and it will not be necessary to sell assets to pay its debts at unusual discounts or at out-of-market prices.

d) Market risk

Market risk is defined as the potential loss arising from the portfolio of derivative financial instruments and investment in securities for changes in risk factors that affect the valuation of short or long positions. In this sense, the uncertainty of future losses resulting from changes in market conditions (interest rates, foreign currency, prices of commodities, among others), which directly affects movements in the price of both assets and liabilities, is detected.

The Company measures, monitors and reports all financial instruments subject to market risk, using sensitivity measurement models to show the potential loss associated with movements in risk variables, according to different scenarios on rates, prices and types of change during the period.

Monitoring

Sensitivity analyses are prepared at least monthly and are compared with the limits established. Any excess identified is reported to the Risk Committee.

Stress tests

At least monthly, the Company conducts stress tests calculating the value of the portfolios and considering changes in risk factors observed in historical dates of financial stress.

i. Commodities price risk

With respect to risks related to commodities designated in a formal hedging relationship, the Company seeks protection against downward variations in the agreed-upon price of corn and/or sorghum with the producer, which may represent an opportunity cost as there are lower prices in the current market upon receiving the inventory, and to hedge the risk of a decline in prices between the receipt date and that of inventory consumption.

Purchases of corn and/or sorghum are formalized through an agreement denominated "Forward buy-sell agreement", which has the following characteristics:

- Transaction date
- Number of agreed-upon tons
- Harvest, state and agricultural cycle from which the harvest originates
- Price of product per ton, plus quality award or penalty

Agricultural agreements that result in firm commitments are linked to two corn and/or sorghum agricultural cycles, and in contracting purchases, both contracting cycles and dates are itemized as follows:

- Fall-winter Cycle - is usually between December and March, while the fall-winter cycle harvest period takes place during May, June and July. However, corn and/or sorghum harvest could lengthen up to one month or several months, depending on the weather conditions, such as drought and frost.
- Spring-summer Cycle - the spring-summer cycle usually takes place during the July and August and the harvest depends on each state of the country and is highly variable.

During 2022, 2021 and 2020 the Company did not participate in any program as buyer of the corn and / or sorghum crops and did not receive any subsidy

With respect to the risk in *commodities* that are not designated in a formal hedging relationship and to which the Company is exposed, sensitivity tests on corn and sorghum futures agreements are performed, considering different (bullish and bearish) scenarios. The results of these sensitivity analyses are presented in paragraph g) of this note.

ii. Chicken price risk

The Company is exposed to financial risks mainly related to changes in the price of chicken. The Company presently does not anticipate that the price of chicken will decrease to a level that represents a risk to the Company in the future; therefore, as of December 31, 2022, 2021 and 2020, it has not entered into any derivative financial instrument or other agreement for managing the risk related to a decrease in the chicken price.

The Company reviews chicken prices frequently in order to evaluate the need of having a financial instrument to manage the risk of price increases.

iii. Exchange risk

The Company is exposed to the effects of exchange rate volatility, mainly in relation to Mexican pesos/dollars exchange rates on the Company’s assets and liabilities, including: investments in securities and derivative financial instruments hedging commodities, which are denominated in a currency other than the Company’s functional currency. In this regard, the Company has implemented a sensitivity analysis to measure the effects that currency risk may have over the assets and liabilities described.

The Company protects itself from exchange rate risk through economic hedging with derivative financial instruments, which cover a percentage of its estimated exposure to exchange rate volatility in relation to projected sale and purchase transactions. All instruments entered into as economic hedges of foreign exchange risk have maturities of less than one year from the contract date.

As of December 31, 2022, the Company has positions of derivative financial instruments on exchange rate hedging (40,000 thousand dollars of notional), During 2021 and 2020, the Company entered into derivative financial instrument positions as economic hedges to mitigate exchange rate risks.

iv. Foreign currency position

The Company has financial instrument assets and liabilities denominated in foreign currency on which there is an exposure to currency risk.

Below is the foreign currency position that the Company has as of December 31, 2022, 2021 and 2020.

		December 31,					
		2022		**2021**		**2020**	
		Dollars	**Mexican Pesos**	**Dollars**	**Mexican Pesos**	**Dollars**	**Mexican Pesos**
Assets							
Cash and cash equivalents	$	557,318	10,873,274	466,221	9,562,193	479,325	9,562,534
Investment in securities at fair value through profit or loss		10,596	206,737	529	10,841	40,424	806,459
Investment in securities at fair value through other comprehensive income		58,636	1,143,994	76,052	1,559,823	47,003	937,715
Accounts receivable		3,820	74,528	3,572	73,268	2,683	53,517
Total assets		630,370	12,298,533	546,374	11,206,125	569,435	11,360,225
Liabilities							
Trade accounts payable		(136,256)	(2,658,358)	(277,467)	(5,690,856)	(107,224)	(2,139,115)
Financial debt		-	-	-	-	(39,000)	(778,050)
Lease liabilities		(6,362)	(124,128)	(7,854)	(161,088)	(6,558)	(130,828)
Total Liabilities		(142,618)	(2,782,486)	(285,321)	(5,851,944)	(152,782)	(3,047,993)
Net asset position	$	487,752	9,516,047	261,053	5,354,181	416,653	8,312,232

The Company performs a sensitivity analysis related to the potential effects of changes in exchange rates on its financial information. These results are shown in paragraph g) of this note. This analysis represents the scenarios that Management considers reasonably possible of occurring.

The following is a detail of exchange rates effective during the fiscal year:

		Average exchange rate			**Spot exchange rate at December 31,**		
		2022	**2021**	**2020**	**2022**	**2021**	**2020**
Dollars	$	20.11	20.29	21.49	19.51	20.51	19.95

The exchange rate at the date of issuance of the consolidated financial statements is $17.99.

v. Interest rate risk

The Company is exposed to fluctuations in interest rates for certain financial instruments, such as its investments in financial instruments, bank loans and debt securities. This risk is managed taking into account market conditions and the criteria of its Risk Committee and Board of Directors.

Interest rate fluctuations impacted mainly bank loans by changing either their fair value (fixed rate debt) or the future cash flows (variable rate debt). Management does not have a formal policy to determine how much of the Company's exposure to interest rates should be at fixed or variable. However, at the time of obtaining new loans, Management uses its judgment considering technical analyses and market forecasts to decide whether fixed or variable rate instruments would be more favorable during the terms of such instruments.

To monitor this risk, the Company performs sensitivity tests at least monthly to measure the effect of the change in interest rates in the instruments described in the preceding paragraph, which are summarized in subsection g) of this note.

e) Financial instruments at fair value

The amounts of accounts payable and accounts receivable approximate their fair value because of their nature and short-term maturities.

The table below summarizes the fair value of the financial instruments that are recognized at amortized cost, together with the carrying amount included in the consolidated statements of financial position:

Liabilities recorded at amortized cost		**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
		2022		**2021**		**2020**	
Financial debt	$	4,192,015	4,200,741	1,993,911	1,994,423	2,517,965	2,550,758

f) Fair value hierarchy

The fair value of financial assets and liabilities is determined as follows:

- The fair value of the financial assets and liabilities that have standard terms and conditions and are traded in active liquid markets, which are determined by reference to quoted market prices (market approach), therefore, these instruments are considered Level 1 hierarchy according to the classification of fair value hierarchy described in note 2 b).
- The fair value of derivative financial instruments of the Company (*commodities*) is determined based on the future prices of the Chicago Stock Exchange, so these instruments are considered Level 2 hierarchy.

The following table summarizes financial instruments carried at fair value:

	Level 1	Level 2	Level 3	Total
As of December 31, 2022				
Investment in securities at fair value through profit or loss	$ 206,737	-	-	206,737
Investment in securities at fair value through other comprehensive income	1,143,994	-	-	1,143,994
Derivative financial instruments	-	31,264	-	31,264
	$ 1,350,731	31,264	-	1,381,995

	Level 1	Level 2	Level 3	Total
As of December 31, 2021				
Investment in securities at fair value through profit or loss	$ 10,841	-	-	10,841
Investment in securities at fair value through other comprehensive income	1,559,823	-	-	1,559,823
Derivative financial instruments	-	69,862	-	69,862
	$ 1,570,664	69,862	-	1,640,526

	Level 1	Level 2	Level 3	Total
As of December 31, 2020				
Investment in securities at fair value through profit or loss	$ 1,018,322	-	-	1,018,322
Investment in securities at fair value through other comprehensive income	937,715	-	-	937,715
Derivative financial instruments	-	(194,181)	-	(194,181)
	$ 1,956,037	(194,181)	-	1,761,856

Information regarding the hierarchy of fair value measurements related to financial liabilities that are not recognized at fair value, but for which disclosures are required, is summarized below:

	Level 1	Level 2	Level 3	Total
As of December 31, 2022				
Financial debt - bank institutions	$ -	(1,187,098)	-	(1,187,098)
Financial debt – debt securities	(3,013,643)	-	-	(3,013,643)
	$ (3,013,643)	(1,187,098)	-	(4,200,741)

	Level 1	Level 2	Level 3	Total
As of December 31, 2021				
Financial debt - bank institutions	$ -	(500,246)	-	(500,246)
Financial debt – debt securities	(1,494,177)	-	-	(1,494,177)
	$ (1,494,177)	(500,246)	-	(1,994,423)

	Level 1	Level 2	Level 3	Total
As of December 31, 2020				
Financial debt - bank institutions	$ -	(1,059,300)	-	(1,059,300)
Financial debt – debt securities	(1,491,458)	-	-	(1,491,458)
	$ (1,491,458)	(1,059,300)	-	(2,550,758)

g) Quantitative sensitivity measurements

The following are sensitivity analysis for the most significant risks to which the Company is exposed as of December 31, 2022, 2021 and 2020. These analyses represent the scenarios that Management believes are reasonably possible of occurring in future periods and were evaluated in accordance with the policies of the Company's Risk Committee.

i. Derivative Financial Instruments related to exchange rate and commodities risks

As of December 31, 2022, the Company has taken positions on derivative financial instruments to hedge exchange rate risks and commodities.

A 15% increase in the Mexican peso with respect to the U.S. dollar as of the end of 2022, 2021 and 2020 would have resulted in a valuation gain of $695,381, $34,443 and $506,705 on the fair value of the Company's exchange rate derivative financial instruments position. On the other hand, a decrease of 15% in the aforementioned rate would have resulted in an additional valuation loss during the respective periods of $277,292, $34,698 and $1,405,538.

The following table shows the Company's sensitivity to an increase and decrease of 15% for 2022, 2021 and 2020 in the "*bushel*" price of corn and short ton price of soybeans.

	Effect of Increase			Effect of Decrease		
	2022	**2021**	**2020**	**2022**	**2021**	**2020**
Loss (profit) for the year	$ (427,646)	(37,847)	(87,711)	$ 148,512	20,919	(12,530)

ii. Interest rate risk

As described in Note 18, the Company has financial debt denominated in pesos and dollars, which bear interest at variable rates based on TIIE and LIBOR, respectively.

The following table shows the Company's sensitivity to an increase and decrease of 50 basis points for 2022, 2021 and 2020, in the variable rates to which the Company is exposed.

	Effect of Increase			Effect of Decrease		
	2022	**2021**	**2020**	**2022**	**2021**	**2020**
Loss (profit) for the year	$ 20,960	8,291	13,390	$ (20,960)	(8,291)	(13,390)

iii. Exchange risk

As of December 31, 2022, 2021 and 2020, the Company's net monetary liability position in foreign currency was $9,516,047, $5,354,181 and $8,312,232, respectively.

The following table shows the Company's sensitivity of an increase and decrease of 30% for 2022, 2021 and 2020, in exchange rate, which would have an effect in the result from foreign currency position.

	Effect of Increase			Effect of Decrease		
	2022	**2021**	**2020**	**2022**	**2021**	**2020**
Loss (profit) for the year	$ (2,854,818)	(1,606,243)	(2,493,673)	$ 2,854,818	1,606,243	2,493,673

(9) Accounts receivable, net

As of December 31, 2022, 2021 and 2020, accounts receivable are as follows:

		December 31,		
		2022	2021	2020
Trade receivables	$	3,836,040	3,162,920	2,772,418
Allowance for doubtful accounts		(54,411)	(60,717)	(68,360)
Income tax receivable		843,213	121,315	190,110
Recoverable value-added tax and other recoverable taxes (1)		1,329,062	1,884,649	1,471,851
	$	5,953,904	5,108,167	4,366,019

(1) Includes the tax refund requested during 2022 in the United States of America for $483,400, with respect to the Coronavirus Aid, Relief, and Economic Security Act ("CARES"), see note 21.

Past-due but not impaired portfolio

Below is a classification of trade accounts receivable according to their aging as of the reporting date, which has not been subject to impairment:

		December 31,		
		2022	2021	2020
Past due at 60 days		72,817	8,079	18,811
Past due by more than 60 days		14,938	8,443	98,054
	$	87,755	16,522	116,865

The Company believes that non-impaired amounts that are past-due by more than 60 days can still be collected, based on the historical behavior of payments and analysis of credit ratings of customers.

Reconciliation of movements in allowance for doubtful accounts

		2022	2021	2020
Balance as of January 1	$	(60,717)	(68,360)	(72,886)
Increase in allowance		(617)	(706)	(1,826)
Amounts written off		6,800	8,436	6,458
Currency translation effect		123	(87)	(106)
Balance as of December 31,	$	(54,411)	(60,717)	(68,360)

As of December 31, 2022, 2021 and 2020 the Company has receivables in legal proceedings (receivables for which legal counsel is seeking recoverability) of $159,613, $157,012 and $143,278, respectively.

To determine the recoverability of an account receivable, the Company considers any change in the credit quality of the account receivable from the date of authorization of the credit line to the end of the reference period. In addition, the Company estimates that the credit risk concentration is limited as the customer base is very large and there are no related party receivables or receivables from entities under common control.

Expected credit losses

The Company recognizes expected credit losses for life for trade accounts receivable, which are estimated using a provision matrix based on the Company's historical experience of credit losses, adjusted for factors that are specific each of the Company’s customer and debtor groups, general economic conditions and an assessment of both the current and forecast conditions at the reporting date, including the time value of money when appropriate.

The expected credit losses for 2022, 2021 and 2020 in trade accounts receivable under IFRS 9 *Financial Instruments* were estimated at $47,470, $37,249 and $25,962, considering the balances of the portfolio and the different customer groups of the Company.

The Company decided to maintain its previously recorded estimated reserve for doubtful accounts for its subsidiaries, according to balances shown in the reconciliation of movements in the estimate of doubtful accounts shown above, although such amounts were higher than the expected credit losses in 2022, 2021 and 2020, as described in the previous paragraph.

(10) Inventories

As of December 31, 2022, 2021 and 2020, inventories are as follows:

		December 31,		
		2022	**2021**	**2020**
Raw materials and by-products	$	3,193,841	2,775,890	2,410,275
Medicine, materials and spare parts		1,600,533	1,344,944	1,110,559
Balanced feed		576,497	467,359	380,121
Processed chicken		2,324,794	1,552,946	1,575,985
Commercial eggs		61,833	63,764	55,364
Processed beef		150,505	167,582	151,402
Processed pork		262,570	-	-
Processed turkey		13,310	1,620	2,472
Other processed products		30,239	1,885	2,160
Total	$	8,214,122	6,375,990	5,688,338

Inventory consumption for the years ended December 31, 2022, 2021 and 2020 was $64,998,326, $54,103,917 and $44,747,933, respectively (note 23).

The adjustment to the net realizable value of certain inventories during 2022, 2021 and 2020 was for $61,175, $39,975 and $57,074, respectively.

(11) Biological assets

For the years ended December 31, 2022, 2021 and 2020, biological assets are as follows:

		Current biological assets	Non-current biological assets	Total
Balance as of January 1, 2022	$	2,769,612	2,358,137	5,127,749
Increase due to purchases		510,564	1,001,615	1,512,179
Sales		-	(287,245)	(287,245)
Net increase due to births		904,091	3,495,308	4,399,399
Production cost		50,857,104	2,746,934	53,604,038
Depreciation		-	(3,111,127)	(3,111,127)
Transfers to inventories		(51,744,783)	(3,495,308)	(55,240,091)
Other		81,322	(46,323)	34,999
Balance as of December 31, 2022	$	3,377,910	2,661,991	6,039,901

		Current biological assets	Non-current biological assets	Total
Balance as of January 1, 2021	$	2,012,668	1,991,530	4,004,198
Increase due to purchases		429,551	840,112	1,269,663
Sales		-	(46,866)	(46,866)
Net increase due to births		377,449	3,083,747	3,461,196
Production cost		42,518,242	2,335,691	44,853,933
Depreciation		-	(2,784,562)	(2,784,562)
Transfers to inventories		(42,628,413)	(3,083,747)	(45,712,160)
Other		60,115	22,232	82,347
Balance as of December 31, 2021	$	2,769,612	2,358,137	5,127,749

		Current biological assets	Non-current biological assets	Total
Balance as of January 1, 2020	$	2,043,234	1,818,911	3,862,145
Increase due to purchases		686,756	797,039	1,483,795
Sales		-	20,966	20,966
Net increase due to births		264,386	2,507,769	2,772,155
Production cost		35,585,551	1,877,418	37,462,969
Depreciation		-	(2,565,283)	(2,565,283)
Transfers to inventories		(36,786,599)	(2,507,769)	(39,294,368)
Other		219,340	42,479	261,829
Balance as of December 31, 2020	$	2,012,668	1,991,530	4,000,198

The “Other” category includes the change in fair value of biological assets that resulted in a increase of $85,006 in 2022 and decrease of $48,338 and $31,701 in 2021 and 2020, respectively.

The Company is exposed to different risks relating to its biological assets:

- Future excesses in the offer of poultry products and a decline in the demand growth of the chicken industry may negatively affect the Company's results.

- Increases in raw material prices and price volatility may negatively affect the Company's margins and results.

- In addition, in the case of the Company's operations in the United States of America, the cost of corn and grain may be affected by an increase in the demand for ethanol, which may reduce the market's available corn inventory.

- Operations in Mexico and the United States of America are based on animal breeding and meat processing, which are subject to sanitary risks and natural disasters.

- Hurricanes and other adverse climate conditions may result in additional inventory losses and damage to the Company's facilities and equipment.

(12) Prepaid expenses and other current assets

As of December 31, 2022, 2021 and 2020, prepaid expenses and other current assets are as follows:

		December 31,		
		2022	**2021**	**2020**
Advances to suppliers of inventories	$	892,383	2,163,450	613,188
Prepaid expenses for services		386,775	264,208	303,345
Prepaid expenses for insurance and sureties		84,011	95,441	74,565
Notes receivable [(1)]		818,287	-	-
Other current assets		168,126	234,024	230,157
Total	$	2,349,582	2,757,123	1,221,255

(1) The account receivable corresponds to a loan granted to a legal entity, which is documented with a promissory note with interest due in May 2023.

(13) Assets held for sale

As of December 31, 2022, 2021 and 2020, assets held for sale are as follows:

		December 31,		
		2022	**2021**	**2020**
Buildings	$	24,123	24,786	24,208
Land		31,612	31,793	29,563
Other		1,019	857	859
Total	$	56,754	57,436	54,630

The Company recognized gains (losses) on sales of these assets of $912, ($31) and $510 during 2022, 2021 and 2020, respectively.

(14) Property, plant and equipment

As of December 31, 2022, 2021 and 2020, property, plant and equipment are comprised as follows:

Cost		Balance as of January 1, 2022	Additions	Disposals	Currency translation effect	Balance as of December 31, 2022
Land	$	1,679,402	202,220	(410)	(4,700)	1,876,512
Buildings and construction		13,493,619	1,179,094	(11,520)	(87,418)	14,573,775
Machinery and equipment		18,457,985	2,458,979	(330,092)	(154,108)	20,432,764
Transportation equipment		2,670,699	628,478	(131,806)	(1,920)	3,165,451
Computer equipment		163,020	33,266	(8,327)	(2,861)	185,098
Furniture		213,722	29,047	(8,409)	(541)	233,819
Leasehold improvements		7,334	2,553	-	-	9,887
Construction in progress		2,552,589	307,191	-	(8,958)	2,850,822
Total	$	39,238,370	4,840,828	(490,564)	(260,506)	43,328,128

Accumulated depreciation		Balance as of January 1 2022	Depreciation for the year	Disposals	Currency translation effect	Balance as of December 31, 2022
Buildings and construction	$	(6,109,840)	(305,006)	8,407	26,377	(6,380,062)
Machinery and equipment		(10,044,432)	(1,199,787)	240,147	122,968	(10,881,104)
Transportation equipment		(1,028,715)	(242,860)	96,365	1,440	(1,173,770)
Computer equipment		(142,175)	(19,479)	7,936	2,720	(150,998)
Furniture		(149,806)	(21,921)	7,480	547	(163,700)
Total	$	(17,474,968)	(1,789,053)	360,335	154,052	(18,749,634)

Cost		Balance as of January 1, 2021	Additions	Disposals	Currency translation effect	Balance as of December 31, 2021
Land	$	1,655,428	21,342	-	2,632	1,679,402
Buildings and construction		12,821,193	626,606	(3,039)	48,859	13,493,619
Machinery and equipment		17,116,908	1,528,891	(274,090)	86,276	18,457,985
Transportation equipment		2,445,634	399,687	(175,643)	1,021	2,670,699
Computer equipment		151,117	11,345	(1,078)	1,636	163,020
Furniture		205,933	17,162	(9,728)	355	213,722
Leasehold improvements		8,037	-	(703)	-	7,334
Construction in progress		1,675,894	874,460	-	2,235	2,552,589
Total	$	36,080,144	3,479,493	(464,281)	143,014	39,238,370

Accumulated depreciation		Balance as of January 1 2021	Depreciation for the year	Disposals	Currency translation effect	Balance as of December 31, 2021
Buildings and construction	$	(5,836,750)	(262,839)	2,360	(12,611)	(6,109,840)
Machinery and equipment		(9,267,337)	(923,114)	204,221	(58,202)	(10,044,432)
Transportation equipment		(965,535)	(183,530)	121,112	(762)	(1,028,715)
Computer equipment		(130,187)	(11,532)	977	(1,433)	(142,175)
Furniture		(146,513)	(12,082)	9,092	(303)	(149,806)
Total	$	(16,346,322)	(1,393,097)	337,762	(73,311)	(17,474,968)

Cost		Balance as of January 1, 2020	Additions	Disposals	Currency translation effect	Balance as of December 31, 2020
Land	$	1,553,499	102,847	(5,900)	4,982	1,655,428
Buildings and construction		12,340,405	686,270	(297,490)	92,008	12,821,193
Machinery and equipment		15,866,952	1,240,779	(145,320)	154,497	17,116,908
Transportation equipment		2,111,999	462,344	(130,089)	1,380	2,445,634
Computer equipment		134,481	13,784	(244)	3,096	151,117
Furniture		190,289	21,325	(6,463)	782	205,933
Leasehold improvements		3,598	4,439	-	-	8,037
Construction in progress		1,459,922	220,493	-	(4,521)	1,675,894
Total	$	33,661,145	2,752,281	(585,506)	252,224	36,080,144

Accumulated depreciation		Balance as of January 1 2020	Depreciation for the year	Disposals	Currency translation effect	Balance as of December 31, 2020
Buildings and construction	$	(5,750,971)	(299,865)	229,718	(15,632)	(5,836,750)
Machinery and equipment		(8,253,772)	(1,048,758)	96,589	(61,396)	(9,267,337)
Transportation equipment		(856,429)	(204,384)	96,553	(1,275)	(965,535)
Computer equipment		(107,016)	(21,721)	160	(1,610)	(130,187)
Furniture		(136,311)	(15,575)	5,863	(490)	(146,513)
Total	$	(15,104,499)	(1,590,303)	428,883	(80,403)	(16,346,322)

		December 31,		
Carrying amounts, net		2022	2021	2020
Land	$	1,876,512	1,679,402	1,655,428
Buildings and construction		8,193,713	7,383,779	6,984,443
Machinery and equipment		9,551,660	8,413,553	7,849,571
Transportation equipment		1,991,681	1,641,984	1,480,099
Computer equipment		34,100	20,845	20,930
Furniture		70,119	63,916	59,420
Leasehold improvements		9,887	7,334	8,037
Construction in progress		2,850,822	2,552,589	1,675,894
Total	$	24,578,494	21,763,402	19,733,822

Additions of property, plant and equipment in 2022 and 2020 include assets acquired through business combinations of $343,841 and $383,680 that consist of the following:

		2022	2020
Land	$	94,864	62,050
Buildings and construction		100,393	231,264
Machinery and equipment		111,293	73,332
Transportation equipment		23,853	4,825
Computer equipment		9,263	1,761
Furniture		3,115	1,115
Construction in progress		1,060	9,333
Total	$	343,841	383,680

Depreciation expense during the years ended December 31, 2022, 2021 and 2020 was $1,789,053, $1,393,097 and $1,590,303, respectively, which was charged to cost of sales and operating expenses, see note 23.

(15) Goodwill

		2022	2021	2020
Balances at beginning of the year	$	1,688,607	1,650,716	1,578,994
Business combination occurred during the year (note 4)		1,006,719	-	-
Foreign currency effects		(67,663)	37,891	71,722
Balances at end of year	$	2,627,663	1,688,607	1,650,716

The recoverable amount of the cash-generating unit is determined based on a calculation of its value in use, which uses projections of the estimated cash flows based on financial budgets approved by Management for a determined projection period, which are discounted using an annual discount rate. For the years ended December 31, 2022, 2021, and 2020, no goodwill impairment loss was determined.

Projections of the cash flows during the budgeted period are based on sales projections which include increases due to inflation, as well as the projection of expected gross margins and operating margins during the budgeted period. Cash flows that exceed such period are extrapolated using an annual stable growth rate, which is the long-term weighted average growth rate for the market in which the cash-generating unit operates.

The assumptions and balances of each cash-generating unit are as follows:

2022

Cash-generating unit		Final balance of the year	Projection period (years)	Annual discount rate (%)	Annual growth rate (%)
Bachoco - Istmo and Peninsula regions	$	212,833	5	13.99%	3.00%
Campi		88,015	5	13.99%	3.00%
RYC		1,006,719	5	13.99%	7.60%
Ok Farms - Morris Hatchery, Inc. Arkansas		64,702	5	3.99%	1.00%
Ok Farms - Morris Hatchery Inc. Georgia		109,251	5	3.99%	1.00%
Ok Foods- Albertville Quality Foods, Inc.		1,146,143	5	11.00%	3.00%
	$	2,627,663			

2021

Cash-generating unit		Final balance of the year	Projection period (years)	Annual discount rate (%)	Annual growth rate (%)
Bachoco - Istmo and Peninsula regions	$	212,833	5	12.63%	3.00%
Campi		88,015	5	12.63%	3.00%
Ok Farms - Morris Hatchery, Inc. Arkansas		68,019	5	3.26%	0.00%
Ok Farms - Morris Hatchery Inc. Georgia		114,851	5	3.26%	0.00%
Ok Foods- Albertville Quality Foods, Inc.		1,204,889	5	10.00%	3.40%
	$	1,688,607			

2020						
Cash-generating unit		**Final balance of the year**	**Projection period (years)**	**Annual discount rate (%)**	**Annual growth rate (%)**
Bachoco - Istmo and Peninsula regions	$	212,833	5	12.95%	3.00%
Campi		88,015	5	12.95%	3.00%
Ok Farms - Morris Hatchery, Inc. Arkansas		66,162	5	3.43%	0.00%
Ok Farms - Morris Hatchery Inc. Georgia		111,715	5	3.43%	0.00%
Ok Foods- Albertville Quality Foods, Inc.		1,171,991	5	3.43%	0.00%
	$	1,650,716			

As of December 31, 2022, the percentage by which the recoverable amount of each cash-generating unit exceeds its carrying amount is shown below:

Cash-generating unit	%
Bachoco - Istmo and Peninsula regions	32%
Campi	98%
RYC	49%
Ok Farms- Morris Hatchery Inc. Arkansas	189%
Ok Farms- Morris Hatchery Inc. Georgia	173%
Ok Foods- Albertville Quality Foods, Inc.	42%

Management considers that any possible reasonable change in the key assumptions (revenue growth rate and annual discount rate), on which the recoverable amount is based, would not cause the carrying amount of the cash-generating units to be less than their recoverable amount.

The Company performed a sensitivity analysis considering a decrease in the revenue growth rate of 200 basis points and an increase of 200 basis points in the annual discount rate, as a result of this analysis, the Company concluded that for all cash-generating units there is no impairment to recognize.

(16) Intangible assets

The balances as of December 31, 2022, 2021 and 2020 for $589,715, $704,374 and $753,224 are mainly comprised of trade names and customer relationships derived from the purchase through its subsidiary OK Foods, Inc. Customer relationships are generally amortized over 15 years based on the pattern of revenue expected to be generated from the use of the asset.

Indefinite life intangible assets are initially recorded at their fair value and are not amortized, but they are reviewed for impairment at least annually or more frequently if impairment indicators arise.

During 2022, the Company ended the relationship with two clients that had been capitalized, since they did not register sales, resulting in an impairment in the intangible asset for customer relations of $14,910, an impairment of $4,020 was also determined since the Company decided not to renew one of its brands. Due to the above, the total impairment recognized during 2022 of intangible assets was $18,930.

During 2021, an impairment of $5,459 was determined in one of the commercial brands due to the decrease in sales.

a) Intangible assets consist of the following:

		2022	2021	2020
Amortizable intangible assets				
Customer relationships	$	897,274	968,012	941,582
Accumulated amortization		(314,090)	(290,404)	(219,702)
Impairment loss		(14,910)	-	-
Total net amortizable intangible assets		568,274	677,608	721,880
Trade names not subject to amortization		25,461	32,225	31,344
Impairment loss		(4,020)	(5,459)	-
Total intangible assets	$	589,715	704,374	753,224

b) Reconciliation between the carrying amounts at the beginning and at the end of the intangible assets

		Customer relationships	Trade names not subject to amortization	Total
Carrying amounts				
Balance as of January 1, 2022	$	968,012	26,766	994,778
Additions		-	-	-
Impairment loss		(14,910)	(4,020)	(18,930)
Currency translation effect		(70,738)	(1,305)	(72,043)
Balance as of December 31, 2022		882,364	21,441	903,805
Accumulated amortization				
Balance as of January 1, 2022		(290,404)	-	(290,404)
Additions		-	-	-
Amortization expense		(23,686)	-	(23,686)
Balance as of December 31, 2022		(314,090)	-	(314,090)
Total intangible assets	$	568,274	21,441	589,715

		Customer relationships	Trade names not subject to amortization	Total
Carrying amounts				
Balance as of January 1, 2021	$	941,582	31,344	972,926
Additions		-	-	-
Impairment loss		-	(5,459)	(5,459)
Currency translation effect		26,430	881	27,311
Balance as of December 31, 2021		968,012	26,766	994,778
Accumulated amortization				
Balance as of January 1, 2021		(219,702)	-	(219,702)
Additions		-	-	-
Amortization expense		(70,702)	-	(70,702)
Balance as of December 31, 2021		(290,404)	-	(290,404)
Total intangible assets	$	677,608	26,766	704,374

		Customer relationships	Trade names not subject to amortization	Total
Carrying amounts				
Balance as of January 1, 2020	$	817,820	29,679	847,499
Additions		-	-	-
Currency translation effect		123,762	1,665	125,427
Balance as of December 31, 2020		941,582	31,344	972,926
Accumulated amortization				
Balance as of January 1, 2020		(74,859)	-	(74,859)
Additions		-	-	-
Amortization expense		(144,843)	-	(144,843)
Balance as of December 31, 2020		(219,702)	-	(219,702)
Total intangible assets	$	721,880	31,344	753,224

(17) Other non-current assets

Other non-current assets consist of the following:

		December 31,		
		2022	2021	2020
Advances for purchase of property, plant and equipment	$	591,742	367,023	472,828
Investments in life insurance (note 3 (l))		71,981	74,148	71,431
Security deposits		28,167	24,511	23,476
Other long-term receivable		207,314	211,278	193,689
Intangible assets in process		64,073	1,616	2,996
Other		53,407	56,128	54,502
Total non-current assets	$	1,016,684	734,704	818,922

(18) Financial debt

a) Short-term financial debt is as follows:

		December 31,		
		2022	2021	2020
Loan denominated in pesos, maturing in March 2023, at TIIE (1) rate plus 0.50 percentage points.	$	70,343	-	-
Loan denominated in pesos, maturing in June 2023, at TIIE (1) rate plus 0.45 percentage points.		50,054	-	-
Loan denominated in pesos, maturing in September 2023, at TIIE (1) rate plus 0.48 percentage points.		361,012	-	-
Loan denominated in pesos, maturing in December 2023, at TIIE (1) rate plus 0.48 percentage points.		500,124	-	-
Loan denominated in pesos, maturing in June 2023, at TIIE (1) rate plus 0.50 percentage points.		199,999	-	-
Loan in the amount of 39,000 thousand dollars, maturing in January 2021, at LIBOR (2) rate plus 0.60 percentage points.		-	-	778,050
Loan denominated in pesos, maturing in February 2021, at TIIE (1) rate plus 0.90 percentage points.		-	-	70,011
Loan denominated in pesos, maturing in December 2022, at TIIE (1) rate plus 0.29 percentage points.		-	500,081	-
Total short-term debt	$	1,181,532	500,081	848,061

The annual weighted average interest rate of short-term loans denominated in pesos for 2022, 2021 and 2020 was 8.15%, 5.28% and 6.71%, respectively. The average interest rate for loans outstanding as of December 31, 2022, 2021 and 2020 was 10.52%, 5.68% and 5.50%, respectively.

The annual weighted average interest rate of short-term loans denominated in dollars for the years 2022, 2021 and 2020 was 0%, 0.73%, 1.61% and 2.36%, respectively. As of December 31, 2022 and 2021, there are no current short-term loans, the average interest rate for loans outstanding as of December 31, 2020 was 0.75%.

(1) TIIE (for its acronym in Spanish) = Interbank Equilibrium Rate
(2) LIBOR= London Interbank Offered Rate

b) Long-term debt consists of the following:

		December 31,		
		2022	**2021**	**2020**
Loan denominated in pesos, maturing in May 2021, at TIIE (1) plus 1.05 percentage points.	$	-	-	209,499
Debt securities (subsection (d) of this note)		3,010,483	1,493,830	1,460,405
Total		3,010,483	1,493,830	1,669,904
Less current maturities		-	(1,493,830)	(209,499)
Long-term debt, excluding current maturities	$	3,010,483	-	1,460,405

The annual weighted average interest rate on long-term debt for 2022, 2021 and 2020 was 8.22%, 4.90% and 6.49%, respectively. The average rate for outstanding loans as of December 31, 2022, 2021 and 2020 was 10.33%, 5.43% and 4.91%, respectively.

(1) TIIE (for its acronym in Spanish) = Interbank Equilibrium Rate

During 2022 and 2021 the Company did not make early payments on its long-term debt, during 2020 the Company made early payments on its long-term debt of $17,877, payment of commissions for early termination was not required.

As of December 31, 2022, 2021 and 2020, unused lines of credit amounted to $9,333,620, $9,935,420 and $6,919,625, respectively. In all such years, the Company did not pay any fee for undrawn balances.

c) Maturities of long-term debt are as follows:

Year		**Amount**
2025	$	3,010,483

The amount of future unearned interest is $857,593.

Interest expense on total loans during the years ended December 31, 2022, 2021 and 2020, amounted to $236,200, $104,179 and $159,169, respectively, (note 29).

Certain bank loans establish certain affirmative and negative covenants, as well as the requirement to maintain certain financial ratios, which have been met as of December 31, 2022, among which are:

a) Provide financial information at the request of the bank.

b) Not to contract liabilities with financial cost or grant loans that may affect payment obligations.

c) Notify the bank regarding the existence of legal issues that could substantially affect the financial situation of the Company.

d) Not to perform substantial changes to the nature of the business, or in structure or Administration.

e) Not to merge, consolidate, separate, settle or dissolve except for those mergers in which the Company or surety are the merging company and do not constitute a change in control of the entities of the group to which the Company or the surety belong at the date of the agreement.

d) Issuance of debt securities

On August 25, 2017, a second issuance of debt securities was carried out for a total amount of $1,500,000 with ticker symbol: “BACHOCO 17” with a maturity of 1,820 days, equivalent to 65 periods of 28 days, approximately five years, with 15,000,000 debt securities and a par value of $100 Mexican pesos per certificate.

In 2022, the issue of Stock Certificates with the ticker symbol: "BACHOCO 17" matured and was redeemed in accordance with the contractual terms of the issue.

On August 5, 2022, a third issuance of debt securities was carried out for a total amount of $3,000,000 with ticker symbol: “BACHOCO 22” with a maturity of 1,092 days, equivalent to 39 periods of 28 days, approximately three years. With 30,000,000 debt securities and a par value of $100 Mexican pesos per certificate.

From the date of issuance, and while the debt securities have not been paid, they will accrue annual gross interest on their face amount, at an annual interest rate, which is calculated by adding 0.07 percentage points at the 28-day TIIE, and in the event the 28-day TIIE is not published, at the nearest term published by the Bank of Mexico. The debt issue that expired in 2022 accrued a gross interest on its nominal value, at an annual interest rate, which was calculated by adding 0.31 percentage points to the 28-day TIIE.

The payment of the debt securities is carried out at the expiration of the contractual term of each issuance. Direct costs arising from debt issuance or contract are deferred and paid as part of financial expense using the effective interest rate through the term of each transaction. Such costs include commissions and professional fees.

(1) UDIS = Investment units

Derived from the issuance of debt securities, the Company is subject to certain requirements, affirmative and negative covenants similar to those of its financial debt indicated above, with which they comply as of December 31, 2022.

e) Reconciliation of liabilities arising from financing debt

		December 31,		
		2022	**2021**	**2020**
Balance as of January 1	$	1,993,911	2,517,965	4,928,607
Changes that represent cash flows				
Proceeds from borrowings		4,676,000	1,709,080	4,030,700
Principal payment on loans		(2,496,000)	(2,267,280)	(6,762,222)
Changes that do not represent cash flows				
Other		18,104	34,146	320,880
Balance as of December 31	$	4,192,015	1,993,911	2,517,965

(19) Trade accounts and other accounts payable

		December 31,		
		2022	2021	2020
Trade payables	$	6,437,102	8,122,486	4,516,424
Sundry creditors and expenses payable		618,660	854,565	532,679
Provisions		506,141	74,146	24,099
Statutory employee profit sharing		527,874	291,744	62,075
Retained payroll taxes and other local taxes		412,355	359,379	375,086
Direct employee benefits		369,278	311,367	232,083
Interest payable		15,245	1,436	10,575
Others		155	133	116
	$	8,886,810	10,015,256	5,753,137

Note 8 discloses the Company's exposure to the exchange and liquidity risks related to trade accounts payable and other accounts payable.

During 2022 and 2021 the Company the Company recognized a provision for the amount that it considers likely to disburse due to ongoing litigation with a high probability of unfavorable resolution.

Bachoco USA, LLC. is involved in claims with the *United States of America Department of Labor* and the *Unites State Immigration and Customs Enforcement*, and various other matters related to its business, including workers' payment claims and environmental issues. As of December 31, 2022, 2021 and 2020 the Company has not recorded any provision because the Administration considers that it is likely that there will be a favorable outcome of the litigation.

(20) Transactions and balances with related parties

a) Transactions with Management

Compensation

The following table shows the compensation paid to the directors and executives for services provided in their respective positions for the years ended December 31, 2022, 2021 and 2020:

		December 31,		
		2022	2021	2020
Compensation	$	62,376	73,721	57,429

b) Transactions with other related parties

Below is a summary of the Company's transactions and balances with other related parties, which are comprised of affiliates that are under common control:

i. ***Revenues and balances receivable to related parties***

	Transaction value December 31,			Balance as of December 31,		
	2022	2021	2020	2022	2021	2020
Sales of products to:						
Vimifos, S.A. de C.V.	$ 4,327	5,921	4,055	$ 637	284	400
Frescopack, S.A. de C.V.	73	63	53	-	-	-
Taxis Aéreos del Noroeste, S.A. de C.V.	-	51	31	-	-	-
Alimentos Kowi, S.A. de C.V.	6	662	832	-	7	286
Sonora Agropecuaria, S.A. DE C.V.	-	-	123,756	-	-	-
	$ 4,406	6,697	128,727	$ 637	291	686

ii. ***Expenses and balances payable to related parties***

	Transaction value December 31,			Balance as of December 31,		
	2022	2021	2020	2022	2021	2020
Purchases of food, raw materials and packing supplies						
Vimifos, S.A. de C.V.	$ 635,106	440,379	411,129	$ 131,391	41,219	58,836
Frescopack, S.A. de C.V.	237,448	103,778	143,849	29,050	65,542	9,554
Pulmex 2000, S.A. de C.V.	29,323	17,870	21,414	9,753	5,609	2,407
Qualyplast, S.A. de C.V.	823	6,971	1,184	-	-	251
Alimentos Kowi, S.A. de C.V.	370	-	-	370	-	-
Sonora Agropecuaria, S.A. de C.V.	-	-	4,425	-	-	-
Granja, Rab S.A. de C.V.	15,922	75,747	-	-	3,187	-
Fertilizantes Tepeyac, S.A. de C.V.	113,646	399,480	-	4,135	32	-
EBIPAC S.A.P.I. de C.V.	47,123	41,001	-	7,424	412	-
GASBO, S.A. de C.V.	4,430	3,583	-	173	267	-
Purchases of vehicles, tires and spare parts						
Maquinaria Agrícola, S.A. de C.V.	$ -	-	-	-	-	5
Llantas y Accesorios, S.A. de C.V.	48,279	42,601	42,554	3,764	4,614	6,378
Autos y Accesorios, S.A. de C.V.	25,736	40,194	48,129	2,130	3,413	339
Autos y Tractores de Culiacán, S.A. de C.V.	14,265	31,753	42,857	110	726	336
Camiones y Tractocamiones de Sonora, S.A. de C.V.	208,695	164,306	91,098	7,147	59,602	2,636
Agencia MX-5, S.A de C.V.	82	410	63	21	27	6
Alfonso R. Bours, S.A. de C.V.	3,950	4,926	2,651	54	604	50
Cajeme Motors S.A. de C.V.	290	442	287	31	120	44
Airplane leasing expenses						
Taxis Aéreos del Noroeste, S.A. de C.V.	$ 6,651	1,435	-	64	55	-
				$ 195,617	185,429	80,842

As of December 31, 2022, 2021 and 2020, balances payable to related parties correspond to current accounts denominated in pesos that bear no interest and are payable on a short-term basis.

(21) Income Tax

Under the tax legislation in Mexico and the United States of America in effect through December 31, 2022, entities are subject to pay income tax (ISR, by its Spanish acronym).

a) ISR

The Company and each of its subsidiaries file separate income tax returns (including its foreign subsidiary, which files income tax returns in the United States of America, based on its fiscal year ending in April of every year). For the years ended December 31, 2022, 2021 and 2020, the applicable rate under the general tax regime in Mexico is 30%. The applicable rate during 2022, 2021 and 2020 for the Company's US subsidiary is 21% (plus state taxes).

As of December 31, 2022, 2021 and 2020, *BSACV*, the Company's primary operating subsidiary is subject to the agriculture, cattle-raising, forestry and fishing regime of the ISR law, which is applicable to entities exclusively dedicated to such activities. The ISR Law establishes that such activities are exclusive when no more than 10% of an entity's total revenues are generated from something other than those activities or from industrialized products.

b) Tax charged to profit and loss

For the years ended December 31, 2022, 2021 and 2020, the income tax (benefit) expense included in profit and loss is as follows:

		December 31		
		2022	**2021**	**2020**
Operation in Mexico:				
Current ISR	$	1,188,002	1,790,621	1,321,021
Deferred ISR		184,435	257,020	341,131
		1,372,437	2,047,641	1,662,152
Foreign operations:				
Current ISR		-	-	33
Deferred ISR		663,940	(240,003)	(450,574)
Total ISR expense	$	2,036,377	1,807,638	1,211,611

Total income tax expense

The income tax expense attributable to income before income taxes differed from the amount computed by applying the ISR rate of 30% in 2022, 2021 and 2020 due to the items listed below:

	December 31,					
	2021		2020		2019	
	ISR	Percentage	ISR	Percentage	ISR	Percentage
Expected expense	$ 2,425,251	30%	$ 2,022,521	30%	$ 1,555,111	30%
Increase (decrease) resulting from:						
Net effects of inflation (Non-taxable income)	(465,226)	(6%)	(379,311)	(6%)	(196,379)	(4%)
Non-deductible expenses	11,761	0%	29,503	0%	7,641	0%
Effect of rate difference of foreign subsidiary	(22,427)	(0%)	42,516	1%	20,907	0%
Effect from non-deductible employee benefits	144,357	2%	145,301	3%	115,496	2%
Effect of tax incentive	(6,264)	(0%)	(54,523)	(1%)	(69,920)	(1%)
Effect of carryback tax losses in the United States of America [(1)]	-	-	-	-	(190,144)	(4%)
Bargain purchase gain of domestic business acquisition	-	-	-	-	(27,267)	(0%)
Other	(51,075)	(1%)	1,631	0%	(3,834)	(0%)
Income tax expense	$ 2,036,377	25%	$ 1,807,638	27%	$ 1,211,611	23%

(1) On March 27, 2020, in United States of América, the Coronavirus Aid, Relief and Economic Security (“CARES”) Act was enacted. The most significant provisions of the CARES Act that will materially affect the Company’s accounting for income taxes includes a five-year carryback allowance for taxable net operating losses generated in tax year 2018 through 2020 and a technical correction to the Tax Cuts and Jobs Act, enacted on December 22, 2017, that disallowed the carrying back of taxable net operating losses to offset prior years’ taxable income. The Company requested the return during 2022, see note 9.

c) Deferred income tax

The Company and each one of its subsidiaries determine the deferred taxes that are reflected at a consolidated level on stand-alone basis. *BSACV*, the main operating subsidiary of the Company, is subject to tax payment under the agriculture, cattle-raising, forestry and fishing regime, in which the tax base for ISR is determined on collected revenues minus paid deductions.

The tax effects of temporary differences, tax losses and tax credits that give rise to significant portions of deferred tax assets and liabilities as of December 31, 2022, 2021 and 2020 are detailed below:

	December 31,		
	2022	2021	2020
Deferred tax assets			
Accounts payable	$ 61,730	33,873	2,207
Employee benefits	-	31,692	199,087
PTU payable	854	2,476	16,690
Tax loss carryforwards	420,053	917,737	60,354
Property, plant and equipment	28,255	-	1,696
Other provisions	12,454	60,946	648
Tax incentives to be credited in the United States of America	-	45,386	-
Other items	9,029	17	-
Total deferred tax assets	532,375	1,092,127	280,682
Deferred tax liabilities			
Inventories	1,280	218,204	-
Employee benefits	65,700	-	-
Property, plant and equipment	-	469,946	-
Prepaid expenses	7,281	860	2,872
Goodwill	-	9,865	-
Intangible assets	-	178,356	-
Other provisions	-	-	7,655
Derivative financial instruments	-	1,157	8,221
Total deferred tax liabilities	74,261	878,388	18,748
Net deferred tax assets	$ 458,114	213,739	261,934

	December 31,		
	2022	2021	2020
Deferred tax assets			
Accounts payable	$ 1,221,919	1,948,897	1,090,676
Employee benefits	232,131	201,835	-
PTU payable	164,586	85,053	1,037
Tax loss carryforwards	194,074	31,993	606,935
Other provisions	150,970	62,503	144,861
Other items	1,431	-	-
Total deferred tax assets	1,965,111	2,330,281	1,843,509
Deferred tax liabilities			
Inventories	2,773,642	2,053,059	1,820,929
Accounts receivable	716,909	593,754	497,655
Property, plant and equipment	2,886,706	2,558,209	2,915,222
Prepaid expenses	304,967	952,322	286,844
Goodwill	-	-	5,147
Intangible assets	162,710	-	188,919
Other items	-	1,282	-
Derivative financial instruments	3,684	13,130	3,773
Total deferred tax liabilities	6,848,618	6,171,756	5,718,489
Net deferred tax liability	$ 4,883,507	3,841,475	3,874,980

d) Unrecognized deferred tax liabilities

Deferred taxes related to investments in subsidiaries have not been recognized as the Company is able to control the moment of the reversal of the temporary difference, and the reversal is not expected to take place in the foreseeable future. Deferred income tax on investments in subsidiaries not recognized as of December 31, 2022, 2021 and 2020 amounts to $1,035,095, $1,414,628 and $1,802,451, respectively. The Company's policy has been to distribute accounting profits when the respective taxes have been paid and in the case of foreign profits, such tax may be duly credited in Mexico.

e) Movement in temporary differences during the fiscal year

		January 1, 2022	Recognized in profit and loss	Acquired or/ Recognized directly in equity	December 31, 2022
Accounts payable	$	(1,982,770)	697,863	1,258	(1,283,649)
Employee benefits		(233,527)	98,970	(31,874)	(166,431)
PTU payable		(87,529)	(77,911)	-	(165,440)
Tax loss carryforwards		(949,730)	316,648	18,955	(614,127)
Other provisions		(123,449)	(41,286)	1,311	(163,424)
Goodwill		9,865	(9,258)	(607)	-
Intangible assets		178,356	(7,578)	(8,068)	162,710
Inventories		2,271,263	516,079	(12,420)	2,774,922
Accounts receivable		593,754	123,155	-	716,909
Property, plant and equipment		3,028,155	(150,431)	(19,273)	2,858,451
Prepaid expenses		953,182	(640,934)	-	312,248
Derivative financial instruments		14,287	(10,603)	-	3,684
Tax incentives to be credited in the United States of America		(45,386)	45,386	-	-
Other items		1,265	(11,725)	-	(10,460)
Net deferred tax liability	$	**3,627,736**	**848,375**	**(50,718)**	**4,425,393**

		January 1, 2021	Recognized in profit and loss	Acquired or/ Recognized directly in equity	December 31, 2021
Accounts payable	$	(1,092,883)	(889,150)	(737)	(1,982,770)
Employee benefits		(199,087)	(41,472)	7,032	(233,527)
PTU payable		(17,727)	(69,802)	-	(87,529)
Tax loss carryforwards		(667,289)	(258,865)	(23,576)	(949,730)
Other provisions		(137,854)	19,020	(4,615)	(123,449)
Goodwill		5,147	4,293	425	9,865
Intangible assets		188,919	(14,891)	4,328	178,356
Inventories		1,820,929	443,845	6,489	2,271,263
Accounts receivable		497,655	96,099	-	593,754
Property, plant and equipment		2,913,526	105,961	8,668	3,028,155
Prepaid expenses		289,716	663,466	-	953,182
Derivative financial instruments		11,994	2,293	-	14,287
Tax incentives to be credited in the United States of America		-	(45,386)	-	(45,386)
Other items		-	1,606	(341)	1,265
Net deferred tax liability	$	**3,613,046**	**17,017**	**(2,327)**	**3,627,736**

		January 1, 2020	Recognized in profit and loss	Acquired or/ Recognized directly in equity	December 31, 2020
Accounts payable	$	(1,099,903)	8,163	(1,143)	(1,092,883)
Employee benefits		(164,060)	(35,027)	-	(199,087)
PTU payable		(26,020)	8,293	-	(17,727)
Tax loss carryforwards		(327,935)	(314,628)	(24,726)	(667,289)
Interest carryforwards		-	1,551	(1,551)	-
Other provisions		(62,767)	(74,804)	(283)	(137,854)
Goodwill		584	4,371	192	5,147
Intangible assets		190,900	(12,248)	10,267	188,919
Inventories		1,695,684	114,135	11,110	1,820,929
Accounts receivable		445,198	52,457	-	497,655
Property, plant and equipment		2,666,752	177,372	69,402	2,913,526
Prepaid expenses		336,985	(47,269)	-	289,716
Derivative financial instruments		3,803	8,191	-	11,994
Net deferred tax liability	$	**3,659,221**	**(109,443)**	**63,268**	**3,613,046**

f) Tax on assets and tax loss carryforwards

As of December 31, 2022, tax loss carryforwards expire as shown below. Amounts are indexed for inflation as permitted by Mexican income tax law:

		Amount as of December 31, 2022	
Year		**Tax loss carryforwards**	**Year of expiration / maturity**
2017	$	56,658	2027
2018		13,681	2028
2019		252,518	2029
2020		19,719	2030
2021		1,247,032	2031
2022		692,869	2032
	$	2,282,477	

(22) Employee benefits

a) Employee benefits in Mexico

Defined contribution plans

The Company has a defined contribution plan which receives contributions from both the employees and the Company. Employees can make contributions between 1% to 5% of their wage and the Company is obligated to make contributions as follows: i) 20% of employee contributions for employees with 1 - 4.99 years of service, ii) 40% of employee contributions for employees with 5 – 9.99 years of service, and iii) 100% matching contributions for employees with 10 or more years of service or when the employee reaches 40 years of age, regardless of the years of service.

When an employee retires from the Company he/she has the right to receive the contribution he/she has made to the plan, and i) if the employee retires between the first and the 4.99 year of services, he/she does not have the right to receive the contribution made by the Company, ii) if he/she retires on the 5th year of services he/she has the right to receive 50% of the contributions made by the Company and, for each additional service year, the employee has the right to receive an additional 10% of the contributions made by the Company.

During 2022, 2021 and 2020 there were not the expenses for paid contributions to defined contribution plans, other than those mandated by Mexican law.

The Company makes payments equivalent to 2% of the integrated wage of its workers to the defined contribution plan for the retirement saving fund system established by Mexican law.

The expense for this concept was $98,333, $84,093 and $72,121, in 2022, 2021 and 2020, respectively.

<u>Defined benefits plan</u>

The Company has a defined benefit pension plan covering non-unionized personnel in Mexico. The benefits are based on the age, years of service and the employee’s payment. The retirement age is 65 years, with a minimum of 10 years of services, and there is an option for an anticipated retirement option, in certain circumstances, at 55 years of age. The Company’s policy to fund the pension plan is to make contributions up to the maximum amount that can be deducted for ISR.

According to the Mexican Federal Labor Law, the Company is obligated to pay a seniority premium as a retirement benefit if an employee retires and has of least 15 years of services, which consists of a sole payment of 12 days for each worked year based on the last wage, limited to the two minimal wages established by law.

The Company recognizes constructive obligations from past practices. Such constructive obligations are associated with service time the employee has worked for the Company. The payment of this benefit is disbursed in a single installment at the time the employee voluntarily stops working for the Company. As of 2021 this constructive obligation no longer exists, the accounting effect is recognized net in the result of the year.

The plans in Mexico expose the Company to actuarial risks such as interest rate risk, longevity risk and salary risk:

Interest risk	A decrease in the interest rate for the governmental bonds will increase the plan’s liability.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan’s liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan’s liability.

The projected net liability presented on the consolidated statements of financial position is as follows:

	December 31,		
	2022	2021	2020
Present value of unfunded obligations	$ 887,238	656,252	592,294
Present value of funded obligations	83,891	121,643	163,651
Total present value of benefit obligations ("PBO")	971,129	777,895	755,945
Plan assets at fair value	(83,891)	(121,643)	(163,651)
Projected liability, net	$ 887,238	656,252	592,294

i. Composition and return of plan assets

	Actual return of the plan assets			Composition of the plan assets		
	2022	2021	2020	2022	2021	2020
Fixed income securities	6.09%	5.90%	11.28%	58%	58%	63%
Variable income securities	(1.58%)	21.55%	9.47%	42%	42%	37%
Total				100%	100%	100%

ii. Movements in the present value of PBO

	2022	2021	2020
PBO as of January 1	$ 777,895	755,945	636,202
Acquisition employee benefits	39,041	(27,743)	(78,149)
Benefits paid by the plan	(78,711)	(27,743)	(78,149)
Service cost	49,364	25,890	38,987
Interest cost	73,923	33,115	53,343
Actuarial losses recognized in other comprehensive income	113,535	6,497	105,562
Past service cost – plan amendments	(3,918)	(15,809)	-
PBO as of December 31	$ 971,129	777,895	755,945

iii. Movements in the fair value of plan assets

	2022	2021	2020
Plan assets at fair value as of January 1	$ 121,643	163,651	148,392
Transfer of assets to fund defined contribution benefit plan	(38,306)	-	-
Benefits paid by the plan	-	(56,287)	-
Expected return on plan assets	12,886	13,260	13,678
Actuarial profits in other comprehensive income	(12,332)	1,019	1,581
Fair value of plan assets as of December 31	$ 83,891	121,643	163,651

iv. Expense recognized in profit and loss

		2022	2021	2020
Current service cost	$	49,364	25,890	38,987
Interest cost, net		61,037	19,855	39,665
	$	110,401	45,745	78,652

v. Actuarial gains and (losses)

		2022	2021	2020
Amount accumulated as of January, 1	$	(388,604)	(383,126)	(279,144)
Recognized during the year		(131,167)	(5,478)	(103,982)
Amount accumulated as of December, 31	$	(519,771)	(388,604)	(383,126)

vi. Actuarial assumptions

Primary actuarial assumptions at the consolidated financial statements date (expressed as weighted averages) are as follows.

	2022	2021	2020
Discount rate as of December, 31	9.25%	9.50%	7.75%
Rate for future salary increases	4.00%	4.50%	4.50%
Social security wage increase rate	3.50%	3.50%	3.50%

The assumptions related to mortality are based on statistics and experiences over the Mexican population. The average expected life of an individual that retires at 65 years of age is 17.13 years for men and 10.92 years for women (Experience Chart of Demographic Mortality for Active EMSSA 1997).

vii. Historical information

		December 31,		
		2022	2021	2020
Present value of defined benefit obligation	$	971,129	777,895	755,945
Plan assets at fair value		(83,891)	(121,643)	(163,651)
Plan deficit	$	887,238	656,252	592,294
Experience adjustments arising from plan liabilities	$	(118,834)	(6,497)	(105,562)
Experience adjustments arising from plan assets	$	(12,333)	1,019	1,581

viii. Sensitivity analysis of the defined benefits obligations as of December 31, 2022, 2021 and 2020

2022		Pension plan	Seniority premium	Constructive obligation	Total PBO
Discount rate 9.25%	$	(671,370)	(299,759)	-	(971,129)
Rate increase (+ 1%)	$	(660,897)	(295,384)	-	(956,281)
Rate decrease (- 1%)	$	(681,999)	(304,261)	-	(986,260)

2021		Pension plan	Seniority premium	Constructive obligation	Total PBO
Discount rate 9.50%	$	(551,682)	(226,213)	-	(777,895)
Rate increase (+ 1%)	$	(541,855)	(222,957)	-	(764,812)
Rate decrease (- 1%)	$	(561,819)	(229,562)	-	(791,381)

2020		Pension plan	Seniority premium	Constructive obligation	Total PBO
Discount rate 7.75%	$	(531,251)	(203,282)	(21,412)	(755,945)
Rate increase (+ 1%)	$	(511,884)	(200,058)	(21,209)	(733,151)
Rate decrease (- 1%)	$	(554,180)	(206,605)	(21,619)	(782,404)

ix. Expected cash flows

		Total
2023-2032	$	1,377,132

x. Future contributions to the defined benefits plan

The Company does not expect to make contributions to the defined benefit plans in the following financial year.

b) Foreign employee benefits

Defined contribution plans

Bachoco USA, LLC. (foreign subsidiary) has a defined contribution retirement 401(k) plan, covering all employees who meet certain eligibility requirements. The Company contributes to the plan at the rate of 50% of employee's contributions up to a maximum of 2% of the individual employee's contribution. The cumulative contribution expense for this plan was $31,071, $28,825 and $16,418 for the year ended December 31, 2022, 2021 and 2020, respectively.

Equity-based compensation

Bachoco USA, LLC. has a deferred payment agreement with certain key employees. Amounts payable under this plan are vested after 10 years from the date of the agreement. The benefit value of each unit is equal to the increase in the initial book value from the date of the agreement to the conclusion of the vesting period. Under the agreement, 26,000 units were outstanding as of December 31, 2022, 2021 and 2020, all of which were fully vested. The total liability under this plan totaled $10,835, $48,887 and $44,994 as of December 31, 2022, 2021 and 2020, respectively. The expense recognized for this plan for the year ended December 31, 2022, 2021 and 2020 was $45,418, $2,505 and $4,678, respectively.

c) PTU

Industrias Bachoco, S.A.B de C.V. has no employees, each of the subsidiaries of the Company that has employees in Mexico is required under Mexican laws to pay employees, in addition to their payment and benefits, statutory employee profit sharing in an aggregate amount equal to 10% of each subsidiary’s taxable income. The accrued liability as of December 31, 2022, 2021 and 2020 is shown in note 19, Trade payable and other accounts payable.

(23) Costs and expenses by nature

		2022	2021	2020
Cost of sales [(2)]	$	82,032,790	68,356,654	57,707,566
General, selling and administrative expenses		8,506,312	7,127,780	6,420,397
	$	90,539,102	75,484,434	64,127,963
Inventory consumption	$	64,998,326	54,103,917	44,747,933
Wages and salaries		11,368,634	9,735,452	8,507,124
Freight		5,962,121	5,428,050	5,037,768
Maintenance		2,698,428	2,340,899	2,006,848
Other utility expenses		2,270,284	1,800,952	1,402,459
Depreciation		1,789,053	1,393,097	1,590,303
Depreciation of right-of-use assets		351,032	343,367	307,757
Leases [(1)]		184,416	156,612	119,592
Claims expenses		187,289	-	-
Other		729,519	182,088	408,179
Total	$	90,539,102	75,484,434	64,127,963

(1) Leasing expense in 2022, 2021 and 2020 includes contracts classified as low value or those with terms less than twelve months.

(2) During 2022, the presence of an H5N1 avian influenza outbreak was detected in some Company farms in the states of Sinaloa, Nuevo León, Sonora, Coahuila and Yucatán. The financial effects derived from this contingency that were recorded in the cost of sales were $157,010, due to the slaughter of birds and destruction of eggs.

(24) Leases

a) As of December 31, 2022, 2021 and 2020, the leased assets with recognized right of use are comprised as follows:

Right-of-use assets		Balance as of January 1, 2022	Additions	Modifications and disposal	Anticipated termination	Balance as of December 31, 2022
Buildings and construction	$	550,832	49,554	29,607	62,923	692,916
Machinery and equipment		629,161	11,288	54,556	5,150	700,155
Transportation equipment		440,117	63,702	(26,005)	10,416	488,230
Computer equipment		18,903	4,573	3,502	-	26,978
Total	$	1,639,013	129,117	61,660	78,489	1,908,279

Depreciation of right-of-use assets		Balance as of January 1, 2022	Depreciation for the year	Currency translation effect	Balance as of December 31, 2022
Buildings and construction	$	(270,576)	(136,264)	1,439	(405,401)
Machinery and equipment		(359,818)	(135,547)	861	(494,504)
Transportation equipment		(315,058)	(74,328)	1,516	(387,870)
Computer equipment		(13,351)	(4,893)	126	(18,118)
Total	$	(958,803)	(351,032)	3,942	(1,305,893)
Total right-of-use assets	$	680,210			602,386

Right-of-use assets		Balance as of January 1, 2021	Additions	Modifications and disposal	Anticipated termination	Balance as of December 31, 2021
Buildings and construction	$	469,387	42,249	(3,949)	43,145	550,832
Machinery and equipment		447,424	52,143	4,343	125,251	629,161
Transportation equipment		349,208	24,595	(1,818)	68,132	440,117
Computer equipment		19,392	3,603	(1,492)	(2,600)	18,903
Total	$	1,285,411	122,590	(2,916)	233,928	1,639,013

Depreciation of right-of-use assets		Balance as of January 1, 2021	Depreciation for the year	Currency translation effect	Balance as of December 31, 2021
Buildings and construction	$	(153,987)	(114,957)	(1,632)	(270,576)
Machinery and equipment		(236,330)	(121,266)	(2,222)	(359,818)
Transportation equipment		(206,627)	(102,245)	(6,186)	(315,058)
Computer equipment		(9,622)	(4,899)	1,170	(13,351)
Total	$	(606,566)	(343,367)	(8,870)	(958,803)
Total right-of-use assets	$	678,845			680,210

Right-of-use assets		Balance as of January 1, 2020	Additions	Modifications and disposal	Balance as of December 31, 2020
Buildings and construction	$	380,011	101,272	(11,896)	469,387
Machinery and equipment		447,179	39,020	(38,775)	447,424
Transportation equipment		283,332	4,767	61,109	349,208
Computer equipment		15,014	2,572	1,806	19,392
Total	$	1,125,536	147,631	12,244	1,285,411

Depreciation of right-of-use assets		Balance as of January 1, 2020	Depreciation for the year	Currency translation effect	Balance as of December 31, 2020
Buildings and construction	$	(97,736)	(58,148)	1,897	(153,987)
Machinery and equipment		(116,391)	(119,740)	(199)	(236,330)
Transportation equipment		(84,120)	(126,211)	3,704	(206,627)
Computer equipment		(4,557)	(3,658)	(1,407)	(9,622)
Total	$	(302,804)	(307,757)	3,995	(606,566)
Total right-of-use assets	$	822,732			678,845

b) The movements in liabilities for these lease contracts were as follows:

Lease liabilities		**Balance as of January 1, 2022**	**Additions**	**Modifications and disposals**	**Anticipated termination**	**Payment**	**Interest paid**	**Currency translation effect**	**Balance as of December 31, 2022**
Buildings and construction	$	299,634	49,554	35,045	53,312	(153,522)	14,900	112	299,035
Machinery and equipment		251,129	11,288	58,257	4,186	(134,818)	3,775	(5,864)	187,953
Transportation equipment		93,721	63,702	(21,233)	4,555	(73,333)	3,445	903	71,760
Computer equipment		6,996	4,573	3,789	-	(4,810)	148	141	10,837
Total	$	651,480	129,117	75,858	62,053	(366,483)	22,268	(4,708)	569,585
Current Lease liabilities		(279,809)	(70,753)	-	-	-	-	-	(350,562)
Long term lease liabilities	$	371,671	58,364	75,858	62,053	(366,483)	22,268	(4,708)	219,023

Lease liabilities		**Balance as of January 1, 2021**	**Additions**	**Modifications and disposals**	**Anticipated termination**	**Payment**	**Interest paid**	**Currency translation effect**	**Balance as of December 31, 2021**
Buildings and construction	$	310,014	42,249	(3,953)	77,022	(129,306)	15,414	(11,806)	299,634
Machinery and equipment		238,650	52,143	4,359	105,831	(128,212)	11,779	(33,421)	251,129
Transportation equipment		162,392	24,595	(1,835)	20,287	(96,167)	4,415	(19,966)	93,721
Computer equipment		8,655	3,603	-	919	(5,302)	240	(1,119)	6,996
Total	$	719,711	122,590	(1,429)	204,059	(358,987)	31,848	(66,312)	651,480
Current Lease liabilities		(278,981)	-	-	-	-	-	(828)	(279,809)
Long term lease liabilities	$	440,730	122,590	(1,429)	204,059	(358,987)	31,848	(67,140)	371,671

Lease liabilities		**Balance as of January 1, 2020**	**Additions**	**Modifications and disposals**	**Payment**	**Interest paid**	**Currency translation effect**	**Balance as of December 31, 2020**
Buildings and construction	$	280,277	101,272	31,213	(121,909)	17,903	1,258	310,014
Machinery and equipment		308,710	39,020	(19,990)	(143,240)	26,143	28,007	238,650
Transportation equipment		204,258	4,767	57,473	(115,851)	9,228	2,517	162,392
Computer equipment		9,805	2,572	1,560	(5,710)	365	63	8,655
Total	$	803,050	147,631	70,256	(386,710)	53,639	31,845	719,711
Current Lease liabilities		(149,538)	(123,276)	-	-	-	(6,167)	(278,981)
Long term lease liabilities	$	653,512	24,355	70,256	(386,710)	53,639	25,678	440,730

c) The detail of the maturity of the long-term lease liabilities is shown below:

2024	$	84,787
2025		59,481
2026		33,903
Posterior		40,852
	$	219,023

d) During 2022, 2021 and 2020, an amount of \$36,283, \$37,996 and \$36,153 was charged as expense for rental contracts with a term of less than one year and \$148,133, \$118,616 and \$83,439 for rental contracts with insignificant amounts, a total of \$184,416, \$156,612 and \$119,592, respectively (note 23).

(25) Stockholders’ equity and reserves

a) Capital risk management

An adequate capital risk management allows ongoing business continuity and the maximization of the return towards the Company’s investors, which is why the Company has taken actions that ensure the Company maintains an adequate balance of the funding sources that build its capital structure.

Within its activities in risk management, the Company ensures that the ratio between financial debt and EBITDA of the last 12 months does not exceed 2.75 times and that the interest coverage ratio is at least 3 to 1.

During 2022, 2021 and 2020 these ratios were below the thresholds established by the Company’s Risk Committee.

b) Common stock and premiums

As of December 31, 2022, 2021 and 2020, the Company’s capital stock is represented by 600,000,000 Series “B” registered shares with a par value of \$1 peso per share.

On November 16, 2022, the Company announced that after the completion of the acceptance and settlement processes of the tender offer initiated by a vehicle in which current shareholders of Bachoco participated, as offeror (the “Offeror”), for up to all of the outstanding Series "B" shares of Bachoco, including shares represented by American Depositary Receipts (ADRs), owned by the public and not owned directly or indirectly by the Offeror or its affiliates, corresponding to approximately 26.75% of Bachoco's outstanding capital stock as of the date of the offer, 86,589,532 shares representing Bachoco's capital stock participated in the U.S. offer and the Mexico offer, and were effectively accepted by the Offeror. As a result of the foregoing, the Offeror, including affiliates and related parties, would directly or indirectly own 87.68% of Bachoco's capital stock.

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

	Shareholding integration as of December 31,			
	After the transaction		**Before the transaction**	
	2022		**2021 y 2020**	
	Shares (1)	**Position**	**Shares (1)**	**Position**
Familiar Trusts	**439,500,000**	**73.25%**	**439,500,000**	**73.25%**
- Control Trust	312,000,000	52.00%	312,000,000	52.00%
- Placement Trust	127,500,000	21.25%	127,500,000	21.25%
Edificios del Noroeste S.A. de C.V.	**86,589,532**	**14.43%**	**-**	**-**
Floating Position (2)	**73,910,468**	**12.32%**	**160,500,000**	**26.75%**

(1) All Series B shares with voting power.
(2) Operating at the BMV and the NYSE.

Based on the information provided to the Company, as of December 31, 2022, stockholders with 1% or more interest in the Company, in addition to the family trusts, are as follows:

	Shares	Position
Edificios del Noroeste S.A. de C.V.	86,589,532	14.43%
MetLife Investment Management, LLC	38,300,000	6.38%
GBM Administradora de Activos, S.A. de C.V. S.O.S.I.	13,395,252	2.23%

c) Other comprehensive income items

i. Foreign currency translation reserve

This concept is related to the translation of the Company's U.S. operations from their functional currency (U.S. dollar) to the reporting currency, the Mexican peso.

ii. Actuarial remeasurements

Actuarial remeasurements are recognized as other components of comprehensive income and are related to variations in actuarial assumptions that generate actuarial gains or losses as well as adjust the actual yields from plan assets from the net interest cost calculated over the net defined benefits liability balance. Actuarial remeasurements are presented net of income tax within other comprehensive income in the consolidated statement of changes in stockholders' equity, the amount of these actuarial remeasurements net of taxes as of December 31, 2022, 2021 and 2020 amounts to $364,344, $272,527 and $268,692, which includes a deferred tax effect of $155,427, $116,074 and $114,430, respectively.

iii. Derivatives classified as hedging instruments

Derivatives classified as hedging instruments, are a hedge of the exposure to the variability of cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction that may affect the income statement.

A cash flow hedge, which meets all the hedging criteria, is accounted for as follows:

- A portion of the gain or loss of the hedging instrument that is determined to be effective is recognized in other comprehensive income; and
- The ineffective portion of the gain or loss of the hedging instrument is recognized immediately in the income statement.

The amount of cash flow hedges as of December 31, 2022, 2021 and 2020 amounts to $174,911, $49,751 and $267,352, respectively.

d) Reserve for repurchase of shares

In 1998, the Company approved a stock repurchase plan in conformity with the Mexican Securities Trading Act and created a reserve for that purpose of $180,000 charged to retained earnings in such year.

On April 27, 2022, pursuant to a resolution at the General Ordinary Stockholders' Meeting, an amount of $1,224,000 was approved to be used in the reserve for acquisition own shares.

The following table shows the movements of the reserve for acquisition of shares during the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
Balance as of January 1	619,543	152,768	100,396
(+) Total shares purchased	-	649,543	212,860
(-) Total shares sold	-	(182,768)	(160,488)
Balance as of December 31	619,543	619,543	152,768

The net amount of repurchase and treasury share sale transactions was of $0, ($32,331) and ($3,509), during the years ended December 31, 2022, 2021 and 2020, respectively.

As of December 31, 2022, the Company has 619,543 treasury shares.

e) Dividends

During the years ended December 31, 2022, 2021 and 2020, the Company has declared and paid the following dividends:

On April 27, 2022, the Company declared a payment of dividends in cash at nominal value of $982,984 o $1.64 pesos per outstanding share. The payment was made in two equal installments, on May 18 and July 13, 2022.

On April 28, 2021, the Company declared a payment of dividends in cash at nominal value of $851,619 or $1.42 pesos per outstanding share. The payment was made in two equal installments, on May 19 and July 14, 2021.

On April 22, 2020, the Company declared a payment of dividends in cash at nominal value of $791,744 or $1.32 pesos per outstanding share. The payment was made in two equal installments, on May 12 and July 7, 2020.

Dividends that the Company pays to stockholders are subject to ISR solely insofar as such dividends exceed the balance in its net tax income account (“CUFIN”) consisting of income in which ISR is already paid by the Company. The ISR paid on dividends corresponds to a tax payable by legal entities and not by individuals. However, as a result of changes to the income tax law described in note 20(a), beginning on January 1, 2014, a new withholding tax of 10% for resident individuals in Mexico and for all residents in foreign countries who receive dividends from entities was established. Such tax is considered a withholding tax by the entity that pays the dividends. This tax will be applicable only to the income generated from period 2014. Thus, the Company must update its CUFIN from income generated up to December 31, 2013 and must calculate a new CUFIN with the income generated from January 1, 2014.

The Company obtains most of its revenue and net income from *BSACV*. For fiscal years 2022, 2021 and 2020, net income of *BSACV*, accounted for 59%, 63% and 61%, respectively, of consolidated net income. Dividends for which *BSACV* pays ISR will be credited to the Company’s CUFIN account, and accordingly, any future liabilities arising from ISR will be incurred when such amounts are distributed as dividends to the stockholders.

f) Tax balances of stockholders' equity

CUFIN		Balance as 2013	Balance from2014	Total
IBSA individual	$	5,266,972	13,354,542	18,621,514
IBSA Consolidated		5,777,487	32,700,092	38,477,579

The restated amount as of December 31, 2022, on tax bases of the contributions made by stockholders ("CUCA"), totaling $3,643,650, may be refunded to them tax-free, to the extent that such amount is the same or higher than equity.

(26) Earnings per share

The basic and diluted earnings per share for the years ended December 31, 2022, 2021 and 2020 are $10.20, $8.45 and $6.56, respectively. The calculation of earnings per share was based on income attributable to ordinary stockholders of the Company (net income attributable to controlling interest) $6,114,154, $5,065,554 and $3,935,672 for the years ended December 31, 2022, 2021 and 2020, respectively.

The average weighted number of common outstanding in 2022, 2021 and 2020 was 599,380,457, 599,730,270 and 599,818,022 shares, respectively.

The Company has no ordinary shares with potential dilutive effects.

(27) Commitments

- Bachoco USA, LLC has self-insurance programs for health care costs and workers' payments. The subsidiary is liable for health care claims up to $6,829 (350 thousand dollars) each year per plan participant and workers' payments claims up to $19,510 (1,000 thousand dollars) per event. Self-insurance costs are recorded based on the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported. The provision for this concept is recorded in the accompanying consolidated statement of financial position within current liabilities amounting to $100,984 (5,176 thousand dollars), $107,842 (5,258 thousand dollars) and $89,576 (4,490 thousand dollars) as of December 31, 2022, 2021 and 2020, respectively. Additionally, the consolidated statement of comprehensive income includes expenses relating to self-insurance plans of $196,291 (9,761 thousand dollars), $188,413 (9,286 thousand dollars) and $164,356 (7,648 thousand dollars) for the years ended December 31, 2022, 2021 and 2020, respectively. The Company is required to maintain letters of credit on behalf of the subsidiary of $44,843 (2,280 thousand dollars) during 2022, $59,479 (2,900 thousand dollars) during 2021 and $57,855 (2,900 thousand dollars) during 2020, to secure self-insured workers' payments.

- The Company has entered into grain supply agreements with third parties as part of the regular course of its operations.

- The Company has entered into certain contracts with suppliers under which advanced payments are rendered in order to assure the supply of materials and services.

(28) Contingencies

a) Insurance

The Company has established a risk management program under a best practices methodology that assures the main risks of the business with the objective of reducing losses due to relevant claims. The Company set up a captive reinsurance company to complement its risk management strategy. Notwithstanding the foregoing, since all the exposures are not covered, there is a risk that the loss or destruction of certain assets may have a significant adverse effect on the Company's operations and financial situation.

b) Lawsuits

The Company is involved in a number of lawsuits and claims arising from the regular course of business. In the opinion of the Company's Management, they are not expected to have significant effects on the Company's financial position, operating results and future consolidated statements of cash flows.

c) Tax contingencies

In accordance with tax laws, Mexican authorities are empowered to review transactions carried out during the five years prior to the most recent ISR return filed. For the operations in the United States of America, the authorities of that country are empowered to review transactions carried out during the three years prior to the due date of the most recent annual tax return. The Company has not identified factors that may indicate the existence of a contingency.

(29) Financial income and costs

		2022	2021	2020
Interest income	$	849,761	591,046	698,962
Income from interest in accounts receivable		9,428	6,564	7,024
Foreign exchange gain, net		-	519,796	467,534
Financial income		859,189	1,117,406	1,173,520
Effects of valuation of derivative financial instruments		(13,686)	(1,541)	(291)
Foreign exchange loss, net		(622,287)	-	-
Interest expense and financial expenses on financial debt		(236,200)	(104,179)	(159,169)
Interest paid on lease		(22,269)	(31,848)	(53,639)
Other financial expenses		(266,473)	(129,955)	(78,230)
Financial costs		(1,160,915)	(267,523)	(291,329)
Financial income, net	$	(301,726)	849,883	882,191

(30) Other income (expenses)

		2022	2021	2020
Other income				
Sale of scrap of biological assets, raw materials, by-products and other	$	1,579,098	1,076,605	866,027
Bargain purchase gain of domestic business acquisition (note 4)		-	-	90,889
Total other income		1,579,098	1,076,605	956,916
Other expenses				
Cost of disposal of biological assets, raw materials, by-products and other		(1,148,230)	(910,366)	(825,415)
Other		(396,526)	(489,018)	(494,028)
Total other expenses		(1,544,756)	(1,399,384)	(1,319,443)
Total other income (expenses), net	$	34,342	(322,779)	(362,527)

(31) Subsequent events

a) Business acquisition agreement

On December 2, 2022, the Company announced that it reached an agreement to acquired 100% of the shares of Norson Holding S. of R.L. of C.V, a vertically integrated pork producer and exporter, located in Sonora, Mexico.

As of the date of this report, this agreement is being reviewed by Mexican antitrust authorities (COFECE). Once authorized, more details of the transaction will be disclosed.

b) NYSE delisting reques

On March 28, 2023, Industrias Bachoco, S.A.B. de C.V. announced that its Board of Directors, considering, among other things: the results of the tender offer concluded on November 2022, by Edificio del Noroeste, S.A. de C.V., a vehicle controlled by the Robinson Bours Family, which together with its affiliates and related parties in the aggregate, at this date hold more than 97% of the outstanding shares issued by Bachoco; the low trading volume in the United States of America; the relatively low participation in the American Depositary Receipts ("ADRs") program and the benefits of maintaining the ADRs program against the costs related thereto, resolved, consistent with the processes initiated more than a year ago, to initiate the processes to delist its ADRs from the New York Stock Exchange ("NYSE") and terminate its ADRs program.

In addition, it is anticipated that in the near future, Bachoco will take such actions as necessary to deregister and terminate its obligations to prepare and file reports under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Neither the delisting from the NYSE nor the termination of its registration under the Exchange Act is expected to affect the continued listing of Bachoco's shares on the Bolsa Mexicana de Valores, S.A.B. de C.V. and/or the registration of such shares with the Mexican Securities Commission (Comisión Nacional Bancaria y de Valores).

As part of the delisting process announced on March 28 2023, Bachoco filed a Form 15F, before the U.S. Securities and Exchange Commission ("SEC") on April 24, 2023, with the effect of immediately suspending its Exchange Act reporting obligations.

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