

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

FORM 20-F

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

OR

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

For the Fiscal Period Ended January 3, 2021

OR

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

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

OR

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

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

Commission file number 001-39251

**BETTERWARE DE MÉXICO, S.A.B. DE C.V.**

(Exact name of Registrant as specified in its charter)

**Not Applicable**

(Translation of Registrant's name into English)

MEXICO

(Jurisdiction of incorporation or organization)

**Luis Campos, Board Chairman**  
**+52 (33) 3836-0500**  
**Luis Enrique Williams 549**  
**Colonia Belenes Norte**  
**Zapopan, Jalisco, 45145, México**

(Name, Telephone, E-mail and or Facsimile number and Address Company Contact Person)

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

Title of each class	Trading Symbol	Name of each exchange in which registered
Ordinary Shares, no par value per share	BWMX	The Nasdaq Stock Market LLC

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

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

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 36,584,968 Ordinary Shares, as of January 3, 2021.

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

Yes  No

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

Yes  No

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

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

Yes  No

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

Yes  No

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

Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer   
Emerging growth company

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

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

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

U.S. GAAP

International Financial Reporting Standards as issued  
by the International Accounting Standards Board

Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

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

Yes  No

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains a number of forward-looking statements, including statements about the financial conditions, results of operations, earnings outlook and prospects and may include statements for the period following the date of this annual report. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. Forward-looking statements are typically identified by words such as “plan,” “believe,” “expect,” “anticipate,” “intend,” “outlook,” “estimate,” “forecast,” “project,” “continue,” “could,” “may,” “might,” “possible,” “potential,” “predict,” “should,” “would” and other similar words and expressions, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements are based on the current expectations of the management of Betterware, as applicable, and are inherently subject to uncertainties and changes in circumstance and their potential effects and speak only as of the date of such statement. There can be no assurance that future developments will be those that have been anticipated. These forward-looking statements involve a number of risks, uncertainties or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. Given these uncertainties, you should not rely upon forward looking statements as predictions of future events. These risks and uncertainties include, but are not limited to, those factors described in “Risk Factors,” those discussed and identified in public filings made with the Securities and Exchange Commission (“SEC”) by Betterware and the following:

- geopolitical risk and changes in applicable laws or regulations;
- the inability to profitably expand into new markets;
- the possibility that Betterware may be adversely affected by other economic, business and/ or competitive factors;
- financial performance;
- operational risk;
- litigation and regulatory enforcement risks, including the diversion of management time and attention and the additional costs and demands on Betterware’s resources;
- changes in our investment commitments or our ability to meet our obligations thereunder;
- natural disaster-related losses which may not be fully insurable;
- epidemics, pandemics and other public health crises, particularly the COVID-19 virus;
- fluctuations in exchange rates between the Mexican peso and the United States dollar; and
- changes in interest rates or foreign exchange rates.

Should one or more of these risks or uncertainties materialize or should any of the assumptions made by the management of Betterware prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. Except to the extent required by applicable law or regulation, Betterware undertakes no obligation to update these forward-looking statements to reflect events or circumstances after the date of this annual report or to reflect the occurrence of unanticipated events.

## CERTAIN CONVENTIONS

Betterware de México, S.A.B. de C.V. (formerly Betterware de México, S.A.P.I. de C.V.) was incorporated under the laws of Mexico in 1995. Unless otherwise stated or unless the context otherwise requires, the terms “we,” “us,” “our,” “Company,” the “Group” “Betterware,” “BTW,” “BWM” and “BW” refer to Betterware de México, S.A.B. de C.V. and BLSM Latino América Servicios, S.A. de C.V., a Mexican *sociedad anónima de capital variable*.

## CURRENCY PRESENTATION

In this annual report, unless otherwise specified or the context otherwise requires:

- “\$,” “US\$” and “U.S. dollar” each refer to the United States dollar; and
- “MX\$,” “Ps.” and “peso” each refer to the Mexican peso.

Certain numbers and percentages included in this annual report have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in various tables or other sections of this annual report may vary slightly, and figures shown as totals in certain tables may not be the arithmetic aggregation of the figures that precede them.

## PRESENTATION OF FINANCIAL INFORMATION

This annual report contains our Audited Consolidated and Combined Financial Statements as of January 3, 2021 and December 31, 2019 and for the 53 weeks ended January 3, 2021 (referred to as the “2020 period”), the 52 weeks ended December 31, 2019 (referred to as the “2019 period”) and the 52 weeks ended December 31, 2018 (referred to as the “2018 period”) (our “Audited Consolidated and Combined Financial Statements”).

Our financial year consists of a 52- or 53-week period ending on the Sunday nearest to, either before or after, December 31. For purposes of this annual report, the term fiscal year is synonymous with financial year and refers to the periods covered by our Audited Consolidated and Combined Financial Statements.

We prepare our Audited Consolidated and Combined Financial Statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). We have applied all IFRS issued by the IASB effective at the time of preparing our Audited Consolidated and Combined Financial Statements. Our Audited Consolidated and Combined Financial Statements as of January 3, 2021 and December 31, 2019, and for the 2020 period and the 2019 period, have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C. member of Deloitte Touche Tohmatsu Limited (“Deloitte”), an independent registered public accounting firm, whose report dated March 25, 2021, is also included in this annual report. Our Audited Combined Financial Statements for the 2018 period, were audited by KPMG Cárdenas Dosal, S.C. a member firm of KPMG International Cooperative (“KPMG”), an independent registered public accounting firm, whose report dated September 27, 2019, is also included in this annual report.

Prior to BLSM Latino América Servicios, S.A. de C.V., a Mexican *sociedad anónima de capital variable* (“BLSM”), becoming a subsidiary of Betterware, we prepared combined financial statements because it provided more meaningful information to the reader as Betterware and BLSM were subsidiaries under the common control of Campalier, operating under common management; Considering the foregoing, combined financial statements of these entities were prepared as of December 31, 2019 and 2018. On March 10, 2020, BLSM became a subsidiary of Betterware and thus included in our consolidated financial statements as of such date. As a result, the combined statement of changes in stockholders’ equity for the 2019 and 2018 periods present the net parent investment gross by including contributed capital and retained earnings (rather than net as presented in prior years), as management believes it is a preferable presentation for comparability purposes with the share structure and presentation for the 2020 period. Our Audited Consolidated and Combined Financial Statements are presented in thousands of Mexican Pesos (Ps).

### Non-IFRS Measures

We define “EBITDA” as profit for the year adding back the depreciation of property, plant and equipment and right of use assets, amortization of intangible assets, financing cost, net and total income taxes. Adjusted EBITDA also excludes the effects of gains or losses on sale of fixed assets and adds back other non-recurring expenses. EBITDA and Adjusted EBITDA are not measures required by or presented in accordance with IFRS. The use of EBITDA and Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

Betterware believes that these non-IFRS financial measures are useful to investors because (i) Betterware uses these measures to analyze its financial results internally and believes they represent a measure of operating profitability and (ii) these measures will serve investors to understand and evaluate Betterware’s EBITDA and provide more tools for their analysis as it makes Betterware’s results comparable to industry peers that also prepare these measures.

## The Business Combination

### *The Initial Public Offering*

On October 16, 2018, DD3 Acquisition Corp., a British Virgin Islands company (“DD3”), consummated its initial public offering of 5,000,000 units and on October 23, 2018, the underwriters for DD3’s initial public offering purchased an additional 565,000 units pursuant to the partial exercise of their over-allotment option. The units in DD3’s initial public offering were sold at an offering price of U.S.\$10.00 per unit, generating total gross proceeds of U.S.\$55,650,000.

### *The Merger*

On August 2, 2019, DD3 entered into a Combination and Stock Purchase Agreement (as amended, the “Combination and Stock Purchase Agreement”) with Campalier, S.A. de C.V., a Mexican *sociedad anónima de capital variable* (“Campalier”), Promotora Forteza, S.A. de C.V., a Mexican *sociedad anónima de capital variable* (“Forteza”), Strevo, S.A. de C.V., a Mexican *sociedad anónima de capital variable* (“Strevo”, and together with Campalier and Forteza, “Sellers”), Betterware, BLSM, and, solely for the purposes of Article XI therein, DD3 Mex Acquisition Corp, S.A. de C.V., pursuant to which DD3 agreed to merge with and into Betterware (the “Merger”) in a Business Combination that resulted in Betterware surviving the Merger and BLSM becoming a wholly-owned subsidiary of Betterware.

As part of the Combination and Stock Purchase Agreement, and prior to the closing of the Merger, DD3 was redomiciled out of the British Virgin Islands and continued as a Mexican corporation pursuant to Section 184 of the Companies Act and Article 2 of the Mexican General Corporations Law.

### *The Company Restructure*

Following the execution of the Combination and Stock Purchase Agreement, on February 21, 2020, the Company’s shareholders approved, a corporate restructure in the Company (the “Company Restructure”) which implied, among other things (i) the Company’s by-laws amendment in order to issue Series C and Series D non-voting shares, and (ii) a redistribution of the Company’s capital stock as follows: (a) fixed portion of the Company’s capital stock represented by 3,075,946, Series A, ordinary voting shares, and (b) the variable portion of the Company’s capital stock represented by (x) 1,961,993, Series B, ordinary voting shares, (y) 897,261, Series C, ordinary non-voting shares (“Series C Shares”), and (z) 168,734, Series D, ordinary non-voting shares (“Series D Shares”). In addition, Strevo transferred one, Series A, ordinary voting share of Betterware to Campalier (the “Campalier Share”), which remained under certain Share Pledge Agreement, dated July 28, 2017, entered between Strevo, as pledgor, MCRF P, S.A. de C.V. SOFOM, E.N.R. (“CS”), as pledgee, and Betterware.

Immediately after the Company’s Restructure and the transfer of the Campalier Share to Campalier, Forteza indirectly owned, through Banco Invox, S.A., Invox Grupo Financiero (“Invox”), as trustee of the irrevocable management and security trust No. 2397 (the “Invox Security Trust”), executed on March 26, 2016, as amended, with CS, as beneficiary, approximately 38.94% of the outstanding common stock of Betterware, and Campalier indirectly owned, through the Invox Security Trust, approximately 61.06% of the outstanding common stock of Betterware.

On March 9, 2020, the Invox Security Trust released the Series C Shares and the Series D Shares to Campalier and Forteza, respectively, that were held under the Invox Security Trust.

On March 10, 2020, CS, as pledgee, entered into a Termination of the Share Pledge Agreement over the Campalier Share with Campalier, as pledgor, and Betterware. In addition, CS, as beneficiary, Invox, as trustee, and Campalier, as settlor, entered into a Transfer Agreement, where Campalier transferred the Campalier Share to the Invox Security Trust.

Upon such transfer to the Invox Security Trust, the Company’s shareholders approved (i) the sale of all or a portion of such Company’s Series C and Series D shares to DD3 Acquisition Corp., S.A. de C.V. (the “DD3 Acquisition”), (ii) the Merger, (iii) the amendment of the Company’s by-laws to become a *sociedad anónima promotora de inversion de capital variable*, (iv) the increase of the Company’s capital stock by MX\$94,311,438.00, through the issuance of 2,211,075 ordinary shares, without nominal value, subscribed by the shareholders of DD3 Acquisition Corp., S.A. de C.V., and (v) the increase of the Company’s capital stock by MX\$872,878,500.00 through the issuance of 4,500,000 ordinary treasury shares without nominal value, offered for subscription and payment under the Company’s public offering in the U.S. completed and filed with the SEC under our Registration Statement on Form F-1, which became effective on January 22, 2020.

On March 10, 2020, Betterware's corporate name changed from Betterware de México, S.A. de C.V. to Betterware de México, S.A.P.I. de C.V.

The DD3 Acquisition was closed on March 13, 2020, and as a result, all of Betterware shares that were issued and outstanding immediately prior to the closing date were canceled and new shares were issued. The DD3 Acquisition was accounted as a capital reorganization, whereby Betterware issued shares to the DD3 shareholders and obtained US\$22,767 (Ps.498,445) in cash through the acquisition of DD3 and, simultaneously settled liabilities and related transaction costs on that date, for net cash earnings of US\$7,519 (Ps.181,734) on such date. In addition, Betterware assumed the obligation of the warrants issued by DD3, a liability inherent to the transaction, equivalent to the fair value of Ps.55,810 of the warrants. No other assets or liabilities were transferred as part of the transaction that required adjustment to fair value as a result of the acquisition.

On the same date, a total of 2,040,000 of Betterware shares, that were offered for subscription and payment under its public offering on Nasdaq Capital Market ("Nasdaq"), were subscribed and paid for by various investors.

On July 14, 2020, Betterware's corporate name changed from Betterware de México, S.A.P.I. de C.V. to Betterware de México, S.A.B. de C.V. For purposes of this annual report, the Merger, the Company Restructure and all related actions undertaken in connection thereto are referred to as the "Business Combination."

#### *The Business Combination*

Upon satisfaction of certain conditions and covenants as set forth under the Combination and Stock Purchase Agreement, the Business Combination was consummated and closed on March 13, 2020 (the "Closing"). At Closing, the following actions occurred:

- (i) DD3 issued to the Sellers as consideration for the purchase of a portion of the Series C and Series D shares and the BLSM shares outstanding as of December 31, 2019, a debt acknowledgement in an amount equal to \$15,000,546.00;
- (ii) all of Betterware shares issued and outstanding immediately prior to the Closing were canceled and, Campalier and Forteza received, directly and indirectly (through the Invex Security Trust), 18,438,770 and 11,761,175, respectively, of Betterware's shares; and
- (iii) all of DD3's ordinary shares issued and outstanding immediately prior to the Closing were canceled and exchanged for Betterware shares on a one-for-one basis.

Immediately after the Closing, on the same day, 2,040,000 shares of the Company offered for subscription and payment under the Company's public offering in the U.S. on the Nasdaq were subscribed and paid for by various investors.

As a result of the Business Combination and the additional shares issued in the public offering, Betterware had 34,451,020 issued and outstanding shares, distributed as follows:

- (i) 25,669,956 shares, representing 74.5% of the total capital stock, are held by Invex Security Trust, as trustee and for the benefit of CS, as first place beneficiary thereunder;
- (ii) 1,764,175 shares, representing 5.1% of the total capital stock, are owned by Forteza;
- (iii) 2,765,814 shares, representing 8.0% of the total capital stock, are owned by Campalier;
- (iv) 2,211,075 shares, representing 6.4% of the total capital stock, are owned by former DD3 Shareholders as a result of the cancellation of DD3's ordinary shares and exchange for Betterware shares on a one-for-one basis; and
- (v) 2,040,000 shares, representing 5.9% of the total capital stock, are owned by the F-1 Investors.



As part of the Merger, Betterware assumed an obligation that granted existing warrant holders the option to purchase (i) a total of 5,804,125 Betterware shares at a price of US\$11.50 per share that would expire on or before March 25, 2025, and (ii) a total of 250,000 units that automatically became an option to issue 250,000 Betterware shares and warrants to buy 250,000 additional Betterware shares. The Company registered the warrants to be traded on OTC Markets, which had an observable fair value. The following events occurred in 2020 as part of the warrants agreement:

- (i) During July and August 2020, the Group repurchased 1,573,888 warrants. During August and October, 2020, 895,597 warrants were exchanged for 621,098 shares, of which, 462,130 warrants were settled on a cash basis by exchanging 1 warrant for 1 share at a price of US\$11.44 for share, which resulted in receiving cash by an amount of Ps.116,419. The remaining 433,467 warrants were exchanged on a cashless basis by exchanging 1 warrant for 0.37 shares.
- (ii) in September 2020, the purchase option of units was exercised by their holders on a cashless basis, which resulted in the issuance of 214,020 Betterware shares.
- (iii) Additionally, in October, 2020, and as part of the terms of the warrant agreement, the Company exercised the redemption of the warrants on a cashless basis by exchanging 3,087,022 warrants for 1,142,325 of the Company's shares. A total of 8,493 public warrants were not exercised by their holders during the redemption period that expired on November 9, 2020, therefore, they were paid by the Company for a price of US\$0.01 per warrant.
- (iv) In December, 2020, holders exercised a total of 239,125 private warrants on a cashless basis and exchanged for 156,505 of the Company's shares.
- (v) As of the date of this annual report, the warrant holders had redeemed all of the outstanding warrants and purchase option of units and the Company recognized a loss for the increase in the fair value of the warrants of Ps.851,520, which is recognized under the heading "Loss in valuation of warrants" in the consolidated and combined statement of profit or loss.

As of the date of this annual report and as consequence of the transactions described before, the total number of outstanding shares of the Company is 36,584,968.

#### **PRESENTATION OF INDUSTRY AND MARKET DATA**

In this annual report, we rely on, and refer to, information regarding our business and the markets in which we operate and compete. The market data and certain economic and industry data and forecasts used in this annual report were obtained from internal surveys, market research, governmental and other publicly available information and independent industry publications. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable, but we have not independently verified them and cannot guarantee their accuracy or completeness.

Certain market share information and other statements presented herein regarding our position relative to our competitors are not based on published statistical data or information obtained from independent third parties, but reflects our best estimates. We have based these estimates upon information obtained from publicly available information from our competitors in the industry in which we operate.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED FINANCIAL DATA

The following selected consolidated and combined financial information and other data of the Company should be read in conjunction with, and are qualified by reference to, "Item 5. Operating and Financial Review and Prospects" and our Audited Consolidated and Combined Financial Statements and the notes thereto included elsewhere in this annual report. Our financial information is presented in thousands of Mexican pesos unless otherwise instructed.

The selected consolidated and combined statement of financial position data and the selected consolidated and combined statement of income, comprehensive income and cash flow data for the 2020, 2019 and 2018 periods, respectively have been derived from our Audited Consolidated and Combined Financial Statements included elsewhere in this annual report.

We prepare our Audited Consolidated and Combined Financial Statements in accordance with IFRS as issued by the IASB. We have applied all IFRS issued by the IASB effective at the time of preparing our Audited Consolidated and Combined Financial Statements.

**Selected Statement of Financial Position Data as of January 3, 2021, December 31, 2019 and 2018**  
**(In thousands of Mexican pesos "Ps.")**

	<b>As of January 3, 2021</b>	<b>As of December 31, 2019</b>	<b>As of December 31, 2018</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	Ps. 649,820	213,697	177,383
Trade accounts receivable, net	757,806	247,087	198,776
Inventories	1,274,026	345,554	302,206
Other current assets <sup>(1)</sup>	224,918	74,368	51,485
Total current assets	<u>2,906,570</u>	<u>880,706</u>	<u>729,851</u>
Property, plant and equipment, net	791,127	207,350	42,972
Intangible assets, net	319,361	310,965	312,099
Goodwill	348,441	348,441	348,441
Other non-current assets <sup>(2)</sup>	48,261	42,264	24,235
Total non-current assets	<u>1,507,190</u>	<u>909,020</u>	<u>727,748</u>
	<u>Ps. 4,413,760</u>	<u>1,789,726</u>	<u>1,457,598</u>

(1) Includes also prepaid expenses.

(2) Includes also right of use assets, net, and deferred income tax.

**Selected Statement of Financial Position Data as of January 3, 2021, December 31, 2019 and 2018**  
(In thousands of Mexican pesos "Ps.")

	<b>As of January 3, 2021</b>	<b>As of December 31, 2019</b>	<b>As of December 31, 2018</b>
<b>Liabilities and Stockholders' equity</b>			
Current Liabilities:			
Borrowings	Ps. 105,910	148,070	90,691
Accounts payable to suppliers	2,078,628	529,348	445,241
Other current liabilities <sup>(1)</sup>	682,859	200,940	198,512
Total current liabilities	<u>2,867,397</u>	<u>878,358</u>	<u>734,444</u>
Non-current Liabilities:			
Deferred Income tax	56,959	78,501	70,627
Borrowings	523,967	529,643	562,788
Other non-current liabilities <sup>(2)</sup>	43,544	28,742	9,475
Total non-current liabilities	<u>624,470</u>	<u>636,886</u>	<u>642,890</u>
Total liabilities	<u>3,491,867</u>	<u>1,515,244</u>	<u>1,377,334</u>
<b>Stockholders' equity</b>	<b><u>921,893</u></b>	<b><u>274,482</u></b>	<b><u>80,264</u></b>
	Ps. 4,413,760	1,789,726	1,457,598

(1) Includes accrued expenses, provisions, income tax and value added tax payable, employee profit sharing payable, lease liability and derivative financial instruments.

(2) Includes statutory employee benefits, derivative financial instruments and lease liability.

**Selected Statement of Profit or Loss Data for the 2020 period, the 2019 period and the 2018 period**  
(In thousands of Mexican pesos "Ps.")

	<b>January 3, 2021</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Net revenue	Ps. 7,260,408	3,084,662	2,316,716
Cost of sales	3,290,994	1,280,829	958,469
Gross profit	3,969,414	1,803,833	1,358,247
Administrative expenses	664,677	319,133	249,148
Selling expenses	853,355	551,300	454,016
Distribution expenses	331,023	121,155	103,336
Operating income	<u>2,120,359</u>	<u>812,245</u>	<u>551,747</u>
Financing cost, net <sup>(1)</sup>	(1,239,230)	(107,411)	(102,301)
Income before income taxes	<u>881,129</u>	<u>704,834</u>	<u>449,446</u>
Total income taxes	542,768	232,692	150,179
Net income for the year	<u>Ps. 338,361</u>	<u>472,142</u>	<u>299,267</u>

(1) Includes interest expense, interest income, unrealized loss/gain in valuation of derivative financial instruments and foreign exchange loss/gain.

The following table shows the income and share data used in the calculation of basic and diluted earnings per share for the 2020, 2019 and 2018 periods, respectively:

<b>Net income (in thousands of pesos)</b>				
Attributable to shareholders	Ps.	338,361	472,142	299,267
<b>Shares (in thousands of shares)</b>				
Weighted average of outstanding shares				
Basic		34,083	30,200	30,200
Diluted		34,383	30,200	30,200
Basic and diluted earnings per share:				
Basic earnings per share (pesos per share)	Ps.	9.93	15.63	9.91
Diluted earnings per share (pesos per share)		9.84	15.63	9.91

Please see Note 23 of the Audited Consolidated and Combined Financial Statements elsewhere in this annual report for details of the transactions impacting basic and diluted earnings per share for the 2020, 2019 and 2018 periods.

## RECONCILIATION OF NON-IFRS MEASURES

### Non IFRS Financial Measures

We define “EBITDA” as profit for the year adding back the depreciation of property, plant and equipment and right of use assets, amortization of intangible assets, financing cost, net and total income taxes. Adjusted EBITDA also excludes the effects of gains or losses on sale of fixed assets and adds back other non-recurring expenses. EBITDA and Adjusted EBITDA are not measures required by, or presented in accordance with IFRS. The use of EBITDA and Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

Betterware believes that these non-IFRS financial measures are useful to investors because (i) Betterware uses these measures to analyze its financial results internally and believes they represent a measure of operating profitability and (ii) these measures will serve investors to understand and evaluate Betterware’s EBITDA and provide more tools for their analysis as it makes Betterware’s results comparable to industry peers that also prepare these measures.

### Betterware’s EBITDA and Adjusted EBITDA Reconciliation

In thousands of Mexican Pesos	January 3, 2021	December 31, 2019	December 31, 2018
<b>Net Income for the period</b>	<b>Ps. 338,361</b>	<b>472,142</b>	<b>299,267</b>
Add: Total Income Taxes	542,768	232,692	150,179
Add: Financing Cost, net	1,239,230	107,411	102,301
Add: Depreciation and Amortization	43,688	38,394	25,960
<b>EBITDA</b>	<b>Ps. 2,164,047</b>	<b>850,639</b>	<b>577,707</b>
Other Adjustments	-	-	-
Less: Gain on sale of Fixed Assets <sup>(1)</sup>	-	-	(11,820)
Add: Non-recurring Expenses <sup>(2)</sup>	-	-	7,667
<b>Adjusted EBITDA</b>	<b>Ps. 2,164,047</b>	<b>Ps. 850,639</b>	<b>573,554</b>

(1) Gain on sale of transportation equipment.

(2) Expenses incurred in the year including market penetration analysis, liquidation payment to former employees and licensing implementation of SAS software.

**B. CAPITALIZATION AND INDEBTEDNESS**

Not applicable.

**C. REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not applicable.

**D. RISK FACTORS**

*An investment in our ordinary shares carries a significant degree of risk. You should carefully consider the following risk factors, together with all of the other information included in this annual report, before making a decision to invest in our ordinary shares. The risks described below are those which Betterware believes are the material risks that it faces. Some statements in this annual report, including such statements in the following risk factors, constitute forward-looking statements. See the section entitled "Cautionary Note Regarding Forward-Looking Statements." If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. In that event, the trading price of our securities could decline, and you could lose all or part of your investment.*

**Risks Related to Betterware's Business**

*If we are unable to retain our existing independent distributors and recruit additional distributors, our results of operations could be negatively affected.*

We distribute almost all of our products through our independent distributors and it depends on them directly for the sale of our products. BWM experiences high turnover among distributors from year to year since they terminate their services at any time. As a result, it needs to continue to retain existing and recruit additional independent distributors. To increase its revenue, BWM must increase the number and/or the productivity of our distributors. The number and productivity of BWM's distributors also depends on several additional factors, including:

- adverse publicity regarding BWM, our products, our distribution channel or its competitors;
- failure to motivate BWM's distributors with new products;
- the public's perception of BWM's products;
- competition for distributors from other direct selling companies;
- the public's perception of BWM's distributors and direct selling businesses in general; and
- general economic and business conditions.

BWM's operations would be harmed if we fail to generate continued interest and enthusiasm among our distributors or we fail to attract new distributors, or if BWM's distributors are unable to operate due to internal or external factors.

The number of our active distributors, including those at the manager and district director level, may not increase and could decline in the future. BWM's operating results could be harmed if existing and new business opportunities and products do not generate sufficient interest to retain existing distributors and attract new distributors.

***The loss of key high-level distributors could negatively impact Betterware's consultant growth and our revenue.***

As of January 3, 2021, BWM had approximately 1,230,699 active associates and approximately 59,713 distributors, district managers and district directors. The district directors, together with their extensive networks of downline distributors, account for an important part of our net revenue. As a result, the loss of a high-level consultant or a group of leading distributors in the consultant's network of downline distributors, whether by their own choice or through disciplinary actions by BWM for violations of our policies and procedures, could negatively impact our consultant growth and our net revenue.

***A decline in our customers' purchasing power or consumer confidence or in customers' financial condition and willingness to spend could materially and adversely affect our business.***

The sale of home organization products correlates strongly to the level of consumer spending generally, and thus is significantly affected by the general state of the economy and the ability and willingness of consumers to spend on discretionary items. Reduced consumer confidence and spending generally may result in reduced demand for BWM's products and limitations on our ability to maintain or increase prices. A decline in economic conditions or general consumer spending in any of our major markets could have a material adverse effect on our business, financial condition and results of operations.

***Failure of new products to gain distributors and market acceptance could harm Betterware's business.***

An important component of BWM's business is our ability to develop new products that create enthusiasm among our customers. If we fail to introduce new products planned for the future, our distributors' productivity could be harmed. In addition, if any new products fail to gain market acceptance, are restricted by regulatory requirements, or have quality problems, this would harm our results of operations. Factors that could affect our ability to continue to introduce new products include, among others, government regulations, proprietary protections of competitors that may limit our ability to offer comparable products and any failure to anticipate changes in consumer tastes and buying preferences.

***Betterware's markets are competitive, and market conditions and the strengths of competitors may harm our business.***

The market for BWM's products is competitive. Our results of operations may be harmed by market conditions and competition in the future. Many competitors have much greater name recognition and financial resources than BWM has, which may give them a competitive advantage. For example, BWM's products compete directly with branded, premium retail products. BWM currently does not have significant patent or other proprietary protection, and competitors may introduce products with the same ingredients that BWM uses in its products.

Betterware also competes with other companies for distributors. Some of these competitors have a longer operating history, better name recognition and greater financial resources than we do. Some of our competitors have also adopted and could continue to adopt some of BWM's business strategies. Consequently, to successfully compete in this market and attract and retain distributors, we must ensure that our business opportunities and compensation plans are financially rewarding. BWM may not be able to continue to successfully compete in this market for distributors, which would ultimately, affect our business operations.

***If Betterware's industry, business or our products are subject to adverse publicity, our business may suffer.***

Betterware is very dependent upon our distributors' and the general public's perception of the overall integrity of our business, as well as the safety and quality of our products and similar products distributed by other companies. The number and motivation of our distributors and the acceptance by the general public of our products may be negatively affected by adverse publicity regarding:

- the legality of network-marketing systems in general or Betterware's network-marketing system specifically;
- the safety and quality of our products;
- regulatory investigations of our products;
- the actions of our distributors;
- management of our distributors; and
- the direct selling industry.

***Failure of Betterware's internet and our other technology initiatives to create sustained consultant enthusiasm and incremental cost savings could negatively impact our business.***

We have been developing and implementing a strategy to use the internet to sign up distributors and take orders for our products. In certain demographic markets it has experienced some success using BWM's internet strategy to improve our operating efficiency. However, any cost savings from our internet strategy may not prove to be significant, or we may not be successful in adapting and implementing the strategy to other markets in which BWM operates. This could result in our inability to service our distributors in the manner they expect.

***We are dependent on information and communication technologies, and our systems and infrastructures face certain risks, including cybersecurity risks.***

We are dependent on information and communication technologies, and our systems and infrastructures face certain risks, including cybersecurity risks.

The operation of complex infrastructures and the coordination of the many actors involved in our operation require the use of several highly specialized information systems, including both our own information technology systems and those of third-party service providers, such as systems that monitor our operations or the status of our facilities, communication systems to inform the public, access control systems and closed circuit television security systems, infrastructure monitoring systems and radio and voice communication systems used by our personnel. In addition, our accounting and fixed assets, payroll, budgeting, human resources, supplier and commercial, hiring, payments and billing systems and our websites are key to our functioning. The proper functioning of these systems is critical to our operations and business management. These systems may, from time to time, require modifications or improvements as a result of changes in technology, the growth of our business and the functioning of each of these systems.

The risk of cyber-crime continues to augment across all industries and geographies as infiltrating technology is becoming increasingly sophisticated. If we are unable to prevent a significant cyber-attack, such attack could materially disrupt our operations, damage our reputation and lead to regulatory penalties and financial losses. To prevent such disruptions to our operations we have implemented a multi-layer security framework, from strategic corporate policies to operational procedures and controls. To support this framework, we use sophisticated technologies to secure our perimeter, computing equipment, networks, servers, storage and databases.

Information technology systems cannot be completely protected against certain events such as natural disasters, fraud, computer viruses, hacking, communication failures, equipment breakdown, software errors and other technical problems. However, our security framework allows us to minimize and manage these risks through the use of enabling technologies such as, but not limited to, firewalls, mail & web filtering, endpoint protection, antivirus and antimalware, access lists, encryption and hardening.

In addition, our business operations routine involves gathering personal information about vendors, distributors, customers and employees among others, through the use of information technologies. Breaches of our systems or those of our third-party contractors, or other failures to protect such information, could expose such people's personal information to unauthorized use. Any such event could give rise to a significant potential liability and reputational harm.

During 2020 and 2019, we encountered an increased number of non-material phishing attempts which consisted on fake e-mails requesting minor payments and/or confidential information. As mentioned, none of these attempts were material nor had any major consequences for our operations or our customers. However, we cannot guarantee any future events will not affect our operations or customers.

***Because of the costs and difficulties inherent in managing cross-border business operations, the Company's results of operations may be negatively impacted.***

Managing a business, operations, personnel or assets in another country is challenging and costly. Management may be inexperienced in cross-border business practices and unaware of significant differences in accounting rules, legal regimes and labor practices. Even with a seasoned and experienced management team, the costs and difficulties inherent in managing cross-border business operations, personnel and assets can be significant (and much higher than in a purely domestic business) and may negatively impact the Company's financial and operational performance.

***BWM's distributors are independent contractors and not employees. If regulatory authorities were to determine, however, that our distributors are legally BWM employees, BWM could have significant liability under social benefit laws.***

BWM's distributors are self-employed and are not our employees. Periodically, the question of the legal status of our distributors has arisen, usually with regard to possible coverage under social benefit laws that would require BWM to make regular contributions to social benefit funds. We cannot guarantee there will not be a future determination adverse to this criteria, which would substantial and materially adversely affect our business and financial condition.

***BWM depends on multiple contract manufacturers mostly located in China, and the loss of the services provided by any of our manufacturers could harm our business and results of operations.***

BWM has outsourced product manufacturing functions to third-party contractors mainly located in China. In 2020, products supplied by Chinese manufacturers accounted for approximately 90% of BWM's revenues.

If these suppliers have unscheduled downtime or are unable to fulfill their obligations under these manufacturing agreements because of political or regulatory restrictions, equipment breakdowns, natural disasters, health diseases or health epidemics, such as the COVID-19 virus, or any other cause, this could adversely affect BWM's overall operations and financial condition.

Also, although BWM provides all of the formulations used to manufacture our products, BWM has limited control over the manufacturing process itself. As a result, any difficulties encountered by the third-party manufacturer that result in product defects, production delays, cost overruns, or the inability to fulfill orders on a timely basis could have a material adverse effect on our business, financial condition and operating results.

***Goodwill, property, plant and equipment and intangible assets represent a significant portion of Betterware's statement of financial position and our operating results may suffer from possible impairments.***

Goodwill, property, plant and equipment and intangible assets in Betterware's statement of financial position derived from past business combinations carried out by BWM, are further explained in the notes to the consolidated and combined financial statements located elsewhere in this annual report. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually. Property, plant and equipment and intangible assets with definite useful lives are tested for impairment whenever there is an indication that these assets may be impaired. In the case of an impairment, we will recognize charges to our operating results based on the impairment assessment processes. In addition, future acquisitions may be made by BWM and a portion of the purchase price of these acquisitions may be allocated to acquired goodwill, property, plant and equipment and intangible assets. An impairment on property, plant and equipment or goodwill of acquired businesses could have a material adverse effect on our financial condition and results of operations.

***The COVID-19 virus (nCoV), as well as any other public health crises that may arise in the future, is having and will likely continue to have a negative impact on our gross margins and in our results of operation.***

In late December 2019, a notice of pneumonia of unknown cause originating from Wuhan, Hubei province of China was reported to the World Health Organization. A novel COVID-19 virus (nCoV) was identified, with cases soon confirmed in multiple provinces in China, as well as in several other countries. The Chinese government placed Wuhan and multiple other cities in Hubei province under quarantine, with approximately 60 million people affected. On March 11, 2020, the World Health Organization declared the coronavirus outbreak a pandemic. The ongoing COVID-19 has resulted in several cities be placed under quarantine, increased travel restrictions from and to several countries, such as the U.S., China, Italy, Spain and Mexico which had forced extended shutdowns of certain businesses in certain regions.

The COVID-19 pandemic continues to impact worldwide economic activity and pose the risk that we or our employees, contractors, suppliers, customers and other business partners may be prevented from conducting certain business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities or otherwise elected by companies as a preventive measure. In addition, mandated government authority measures or other measures elected by companies as a preventive measure may lead to our consumers being unable to complete purchases or other activities. Its impact on the global and local economies may also adversely impact consumer discretionary spending.



Although our operations were not interrupted as a result of the COVID-19 pandemic, our gross margin was negatively affected by the depreciation of the Mexican peso compared to the US dollar, as we acquire most of our products in US dollars. This affected and will likely continue affecting our results of operations for so long as the COVID-19 pandemic continues to impact global and local economies.

***Material weaknesses have been identified in Betterware's internal control over financial reporting, and if we fail to establish and maintain proper and effective internal controls over financial reporting, our results of operations and our ability to operate our business may be harmed.***

We are in the process of implementing *Internal Control—Integrated Framework* (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and as of January 3, 2021 management has identified material weaknesses associated with the components of COSO. See “Disclosure Controls and Procedures—Control and Procedures.”

***Betterware's controlling shareholder may have interests that conflict with your interests.***

As of January 3, 2021, Campalier owns approximately 51.57% of the outstanding common stock of Betterware. As the controlling shareholder, Campalier may take actions that are not in the best interests of the Company's other shareholders. These actions may be taken in many cases even if they are opposed by the Company's other shareholders. In addition, this concentration of ownership may discourage, delay or prevent a change in control which could deprive you of an opportunity to receive a premium for your Ordinary Shares as part of a sale of the Company.

***Our business and results of operations may be adversely affected by the increased strain on our resources from complying with the reporting, disclosure and other requirements applicable to public companies in the United States promulgated by the U.S. Government, Nasdaq or other relevant regulatory authorities.***

Compliance with existing, new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance. Changing laws, regulations and standards include those relating to accounting, corporate governance and public disclosure, including the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Sarbanes-Oxley Act of 2002, new SEC regulations and the Nasdaq listing guidelines. These laws, regulations and guidelines may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. In particular, compliance with Section 404 of the Sarbanes-Oxley Act of 2002 (“Section 404”) and related regulations regarding required assessment of internal controls over financial reporting and our external auditor's audit of that assessment, requires the commitment of significant financial and managerial resources. We also expect the regulations to increase our legal and financial compliance costs, making it more difficult to attract and retain qualified officers and members of our board of directors, particularly to serve on our audit committee, and make some activities more difficult, time-consuming and costly.

Existing, new and changing corporate governance and public disclosure requirements could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such governance standards. Our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses. In addition, new laws, regulations and standards regarding corporate governance may make it more difficult for our company to obtain director and officer liability insurance. Further, our board members and senior management could face an increased risk of personal liability in connection with their performance of duties. As a result, we may face difficulties attracting and retaining qualified board members and senior management, which could harm our business. If we fail to comply with new or changed laws or regulations and standards differ, our business and reputation may be harmed.

## **Risks Related to Mexico**

### ***Currency exchange rate fluctuations, particularly with respect to the US dollar/Mexican peso exchange rate, could lower margins.***

The value of the Mexican peso has been subject to significant fluctuations with respect to the U.S. dollar in the past and may be subject to significant fluctuations in the future. Historically, BWM has been able to raise their prices generally in line with local inflation, thereby helping to mitigate the effects of devaluations of the Mexican peso. However, BWM may not be able to maintain this pricing policy in the future, or future exchange rate fluctuations may have a material adverse effect on our ability to pay suppliers.

Given Betterware's inability to predict the degree of exchange rate fluctuations, it cannot estimate the effect these fluctuations may have upon future reported results, product pricing or our overall financial condition. Although we attempt to reduce our exposure to short-term exchange rate fluctuations by using foreign currency exchange contracts, it cannot be certain that these contracts or any other hedging activity will effectively reduce exchange rate exposure. In particular, BWM currently employs a hedging strategy comprised of forwards U.S. dollar–Mexican peso derivatives that are designed to protect us against devaluations of the Mexican peso. As of the date of this annual report, the hedging contracts cover 100% of the product needs as of November 2021. In addition, We generally purchase our hedging instruments on a rolling twelve-month basis; instruments protecting it to the same or a similar extent may not be available in the future on reasonable terms. Unprotected declines in the value of the Mexican peso against the U.S. dollar will adversely affect our ability to pay our dollar-denominated expenses, including our supplier obligations.

### ***Any adverse changes in BWM's business operations in Mexico would adversely affect our revenue and profitability.***

BWM's revenue is generated in Mexico. Various factors could harm BWM's business in Mexico. These factors include, among others:

- worsening economic conditions, including a prolonged recession in Mexico;
- fluctuations in currency exchange rates and inflation;
- longer collection cycles;
- potential adverse changes in tax laws;
- changes in labor conditions;
- burdens and costs of compliance with a variety of laws;
- political, social and economic instability;
- increases in taxation; and
- outbreaks of disease and health epidemics, such as the COVID-19 virus.

### ***Economic and political developments in Mexico and the United States may adversely affect Mexican economic policy.***

Economic conditions in Mexico are highly correlated with economic conditions in the United States due to the physical proximity and the high degree of economic activity between the two countries generally, including the trade facilitated by USMCA, the successor agreement to NAFTA. As a result, political developments in the United States, including changes in the administration and governmental policies, can also have an impact on the exchange rate between the U.S. dollar and the Mexican peso, economic conditions in Mexico and the global capital markets.

***Mexico is an emerging market economy, with attendant risks to BWM's results of operations and financial condition.***

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Accordingly, Mexican governmental actions concerning the economy and state-owned enterprises could have a significant impact on Mexican private sector entities in general, as well as on market conditions, prices and returns on Mexican securities. The national elections held on July 2, 2018 ended six years of rule by the Institutional Revolutionary Party or PRI with the election of President Andres Manuel Lopez Obrador, a member of the Morena Party, and resulted in the increased representation of opposition parties in the Mexican Congress and in mayoral and gubernatorial positions. Multiparty rule is still relatively new in Mexico and could result in economic or political conditions that could materially and adversely affect BWM's operations. BWM cannot predict the impact that this new political landscape will have on the Mexican economy. Furthermore, BWM's financial condition, results of operations and prospects and, consequently, the market price for our shares, may be affected by currency fluctuations, inflation, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico.

The Mexican economy in the past has suffered balance of payment deficits and shortages in foreign exchange reserves. There are currently no exchange controls in Mexico; however, Mexico has imposed foreign exchange controls in the past. Pursuant to the provisions of the United States-Mexico-Canada Agreement, if Mexico experiences serious balance of payment difficulties or the threat thereof in the future, Mexico would have the right to impose foreign exchange controls on investments made in Mexico, including those made by U.S. and Canadian investors.

Securities of companies in emerging market countries tend to be influenced by economic and market conditions in other emerging market countries. Emerging market countries, including Argentina and Venezuela, have recently been experiencing significant economic downturns and market volatility. These events could have adverse effects on the economic conditions and securities markets of other emerging market countries, including Mexico.

***Political and social events in Mexico could adversely affect our business.***

Mexico will hold federal and local intermediate elections on June 6, 2021. Due to the fact that the Partido Movimiento Regeneración Nacional (Morena), has majority in both houses of congress, the Party, and therefore the President of Mexico, has substantial power to approve new laws, amend existing ones and freely determine the policies and governmental actions including those related to the country's economy and therefore affect or impact the operations and financial results of Mexican companies. We cannot predict what the result of the elections will bring regarding the integration of congress and the ruling party's ability to maintain its current ability to dictate and implement public policies. The uncertainty associated with the result of the election and the result itself may adversely affect our operations and financial condition.

***Investments in Mexican companies entail substantial risk; the Mexican government has exercised, and continues to exercise, an important influence on the Mexican economy***

Investments in Mexico carry significant risks, including the risk of expropriation or nationalization laws being enacted or imposing exchange controls, taxes, inflationary, hyperinflationary, exchange rate risk, credit risk, among other governmental or political restrictions. We are incorporated under the laws of Mexico and most of our operations and assets are located in Mexico. As a consequence of the foregoing, our financial situation and operating results could be negatively affected.

The Mexican government has exercised, and continues to exercise, a strong influence on the country's economy. Consequently, Mexican federal government actions and policies related to the economy, state-owned and controlled companies, and financial institutions financed or influenced, could have a significant impact on private sector entities in general, including us, in particular and on market conditions, prices and returns on Mexican securities, including counterparty risk. The Mexican federal government has made major policy and regulatory changes and may do so again in the future. Actions to control inflation and other regulations and policies have involved, among other measures, an increase in interest rates, changes in fiscal policies, price controls, currency devaluations, capital controls and limits on imports. Tax and labor legislation, in particular, in Mexico is subject to continuous change, and we cannot guarantee that the Mexican government will maintain current economic or other policies in force or if any the changes to such laws and policies would have a material adverse effect on us or on our financial performance. The measures adopted by the government could have a significant effect on private sector entities in general, as well as on the market situation and on the price of our shares.

Additionally, the Mexican federal government has implemented protectionist policies in the past and could implement certain national policies in the future that could restrict our operations, including restrictions on imports from certain countries.

***Mexico may experience high levels of inflation in the future, which could affect BWM's results of operations.***

During most of the 1980s and during the mid- and late-1990s, Mexico experienced periods of high levels of inflation, although the country has had stable inflation during the last five years. The annual rates of inflation for the last five years as measured by changes in the National Consumer Price Index, as provided by Banco de Mexico, were:

2020	3.1%
2019	2.8%
2018	4.8%

A substantial increase in the Mexican inflation rate would have the effect of increasing some of BWM's costs, which could adversely affect our results of operations and financial condition.

***Mexico has experienced a period of increasing criminal activity, which could affect the Company's operations.***

In recent years, Mexico has experienced a period of increasing criminal activity, primarily due to the activities of drug cartels and related criminal organizations. In response, the Mexican Government has implemented various security measures and has strengthened its military and police forces aimed at decreasing incidents of theft and other criminal activity. Despite these efforts, criminal activity continues to exist in Mexico. These activities, their possible escalation and the violence associated with them, in an extreme case, may have a negative impact on the Company's financial condition and results of operations.

***The regulatory environment in which Betterware operates is evolving, and our operations may be modified or otherwise harmed by regulatory changes, subjective interpretations of laws or an inability to work effectively with national and local government agencies.***

Although BWM reviews applicable local laws in developing our plans, our efforts to comply with them may be harmed by an evolving regulatory climate and subjective interpretation of laws by the authorities. Any determination that BWM's operations or activities are not in compliance with applicable regulations could negatively impact our business and our reputation with regulators in the markets in which we operate.

***Laws and regulations may restrict Betterware's direct sales efforts and harm our revenue and profitability.***

Various government agencies throughout the world regulate direct sales practices. These laws and regulations are generally intended to prevent fraudulent or deceptive schemes, often referred to as "pyramid" schemes, that compensate participants for recruiting additional participants irrespective of product sales and/or which do not involve legitimate products. The laws and regulations in BWM's current markets often:

- impose on it order cancellations, product returns, inventory buy-backs and cooling-off rights for consumers and distributors;
- require us or our distributors to register with governmental agencies;
- impose on it reporting requirements to regulatory agencies; and/or
- require it to ensure that distributors are not being compensated solely based upon the recruitment of new distributors.

Complying with these sometimes inconsistent rules and regulations can be difficult and requires the devotion of significant resources on BWM's part.

In addition, Mexico could change its laws or regulations to negatively affect or prohibit completely network or direct sales efforts. Government agencies and courts in Mexico may also use their powers and discretion in interpreting and applying laws in a manner that limits BWM's ability to operate or otherwise harms our business. If any governmental authority were to bring a regulatory enforcement action against BWM that interrupts BWM's business, our revenue and earnings would likely suffer.

*You may have difficulty enforcing your rights against Betterware and our directors and executive officers.*

Betterware is a company incorporated in Mexico. All our directors and executive officers are non-residents of the U.S. You may be unable to effect service of process within the U.S. on Betterware, its directors and executive officers. In addition, as all of our assets and substantially all of the assets of our directors and executive officers are located outside of the U.S., you may be unable to enforce against BWM and our directors and executive officers judgments obtained in the U.S. courts, including judgments predicated upon civil liability provisions of the U.S. federal securities laws or state securities laws. There is also doubt as to the enforceability, in original actions in Mexican courts, of liabilities including those predicated solely on U.S. federal securities laws and as to the enforceability in Mexican courts of judgments of U.S. courts obtained in actions, including those predicated upon the civil liability provisions of U.S. federal securities laws. There is no bilateral treaty currently in effect between the United States and Mexico that covers the reciprocal enforcement of civil foreign judgments. In the past, Mexican courts have enforced judgments rendered in the United States by virtue of the legal principles of reciprocity and comity, consisting of the review in Mexico of the United States judgment, in order to ascertain, among other matters, whether Mexican legal principles of due process and public policy (*orden público*) have been complied with, without reviewing the merits of the subject matter of the case.

#### **Risks Related to Ownership of our Ordinary Shares**

*As a “foreign private issuer” under the rules and regulations of the SEC, Betterware is permitted to, and is expected to, file less or different information with the SEC than a company incorporated in the United States or otherwise subject to these rules, and is expected to follow certain home country corporate governance practices in lieu of certain Nasdaq requirements applicable to U.S. issuers.*

Betterware is considered a “foreign private issuer” under the Exchange Act and therefore exempt from certain rules under the Exchange Act, including the proxy rules, which impose certain disclosure and procedural requirements for proxy solicitations for U.S. and other issuers. Moreover, the Company is not required to file periodic reports and financial statements with the SEC as frequently or within the same time frames as U.S. companies with securities registered under the Exchange Act. We currently prepare our financial statements in accordance with IFRS. The Company is not required to file financial statements prepared in accordance with or reconciled to U.S. GAAP so long as our financial statements are prepared in accordance with IFRS. The Company is not required to comply with Regulation FD, which imposes restrictions on the selective disclosure of material information to shareholders. In addition, the Company’s officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions of Section 16 of the Exchange Act and the rules under the Exchange Act with respect to their purchases and sales of Company securities.

In addition, as a “foreign private issuer” whose shares are listed on Nasdaq, the Company is permitted to, and is expected to, follow certain home country corporate governance practices in lieu of certain Nasdaq requirements. A foreign private issuer must disclose in its annual reports filed with the SEC each Nasdaq requirement with which it does not comply followed by a description of its applicable home country practice. As a Mexican corporation listed on Nasdaq, the Company is expected to follow our home country practice with respect to the composition of the board of directors and nominations committee and executive sessions. Unlike the requirements of Nasdaq, the corporate governance practices and requirements in Mexico do not require the Company to have a majority of its board of directors to be independent; do not require the Company to establish a nominations committee; and do not require the Company to hold regular executive sessions where only independent directors shall be present. Such home country practices of Mexico may afford less protection to holders of Company shares.

The Company could lose its status as a “foreign private issuer” under current SEC rules and regulations if more than 50% of the Company’s outstanding voting securities become directly or indirectly held of record by U.S. holders and one of the following is true: (i) the majority of the Company’s directors or executive officers are U.S. citizens or residents; (ii) more than 50% of the Company’s assets are located in the United States; or (iii) the Company’s business is administered principally in the United States. If the Company loses its status as a foreign private issuer in the future, it will no longer be exempt from the rules described above and, among other things, will be required to file periodic reports and annual and quarterly financial statements as if it were a company incorporated in the United States. If this were to happen, the Company would likely incur substantial costs in fulfilling these additional regulatory requirements and members of the Company’s management would likely have to divert time and resources from other responsibilities to ensuring these additional regulatory requirements are fulfilled.

***Betterware qualifies as an emerging growth company within the meaning of the Securities Act, and if it takes advantage of certain exemptions from disclosure requirements available to emerging growth companies, which could make the Company's securities less attractive to investors and may make it more difficult to compare the Company's performance to the performance of other public companies.***

Betterware qualifies as an "emerging growth company" as defined in Section 2(a)(19) of the Securities Act, as modified by the JOBS Act. As such, the Company is eligible for and intends to take advantage of certain exemptions from various reporting requirements applicable to other public companies that are not emerging growth companies for as long as it continues to be an emerging growth company, including (i) the exemption from the auditor attestation requirements with respect to internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act, (ii) the exemptions from say-on-pay, say-on-frequency and say-on-golden parachute voting requirements and (iii) reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements. The Company will remain an emerging growth company until the earliest of (i) the last day of the fiscal year in which the market value of our ordinary shares that are held by non-affiliates exceeds \$700 million as of June 30 of that fiscal year, (ii) the last day of the fiscal year in which it has total annual gross revenue of \$1.07 billion or more during such fiscal year (as indexed for inflation), (iii) the date on which it has issued more than \$1 billion in non-convertible debt in the prior three-year period or (iv) the last day of the fiscal year following the fifth anniversary of the date of the first sale of DD3's ordinary shares in its initial public offering. In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the exemption from complying with new or revised accounting standards provided in Section 7(a)(2)(B) of the Securities Act as long as the Company is an emerging growth company. An emerging growth company can therefore delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. DD3 has elected not to opt out of such extended transition period and, therefore, the Company may not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. Investors may find the Company shares less attractive because the Company will rely on these exemptions, which may result in a less active trading market for the Company shares and their price may be more volatile.

***If securities or industry analysts do not publish or cease publishing research or reports about Betterware, our business, or markets, or if they change their recommendations regarding the Company shares adversely, the price and trading volume of the Company shares could decline.***

The trading market for the Company shares is influenced by the research and reports that industry or securities analysts may publish about the Company, our business, market or competitors. Securities and industry analysts do not currently, and may never, publish research on the Company. If no securities or industry analysts commence coverage of the Company, the price and trading volume of the Company shares would likely be negatively impacted. If any of the analysts who may cover the Company change their recommendation regarding the Company shares adversely, or provide more favorable relative recommendations about the Company's competitors, the price of the Company shares would likely decline. If any analyst who may cover the Company were to cease coverage of the Company or fail to regularly publish reports on it, the Company could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline.

***There can be no assurance that Betterware will be able to comply with the continued listing standards of Nasdaq.***

Betterware's shares are listed on Nasdaq under the symbol "BWMX." If Nasdaq delists the Company's securities from trading on its exchange for failure to meet the listing standards, the Company and its shareholders could face significant material adverse consequences including:

- a limited availability of market quotations for the Company's securities;
- a determination that the Company shares are "penny stock" which will require brokers trading in the Company shares to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for the Company shares;
- a limited amount of analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

***If Betterware is characterized as a passive foreign investment company, or a PFIC, adverse U.S. federal income tax consequences may result for U.S. holders of Company shares.***

Based on the projected composition of our income and assets, including goodwill, it is not expected that the Company will be a PFIC for its taxable year that includes the date of the Merger or in the foreseeable future. However, the tests for determining PFIC status are applied annually after the close of the taxable year, and it is difficult to predict accurately future income and assets relevant to this determination. Accordingly, there can be no assurance that the Company will not be considered a PFIC for any taxable year.

If the Company is a PFIC for any year during which a U.S. holder holds Company shares, a U.S. holder generally would be subject to additional taxes (including taxation at ordinary income rates and an interest charge) on any gain realized from a sale or other disposition of the Company shares and on any “excess distributions” received from the Company. Certain elections may be available that would result in alternative treatments of the Company shares.

We urge U.S. holders to consult their own tax advisors regarding the possible application of the PFIC rules to the ownership of Company shares.

***An investor may be subject to adverse U.S. federal income tax consequences in the event the IRS were to disagree with the U.S. federal income tax consequences described herein.***

The Tax Cuts and Jobs Act of 2017, or the TCJA, and was signed into law on December 22, 2017. The TCJA changes many of the U.S. corporate and international tax provisions, and certain of the provisions are unclear. No ruling has been or will be requested from the IRS as to any U.S. federal income tax consequences described herein. The IRS may disagree with the descriptions of U.S. federal income tax consequences contained herein, and its determination may be upheld by a court. Any such determination could subject an investor or the Company to adverse U.S. federal income tax consequences that would be different than those described herein. Accordingly, each prospective investor is urged to consult a tax advisor with respect to the specific tax consequences of the acquisition, ownership and disposition of DD3’s or the Company’s securities, including the applicability and effect of state, local or non-U.S. tax laws, as well as U.S. federal tax laws.

***The Amended and Restated Charter of Betterware provides for the exclusive jurisdiction of the federal courts in Mexico City, Mexico for substantially all disputes between the Company and its shareholders, which could limit Company shareholders’ ability to obtain a favorable judicial forum for disputes with the Company or its directors, officers, other employees or shareholders.***

The Amended and Restated Charter of the Company provides for the exclusive jurisdiction of the federal courts located in Mexico City, Mexico for the following civil actions:

- any action between the Company and its shareholders; and
- any action between two or more shareholders or groups of shareholders of the Company regarding any matters relating to the Company.

This exclusive jurisdiction provision may limit a shareholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company or any of its directors, officers, other employees or shareholders, which may discourage lawsuits with respect to such claims, although the Company’s shareholders will not be deemed to have waived the Company’s compliance with U.S. federal securities laws and the rules and regulations thereunder applicable to foreign private issuers. Alternatively, if a court were to find the exclusive jurisdiction provision contained in the Amended and Restated Charter to be inapplicable or unenforceable in an action, the Company may incur additional costs associated with resolving such action in other jurisdictions, which could harm the Company’s business, operating results and financial condition. The exclusive jurisdiction provision would not prevent derivative shareholder actions based on claims arising under U.S. federal securities laws from being raised in a U.S. court and would not prevent a U.S. court from asserting jurisdiction over such claims. However, there is uncertainty whether a U.S. court would enforce the exclusive jurisdiction provision for actions for breach of fiduciary duty and other claims.

***The anti-takeover protections included in our Bylaws and others provided under Mexican Law may deter potential acquirors***

Our bylaws provide that, subject to certain exceptions as explained below, prior written approval from the board of directors shall be required for any person, or group of persons to acquire, directly or indirectly, any of our common shares or rights to our common shares, by any means or under any title whether in a single event or in a set of consecutive events, such that its total shares or rights to shares would represent 20% or more of our outstanding shares.

These provisions could make it substantially more difficult for a third party to acquire control of us. These provisions in our bylaws may discourage certain types of transactions involving the acquisition of our securities. These provisions could discourage transactions in which our shareholders might otherwise receive a premium for their shares over the then current market price. Holders of our securities who acquire shares in violation of these provisions will not be able to vote, or receive dividends, distributions or other rights in respect of, these securities and would be obligated to pay us a penalty. For a description of these provisions, see “Item 10. Additional Information—Bylaws—Anti-takeover Protections.”

#### ITEM 4. COMPANY INFORMATION

The Company makes its filings in electronic form under the EDGAR filing system of the SEC. Its filings are available through the EDGAR system at [www.sec.gov](http://www.sec.gov). The Company's filings are also available to the public through the Internet at the Company's website at <http://ri.betterware.com.mx/>.

##### A. HISTORY AND DEVELOPMENT OF THE COMPANY

- Founded in 1995, Betterware is a leading direct-to-costumer company in Mexico. The Company is focused on the home organization segment, with a wide product portfolio including home solutions, kitchen and food preservation, technology and mobility, among other categories.
- On July 28, 2017, Betterware entered into a merger agreement with Betterware Controladora, S.A. de C.V. ("BWC") and Strevo Holding, S.A. de C.V. (controlling company of BWC and in turn, subsidiary of Campalier). Betterware was the surviving entity to such merger and the merged companies ceased to exist.
- On August 2, 2019, DD3 entered into a Combination and Stock Purchase Agreement with Sellers, Betterware, BLSM, pursuant to which DD3 agreed to merge with and into Betterware in a Business Combination. See "The Business Combination."
- On March 13, 2020, the Merger with DD3 was closed and consummated.
- On July 14, 2020, Betterware's corporate name changed from Betterware de México, S.A.P.I. de C.V. to Betterware de México, S.A.B. de C.V.
- On December 14, 2020, Betterware and Forteza, (Betterware's shareholder), entered into a merger agreement pursuant to which Forteza agreed to merge with and into Betterware, surviving Betterware as the acquiror. On December 16, 2020, the merger was completed. Consequently, shares in Betterware were delivered to Forteza's shareholders in proportion to their shareholding in Betterware, without implying an increase in Betterware's share capital or in the total number of outstanding shares of the Company.

##### B. BUSINESS OVERVIEW

###### *Company Overview*

Founded in 1995, Betterware is a leading direct-to-customer company in Mexico. BWM is focused on the home organization segment, with a wide product portfolio including home solutions, kitchen and food preservation, technology and mobility, among other categories.

BWM sells its products through nine catalogues published throughout the year (approximately six weeks outstanding each) with an offer of approximately 380 products per catalogue. BWM constantly innovates introducing approximately 300 products every year, representing 10% – 15% of the products in a catalogue. All of the products are Betterware branded with unique characteristics and manufactured by +300 certified producers in Mexico and China, and then delivered to BWM's warehouses in Guadalajara, Jalisco where they process and pack the products.

Betterware sells its products through a unique two-tier sales model that is comprised of more than 1,290,412 Distributors and Associates across Mexico, that serve + 20% Household Penetration in Mexico, and 82% of Distributors place orders every week. The Distributors and Associates are monitored tightly through an in-house developed business intelligence platform that tracks weekly performance and has a detailed mapping system of the country to identify potential areas to penetrate and increase the network.

BWM's business model is tailored to Mexico's unique geographic, demographic and economic dynamics, where communities are small and scattered across the country, with very low retail penetration and difficult to fulfill last mile logistics, middle-income consumers are emerging, and historic high consumer confidence was present during 2020. Additionally, the business model is resilient to economic downturns given low average sales price to consumers and also because being a Distributor or Associate represents an additional source of income for households. As a result, BWM's operations are not subject to significant seasonal fluctuations.



Betterware has a zero last mile cost, with its Distributors and Associates delivering the products to the final consumers.

Betterware has shown long term sustainable double-digit growth rates in revenue and adjusted EBITDA. For the 2020 period, Betterware had triple-digit growth and has built a platform that management believes can grow domestically in Mexico and in other markets.

### ***Industry Overview***

Direct selling is a retail channel used by top global brands, the market serves all types of goods and services, including healthcare, jewelry, cookware, nutritionals, cosmetics, housewares, energy and insurance, among others. The direct selling channel differs from broader retail in an important way mainly due to the avenue where entrepreneurial-minded individuals can work independently to build a business with low start-up and overhead costs.

17 Direct selling representatives work on their own but are affiliated with a company that uses the channel, retaining the freedom to run a business and have other sources of income.

An important number of representatives join direct selling companies because they enjoy their products or services and want to purchase them at a discount. Some others decide to market these offerings to friends, family and others and earn discounts from their sales.

### ***Competitive Strengths***

#### *Unique Business Intelligence and Data Analytics Unit*

Betterware's in-house business intelligence unit plays a crucial role within the operations and strategy of the company. The unit's team is comprised of geographers, anthropologists, actuaries, and more, in order to diversify the way of thinking and create the best analyses and business strategies.

The main functions of the business intelligence unit are:

1. Clear strategy development
2. Tight Monitoring
3. Product Intelligence

#### *Product Development and Innovation Program*

- The Company offers a product portfolio with great depth in the home organization segment through six different categories; kitchen and food preservation, home solutions, bathroom, laundry & cleaning, tech and mobility and bedroom
- Constant product innovation is engaged by Betterware through refreshing its catalogue content and attracting clients' repeated purchases
- The Company has a team focused solely in performing industry analyses and product development and monitoring backed by the data analytics unit's commercial strategy

#### *Distributors and Associates Network & Loyalty and Reward Programs*

- Betterware has a unique two-tier sales model and one of the most robust networks with more than 59,713 Distributors and 1,230,699 Associates as of January 3, 2021.
- The Company's Distributors and Associates serve around 20% Household Penetration in Mexico and 82% of Distributors place orders every week.
- The Company has a remarkable rewards program that attracts, retains, and motivates Distributors and Associates through product discounts, Betterware Points, trips, gifts and more.

### *Unparalleled Logistics and Supply Chain Platform*

- All of Betterware's products are manufactured by more than 300 third party factories certified under the Company's quality standards.

### ***Growth Strategies***

- The Company's warehousing practices includes a 80-day service level inventory.
- Betterware distributes all products from its distribution center in Guadalajara, Mexico.
- Distributors personally deliver orders to each of its associates, thus eliminating last mile costs for the Company

### *Experienced Management & Meritocratic Culture*

- Betterware's president has more than 25 years of experience in the direct-to-consumer selling sector across the Americas and a strong track record of delivering value to its shareholders with commitment to excellence
- Top management has been with the Company six years on average
- The company's culture is based on the following principles
  1. Result driven management:
    - Incentives based on results
    - Highly professional operation and no bureaucracy
  2. Meritocratic culture:
    - Culture focused on solutions, delivery, discipline and commitment
  3. Closeness to salesforce:
    - Management are close and visible to Distributors and Associates
    - Open office spaces for efficient flow of information and data allows fast decision making

The company has a clear and executable plan for growth, which includes organic and inorganic initiatives. The main strategies divided by timeline are the following:

- Short Term
  1. Web marketing/E-commerce
  2. Increase Service Capacity
    - Construction of new headquarters campus
- Medium Term
  1. New Product Line
  2. International Expansion to Latin America
  3. Strategic Acquisitions

### ***Offerings***

The living spaces in our target communities are on a decreasing size trend. Hence it is becoming more and more important to optimize the organization within our living spaces and hectic lifestyles. The Company offers a unique and innovative product portfolio with great depth in the home organization segment focused on providing everyday solutions for modern spaces.

- The company offers its products through 8 different categories; including kitchen and food preservation, home solutions, bathroom, laundry and cleaning, tech and mobility and bedroom
- Products are sold through catalogues that offer approximately 380 products. Each catalogue has extensive consumer reading behavior analysis to ensure that the content is distributed in the most efficient way and purchase potential is maximized
- Constant product innovation introducing approximately 300 new products every year and development is conducted where the focus is on refreshing catalogue content and attracting repeated purchases from clients
- The Company employs an efficient pricing strategy focused in maximizing revenue and margins and minimizing inventory losses
- The Company has a team focused solely on performing industry analyses and monitoring backed by the data analytics unit commercial market strategy

### ***Logistics Infrastructure and Supply Chain***

#### ***Customers***

- Betterware is 100% committed to provide products to its customers that serve as everyday solutions for modern space organization. Betterware also has the objective of providing products that are accessible to anyone. With these objectives in mind, the Company's target market is all households in Mexico.
- Most of the Company's end customers are adult men and women with the desire of optimizing their homes organization

#### ***Sales & Marketing***

Betterware does not rely on significant traditional advertising expenditures to drive net sales since Distributors and Associates distribute its catalogues directly to customers, thus making the sales catalog design and printing an important selling expense representing 3.4% of net revenue. Some of the main advertising costs incurred by the Company include social media and transit advertising in bus lines and subways that represent 0.2% of net revenue.

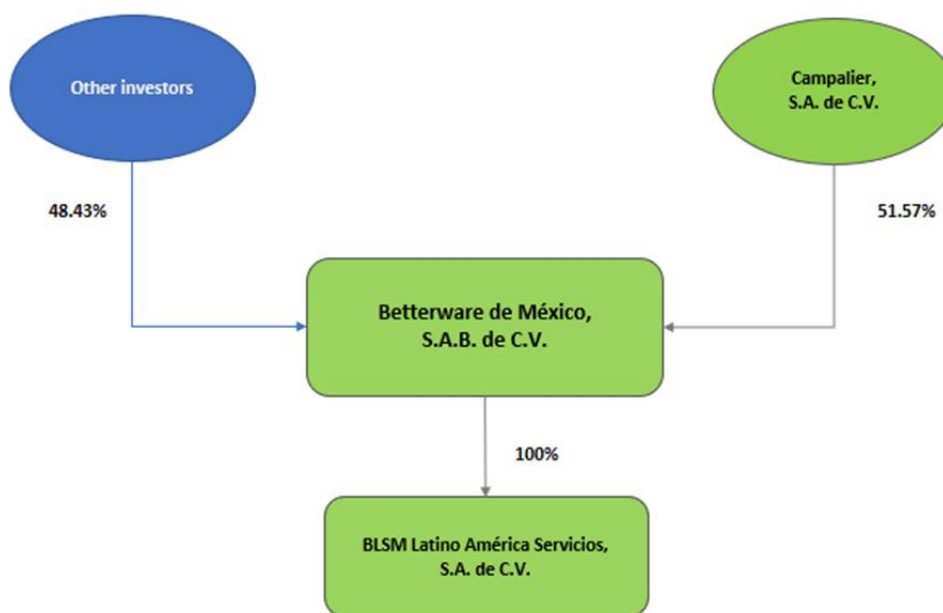
Betterware establishes and maintains credibility primarily through the quality of their products, their customer service and the attractiveness of their pricing.

#### ***Research & Development***

- The Company performs constant product innovation with the objectives of refreshing its catalogue content and attracting clients' repeated purchases
- The Company has a team focused solely on performing industry analyses, product development and monitoring of products
- Product development is backed by the data analytics unit's commercial strategy

**C. ORGANIZATIONAL STRUCTURE**

The following diagram depicts the current organizational structure of Betterware:



**D. PROPERTY, PLANT AND EQUIPMENT**

Our principal executive offices are located in Guadalajara, Mexico. As of January 3, 2021, we leased premises of approximately 26,318 square meters. We also lease offices in Mexico City, with an aggregate area of approximately 384 square meters. We lease our premises from unrelated third parties. Below is a summary of the terms of each of our current leases. We do not plan to renew most of these leases when they expire as in the first quarter of 2021, we completed the construction of a distribution center in Guadalajara, Mexico. As of January 3, 2021, the total amount of investment capital expenditures related to this construction was Ps.674 million.

<b>Leased properties</b>	<b>Term</b>	<b>Area (square meters)</b>
Distribution center – CEDIS	April 30, 2021	12,657
Warehouse CEREC I	February 28, 2021	6,921
Warehouse CEREC III	February 28, 2021	4,717
Warehouse CEREC II	September 30, 2020	2,023
Mexico City – Casa Better	April 30, 2022	384
<b>Total</b>		<b>26,702</b>

#### ITEM 4A. UNRESOLVED SEC STAFF COMMENTS

The Company has no unresolved comments from the staff of the SEC with respect to its periodic reports under the Exchange Act.

#### ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

*Our discussion and analysis of our results of operations and financial condition are based upon our Audited Consolidated and Combined Financial Statements, which have been prepared in accordance with IFRS. Our operating and financial review and prospects should be read in conjunction with our Audited Consolidated and Combined Financial Statements, the accompanying notes thereto and other financial information appearing elsewhere in this annual report.*

##### A. Operating Results

###### Factors Affecting Our Results of Operations

A number of factors have a significant impact on our business and results of operations, the most important of which are regulations, fluctuations in exchange rates in the currencies in which we operate, external factors, such as the COVID-19 pandemic, See “—Operating and Financial Review and Prospects—Liquidity and Capital Resources—The COVID-19 Impact,” and our capital investment plans.

###### *Distributors and Associates*

Betterware sells its products through a unique two-tier sales model that is comprised of Distributors and Associates. Distributors are the link between the Company and the Associates. The Company distributes products in a weekly basis to the Distributors domicile, who in turn delivers to each Associate. To cover for the associated payment cycle, the Company provides to Distributors a two-- week credit line for them to make the payment back to the Company.

###### *Net Revenue*

BWM primarily generates its revenue through selling products focused on the home organization segment under the Betterware® brand. Some of the categories through which the Company offers its product line include Kitchen and Food Preservation, Bathroom, Bedroom, Home Solutions, among others. BWM's products are sold through catalogues and are distributed to the end customer by its network of Distributors and Associates. BWM sells its products to a wide array of customers but focuses on the C and D segments of the socioeconomic pyramid in Mexico.

BWM's revenues are driven by the increase in volume of products sold, the price of its products and by the increase in its network of Distributors and Associates. Factors that impact unit pricing and sales volume include promotional campaigns, marketing campaigns, the Company's business intelligence unit, increase in variable costs, and macroeconomic factors.

BWM reports net revenue, which represents its gross revenue less sales discounts, adjustments and allowances, also the Company has a deferred revenue due to undelivered performance obligations related to the promotional points, so the revenue is determined in a five-step model:

- Identify the contract with client (verbal or written).
- Identify the performance obligations committed in the contract.
- Consider the contractual terms and the business model of the Company in order to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. In determining the transaction price, the Company considers the variable considerations.

- Allocate the transaction price to the performance obligations identified in the contract (generally each distinct good or service), to depict the amount of consideration to which an entity expects to be entitled in exchange for transferring the promised goods or services to the customer.
- Recognition of revenue when or as it satisfies a performance obligation by transferring a good or service to a customer, either at a point in time (when) or over time (as).

#### *Cost of Sales*

Cost of goods sold consists of the purchase of finished goods, maritime freight costs, land freight costs, customs costs, provisions for defective inventory, among others. The cost of finished goods and maritime and land freight costs represent the majority of BWM total costs of goods sold.

#### *Selling Expenses*

Selling expenses include all costs related to the sale of products, such as printing and design of sales catalog, packing material costs, events, marketing and advertising, a part of promotional points products expenses, among others. Costs related to sales catalog and rewards program products account for most of the weight of total selling expenses.

#### *Administrative Expenses*

Administrative expenses primarily include employee salaries and related expenses of all departments of the company's operations, such as accounting, planning, customer service, legal, and human resources. Also included are corporate operations, research and development, leases, professional services relating to BWM's statutory corporate audit and tax advisory fees, legal fees, outsourcing fees relating to information technology, and corporate site and insurance costs.

#### *Financing Income/Cost*

Financing income/costs consists primarily of: (i) interest expense and charges in connection with financings, (ii) income derived from investments of excess cash, (iii) loss/gains from foreign exchange changes, and (iv) loss /gains in valuation of derivative financial instruments (including the fair value effects of the warrants).

#### *Income Taxes*

The Company is subject to a 30% Corporate Income Tax rate provided by the Mexican Income Tax Law.

#### *Fluctuations in Exchange Rates in the Currencies in which We Operate*

Our primary foreign currency exposure gives rise to market risks associated with exchange rate movements of the, Mexican Peso against the U.S. dollar See “—Quantitative and Qualitative Disclosure about Market Risk—Exchange Rate Risk.”

### **Results of Operations — 2020 period compared with the 2019 period**

*All amounts discussed are in thousands of Mexican pesos unless otherwise noted*

#### ***Net Revenue***

	<b>January 3, 2021</b>	<b>December 31, 2019</b>
Net Revenue	Ps. 7,260,408	3,084,662

Net revenue increased by 135.4%, or MX\$ 4,175,746, to MX\$7,260,408 for the 2020 period compared to MX\$3,084,662 for the 2019 period, primarily due to: (i) an increase in volume of units sold, mainly as a consequence of an increase in the distribution network, including distributors and associates (for the 2020 period the Company had a Distributors and Associates network of 1,290,412 and 133.7 million units compared to 437,872 Distributors and Associates network and 42.3 million units for the 2019 period), and (ii) an increase of the average unit price of our products.

Cost of Goods Sold

	January 3, 2021	December 31, 2019
Cost of Sales	Ps. 3,290,994	1,280,829

Cost of goods sold increased 156.9%, or MX\$2,010,165, to MX\$3,290,994 for the 2020 period compared to MX\$1,280,829 for the 2019 period as a result of increased revenue, resulting in a gross profit of MX\$3,969,414 for the 2020 period compared to MX\$1,803,833 for the 2019 period. As a percentage of net revenues, cost of goods sold was 45.3% for the 2020 period and 41.5% for the 2019 period. The increase of cost of goods sold as a percentage of net revenues was primarily because of the impact of the increase in air freight costs to meet the surge in demand, and lesser extent due to the depreciation of the Mexican peso compared to the US dollar. (approximately 90% of our purchases are imported from China).

Administrative Expenses

	January 3, 2021	December 31, 2019
Administrative Expenses	Ps. 664,677	319,133

Administrative expenses increased 108.3%, or MX\$345,544, to MX\$664,677 for the 2020 period compared to MX\$319,133 for the 2019 period, primarily due to increases in the number of employees to support operation growth and one-time consulting services fee payments. As a percentage of net revenues, these expenses represented 9.2% and 10.4% for the 2020 and 2019 periods, respectively. Decrease in percentage is due to operating leverage.

Administrative expenses by department are as follows:

	January 3, 2021	December 31, 2019	Var. \$	Var. %
Operations	406,856	164,336	242,520	147.6%
Finance	94,886	51,374	43,512	84.7%
IT	45,355	27,765	17,590	63.4%
Depreciation	43,612	38,394	5,218	13.6%
Quality	25,383	15,909	9,474	59.6%
Marketing	24,936	19,085	5,851	30.7%
Others	23,649	2,270	21,379	941.8%
<b>Total</b>	<b>664,677</b>	<b>319,133</b>	<b>345,544</b>	<b>108.3%</b>

Selling Expenses

	January 3, 2021	December 31, 2019
Selling Expenses	Ps. 853,355	551,300

Selling expenses increased 54.8%, or MX\$302,055, to MX\$853,355 for the 2020 period compared to MX\$551,300 for the 2019 period, primarily due to an increase in our rewards program and expenses incurred in the volume of sales catalogues printed in order to have enough copies to provide for the increased number of Distributors and Associates. The Company's selling expenses were 11.8% of net revenue for the 2020 period compared to 17.9% of net revenue for the 2019 period. This decrease was mainly a combination of maintaining the same expenses related to employees during 2020 and 2019 and the increase in sales during 2020. The selling expenses major line items include:

	January 3, 2021	December 31, 2019	Var. \$	Var. %
Sales Bonuses and Wages	288,658	281,259	7,399	2.6%
Sales Catalogue	247,250	128,687	118,563	92.1%
Rewards Program	172,177	26,311	145,866	554.4%
Events and Conventions	19,237	37,848	(18,611)	(49.2%)
Others	126,033	77,195	48,838	63.3%
<b>Total</b>	<b>853,355</b>	<b>551,300</b>	<b>302,055</b>	<b>54.8%</b>

*Distribution Expenses*

	January 3, 2021	December 31, 2019
Distribution Expenses	Ps. 331,023	121,155

Distribution expenses increased 173.2%, or MX\$209,868 to MX\$331,023 for the 2020 period compared to MX\$121,155 for the 2019 period. This increase relates to the fact that distribution expenses are driven primarily by sales volume, which increased 135.4% for the 2020 period, compared to the 2019 period.

*Financing Income/Costs*

	January 3, 2021	December 31, 2019
Financing Income (Cost)		
Interest Expense <sup>(1)</sup>	Ps. (80,253)	(85,429)
Interest Income	10,930	7,028
Unrealized Loss in Valuation of Financial Derivative Instruments <sup>(2)</sup>	(287,985)	(15,680)
Changes in fair value of warrants <sup>(3)</sup>	(851,520)	-
Foreign Exchange Loss, Net <sup>(4)</sup>	(30,402)	(13,330)
Financing Cost, Net	(1,239,230)	(107,411)

(1) Interest expenses decreased 6.1% or MX\$5,176, to MX\$80,253 for the 2020 period compared to MX\$85,429 for the 2019 period. Interest expenses decreased as a result of lower outstanding debt balances in 2020, as compared to 2019, due to repayment of principal amounts in certain financing agreements. See—"Indebtedness."

(2) In connection with the secured line of credit for up to Ps.400,000 contracted with Banamex (see —"Indebtedness—Banamex Term Loans"), and in order to mitigate the risk of future increases in interest rates, the Group entered into a derivatives contract with Banamex, which consists of an interest rate swap. By using this interest rate swap, the Group converts its variable interest rates into fixed rates. In addition, to reduce the risks related to fluctuations in the exchange rate of the US dollar, the Group uses derivative financial instruments such as forwards to mitigate foreign currency exposure resulting from inventory purchases made in US dollars.

(3) Betterware assumed the obligation associated with outstanding warrants upon the Merger with DD3. Changes in the fair value of the warrant obligation, which increased during the year in direct correlation with the increase in our share price, was recognized in financing income/costs.

(4) Company exposure to currency exchange rate fluctuations and how it mitigates this risk can be found in the section entitled "Risk Factors—Risks Related to Mexico, See—Currency exchange rate fluctuations, particularly with respect to the US dollar/Mexican peso exchange rate, could lower margins."



## Income Tax Expense

	<b>January 3, 2021</b>	<b>December 31, 2019</b>
Current	Ps 576,834	229,900
Deferred	(34,066)	2,792
<b>Total Income Tax Expense</b>	<b>542,768</b>	<b>232,692</b>

Income taxes increased 133.3% or MX\$310,076 to MX\$542,768 for the 2020 period compared to MX\$232,692 for the 2019 period due to higher pre-tax profits. The effective income tax rate increased as a result of an increase in, mainly, the tax effect of inflation and non-deductible expenses.

## Capital Expenditures

Our capital expenditures for the 2020 period, were mainly related to the construction of our new headquarters and distribution center in Guadalajara, Mexico. Our capital expenditures for the 2020 and 2019 periods amounted to MX\$617.7 million and MX\$182.6 million, respectively.

## Results of Operations — 2019 period compared with the 2018 period

The results of operations comparison between the 2019 and 2018 periods has been omitted from this annual report, but may be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Form 20-F filed with the SEC on May 4, 2020.

## B. LIQUIDITY AND CAPITAL RESOURCES

BWM’s primary source of liquidity is from cash flow generated from operations. BWM has an efficient working capital structure where its seller supplier financing matches the Company requirements to serve their clients and inventory supplemented by lines of credit. Additionally, the Company capex requirements to sustain its growth is levered on the existing platform with minimum increased investment in technology. Due to these low capital requirements and closed working capital cycle, the Company has high cash conversion rate enabling it to annually serve their shareholders through dividends.

In order to maintain sufficient liquidity, the Company establishes maintaining a minimum cash and cash equivalent monthly balance to equal approximately Ps.200,000 in order to cover its Selling, General and Administrative expenses. For the 2020 period, cash and cash equivalents of the Company was Ps.649,820, above its minimum internal policy.

### 2020 period compared with the 2019 period

#### *Cash Flows from Operating Activities*

Cash flow provided by operating activities was MX\$1,822,256 and MX\$605,446 for the 2020 and 2019 periods, respectively. The cash flow from operations increased primarily due to an increase in cash received from sales. Inventory management increased from 88 days during the 2019 period, to 90 during the 2020 period, Days of Payables increased from 135 during the 2019 period to 145 during the 2020 period, and Days of Receivables increased from 20 during the 2019 period to 25 during the 2020 period.

#### *Cash Flows from Investing Activities*

Cash flows (used in) provided by investing activities were MX\$(631,401) and MX\$(175,597) for the 2020 and 2019 periods, respectively. Cash outflows from investing activities include investment in technological platform, product innovation, equipment, and property. The increase in investing activities was mainly due to the construction of a distribution center in Guadalajara. See “Property, Plants and Equipment.”

### **Cash Flows from Financing Activities**

Cash flows used in financing activities were MX\$754,732 and MX\$393,535 for the 2020 and 2019 periods, respectively. For the 2020 period, the Company made repayments in the amount of MX\$692,113 under its long-term financing agreements, of which: (i) MX\$521,250 was repaid to Credit Suisse, (ii) MX\$168,376 to Banamex, and (iii) MX\$2,487 to BBVA. Also, the Company made a repayments in the amount of MX\$1,064,999 under its short-term financing agreements, of which: (i) MX\$434,999 was paid to Banamex, and (ii) MX\$630,000 was paid to HSBC. Additionally, we received an additional disbursement under the existing long-term financing agreements for the total amount of MX\$195,000. For the 2020 and 2019 periods, the Company paid dividends in the amounts of MX\$830,000 and MX\$342,955, respectively. Interests paid for the 2020 period of MX\$121,297, a 46.7% increase compared to MX\$82,654 paid for the 2019 period; mainly due to prepaid commission paid to MCRF P, S.A. de C.V. SOFOM, E.N.R for Ps.45,000.

### **2019 Period and 2018 Period**

A cash flow comparison of the 2019 and 2018 periods has been omitted from this annual report but may be found in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Form 20-F filed with the SEC on May 4, 2020.

### **Indebtedness**

#### ***Banamex Term Loans***

On December 18, 2018, Betterware, as borrower, and BLSM, as guarantor (*fiador*), entered into a secured credit facility agreement with Banco Nacional de México, S.A., Integrante de Grupo Financiero Banamex for an aggregate principal amount of MX\$400 million. The loan is secured by (i) a first priority mortgage over a 49,756.47 m<sup>2</sup> property located in Jalisco, Mexico property of BWM and (ii) a bond (*fianza*) granted by BLSM.

Under this facility, Betterware and BLSM must observe certain restrictive covenants, which require BWM and BLSM (i) continuing to perform the same type of activities and businesses, maintaining their legal existence, (ii) complying with all applicable laws, (ii) having audited its consolidated and combined financial statements by internationally recognized auditors authorized by the financial institution, (iii) paying all applicable taxes, (iv) obtaining all licenses and permits required by government to operate, (v) keeping assets and businesses insured against loss or damage, (vi) not to incur liens on BWM and BLSM’s assets, and (vii) not giving or selling any rights of financial documents.

The line of credit agreement with Banamex contains the following financial covenants:

- a) To maintain a short-term debt coverage ratio not lower than 1.5.
- b) To maintain a total debt coverage ratio not greater than 3.0.
- c) To maintain a leverage ratio not greater than 7.0.
- d) To maintain a minimum cash and cash equivalents balance of MX\$40,000.

On January 30, 2020, the Group renegotiated the interest rate of the secured line of credit with Banamex, which changed from the TIIE rate plus 317 basis points to the TIIE rate plus 260 basis points. In addition, withdrawals from this line of credit were extended to August 2020, and are payable on a quarterly basis from September 2020 up to December 18, 2025.

On March 25, 2020 and April 13, 2020, the Group withdrew Ps.74,000 and Ps.100,000, respectively, from its secured line of credit with Banamex.

As of the date of this annual report, the Company is in compliance with all covenants under this facility. In connection with the Merger, Banamex granted the Company the required permission from Banamex to consummate the transaction under the Business Combination

### ***Supplemental Banamex Term Loan***

On July 30, 2020 a total amount of Ps.195,000 was withdrawn from a credit agreement signed on June 3, 2020 with Banamex. This loan bears interest at the TIIE rate plus 295 basis points maturing on December 30, 2025.

Under this facility, Betterware and BLSM must observe certain restrictive covenants, which require BWM and BLSM (i) continuing to perform the same type of activities and businesses, maintaining their legal existence, (ii) complying with all applicable laws, (ii) having audited its consolidated and combined financial statements by internationally recognized auditors authorized by the financial institution, (iii) paying all applicable taxes, (iv) obtaining all licenses and permits required by government to operate, (v) keeping assets and businesses insured against loss or damage, (vi) not to incur liens on BWM and BLSM's assets, and (vii) not giving or selling any rights of financial documents.

### ***Banamex Revolving Facility***

On April 30, 2019, Betterware, as borrower, and BLSM, as guarantor (*fiador*), entered into a revolving facility agreement with Banco Nacional de México, S.A., a member of Grupo Financiero Banamex for an aggregate principal amount of MX\$80 million. As of January 3, 2021, the interest rate amounted to TIIE plus 285 basis points. As of December 31, 2019, the interest rate was TIIE plus 275 basis points. The credit is renewable on yearly basis.

Under this facility, Betterware and BLSM must observe certain restrictive covenants, which require BWM and BLSM (i) continuing to perform the same type of activities and businesses, maintaining their legal existence, (ii) complying with all applicable laws, (ii) having audited its consolidated and combined financial statements by internationally recognized auditors authorized by the financial institution, (iii) paying all applicable taxes, (iv) obtaining all licenses and permits required by government to operate, (v) keeping assets and businesses insured against loss or damage, (vi) not incurring liens on BWM and BLSM's assets, and (vii) not to give or sell any rights of financial documents. Under this facility, Betterware and BLSM shall maintain a short-term debt coverage ratio not lower than 1.0.

### ***HSBC***

On March 10, 2020, Betterware entered into a current account credit agreement with HSBC México, S.A., for an amount of Ps.50,000, with provisions by means of promissory notes specifying payment of principal and interest. BLSM is jointly liable for this credit. On May 4, 2020, an amendment to this agreement was signed, in which the amount of the line of credit was increased to Ps.150,000. The maturity date of this line of credit is March 10, 2022, and it bears interest at the TIIE rate plus 350 basis points. During 2020, the Group utilized Ps.115,000 of which as of January 3, 2021 the entire amount has been repaid.

### ***BBVA***

On September 20, 2020, Betterware entered into a line of credit with BBVA for up to Ps.75,000 bearing interest at 7.5%, payable monthly. The line of credit has racks in the Group's distribution center pledged as collateral for an amount of Ps.80,901.

### **COVID-19 Virus Impact**

As a result of the coronavirus (COVID-19) outbreak and its recent global spread to a large number of countries, the World Health Organization classified the viral outbreak as a pandemic on March 11, 2020. See Risk Factors—The COVID-19 virus (nCoV), as well as any other public health crises that may arise in the future, is having and will likely continue to have a negative impact on the retail industry and in our results of operations.”

Our operations were not interrupted as a result of the COVID-19 pandemic, as its product lines include hygiene and cleaning solutions, which qualify as an essential activity in Mexico. Our gross margin was negatively affected by the depreciation of the Mexican peso compared to the US dollar, as it acquires most of its products in US dollars. To mitigate this risk, we enter into derivative forward contracts to fix the exchange rate for future purchases in US dollars, which has allowed it to partially reduce the effects of the increase in the exchange rate between the Mexican peso and US dollar due to the COVID-19 pandemic.

We have a proven track record of performance and a clear and executable growth plan, which includes expansion in current geographies and categories, as well as the addition of new markets and product extensions, all supported by a strong infrastructure deeply rooted in business intelligence.

The Company maintains sufficient liquidity to comply with its contractual obligations as a result of having financing sources, in addition, the payment conditions of its clients are maintained between 14 and 28 days, while the payment conditions to its suppliers are 120 days.

**C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.**

Our research and development efforts consist of constant product innovation with the objectives of refreshing our catalogue content and attracting clients' repeated purchases and data analytics unit technology in order to improve product development processes. For further details, see "Item 4.B. Information on the Company-Business Overview-Research and Development."

**D. TREND INFORMATION**

The COVID-19 pandemic had no adverse impacts on our financial performance for the 2020 period. However, our gross margin was negatively affected by promotions aimed at gaining market share and the appreciation of the U.S. dollar compared to the Mexican peso impact on inventory costs as we purchase most of our products in U.S. dollars, which might continue throughout 2021. In order to mitigate this risk, the Company enters into forward contracts to fix the exchange rate for future purchases in U.S. dollars, which has allowed us to partially reduce the exchange rate effects of the COVID-19 pandemic. In addition, management is working on plans to increase the introduction of products with higher profit margins and therefore reduce the negative effects that impact our profit margin. We will continue to monitor the impacts that COVID-19 might have on our financial performance during 2021 and beyond.

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events, that are reasonably likely to have a material adverse effect in our revenues, income, profitability, liquidity or capital resources, or that would cause the reported financial information in this annual report to be not necessarily indicative of future operating results or financial conditions.

**E. OFF-BALANCE SHEET ARRANGEMENTS.**

BWM does not engage in any off-balance sheet financing activities, nor does it have any interest in entities referred to as variable interest entities.

**F. DISCLOSURE OF CONTRACTUAL OBLIGATIONS**

**Our Contractual Obligations**

Set forth below is a tabular presentation of our contractual obligations as of January 3, 2021, for the next five years, presented by type and nature of contractual obligation. The table details the Company's remaining contractual maturity for its financial liabilities with agreed repayment periods. The maturity analysis has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows:

<b>As of January 3, 2021</b>				
	<b>Less than 1 year</b>	<b>Over 1 year and less than 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Accounts payable to suppliers	2,078,628	-	-	2,078,628
Lease liability	8,727	19,243	-	27,970
Derivative financial instruments	46,667	306,667	-	353,334
Long-term debt	126,736	503,458	-	630,194
	<u>Ps. 2,260,758</u>	<u>829,368</u>	<u>-</u>	<u>3,090,126</u>

**G. SAFE HARBOR**

See the disclaimer with respect to Cautionary Note Regarding Forward-Looking Statements.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. DIRECTORS AND SENIOR MANAGEMENT

Set forth below is information concerning our officers and directors. Our executive officers are appointed by the board of directors to serve in their roles. Each executive officer is appointed for such term as may be prescribed by the board of directors or until a successor has been chosen and qualified or until such officer's death, resignation or removal. Unless otherwise indicated, the business address of all of our executive officers and directors is Luis Enrique Williams, 549 Colonia Belenes Norte, Zapopan, Jalisco, 45145, México.

Name	Age	Position Held
Luis Campos	68	Chairman of the Board
Andres Campos	38	Chief Executive Officer and Board Member
Diana Jones	39	Chief Financial Officer
Luis Lozada	39	Chief Strategy Officer
Santiago Campos	29	Board Member
Jose de Jesus Valdez	68	Independent Board Member
Federico Clariond	47	Independent Board Member
Mauricio Morales	60	Independent Board Member
Joaquin Gandara	50	Independent Board Member
Dr. Martín M. Werner	58	Independent Board Member
Dr. Guillermo Ortiz	72	Independent Board Member
José Alberto Terán	67	Board Member
Reynaldo Vizcarra	55	Secretary

#### Background of Our Officers and Directors

Betterware's board of directors is composed of the following members and a non-member Secretary:

- **Luis Campos** has been in the direct to consumer business for almost 25 years. He has been chairman of Betterware de México since he bought the Company in 2001. Prior to Betterware, Mr. Campos served as Chairman of Tupperware Americas (1994 – 1999), Chairman of Sara Lee — House of Fuller Mexico (1991 – 1993), and Chairman of Hasbro Mexico (1984 – 1990). Mr. Luis Campos is an active member of the “Consejo Nacional de Comunicación”, an active member of the “Consejo Consultivo” of Banamex and he was an active member of the Direct Selling Association, The Latin America Regional Managers' Club, The Conference Board, and a board member of the Economic Development Commission of Mid Florida, Casa Alianza-Covenant House, The Metro Orlando International Affairs Commission, SunTrust Bank and Casa de Mexico de la Florida Central, Inc. Mr. Campos was selected to serve on Betterware's board of directors due to his extensive experience in consumer product companies, especially in the direct sales, as well as his relevant top-level experience in American public multinational companies. Luis Campos is the father of Andres and Santiago Campos.
- **Andres Campos** has been CEO of Betterware de México since 2018. Prior to becoming CEO, within the Company, Andres Campos served as Commercial Director (2014 – 2018) and Strategy and New Businesses Director (2012 – 2014). Prior to Betterware, Mr. Campos worked in Banamex Corporate Banking area (2012 – 2014) and in KPMG as an Auditor (2004 – 2005). Andres holds a bachelor's degree in Business Administration from Instituto Tecnológico y de Estudios Superiores de Monterrey and an MBA from Cornell University. Andres Campos is son of Luis Campos and brother of Santiago Campos.
- **Diana Jones** has served as Betterware CFO since 2020. Mrs. Jones previously performed as Betterware's Director of Comptroller (2018-2019) and Director of Finance Planning (2019-2020). Prior joining the Company, she worked as Director of External Audit in KPMG Cardenas Dosal, S.C., (2003-2018), including a term at New York City from 2008 to 2010. Mrs. Jones holds a degree in Public Accounting and Finance from the Monterrey Institute of Technology and Higher Education (ITESM), as well as an MBA with specialty in Finance from Tecmilenio University. She is also a Certified Public Accountant on behalf of the Mexican Institute of Public Accountants.
- **Luis Lozada** joined Betterware in January 2021, as Chief Strategy Officer. Prior to joining Betterware, Mr. Lozada was an Associate Partner with Bain & Company, where he worked for almost fifteen years (2006 – 2020) advising senior executives of multi-multinational companies on a variety of management topics. Mr. Lozada's area of expertise resides in business strategy and performance improvement, with retail and consumer-goods companies Mr. Lozada holds a bachelor's degree in Chemical Engineering from the Monterrey Institute of Technology and Higher Education (Instituto Tecnológico y de Estudios Superiores de Monterrey – “ITESM”) and an MBA from Cornell University.

- **Santiago Campos** has served as Director of Innovation and Communication at Betterware since 2018. Prior to joining Betterware, Santiago Campos served as Commercial Director at EPI Desarrollos, a Real Estate Development company, coordinating efforts between marketing, sales, finance and also taking care of administration, he was involved in achieving successful projects in a span of 2.5 years where 100% sales were accomplished before finishing construction. Santiago holds a bachelor's degree in public accounting and finance from Instituto Tecnológico y de Estudios Superiores de Monterrey. Mr. Campos was selected to serve on Betterware's board of directors due to his natural instinct in product innovation and household needs in BWM market target group. Santiago Campos is son of Luis Campos and brother of Andres Campos.
- **Jose de Jesus Valdez** serves as CEO of Alpek since 1988. Mr. Valdez joined Alpek in 1976 and has held several senior management positions such as CEO of Petrocel, Indelpro and Polioles. He was also president of the "Asociación Nacional de la Industria Química" (ANIQ), of the "Comisión Energética de la Confederación de Cámaras Industriales de los Estados Unidos Mexicanos" (CONCAMIN) and of the "Cámara de la Industria de Transformación de Nuevo León" (CANAINTRA). Mr. Valdez is a mechanical engineer and has an MBA from Tecnológico de Monterrey (ITESM) and a master's degree in industrial engineering from Stanford University. Mr. Valdez was selected to serve on the Company's board of directors due to his vast experience in Mexican, US and Latin American business and market economy.
- **Federico Clariond** has served as CEO of Valores Aldabra, a single-family office with investments in financial services, aluminum, packaging and consumer goods companies, since 2011, and as CEO of Buro Inmobiliario Nacional, a Real Estate investment vehicle with holdings in the hospitality, industrial, office, and commercial spaces throughout Mexico, since 2015. Prior to Valores Aldabra and Buro Inmobiliario Nacional, from 2007 to 2011, Mr. Clariond served as CEO of Stabilit Mexico, a manufacturer of fiber glass reinforced plastics with operations in Mexico, the United States and Europe, and from 2004 to 2007, as Commercial VP of IMSA Acero. Additionally, he is board member of several companies ranging from the financial services, aluminum, packaging and consumer goods industries. Mr. Clariond is a mechanical engineer and has an MBA from Stanford University. Mr. Clariond was selected to serve on Betterware's board of directors due to his vast business experience in Mexico's private investment matters.
- **Mauricio Morales** is a founding partner at MG Capital. Before his 21-year tenure at the firm, he worked at different financial institutions in Mexico, specializing in wealth management, with a focus on exchange-traded instruments. Mauricio hold a B.S. in Mechanical Engineering, from the Instituto Tecnológico y de Estudios Superiores de Monterrey. Mauricio participates as a board member at one private firm, and one private charity group. Mr. Morales was selected to serve on Betterware's board of directors due to his vast experience in Mexico and USA capital markets.
- **Joaquin Gandara** serves as CEO of Stone Financial Awareness since 2017. Prior to Stone Financial Awareness, he worked at Scotiabank for 24 years where he held several positions in different departments such as Credit, Consumer Banking, Branch Operations and Corporate Banking. Mr. Gandara was selected to serve on the Company's board of directors due to his extensive knowledge in the financial and banking field.
- **Dr. Martín M. Werner**, who has served as DD3's Chief Executive Officer and Chairman of the Board since inception, is a founding partner of DD3 Capital. Prior to founding DD3 Capital in 2016, Dr. Werner worked at Goldman Sachs for 16 years (2000 – 2016) becoming a Managing Director in 2000 and a Partner in 2006. He was co-head of the Investment Banking Division for Latin America and the country head of the Mexico office. Dr. Werner continues to serve as the Chairman of the board of directors of Red de Carreteras de Occidente (RCO), which is one of Mexico's largest private concessionaires and operates more than 760 kilometers of toll roads and is owned by Goldman Sachs Infrastructure Partners. Prior to his time with Goldman Sachs, Dr. Werner served in the Mexican Treasury Department as the General Director of Public Credit from 1995 to 1997, and as Deputy Minister from 1997 to 1999. Among his numerous activities, he was in charge of restructuring Mexico's Public debt after the financial crisis of 1994 and 1995. Dr. Werner is the second largest investor of Banca Mifel, a leading mid-market Mexican bank with \$3.3 billion in assets and a credit portfolio of \$2.0 billion; he is also member of the Board of Directors of Grupo Comercial Chedraui, a leading supermarket chain in Mexico and the United States; the Board of Directors of Grupo Aeroportuario Centro Norte, one of Mexico's largest airport operators; and he is a member of Yale University's School of Management Advisory Board. Dr. Werner holds a bachelor degree in economics from Instituto Tecnológico Autónomo de Mexico (ITAM) and a Ph.D. in economics from Yale University.
- **Dr. Guillermo Ortiz** has served as Chairman of BTG Pactual Latin America ex-Brazil, a leading Brazilian financial services company with operations throughout Latin America, the U.S. and Europe, since 2015. Prior to joining BTG, from 2010 to 2015, he was Chairman of the Board of Grupo Financiero Banorte-Ixe, the largest independent Mexican financial institution. Dr. Ortiz also served two consecutive six-year terms as Governor of Mexico's Central Bank from 1998 to 2009. From 1994 to 1997, Dr. Ortiz served as Secretary of Finance and Public Credit in the Mexican Federal Government where he guided Mexico through the "Tequila" crisis and contributed to the stabilization of the Mexican economy, helping return the nation to growth in 1996. He has served on the Board of Directors of the International Monetary Fund, the World Bank and the Interamerican Development Bank. Dr. Ortiz is Chairman of the Pe Jacobsson Foundation, a member of Group of Thirty, Board of Directors of the Center for Financial Stability, Board of Directors of the Globalization and Monetary Policy Institute, Board of Directors in the Federal Reserve Bank of Dallas and Board of Directors of the China's International Finance Forum. He is also an Officer of Zurich Insurance Group Ltd. and a Member of the Board of Directors of Wetherford International, a leading company in the oil and equipment industry, as well as of a number of Mexican companies, including Aeropuertos del Sureste, one of Mexico's largest airport operators, Mexichem, a global leading petrochemical group, and Vitro, a leading glass manufacturer company in Mexico. Dr. Ortiz is also a member of the Quality of Life Advisory board of the Government of Mexico City. Dr. Ortiz holds a bachelor's degree in economics from Universidad Nacional Autónoma de México (UNAM), a master's degree and a Ph.D. in economics from Stanford University. Dr. Ortiz was selected to serve on our board of directors due to his significant government service and finance experience.

- **José Alberto Terán Vázquez** was born in Mexico City in 1953. He studied administration at the Instituto Tecnológico Autónomo de México, he worked 2 years at the banking sector and in 1978 he joined to Terán Publicity; The advertising agency was founded in 1947 by his father; In 1988 he was named as CEO of Terán Publicity. In 1995, Terán Publicity become part of OMNICOM group, thus joining the TBWA network and the agency was again named as TERAN / TBWA. Some of its clients are leading local and global brands operating in Mexico, such as Apple, Bachoco, BBVA, Domino's, El Palacio de Hierro, GNP Seguros, Tequila Herradura, Jack Daniel's, Kleen Bebe, Nissan, FUD, Yoplait and Volaris. José Alberto has been an active leader in the Mexican advertising industry and has served as President of the Mexican Association of Advertising Agencies (AMAP) in 1995, 200 and 2017. He has also been Vice President of the National Advertising Council. In 2000 he founded the EFFIE awards in Mexico, which are sponsored by the American Marketing Association and served as its president for 7 years.
- **Reynaldo Vizcarra** (non-member Secretary) is a member of Baker & McKenzie's Corporate and Transactional Practice Group. He is a professor at the University Anáhuac del Norte where he teaches foreign investment as part of the master of laws program, and an instructor at Universidad Panamericana's Baker McKenzie Seminar. He joined Baker & McKenzie's Mexico City office in 1986, handling foreign investments, banking and finance matters and international agreements. He also worked in the Chicago office's Latin America Practice Group, advising on investments and acquisitions in Latin America (1996 – 1997). In 2000, Mr. Vizcarra co-founded Baker & McKenzie's Guadalajara office, where he led the Banking & Finance Practice Group. In August 2005, he transferred to Baker McKenzie's Cancun office as a founding member and director mainly handling tourism and real estate projects. In 2009, he transferred back to the Mexico City office, where he was local managing partner for four years and thereafter became National Managing Partner of the Firm in Mexico until August 2018.

## B. COMPENSATION

For the 2020 period, we paid our top management for services in all capacities an aggregate compensation of approximately MX\$31,917,000 and a variable aggregate compensation for bonuses of approximately MX\$5,796,000. The amounts payable under the performance bonus depend on the results achieved and include certain qualitative and/or quantitative objectives that can be operative and financial. Hence, the total executive compensation for the 2020 period was MX\$37,713,000.

On July 30, 2020, Betterware's Board of Directors awarded certain officers and directors a long-term share-based incentive plan (the "Incentive Plan"). The purpose of the Incentive Plan is to provide eligible officers and directors with the opportunity to receive share-based incentives to encourage them to contribute significantly to the growth of the Group and to align the economic interests of those individuals with those of the shareholders. The Incentive Plan is aligned with the shareholders' interest in terms of the management capacity to obtain operating results that potentially benefit the share price; if the established results are achieved, it will cause a gradual delivery of shares over a period of 4 to 5 years (see Note 22 of the Audited Consolidated and Combined Financial Statements elsewhere in this annual report).

## C. BOARD PRACTICES

### Board Committees

The Company's Audit and Corporate Practices Committee has the following specifications:

#### *Composition*

- The Audit and Corporate Practices Committee of the Company consists of three members appointed by the board itself, in accordance with the provisions of Nasdaq, the Company's bylaws and other legal provisions, in the understanding, however, that the chairman of the Audit and Corporate Practices Committee will be elected by the General Assembly of Shareholders of the Company.
- The members of the Audit and Corporate Practices Committee are independent as under Nasdaq requirements.

- The Audit and Corporate Practices Committee may create one or more sub-committees, to receive support in the performance of its functions. The Audit and Corporate Practices Committee is empowered to designate and remove the members of said sub-committees and to determine their powers.
- As of the date of this annual report, the members of the Audit and Corporate Practices Committee are:
  - i. Joaquin Gandara Ruiz Esparza — Chairman — Mr. Gandara serves as CEO of Stone Financial Awareness since 2017. Prior to Stone Financial Awareness, he worked at Scotiabank for 24 years where he held several positions in different departments such as Credit, Consumer Banking, Branch Operations and Corporate Banking.
  - ii. America Taracido serves as Managing Partner at Consultores en Alta Direccion y Gestión de Empresas, S.C. and, she joined Desarrolladora de Ciudad as CFO. Mrs. Taracido served in various positions in countries such as Peru, the United States and Mexico and worked in important positions in companies such as “Ernst & Young México, Avon Cosmetics, Finanzas & CFO at Smurfit Kappa Group México”, and others. She is an active member of the Council of Americas and was a president of “Instituto Mexicano de Ejecutivos de Finanzas”. Mrs. Taracido holds a master degree in Administration in “Tecnológico Autónomo de México (ITAM)”. Since April 2020 she is part of the Audit Committee for Betterware Mexico.
  - iv. Federico Clariond has served as CEO of Valores Aldabra, since 2011, and as CEO of Buro Inmobiliario Nacional. Prior to Valores Aldabra and Buro Inmobiliario Nacional, from 2007 to 2011, Mr. Clariond served as CEO of Stabilit Mexico, a manufacturer of fiber glass reinforced plastics with operations in Mexico, the United States and Europe, and from 2004 to 2007, as Commercial VP of IMSA Acero. Additionally, he is board member of several companies. Mr. Clariond is a mechanical engineer and has an MBA from Stanford University. Mr. Clariond was selected to serve on Betterware’s board of directors due to his vast business experience in Mexico’s private investment matters.

#### *Sessions Frequency*

- The Audit and Corporate Practices Committee and its sub-committees meet with the necessary frequency for the performance of their duties, at the request of any of its members, the Board of Directors or its Executive President or the General Assembly of Shareholders; in the understanding that it must meet at least 4 (four) times during a calendar year.
- The sessions of the Audit and Corporate Practices Committee and its sub-committees may be held by telephone or videoconference, with the understanding that the Secretary of the respective session must take the corresponding minutes, which must in any case be signed by the Executive President and the respective Secretary, and collect the signatures of the members who participated in the session.

#### *Functions*

- Regarding Corporate Practices, the Audit and Corporate Practices Committee will have the functions referred to in the Securities Market Law, especially the provisions of section I (first) of its Article 42 (forty-two), and other applicable legal provisions, as well as those determined by the General Assembly of Shareholders. They will also perform all those functions of which they must render a report in accordance with the provisions of the Securities Market Law. In an enunciative way, but not limited to, it will have the following functions:
  - Provide opinions regarding transactions between related parties to the General Assembly of Shareholders and the Board of Directors.
  - Develop, recommend and review corporate governance guidelines and guidelines of the Company and its subsidiary.



- Recommend modifications to the bylaws of the Company and its subsidiary.
- Analyze and review all legislative, regulatory and corporate governance developments that may affect the operations of the Company, and make recommendations in this regard to the Board of Directors.
- Prepare and propose the different manuals necessary for the corporate governance of the Company or for compliance with the applicable provisions.
- Define the compensation and performance evaluation policies of the senior executives of the Company.
- Use the best compensation practices to align the interests of the Shareholders and the senior executives of the Company, being able to hire any independent expert necessary for the development of this function.
- Ensure access to market data and best corporate practices through external consultants specialized in the field.
- Develop a plan for the succession of senior executives of the Company.
- In matters of Audit, the Audit and Corporate Practices Committee will have the functions referred to in the Securities Market Law especially the provisions of section II of its Article 42 (forty-two), and other applicable legal provisions, as well as those determined by the General Assembly of Shareholders. They will also perform all those functions of which they must render a report in accordance with the provisions of the Securities Market Law. In an enunciative way, but not limited to, it will have the following functions:
  - Determine the need and viability of the fiscal and financial structures of the Company.
  - Comment on the financial and fiscal structure of the international expansion of the Company.
  - Comment on the financial reports, accounting policies, control and information technology systems of the Company.
  - Evaluate and recommend the external auditor of the Company.
  - Ensure the independence and efficiency of the internal and external audits of the Company.
  - Evaluate the transactions between related parties of the Company, as well as identify possible conflicts of interest derived from them.
  - Analyze the financial structure of the Company, in the short, medium and long term, including any financing and refinancing transactions.
  - Review and comment on the management of the Company's treasury, risk and exposure to fluctuations in exchange rates and hedging instruments of the Company, whatever their nature or denomination.
  - Evaluate the processes and selection of insurance brokers, as well as the coverage and premiums of the Company's insurance policies.

#### D. EMPLOYEES

The following table provides information regarding the number of our employees for the 2020, 2019 and 2018 periods, respectively:

	<b>Number of Employees</b>		
	<b>January 3, 2021</b>	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Operations	962	296	283
Sales and marketing	148	263	289
Finance, administration, human resources, IT	184	115	108
<b>Total</b>	<b>1,294</b>	<b>674</b>	<b>680</b>

#### E. SHARE OWNERSHIP

Not applicable.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

**A. MAJOR SHAREHOLDERS**

The following table sets forth information with respect to the beneficial ownership of our shares as of the filing date of this annual report:

- each shareholder, or group of affiliated shareholders, who we know beneficially owns more than 5% of our outstanding shares;
- each of our directors and executive officers individually; and
- all directors and executive officers as a group.

As of the filing date of this annual report, we had 36,584,968 issued and outstanding ordinary shares. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes any shares over which a person exercises sole or shared voting and/or investment power. Shares subject to options and warrants currently exercisable or exercisable within 60 days are deemed outstanding for computing the percentage ownership of the person holding the options but are not deemed outstanding for computing the percentage ownership of any other person. Except as otherwise indicated, we believe the beneficial owners of the shares listed below, based on information furnished by them, have sole voting and investment power with respect to the number of shares listed opposite their names. The address for Campalier is Luis Enrique Williams 549, Colonia Belenes Norte, Zapopan, Jalisco, 45145, Mexico.

	<b>Ordinary shares Beneficially Owned as of the filing date of this annual report</b>	
	<b>Ordinary Shares</b>	
	<b>Number</b>	<b>%</b>
<i>Five Percent or More Holders</i>		
Campalier, S.A. de C.V	18,866,160	51.57%
Cede & Co.	17,672,376	48.31%
<b>Our executive officers and directors:</b>		
Luis Campos	—	—
Andres Campos	—	—
Diana Jones	—	—
Luis Lozada	—	—
Santiago Campos	—	—
Jose de Jesus Valdez	—	—
Federico Clariond	—	—
Mauricio Morales	—	—
Joaquin Gandara	—	—
Dr. Martín M. Werner	—	—
Dr. Guillermo Ortiz	—	—
José Alberto Terán	—	—
Reynaldo Vizcarra	—	—
<b>All directors and executive officers as a group (thirteen individuals)</b>	—	—

## **B. RELATED PARTY TRANSACTIONS**

### *Registration Rights Agreement*

In connection with the Business Combination, the Company, DD3 and the Holders entered into the Registration Rights Agreement on March 11, 2020. Pursuant to the terms of the Registration Rights Agreement, the Company is obligated to file a shelf registration statement to register the resale of certain Company securities held by the Holders. The Registration Rights Agreement also provides the Holders with demand, “piggy-back” and Form F-3 registration rights, subject to certain minimum requirements and customary conditions.

### *Lock-Up Agreements*

In connection with the Business Combination, (i) the Company, DD3 and certain security holders of the Company (the “Members”) entered into the Member Lock-Up Agreement, dated as of March 11, 2020, and (ii) the Company, DD3 and certain members of the Company’s management team (“Management”), entered into the Management Lock-Up Agreement, dated as of March 11, 2020, pursuant to which the Members and Management agreed not to transfer any of the Company’s shares held by them for a period of six or twelve months, as applicable, after the closing of the Business Combination, subject to certain limited exceptions.

### *Merger Agreements*

In connection with the Business Combination, the Company and DD3 entered into the Merger Agreement, dated as of March 10, 2020 (the “Merger Agreement”). Pursuant to the terms of the Merger Agreement, DD3 merged with and into the Company with the Company surviving the Merger, the separate corporate existence of DD3 ceased and BLSM became a wholly-owned subsidiary of the Company. At Closing, pursuant to the Merger Agreement, (i) all of the Betterware shares issued and outstanding immediately prior to the Closing were canceled, and Campalier and Forteza received, directly and indirectly (through the Invex Security Trust), 18,438,770 and 11,761,175, respectively, of Betterware’s shares and (ii) all of DD3’s ordinary shares issued and outstanding immediately prior to the Closing were canceled and exchanged for Betterware shares on a one-for-one basis. See “The Business Combination.”

In connection with the Business Combination and as a result of the merger transaction thereunder, which closed on March 13, 2020, all of Betterware shares issued and outstanding immediately prior to the closing date were canceled and new shares were issued. As a result of the Business Combination and the subscription and payment of 2,040,000 Betterware shares on Nasdaq, Betterware’s original shareholders held 87.7% of the total outstanding shares, DD3 shareholders held a 6.4% stake, and investors under the Nasdaq listing held a 5.9% stake. After the closing date, Betterware had 34,451,020 issued and outstanding shares. See “The Business Combination.”

On December 14, 2020, Betterware and Forteza (Betterware’s shareholder), entered into a merger agreement pursuant to which Forteza agreed to merge with and into Betterware, surviving Betterware as the acquirer. On December 16, 2020, the merger was completed. Consequently, shares in Betterware were delivered to Forteza’s shareholders in proportion to their shareholding in Betterware, without implying an increase in Betterware’s share capital or in the total number of outstanding shares of the Company. The net effects of the merger resulted in an increase in equity of Ps.4,724.

### *Warrant Amendment*

In connection with the Business Combination, the Company, DD3 and Continental Stock Transfer & Trust Company (“Continental”) entered into the Assignment, Assumption and Amendment Agreement, dated as of March 13, 2020 (the “Warrant Amendment”), pursuant to which DD3 assigned to the Company, and the Company assumed, all of DD3’s right, title and interest in and to the Warrant Agreement, dated as of October 11, 2018, by and between DD3 and Continental (as amended pursuant to the Warrant Amendment, the “Warrant Agreement”), and the parties thereto agreed to certain amendments to reflect the fact that DD3’s warrants that were outstanding immediately prior to the Closing are, as a result of the Merger, exercisable for Betterware shares.

As part of the Merger, Betterware assumed an obligation that granted existing warrant holders the option to purchase (i) a total of 5,804,125 Betterware shares at a price of US\$11.50 per share that will expire on or before March 25, 2025, and (ii) a total of 250,000 units that automatically became an option to issue 250,000 Betterware shares and warrants to buy 250,000 additional Betterware shares. The Company registered the warrants to be traded on OTC Markets, which had an observable fair value.

During July and August 2020, the Group repurchased 1,573,888 warrants. During August and October, 2020, 895,597 warrants were exchanged for 621,098 shares, of which, 462,130 warrants were settled on a cash basis by exchanging 1 warrant for 1 share at a price of US\$11.44 for share, which resulted in receiving cash by an amount of Ps.116,419. The remaining 433,467 warrants were exchanged on a cashless basis by exchanging 1 warrant for 0.37 shares.

In September 2020, the purchase option of units was exercised by their holders on a cashless basis, which resulted in the issuance of 214,020 Betterware shares.

Additionally, in October, 2020, and as part of the terms of the warrant agreement, the Company exercised the redemption of the warrants on a cashless basis by exchanging 3,087,022 warrants for 1,142,325 of the Company's shares. A total of 8,493 public warrants were not exercised by their holders during the redemption period that expired on November 9, 2020, therefore, they were paid by the Company for a price of US\$0.01 per warrant.

Finally, on December 23, 2020, 239,125 private warrants were exercised on a cashless basis by their holders and exchanged for 156,505 of the Company's shares.

As of the date of this annual report, the warrant holders had redeemed all of the outstanding warrants and purchase option of units and the Company recognized a loss for the increase in the fair value of the warrants of Ps.851,520, which is recognized under the heading "Changes in fair value of warrants" in the consolidated and combined statement of profit or loss.

#### **C. INTERESTS OF EXPERTS AND COUNSEL**

Not applicable.

### **ITEM 8. FINANCIAL INFORMATION**

#### **A. CONSOLIDATED AND COMBINED STATEMENTS AND OTHER FINANCIAL INFORMATION**

The Company's Audited Consolidated and Combined Financial Statements are included in Item 18.

#### **Legal Proceedings**

Betterware is a party to various legal actions in the normal course of its business. The Company is not involved in or threatened by proceedings for which the Company believes it is not adequately insured or indemnified or which, if determined adversely, would have a material adverse effect on its consolidated and combined financial position, results of operations and cash flows.

Additional taxes payable could arise in transactions with related parties if the tax authority, during a review, believes that prices and amounts used by the Company are not similar to those used with or between independent parties in comparable transactions.

In accordance with the current tax legislation, the authorities have the power to review up to five fiscal years prior to the last income tax return filed.

On August 12, 2014, the International Inspection Administration "4" (AFI), under the Central Administration of International Control, attached to the General Administration of Large Taxpayers of the Tax Administration Service ("SAT"), requested that Betterware provide, with respect to 2010 year, information regarding income tax, which was provided at the time. On February 20, 2017, the final agreement was signed with the Taxpayer Advocacy Office ("PRODECON") regarding this SAT review. On March 2, 2017, the SAT notified Betterware about certain issues on which an agreement was not reached. As a result, Betterware filed a lawsuit for annulment before the SAT's resolution, which is still in progress'. Based on the evaluation of the Group's Management, tax liabilities are not expected to arise as a result of this matter. As of January 3, 2021, the maximum exposure of the contingent liability on this matter was estimated to amount Ps.20,086.

#### **Dividend Distribution Policy**

The Company's board of directors will consider whether or not to institute a dividend policy. As of the date of this annual report, we have not implemented a dividend policy.

**B. SIGNIFICANT CHANGES**

As a result of the outbreak of the COVID-19 pandemic and its recent global expansion to a large number of countries, sanitary measures have been taken in Mexico to limit the spread of this virus, which include among others, social isolation and the closure of educational centers (schools and universities), commercial establishments and non-essential businesses. Our operations were not interrupted as a result of the COVID-19 pandemic due to our product lines include hygiene and cleaning solutions, which qualify as an essential activity in Mexico.

There have been no significant changes since the approval date of the financial statements included elsewhere in this annual report. Please see Note 29 of the Consolidated and Combined Financial Statements elsewhere in this annual report for details of events after the reporting period.

**ITEM 9. THE OFFER AND LISTING**

**A. OFFER AND LISTING DETAILS**

Our ordinary shares are listed on Nasdaq under the symbol “BWMX.”

**B. DISTRIBUTION PLAN**

Not applicable.

**C. MARKETS**

Our ordinary shares began trading on Nasdaq under the symbol “BWMX,” in connection with our initial public offering, on March 13, 2020.

**D. SELLING SHAREHOLDERS**

Not applicable.

**E. DILUTION**

Not applicable.

**F. EXPENSES OF THE ISSUE**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION**

**A. SHARE CAPITAL**

Not applicable.

**B. MEMORANDUM AND ARTICLES OF ASSOCIATION**

*The following is a summary of some of the terms of our ordinary shares, based on our articles of association in place. The following summary is not complete and is subject to, and is qualified in its entirety by reference to, the provisions of our articles of association, and applicable Mexican law, including Mexican corporate law.*

**General**

Betterware is a company incorporated under the General Corporations Law. As Betterware is a Mexican corporation, the rights of holders of Betterware’s shares will be governed directly by Mexican law and the Amended and Restated Charter.

## Shareholder Meetings

- Held at the corporate domicile of the company or, in the case of unanimous resolutions, the place where the shareholders are met.
- Notice:
  - A copy of the notice of any shareholders' meeting shall be published not fewer than fifteen (15) calendar days prior to the date of the proposed meeting in the electronic system of the Corporations Publications of the Mexican Ministry of Economy.

## Shareholders' Voting Rights

- Any person authorized to vote may be represented at a meeting by a proxy who may speak and vote on behalf of the member.
- Depending on the matter that requires shareholders' approval, the by-laws and Mexican law provide a fixed quorum.
- The annual ordinary shareholders' meeting must have a quorum of at least 50% plus one of the outstanding shares of the company's capital stock and all resolutions shall be approved with the affirmative vote of at least the majority of the present shares. In the event of a second or subsequent call, the general ordinary stockholders' meeting may be validly held regardless of the number of shares represented, and its resolutions shall be valid when adopted by majority vote of the shares represented at the meeting.
- The extraordinary shareholders' meetings must have a quorum of at least 75% of the outstanding shares of the company's capital stock and all resolutions must be approved with the affirmative vote of at least 50% of the outstanding voting shares of the company. In the event of a second or subsequent call, extraordinary general stockholders' meetings may be validly held if 50% of the outstanding voting shares of the company is represented, and their resolutions will be valid if adopted by the favorable vote of shares representing at least 50% of the outstanding voting shares of the company.
- Notwithstanding the provisions of the preceding paragraph, the favorable vote of shares with or without voting rights representing (i) 75% (seventy-five percent) of the Company's outstanding capital stock shall be required to amend the Company's by-laws and (ii) 95% (ninety-five percent) of the capital stock of the Company to resolve and request from the National Banking and Securities Commission the cancellation of the registration of the shares of the Company in the National Securities Registry, under the terms provided in the Securities Market Law and other applicable provisions.
- For special meetings, the rules provided for general extraordinary meetings shall apply considering only the shares of the applicable series or class.
- The annual ordinary shareholders' meeting shall:
  - approve the chief executive officer and board of directors' annual reports; the appointment of the members of the board of directors and statutory examiners; and if applicable, the members of the board or statutory examiners' fees.
  - discuss, approve or modify the reports of the chairman of the corporate practices and audit committees, if necessary;
  - discuss and approve on the re-appointment, revocation and/or appointment, if any, of one third of the proprietary members and respective alternates of the board of directors that the annual general ordinary meeting resolves to re-appoint, revoke and/or appoint;
  - evaluate the independence of independent directors;

- appoint the chairmen of the corporate practices and audit committees;
- decide on the use of the company's profit, if any;
- if applicable, determine the maximum amount of resources that may be used for the acquisition of its own shares;
- approve the execution of transactions whether simultaneously or subsequently by the company or the legal entities it controls within the same fiscal year that may be considered as one and the same transaction that the company when they represent 20% or more of the consolidated assets of the company, based on figures corresponding to the close of the immediately preceding quarter, regardless of the way in which they are applied. Stockholders holding shares with limited or restricted voting rights may vote at such meetings; and
- any other matter that shall be convened with by the general ordinary meeting in accordance with applicable law or that is not specifically reserved for an extraordinary meeting.
- An extraordinary shareholders' meeting shall approve:
  - extension of the company's term;
  - anticipated dissolution of the company;
  - any increase or decrease in the capital stock of the company;
  - any amendment in the company's corporate purpose;
  - any change in the company's nationality;
  - the company's change in any other type of entity or company;
  - any merger;
  - issuance of shares different than ordinary shares and bonds;
  - redemption of shares; and
  - any amendment to the company's by-laws.

#### **Directors**

- The board of directors shall have a minimum of 9 and a maximum of 21 members.
- Any shareholder, or group of shareholders, that have 10% or more of the capital stock of the Company has the right to appoint one member of the board of directors.
- The members of the board shall hold office for one year or until the shareholders that have appointed them revoke such appointment. The directors may be reelected as many times as deemed convenient and shall continue in office until their successors have been appointed and taken office.

## **Fiduciary Duties**

- Members of the board owe fiduciary duties in accordance with the Securities Market Law and in the applicable provisions of the stock exchange in which the shares are listed as follows:
  - The members of the board of directors must act in accordance with the duty of loyalty provided under Mexican law and in the applicable provisions of the stock exchange in which the shares are listed. The directors and the secretary, in the event they have a conflict of interest, must abstain from participating in the relevant matter and from being present in the deliberation and voting of said matter, without it affecting the quorum required for the installation of the board.
  - The members of the board of directors must act in accordance with the duty of care. For such purposes, they shall have the right to request, at any time and in accordance with the terms they deem appropriate, information from the company's officers and the legal entities controlled by the company.
  - The breach of any director to his duty of care shall make him jointly and severally liable with other directors who have breached their duty of care or are responsible, for the damages and losses caused to the company, which shall be limited to direct damages and losses, but not punitive or consequential, caused to the company and to the events in which such director acted fraudulently, in bad faith, with gross negligence or unlawfully.

## **Shareholders' Derivative Actions**

- The liability resulting from the breach of the duty of care or the duty of loyalty shall be exclusively in favor of the company or of the legal entity controlled by it or over which it has a significant influence and may be exercised by the company or by the stockholders who, individually or jointly, hold ordinary shares or shares with limited voting rights, restricted or without voting rights, representing 5% or more of the corporate capital in accordance with the provisions of Article 16 of the Securities Market Law.
- The members of the board of directors shall not incur in liability for damages caused to the company or to the legal entities it controls, when a director acts in good faith.

## **Indemnification of Directors and Officers**

- The company shall indemnify and hold harmless the members and the secretary of the board of directors, any of the members of the company's committees, and the relevant officers of the company, in connection with any liability arising from the performance of their duties, including any indemnification for any damage or injury, the necessary amounts to reach any settlement, and any fees and expenses incurred by such persons in connection with the above. Such indemnity shall not apply if any of such persons incurred or committed fraudulent acts, unlawful acts or omissions, or acted in bad faith.

## **Inspection of Books and Records**

- Members of the general public, on payment of a nominal fee, can obtain copies of the public records of the company available at the Public Registry of Commerce, which will include an extract of the company's articles of incorporation with the initial capital stock and any increase in its fixed portion, the initial stockholders and members of the Board, as well as any merger, dissolution or liquidation provision.
- Any person that is registered as a stockholder in the company's stockholder registry book can inspect, with prior written notice to the company, any of the company's books or records.

## **Anti-takeover Protections**

The Board of Directors needs to approve, with at least 66% of its Members present in a duly conveyed meeting and with at least 66% of its Members favorable vote, any change in Control of the Betterware or the transfer of the 20% or more of Betterware's shares. Such change of Control or transfer must be notified to Betterware and Betterware's shareholders.

The Board of Directors must approve the transfer within the following 90 calendar days after having all documentation the Board deems necessary for its consideration and approval.



In the event the Board of Directors authorizes the transaction, in addition to the Board approval, prior to the closing of the transaction, the person asking for the Board's approval shall make a tender offer for 100% of the outstanding capital stock of the Company, at a price payable in cash not less than the highest of the following:

- the book value per share, in accordance with the latest quarterly financial statements approved by the Board of Directors and presented to the National Banking and Securities Commission or to the applicable securities exchange; or
- the highest closing price per share with respect to transactions in the securities exchange where the shares are placed, published in any of the 365 days prior to the date of the application filed or the authorization granted by the Board of Directors; or
- the highest price paid with respect to the purchase of any shares, during the 365 days immediately before sending of the request or the authorization granted by the Board of Directors.

In each of these cases (items (i) to (iii) above), a premium equal to or greater than 15% shall be paid in respect of the price per share payable in connection with the requested transaction, it the understanding that the Board of Directors may modify, upwards or downwards, the amount of such premium, taking into account the opinion of a reputable investment bank.

The public tender offer must be completed within 90 days of the date of the Board of Directors' authorization, on the understanding that such term may be extended for an additional period of 60 days if the applicable governmental authorizations continues to be pending on the date of expiration of the initial term referred to above.

In the event that the Board of Directors receives on or before closing, an offer from a third party, requesting to make the acquisition of at least the same number of shares, on better terms for the stockholders or holders of shares of Betterware, the Board of Directors shall have the capacity to consider and, if applicable, authorize such second request, revoking the authorization previously granted.

If the transaction is not (i) an acquisition representing the 20% of the capital stock of Betterware, or (ii) a change of Control, it shall be registered in Betterware's Shares Registry Book once authorized by the Board of Directors.

In the event the Board of Directors rejects the transaction, the Secretary of the Board shall summon, within a period of 10 calendar days following such rejection (or within 20 calendar days prior to the termination of the term for the Board of Directors to decide on such request), to a General Ordinary Stockholders' Meeting at which the shareholders may, by the simple majority of the votes of the outstanding shares, ratify the decision of the Board of Directors or revoke such decision. In such case, the shareholders' resolution shall be deemed as final and shall replace any prior rejection by the Board of Directors.

"Control" means in respect of any person, through a person or group of persons, (i) the power to impose, directly or indirectly, by any means, resolutions or decisions, or to veto or prevent such resolutions or decisions from being taken, in any sense, at General Shareholders Meetings, or to appoint or remove the majority of the directors, administrators, managers or their equivalents of said person; (ii) maintain the ownership of any class of shares or rights related thereto which permit, directly or indirectly, the exercise of voting rights in respect of more than 50% of the shares, of whatever nature, with voting rights of such person, and/or (iii) the power to direct, determine, influence, veto or impede, directly or indirectly, the policies and/or decisions of the Board of Directors or of the management, strategy, activities, operations or principal policies of such person, whether through ownership of shares, by contract or agreement, written or oral, or by any other means, regardless of whether such control is apparent or implied.

A copy of the Articles of Association, as amended, is furnished under Item 19. "Exhibits".

### C. MATERIAL CONTRACTS

With the exception of the material agreements described in "Item 7.B Related Party Transactions-Agreements with Major Shareholders" and those executed in connection with the Business Combination, explained elsewhere in this annual report, all contracts concluded by the Company during the two years preceding the date of this annual report were entered into in the ordinary course of business.

#### D. EXCHANGE CONTROLS

None.

#### E. TAXATION

##### Material U.S. Federal Income Tax Considerations

The following is a summary of the material U.S. federal income tax consequences to U.S. Holders (as defined below) of the ownership and disposition of our ordinary shares. This summary is based upon U.S. federal income tax laws (including the U.S. Internal Revenue Code of 1986, as amended (the "Code") final, temporary and proposed Treasury regulations, rulings, judicial decisions and administrative pronouncements), all as of the date hereof and such authorities may be repealed, revoked or modified, possibly with retroactive effect, so as to result in United States federal income tax consequences different from those discussed below.

As used herein, the term U.S. Holder means a beneficial owner of one or more of our ordinary shares:

- that is for U.S. federal income tax purposes one of the following:
  - an individual citizen or resident of the United States,
  - a corporation created or organized in or under the laws of the United States or any political subdivision thereof, or
  - an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
  - trust if (1) a court within the United States can exercise primary supervision over it, and one or more United States persons have the authority to control all substantial decisions of the trust, or (2) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person;
- who holds the ordinary shares as capital assets for U.S. federal income tax purposes;
- who owns, directly, indirectly or by attribution, less than 10% of the share capital or voting shares of the Company; and
- whose holding is not effectively connected with a business carried on through a permanent establishment in Mexico.

The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of our ordinary shares by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws.

This summary also does not address all of the tax considerations that may apply to holders that are subject to special tax rules, such as U.S. expatriates or former long-term residents of the United States, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, certain financial institutions, dealers and certain traders in securities, persons holding ordinary shares as part of a straddle, hedging, conversion or other integrated transaction, controlled foreign corporations or passive foreign investment companies, persons who are required to accelerate the recognition of any item of gross income with respect to the shares of the Company as a result of such income being recognized on an applicable financial statement; persons who acquired their ordinary shares pursuant to the exercise of employee shares options or otherwise as compensation, entities or arrangements classified as partnerships for U.S. federal income tax purposes or persons whose functional currency is not the U.S. dollar. Such holders may be subject to U.S. federal income tax consequences different from those set forth below.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds ordinary shares, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. An entity or arrangement treated as a partnership for U.S. federal income tax purposes, or partner in a partnership, is urged to consult its own tax advisor regarding the specific tax consequences of owning and disposing of the ordinary shares.

Except as otherwise noted, this summary assumes that the Company is not a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes, which the Company believes to be the case. The Company's possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be a PFIC in any year, materially adverse consequences could result for U.S. Holders.

Potential investors in our ordinary shares should consult their own tax advisors concerning the specific U.S. federal, state and local tax consequences of the ownership and disposition of our ordinary shares in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

#### ***Taxation of distributions***

Distributions received by a U.S. Holder on ordinary shares, including the amount of any Mexican taxes withheld, generally will constitute foreign source dividend income to the extent paid out of the Company's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the ordinary shares and thereafter as capital gain. Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that such distributions (including any Mexican taxes withheld) will be reported to U.S. Holders as dividends. U.S. Holders should consult their own tax advisors with respect to the appropriate U.S. federal income tax treatment of any distribution received from the Company. A non-corporate recipient of dividend income will generally be subject to tax on dividend income from a "qualified foreign corporation" at a reduced capital gains rate rather than the marginal tax rates generally applicable to ordinary income provided that the holding period requirement is met. A non-U.S. corporation (other than a corporation that is classified as a PFIC (defined below) for the taxable year in which the dividend is paid or the preceding taxable year) generally will be considered to be a qualified foreign corporation with respect to any dividend it pays on stock which is readily tradable on an established securities market in the United States. The ordinary shares are listed on Nasdaq, and should qualify as readily tradable on an established securities market in the United States so long as they are so listed. Therefore, the Company believes that it will be a qualified foreign corporation for purposes of the reduced tax rate, although no assurance can be given that it will continue to be treated as a qualified foreign corporation in the future. Non-corporate U.S. Holders should consult their own tax advisors to determine whether they are subject to any special rules that limit their ability to be taxed at this favorable rate.

Dividends received on ordinary shares will be treated, for United States foreign tax credit purposes, as foreign source income. A U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any non-United States withholding taxes imposed on dividends received on ordinary shares. Instead of claiming a credit, a U.S. Holder may elect to deduct foreign taxes (including any Mexican taxes) in computing its taxable income, subject to generally applicable limitations. An election to deduct foreign taxes (instead of claiming foreign tax credits) applies to all taxes paid or accrued in the taxable year to foreign countries and possessions of the United States. The limitations on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. The rules governing foreign tax credits are complex. Therefore, U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits in their particular circumstances.

#### ***Taxation upon sale or other disposition of ordinary shares***

A U.S. Holder generally will recognize U.S. source capital gain or loss on the sale or other disposition of ordinary shares, which will be long-term capital gain or loss if the U.S. Holder has held such ordinary shares for more than one year. The amount of the U.S. Holder's gain or loss will be equal to the difference between such U.S. Holder's tax basis in the ordinary shares sold or otherwise disposed of and the amount realized on the sale or other disposition.

### ***Passive foreign investment company rules***

The Company believes that it was not a PFIC for its 2018 taxable year and does not expect to be a PFIC for its 2019 taxable year or in the foreseeable future. A non-U.S. corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable “look-through rules,” either (i) at least 75% of its gross income is “passive income” or (ii) at least 50% of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. However, because PFIC status depends upon the composition of the Company’s income and assets and the market value of its assets (including, among others, less than 25% owned equity investments) from time to time, there can be no assurance that the Company will not be considered a PFIC for any taxable year.

If the Company were a PFIC for any taxable year during which a U.S. Holder held ordinary shares, gain recognized by a U.S. Holder on a sale or other disposition of an ordinary shares would be allocated ratably over the U.S. Holder’s holding period for the ordinary shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, and an interest charge at the rates generally applicable to underpayments of tax payable in those years would be imposed on the resulting tax liability. The same treatment would apply to any distribution in respect of ordinary shares to the extent such distribution exceeds 125% of the average of the annual distributions on ordinary shares received by the U.S. Holder during the preceding three years or the U.S. Holder’s holding period, whichever is shorter. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the ordinary shares.

In addition, if the Company were treated as a PFIC in a taxable year in which it pays a dividend or in the prior taxable year, the reduced rate discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply.

A U.S. Holder who owns, or is treated as owning, PFIC stock during any taxable year in which the Company is a PFIC would generally be required to file IRS Form 8621 annually. Prospective purchasers should consult their tax advisors regarding the requirement to file IRS Form 8621 and the potential application of the PFIC regime.

### ***Information reporting and backup withholding***

Under U.S. federal income tax law and the Treasury regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, U.S. Holders that hold certain specified foreign financial assets in excess of \$50,000 are subject to U.S. return disclosure obligations (and related penalties). The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U. S. Holders may be subject to these reporting requirements unless their ordinary shares are held in an account at a domestic financial institution. Penalties for failure to file certain of these information returns are substantial.

Payments of dividends and sales proceeds with respect to ordinary shares by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide a correct taxpayer identification number or certification that it is not subject to backup withholding. Certain U.S. Holders are not subject to backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder’s U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided that the required information is timely furnished to the Internal Revenue Service. U.S. Holders should consult their tax advisors about these rules and any other reporting obligations that may apply to the ownership or disposition of ordinary shares, including requirements related to the holding of certain foreign financial assets.

**F. DIVIDENDS AND PAYING AGENTS.**

Not applicable.

**G. STATEMENT BY EXPERTS**

Not applicable.

**H. DOCUMENTS ON DISPLAY**

The Company makes its filings in electronic form under the EDGAR filing system of the SEC. Its filings are available through the EDGAR system at [www.sec.gov](http://www.sec.gov). The Company's filings are also available to the public through the Internet at the Company's website at <http://ri.betterware.com.mx/>. Such filings and other information on its website are not incorporated by reference in this annual report. Interested parties may request a copy of this filing, and any other report, at no cost, by writing to the Company at the following email address: [ir@better.com.mx](mailto:ir@better.com.mx).

**I. SUBSIDIARY INFORMATION**

Not applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES REGARDING MARKET RISK**

We are exposed to market risks arising from our normal business activities, which mainly consists of exchange rate risk and interest rate risk. These market risks principally involve the possibility that fluctuations in exchange rates and interest rates will adversely affect the value of our financial assets and liabilities, or future cash flows and earnings. Market risk is the potential loss arising from adverse changes in market rates and prices.

The Group's activities expose it primarily to the financial risks of changes in exchange rates and interest rates (see below). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- In order to reduce the risks related to fluctuations in the exchange rate of foreign currency, the Group uses derivative financial instruments such as forwards to adjust exposures resulting from foreign exchange currency.
- Additionally, the Group occasionally uses interest rate swaps to adjust its exposure to the variability of the interest rates or to reduce their financing costs. The Group's practices vary from time to time depending on judgments about the level of risk, expectations of change in the movements of interest rates and the costs of using derivatives.

***Exchange Rate Risk***

We undertake transactions denominated in foreign currencies, mainly U.S. dollars; consequently, exposures to exchange rate fluctuations arise from movements of the Mexican peso against the U.S. dollar. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of U.S. dollars denominated financial assets and financial liabilities as of January 3, 2021 is as follows:

	<b>January 3, 2021</b>	
Financial assets	US\$	29,559
Financial liabilities		(49,570)
Net position	US\$	(20,011)
Closing exchange rate of the year		19.9352

### *Exchange rate sensitivity analysis*

The Group is mainly exposed to variations in the Mexican Peso / the U.S. Dollar exchange rate. For sensitivity analysis purposes, the Group has determined a 10% increase and decrease in Ps. currency units against the U.S. dollar (“relevant currency”). A 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated financial assets/liabilities and adjusts their translation at the year-end for a 10% change in foreign currency rates. Given that the foreign exchange currency net position results in a liability, a positive number below indicates an increase in profit where currency units strengthen 10% against the relevant currency. For a 10% weakening of currency units against the relevant currency, there would be a comparable impact on the net income, and the balances below would be negative.

	<b>January 3, 2021</b>	
Impact on net income	US\$	39,982

### *Foreign exchange forward contracts*

To reduce the risks related to fluctuations in the exchange rate of the US dollar, the Group uses derivative financial instruments such as forwards to mitigate foreign currency exposure resulting from inventory purchases made in US dollars from suppliers in China.

See Note 18 to our Audited Consolidated and Combined Financial Statements for details on foreign currency forward contracts outstanding at the end of the reporting period. Foreign currency forward contract liabilities are disclosed in the line item ‘Derivative financial instruments’ within the consolidated and combined statement of financial position.

### *Interest Rate Risk*

Our interest rate risk arises from our financial borrowings. Borrowings issued at variable rates expose us to fair value interest rate risk and increases in interest expense when market interest rates increase, while the borrowings issued at a fixed rate expose us to fair value interest rate risk. We analyze our interest rate exposure on a dynamic basis, maintaining, pursuant to our general policy, an appropriate balance between fixed and variable rate borrowings, and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring the most cost-effective hedging strategies are applied. We believe that a variation in the interest rates would not affect our results of operation significantly.

As of January 3, 2021, we had no foreign currency-denominated borrowings.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**A. DEBT SECURITIES**

Not applicable.

**B. WARRANTS AND RIGHTS**

On November 9, 2020, the Company redeemed all of its outstanding public warrants to purchase shares of the Company's ordinary shares, no par value per share, that were issued under the Warrant Agreement, dated as of October 11, 2018 (as amended from time to time), by and between the Company (as successor of DD3 Acquisition Corp.) and Continental, as warrant agent, for a redemption price of USD\$0.01 per Public Warrant. See "Related-Party Transactions—Warrants Amendment." Also, on December 23, 2020, 239,125 private warrants were exercised on a cashless basis by their holders and exchanged for 156,505 of the Company's shares. As of the date of this annual report, the Company or the warrant holders had redeemed all of the outstanding warrants and purchase option of units and the Company recognized a loss for the increase in the fair value of the warrants of Ps.851,520, which is recognized under the heading "Loss in valuation of warrants" in the consolidated and combined statement of profit or loss.

**C. OTHER SECURITIES**

Not applicable.

**D. AMERICAN DEPOSITARY SHARES**

Not applicable.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

### ITEM 15. CONTROLS AND PROCEDURES

#### A. DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for implementing disclosure controls and procedures to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. Such information is necessary for our officers who certify the Company's financial reports and for other members of senior management and the CEO and CFO as appropriate to allow timely decisions regarding required disclosure. Because of these inherent limitations, our disclosure controls and procedures may not prevent or detect misstatements. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The CEO and CFO oversee and review all materials for which there is a disclosure requirement, together with all data required to support the documents mentioned above. These executives meet at regular intervals in order to review all data. Our CEO and CFO conducted an evaluation of the effectiveness of our disclosure controls and procedures (pursuant to Rule 13a-15(e) under the Exchange Act) as of January 3, 2021. Based on that evaluation, our CEO and CFO have concluded that the Company's disclosure controls and procedures were not effective as of January 3, 2021 due to the existence of material weaknesses in our internal controls over financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that a reasonable possibility exists that a material misstatement of our annual or interim financial statements would not be prevented or detected on a timely basis.

We are in the process of implementing Internal Control—Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The material weaknesses are mainly related with the lack of documentation required to evidence the existence and effectiveness of the associated controls that we are in the process of implementing as follows: (i) we have not completed the design and implementation of an effective risk assessment to identify and communicate appropriate objectives and fraud, and identifying and assessing changes in the business that could affect our system of internal controls, (ii) we did not design and implement effective control activities to adequately select and develop control activities and objectives for information and related technologies (COBIT), (iii) inadequate segregation of duties over system changes management process, lack of analysis of useful lives of assets, lack of management review regarding the identification of significant non-recurring or unusual transactions. Additionally, during our assessment of internal control over financial reporting, we identified deficiencies, and based on their nature, management considers that these deficiencies individually represent significant deficiencies. We determined that the combination of these significant deficiencies represents a material weakness due to their nature and potential magnitude. We have implemented and plan to implement a number of measures to address the material weaknesses that had been identified in connection with our assessment of internal control over financial reporting as of January 3, 2021. We have initiated compensating controls in the near term and are enhancing and revising the design of existing controls and procedures; we have hired additional qualified financial and accounting staff with working experience of IFRS and SEC reporting requirements. We have also established clear roles and responsibilities for accounting and financial reporting staff to address accounting and financial reporting issues. We also intend to hire additional resources to strengthen the financial reporting function and set up a financial and system control framework. The material weaknesses will not be considered remediated until the applicable remedial controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.



While we believe the steps taken to date and those planned for implementation will improve the effectiveness of our internal control over financial reporting, we have not completed all remediation efforts. Accordingly, as we continue to monitor the effectiveness of our internal control over financial reporting in the areas affected by the material weaknesses described above, we have and will continue to perform additional procedures prescribed by management, including the use of manual mitigating control procedures and employing any additional tools and resources deemed necessary to ensure that our consolidated financial statements are fairly stated in all material respects.

Notwithstanding the material weaknesses in our internal control over financial reporting, we have concluded that the Consolidated and Combined Financial Statements included in this annual report on Form 20-F present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with IFRS. Additionally, the material weaknesses did not result in any restatements of our Consolidated and Combined Financial Statements or disclosures for any prior period.

Please see Exhibits 12.1 and 12.2 for the certifications required by this Item.

## **B. MANAGEMENT'S ANNUAL ASSESSMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Betterware's management is responsible for establishing and maintaining adequate internal control over financial reporting for Betterware as defined in Exchange Act Rule 13a-15(f) and 15d-15(f). Our internal control over financial reporting was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Internal control over financial reporting includes those policies and procedures that:

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

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

Management conducted an evaluation of the effectiveness of Betterware's internal control over financial reporting based on the framework in Internal Control – Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013"). Based on its evaluation, Management concluded that Betterware's internal control over financial reporting was not effective as of January 3, 2021.

Guadalajara, Mexico  
April 19, 2021

*/s/*  
Andrés Campos, CEO

*/s/*  
Diana Jones, CFO

### **C. ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM**

This annual report does not include an attestation report of our registered public accounting firm because we qualify as an “emerging growth company” as defined under the JOBS Act. As long as we qualify as an “emerging growth company,” our independent registered accounting firm is not required to issue an attestation report on our internal control over financial reporting.

### **D. CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

During 2020, we implemented certain changes in our internal control over financial reporting to begin to address our material weaknesses, which include:

- Implemented an Independent Internal Audit Department and designed an effective monitoring program to assess and communicate deficiencies to management and our board of directors enabling them to take remedial actions as deemed necessary.
- Documented standards of conduct and ethical values, the parameters enabling our board of directors to carry out its governance oversight responsibilities; the organizational structure and assignment of authority and responsibility; the process for attracting, developing, and retaining competent individuals; and the rigor regarding reviews of performance measures, incentives, and rewards to drive accountability for performance;
- Documented process and controls, by which transactions are initiated, authorized, recorded, processed, corrected as necessary, transferred to the general ledger and reported in our consolidated financial statements; and
- Documented controls related to internal and external communications, including objectives and responsibilities to support the proper functioning of our internal control; a review process of financial and internal control information with our board of directors was documented and implemented.

### **ITEM 16. Reserved**

#### **ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

See “Directors, Senior Management and Employees—Board Practices—Board Committees—Audit Committee.” Our Board of Directors has determined that Joaquin Gandara Ruiz Esparza qualifies as an “audit committee financial expert” under applicable SEC rules.

#### **ITEM 16B. CODE OF ETHICS**

We have a Code of Ethics that applies to all directors, officers and employees of Betterware, including our Chief Executive Officer, Chief Financial Officer, principal accounting officer, controller and persons performing similar functions. Our Code of Ethics is included as an exhibit to this annual report on Form 20-F.

## ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

### *Fees Paid to the Company's Principal Accountant*

The following table sets forth the fees for the 2020 and 2019 periods, respectively:

	For the Year Ended	
	January 3, 2021	December 31, 2019
	(in thousands of MX\$)	
Audit fees	8,975	6,246
Audit related fees	3,811	1,826
Other fees	1,642	459
<b>Total</b>	<b>14,428</b>	<b>8,531</b>

### *Audit Fees*

Audit fees were paid for professional services rendered by the auditors for the audit of the Consolidated and Combined Financial Statements of the Company and the statutory financial statements of the Company and its subsidiary.

### *Audit-Related Fees*

Audit-related fees are typically services that are reasonably related to the performance of the audit or review of the Consolidated and Combined Financial Statements and are not reported under the audit fee item above. This item includes fees for attestation services on financial information of the Company included in the Company's registration statements on Form F-1 and Form F-4 as well as its listing process in the Bolsa Institucional de Valores ("BIVA", Mexican Stock Exchange).

### *Other Fees*

Other fees were paid for transfer pricing services and social security compliance.

### *Audit Committee's Pre-approval Policies and Procedures*

The Company's audit committee is responsible for, among other things, the oversight of the Company's independent auditors. The audit committee has adopted a policy of pre-approval of audit and permissible non-audit services provided by its independent auditors in its charter.

Under the policy, the audit committee makes its recommendations through the Board of Directors to the shareholders' meeting concerning the continuing appointment or termination of the Company's independent auditors. On a yearly basis, the audit committee reviews together with management and the independent auditor, the audit plan, audit related services and other non-audit services and approves the related fees. Any changes to the approved fees must be reviewed and approved by the audit committee. In addition, the audit committee delegated to its Chairman the authority to consider and approve, on behalf of the Audit Committee, additional non-audit services that were not recognized at the time of engagement, which must be reported to the other members of the audit committee at its next meeting. No services outside the scope of the audit committee's approval can be undertaken by the independent auditor.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

None.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT.**

On December 23, 2019, we approved the appointment of Galaz, Yamazaki, Ruiz Urquiza, S.C. member of Deloitte Touche Tohmatsu Limited, as our independent registered public accountant.

**ITEM 16G. CORPORATE GOVERNANCE**

As a Mexican company listed on the Nasdaq, we are subject to the Nasdaq corporate governance listing standards. However, Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in Mexico, which is our home country, may differ significantly from the Nasdaq corporate governance listing standards. Currently, we rely on home country practice. As a result, our shareholders could be subject to less protection than they would otherwise enjoy under the Nasdaq corporate governance listing standards applicable to U.S. domestic issuers. See "Risk Factors-As a "foreign private issuer" under the rules and regulations of the SEC, Betterware is permitted to, and is expected to, file less or different information with the SEC than a company incorporated in the United States or otherwise subject to these rules, and is expected to follow certain home country corporate governance practices in lieu of certain Nasdaq requirements applicable to U.S. issuers."

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

### PART III

#### ITEM 17. FINANCIAL STATEMENTS

The Company has responded to Item 18 in lieu of responding to this item.

#### ITEM 18. FINANCIAL STATEMENTS

##### (a) Financial Statements

Betterware de México, S.A.B. de C.V. (formerly Betterware de México, S.A.P.I. de C.V.)

##### Audited Consolidated and Combined Financial Statements

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<a href="#">Consolidated and Combined Statements of Profit or Loss and Other Comprehensive Income for the 53-week period ended January 3, 2021, the 52-week period ended December 31, 2019 and the year ended December 31, 2018</a>	F-7
<a href="#">Consolidated and Combined Statements of Changes in Stockholders' Equity for the 53-week period ended January 3, 2021, the 52-week period ended December 31, 2019 and the year ended December 31, 2018</a>	F-8
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#### ITEM 19. EXHIBITS

##### (b) List of Exhibits

The following exhibits are filed or incorporated by reference as part of this annual report:

<b>Exhibit Number</b>	<b>Description</b>
1.1	<a href="#">Articles of Association of Betterware de México, S.A.B. de C.V.</a>
2.1	<a href="#">Description of Securities</a>
8.1	<a href="#">List of Subsidiaries.</a>
11.1	<a href="#">English Translation of the Company's Code of Ethics.</a>
12.1	<a href="#">Certification of Andres Campos, Chief Executive Officer of Betterware de México, S.A.B. de C.V., pursuant to Section 302 of the Sarbanes Oxley Act of 2002.</a>
12.2	<a href="#">Certification of Diana Jones, Chief Financial Officer of Betterware de México, S.A.B. de C.V., pursuant to Section 302 of the Sarbanes Oxley Act of 2002.</a>
13.1	<a href="#">Certification of Andres Campos, Chief Executive Officer of Betterware de México, S.A.B. de C.V., pursuant to Section 906 of the Sarbanes Oxley Act of 2002.</a>
13.2	<a href="#">Certification of Diana Jones, Chief Financial Officer of Betterware de México, S.A.B. de C.V., pursuant to Section 906 of the Sarbanes Oxley Act of 2002.</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Calculation Linkbase
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase
101.PRE	XBRL Definition Linkbase Document

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**Betterware de México, S.A.B. de C.V.**

By: /s/ Luis Campos

Name: Luis Campos

Title: Board Chairman

Dated: April 19, 2021

**Betterware de México, S.A.B. de C.V. (formerly Betterware de México, S.A.P.I. de C.V., subsidiary of Campalier, S.A. de C.V.) and subsidiary**

Consolidated and combined financial statements as of January 3, 2021 and December 31, 2019 and for the 53 weeks ended January 3, 2021, the 52 weeks ended December 31, 2019 and the year ended December 31, 2018 (equivalent to 52 weeks), and Report of Independent Registered Accounting Firm dated March 25, 2021

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**Report of Independent Registered Public Accounting Firm  
To the Shareholders and Board of Directors of Betterware de México, S.A.B. de C.V. and subsidiary**

***Opinion on the Consolidated and Combined Financial Statements***

We have audited the accompanying consolidated and combined statements of financial position of Betterware de México, S.A.B. de C.V. and subsidiary (collectively, the “Group”) as of January 3, 2021 and December 31, 2019, the related consolidated and combined statements of profit and loss and other comprehensive income, changes in stockholders’ equity, and of cash flows, for the 53- and 52- periods then ended, respectively, and the related notes (collectively referred to as the “consolidated and combined financial statements”). In our opinion, the consolidated and combined financial statements present fairly, in all material respects, the financial position of the Group as of January 3, 2021 and December 31, 2019 and the results of its operations and its cash flows for the 53-week and 52-week periods then ended, respectively, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The combined financial statements of the Group for the year ended December 31, 2018, before (i) the change in the presentation to the combined statement of changes in stockholders’ equity for the year ended December 31, 2018 (presenting the net parent investment gross by including contributed capital and retained earnings separately, rather than net as presented in prior years), and before (ii) the adjustments to retrospectively apply the issuance of shares discussed in Note 23 to the consolidated and combined financial statements, were audited by other auditors whose report, dated September 27, 2019, expressed an unqualified opinion on those statements. We have also audited the adjustments to the 2018 combined financial statements to retrospectively apply the (i) the change in the presentation to the combined statement of changes in stockholders’ equity, and (ii) the issuance of shares in 2020 as part of the reorganization on the presentation of earnings per share as discussed in Note 21 and 23 to the financial statements. Our procedures related to these matters included, (i) comparing the amounts in the footnote disclosures for 2018 to the amounts presented in the statement of changes in stockholders’ equity, and (ii) (1) comparing the amounts shown in the earnings per share disclosures for 2018 to the Group’s underlying accounting analysis, (2) comparing the previously reported shares outstanding and statement of profit and loss amounts per the Group’s accounting analysis to the previously issued consolidated and combined financial statements, and (3) recalculating the additional shares to give effect to the stock issuance and testing the mathematical accuracy of the underlying analysis. In our opinion, such retrospective adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2018 combined financial statements of the Group other than with respect to the retrospective adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2018 consolidated and combined financial statements taken as a whole.

***Basis of preparation***

As discussed in Note 2.a to the consolidated and combined financial statements, the Group’s financial year is a 52- or 53- week period ending on the Sunday nearest to December 31. The financial year of 2020 consisted of 53 weeks and ended on January 3, 2021, and the financial years of 2019 and 2018 consisted of 52 weeks and ended on December 31, 2019 and 2018, respectively. In addition, the financial statements for the financial years of 2019 and 2018 have been presented on a combined basis because both entities were under common control as of such dates.

***Basis for Opinion***

These consolidated and combined financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on the Group’s consolidated and combined financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated and combined financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated and combined financial statements. We believe that our audit provides a reasonable basis for our opinion.

**Emphasis of a Matter**

We draw attention to Note 1.a of the consolidated and combined financial statements, which describes the effects of the outbreak of coronavirus disease (“COVID-19”) as of January 3, 2021 and for 53 weeks then ended.

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

/s/  
C.P.C. José Gerardo Castillo Morales  
Guadalajara, Jalisco, Mexico  
March 25, 2021

We have served as the Company’s auditor since 2019.

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### Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
Betterware de México, S.A.B. de C.V. (formerly Betterware de México, S.A. de C.V., and Betterware de México, S.A.P.I. de C.V.):

#### *Opinion on the Combined Financial Statements*

We have audited, before the effects of the adjustments to retrospectively change the presentation of the combined statement of changes in stockholders’ equity for the year ended December 31, 2018 described in Note 2, and before the effects of the adjustments to retrospectively apply the issuance of shares described in Note 23, the combined statements of profit or loss and other comprehensive income, net parent investment, and cash flows of Betterware de México, S.A.B. de C.V. (formerly Betterware de México, S.A. de C.V., and Betterware de México, S.A.P.I. de C.V.) and BLSM Latino América Servicios, S.A. de C.V. (collectively, the Group) for the year ended December 31, 2018, and the related notes (collectively, the combined financial statements). The 2018 combined financial statements before the effects of the adjustments described in Note 2 and Note 23 are not presented herein. In our opinion, the combined financial statements, before the effects of the adjustments to retrospectively change the presentation of the combined statement of changes in stockholders’ equity for the year ended December 31, 2018 described in Note 2, and before the effects of the adjustments to retrospectively apply the issuance of shares described in Note 23, present fairly, in all material respects, the results of operations of the Group and its cash flows for the year ended December 31, 2018, in conformity with International Financial Reporting Standards as issued by the International Accounting Standard Board.

We were not engaged to audit, review, or apply any procedures to (i) the adjustments to retrospectively change the presentation of the combined statement of changes in stockholders’ equity for the year ended December 31, 2018 described in Note 2, and (ii) the adjustments to retrospectively apply the issuance of shares described in Note 23, and accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by other auditors.

#### *Basis of Preparation*

As discussed in Note 2a to the combined financial statements, the financial statements have been presented on a combined basis because both entities are under common control.

#### *Basis for Opinion*

These combined financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on these combined financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Group in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the combined financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements. Our audit also included evaluating the accounting standards used and significant estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that our audit provides a reasonable basis for our opinion.

We served as the Group’s auditor from 2002 to 2019.

/s/ KPMG Cárdenas Dosal, S.C.  
Guadalajara, México.  
September 27, 2019.

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**Betterware de México, S.A.B. de C.V. and subsidiary**  
**Consolidated and combined statements of financial position**  
**As of January 3, 2021 and December 31, 2019**  
**(In Thousands of Mexican pesos)**

<b>Assets</b>	<b>Note</b>	<b>As of January 3, 2021</b>	<b>As of December 31, 2019</b>
Current assets:			
Cash and cash equivalents	5	\$ 649,820	\$ 213,697



Trade accounts receivable, net	6,20	757,806	247,087
Accounts receivable from related parties	24	-	610
Inventories	7	1,274,026	345,554
Prepaid expenses	8	94,501	53,184
Other assets	9	130,417	20,574
Total current assets		<u>2,906,570</u>	<u>880,706</u>
Non-current assets:			
Property, plant and equipment, net	10	791,127	207,350
Right of use assets, net	13	24,882	23,811
Deferred income tax	16	17,605	5,082
Intangible assets, net	12	319,361	310,965
Goodwill	11	348,441	348,441
Other assets	9	5,774	13,371
Total non-current assets		<u>1,507,190</u>	<u>909,020</u>
Total assets		<u>\$ 4,413,760</u>	<u>\$ 1,789,726</u>

(Continued)

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**Betterware de México, S.A.B. de C.V. and subsidiary**  
**Consolidated and combined statements of financial position**  
**As of January 3, 2021 and December 31, 2019**  
**(In Thousands of Mexican pesos)**

<b>Liabilities and stockholders' equity</b>	<b>Note</b>	<b>As of January 3, 2021</b>	<b>As of December 31, 2019</b>
Current liabilities:			
Borrowings	15	\$ 105,910	\$ 148,070
Accounts payable to suppliers	14	2,078,628	529,348
Accrued expenses		109,767	54,456
Provisions	17	151,008	46,689
Income tax payable	16	85,221	34,709
Value added tax payable		26,703	30,299
Employee profit sharing payable		7,354	5,006
Lease liability	13	7,691	14,226
Derivative financial instruments	18	295,115	15,555
Total current liabilities		<u>\$ 2,867,397</u>	<u>\$ 878,358</u>
Non-current liabilities:			
Statutory employee benefits	19	\$ 1,678	\$ 1,630
Derivative financial instruments	18	25,179	16,754
Deferred income tax	16	56,959	78,501
Lease liability	13	16,687	10,358
Borrowings	15	523,967	529,643
Total non-current liabilities		<u>624,470</u>	<u>636,886</u>
Total liabilities		<u>3,491,867</u>	<u>1,515,244</u>
Stockholder's equity			
Common stock	21	281,722	55,985
Share premium account		909,428	-
Retained earnings (deficit)		(268,539)	218,376
Other comprehensive income		(718)	121
Total stockholders' equity		<u>921,893</u>	<u>274,482</u>
Contingencies			
Total liabilities and stockholders' equity	28	<u>\$ 4,413,760</u>	<u>\$ 1,789,726</u>

(Concluded)

See accompanying notes to consolidated and combined financial statements.

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equivalent to 52 weeks)  
(Thousands of Mexican pesos, except per share amounts)

	Note	2020	2019	2018
Net revenue	25	\$ 7,260,408	\$ 3,084,662	\$ 2,316,716
Cost of sales	7	3,290,994	1,280,829	958,469
Gross profit		3,969,414	1,803,833	1,358,247
Administrative expenses	25	664,677	319,133	249,148
Selling expenses	25	853,355	551,300	454,016
Distribution expenses	25	331,023	121,155	103,336
		1,849,055	991,588	806,500
Operating income		2,120,359	812,245	551,747
Financing income (cost):				
Interest expense		(80,253)	(85,429)	(86,343)
Interest income		10,930	7,028	6,707
Unrealized loss in valuation of derivative financial instruments	18	(287,985)	(15,680)	(16,629)
Changes in fair value of warrants		(851,520)	-	-
Foreign exchange loss, net		(30,402)	(13,330)	(6,036)
		(1,239,230)	(107,411)	(102,301)
Income before income taxes		881,129	704,834	449,446
Income taxes:				
Current	16	576,834	229,900	158,545
Deferred	16	(34,066)	2,792	(8,366)
		542,768	232,692	150,179
Net income for the year		338,361	472,142	299,267
Other comprehensive income items:				
Remeasurement of defined benefit obligation, net of taxes	19	(839)	76	165
Total comprehensive income for the year		\$ 337,522	\$ 472,218	\$ 299,432
Basic earnings per common share ( <i>pesos</i> )	23	\$ 9.93	\$ 15.63	\$ 9.91
Diluted earnings per common share ( <i>pesos</i> )	23	\$ 9.84	\$ 15.63	\$ 9.91

See accompanying notes to consolidated and combined financial statements.

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**Betterware de México, S.A.B. de C.V. and subsidiary**

**Consolidated and combined statements of changes in stockholders' equity**

For the 53-week period ended January 3, 2021 ("2020"), the 52-week period ended December 31, 2019 ("2019") and the year ended December 31, 2018 ("2018", equivalent to 52 weeks)

(Thousands of Mexican pesos)

	Note	Common stock	Share premium account	Retained earnings (deficit)	Other comprehensive income	Total stockholders' equity
Balance as of January 1, 2018		153,851	-	25,046	(120)	178,777
Capital decrease	21	(97,866)	-	-	-	(97,866)
Dividends paid	21	-	-	(300,079)	-	(300,079)
Total comprehensive income for the year		-	-	299,267	165	299,432
Balance as of December 31, 2018		55,985	-	24,234	45	80,264
Dividends paid	21	-	-	(278,000)	-	(278,000)
Total comprehensive income for the year		-	-	472,142	76	472,218
Balance as of December 31, 2019		55,985	-	218,376	121	274,482
Capital increase	21	225,737	909,428	-	-	1,135,165
Effects of merger with related party	21	-	-	4,724	-	4,724
Dividends paid	21	-	-	(830,000)	-	(830,000)
Total comprehensive income for the year		-	-	338,361	(839)	337,522
Balance as of January 3, 2021		281,722	909,428	(268,539)	(718)	921,893

See accompanying notes to consolidated and combined financial statements.

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**Betterware de México, S.A.B. de C.V. and subsidiary**  
**Consolidated and combined statements of cash flows**

For the 53-week period ended January 3, 2021 ("2020"), the 52-week period ended December 31, 2019 ("2019") and the year ended December 31, 2018 ("2018", equivalent to 52 weeks)

(Thousands of Mexican pesos)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Operating activities:</b>			
Net income for the year	\$ 338,361	\$ 472,142	\$ 299,267
Adjustments for:			
Income tax expense	542,768	232,692	150,179
Depreciation and amortization of non-current assets and right of use assets	43,688	38,394	25,962
Interest expense recognized in profit or loss	80,253	85,429	86,343
Interest income recognized in profit or loss	(10,930)	(7,028)	(6,707)
Loss (gain) on disposal of non-current assets	9,216	-	(11,970)
Share-based payment expense	32,910	-	-
Changes in fair value of warrants	851,520	-	-
Unrealized loss in valuation of derivative financial instruments	287,985	15,680	16,629
	<u>2,175,771</u>	<u>837,309</u>	<u>559,703</u>
(Decrease) increase in:			
Trade accounts receivable	(510,719)	(48,311)	(50,843)
Trade accounts receivable from related parties	610	(610)	22
Inventory	(928,472)	(43,348)	(160,312)
Prepaid expenses and other assets	(95,532)	(40,263)	(31,329)
Accounts payable to suppliers and accrued expenses	1,604,591	101,857	238,927
Provisions	104,319	7,703	(3,496)
Value-added tax payable	(3,596)	12,675	(2,909)
Statutory employee profit sharing	2,348	2,290	1,470
Employee benefits	(743)	351	308
Income taxes paid	(526,321)	(224,207)	(213,327)
Net cash provided by operating activities	<u>1,822,256</u>	<u>605,446</u>	<u>338,214</u>
<b>Investing activities:</b>			
Payments of fixed and intangible assets	(617,686)	(182,625)	(21,268)
Proceeds from disposal of fixed assets	18,270	-	28,110
Interest received	10,930	7,028	6,707
Restricted cash	(42,915)	-	-
Net cash (used in) provided by investing activities	<u>(631,401)</u>	<u>(175,597)</u>	<u>13,549</u>

(Continued)

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**Betterware de México, S.A.B. de C.V. and subsidiary**  
**Consolidated and combined statements of cash flows**

For the 53-week period ended January 3, 2021 ("2020"), the 52-week period ended December 31, 2019 ("2019") and the year ended December 31, 2018 ("2018", equivalent to 52 weeks)

(Thousands of Mexican pesos)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Financing activities:</b>			
Proceeds from borrowings	\$ 1,712,207	\$ 104,500	\$ 50,000
Repayment of borrowings	(1,757,112)	(83,041)	(35,085)
Interest paid on borrowings	(121,297)	(82,654)	(85,159)
Restricted cash	-	22,940	(2,001)
Lease payments	(8,825)	(12,325)	-
Cash received for issuance of shares	250,295	-	-
Dividends paid	(830,000)	(342,955)	(235,124)
Payments made to shareholders	-	-	(97,866)
Net cash used in financing activities	<u>(754,732)</u>	<u>(395,535)</u>	<u>(405,235)</u>
Increase (decrease) in cash and cash equivalents	436,123	36,314	(53,472)
Cash and cash equivalents at the beginning of year	213,697	177,383	230,855
Cash and cash equivalents at the end of year	<u>\$ 649,820</u>	<u>213,697</u>	<u>177,383</u>

See accompanying notes to consolidated and combined financial statements.

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**Betterware de México, S.A.B. de C.V. and subsidiary**

**Notes to consolidated and combined financial statements**

As of January 3, 2021 and December 31, 2019 and for the 53 weeks ended January 3, 2021, the 52 weeks ended December 31, 2019 and the year ended December 31, 2018 ("2018", equivalent to 52 weeks)

**1. Nature of business and significant events**

Betterware de México, S.A.B. de C.V. (formerly Betterware de México, S.A.P.I. de C.V.) (“Betterware”) is a direct-to-consumer selling company, focused on the home organization sector, whose product portfolio includes home organization products, kitchen utensils and appliances, food containers, and other categories of products (“home organization products”). Betterware purchases these home organization products and sells them in 9 (nine) catalogs published throughout the year. Betterware’s controlling shareholder is Campalier, S.A. de C.V. (“Campalier”).

BLSM Latino America Servicios, S.A. de C.V., (“BLSM”), which as of March 10, 2020 became a wholly-owned subsidiary of Betterware, provides administrative, technical, and operational services to Betterware (formerly a related party of Betterware).

Betterware and BLSM (hereinafter jointly referred to as the “Group” or the “Company”) are entities incorporated in Mexico that carry out their operations in Mexico. The Group’s address, registered as its office and primary place of business, is Luis Enrique Williams 549, Parque Industrial Belenes Norte, Zapopan, Jalisco, Mexico, and Zip Code 45150.

**Significant events and transactions –**

**2020**

- a) As a result of the coronavirus (COVID-19) outbreak and its recent global spread to a large number of countries, the World Health Organization classified the viral outbreak as a pandemic on March 11, 2020. Public health measures have been taken in Mexico to limit the spread of this virus, including but not limited to, social isolation and the closure of educational centers (schools and universities), commercial establishments and non-essential businesses. There is great deal of uncertainty around how this virus will evolve in Mexico, the time it will take for precautionary and / or containment measures to take effect, and the result it will have on the national economy.

The Group’s operations were not interrupted as a result of the COVID-19 pandemic, as its product lines include hygiene and cleaning solutions, which qualify as an essential activity in Mexico. The Group’s gross margin was negatively affected by the depreciation of the Mexican peso compared to the US dollar, as it acquires most of its products in US dollars. To mitigate this risk, the Company enters into forwards contracts to fix the exchange rate for future purchases in US dollars, which has allowed it to partially reduce the effects of the exchange rate due to the COVID-19 pandemic.

The Group has a proven track record of performance and a clear and executable growth plan, which includes expansion in current geographies and categories, as well as the addition of new markets and product extensions, all supported by a strong infrastructure deeply rooted in business intelligence.

The Company maintains sufficient liquidity to comply with its contractual obligations as a result of having financing sources, in addition, the payment conditions of its clients are maintained between 14 and 28 days, while the payment conditions to its suppliers are 120 days.

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- b) On March 10, 2020, Betterware’s legal name changed from Betterware de México, S.A. de C.V. to Betterware de México, S.A.P.I. de C.V. On August 5, 2019, Betterware and DD3 Acquisition Corp. (“DD3”, a publicly listed entity in the US and whose shares traded on the Nasdaq Capital Market (“Nasdaq”)), announced they had entered into a business combination agreement. As part of this transaction, DD3 would merge into Betterware through an exchange of shares with their respective shareholders and Betterware would survive as the acquirer. BLSM would become a wholly-owned subsidiary of Betterware. The transaction closed on March 13, 2020, and as a result, all Betterware shares that were issued and outstanding immediately prior to the closing date were canceled and new shares were issued. This transaction was accounted as a capital reorganization, whereby Betterware issued shares to the DD3 shareholders and obtained US\$ 22,767 (Ps. 498,445) in cash through the acquisition of DD3 and, simultaneously settled liabilities and related transaction costs on that date, for net cash earnings of US\$ 7,519 (Ps. 181,734) on such date. In addition, Betterware assumed the obligation of the warrants issued by DD3 (see description below), a liability inherent to the transaction, equivalent to the fair value of Ps. 55,810 of the warrants. No other assets or liabilities were transferred as part of the transaction that required adjustment to fair value as a result of the acquisition. On the same date, 2,040,000 Betterware shares, that were offered for subscription and payment under its initial public offering on Nasdaq, were subscribed and paid for by different investors. As of the closing date, BLSM is a fully-owned subsidiary of Betterware. The acquisition by Betterware of BLSM was considered a common control transaction and accounted for as a pooling of interests, whereby the historical values of BLSM’s assets and liabilities were the same before and after. As a result of the transaction, Betterware’s original shareholders held 87.7% of the total outstanding shares; DD3 shareholders obtained a 6.4% stake, and investors under the Nasdaq listing, a 5.9% stake. After the closing date, Betterware had 34,451,020 issued and outstanding shares.

- c) On March 10, 2020 and as a result of the aforementioned transaction, the warrants that DD3 had issued were automatically converted into warrants for the purchase of a total of 5,804,125 Betterware shares. Such warrants were exercised in accordance with the terms of the warrant agreement governing those securities, which also considered the option to purchase 250,000 units that automatically became an option to issue 250,000 Betterware shares and warrants to buy 250,000 additional Betterware shares. This purchase option of units resulted in the issuance of 214,020 Betterware shares, which were exercised on a cashless basis. Warrants could be exercised starting on April 12, 2020 and expired on November 9, 2020 (see Note 1.f). The exercise price of the warrants was US\$ 11.50 per share, adjusted by dividends paid that exceeded US\$ 0.50 per share within a year, resulting in an exercise price of US\$ 11.44.

As warrants and securities purchase options (and underlying securities) were exercised in the 53-week period ended January 3, 2021, additional Betterware shares were issued, resulting in a dilution for Betterware shareholders and increasing the number of Betterware shares eligible for resale in the public market (see Note 23).

- d) On July 30, 2020, Betterware awarded a long-term share-based incentive plan with certain officers and directors (“Incentive Plan”). The purpose of the Incentive Plan is to provide eligible officers and directors with the opportunity to receive share-based incentives to encourage them to contribute significantly to the growth of the Group and to align the economic interests of those individuals with those of the shareholders. The delivery of certain shares to the executives and directors was agreed and approved by the Board of Directors. The Incentive Plan is aligned with the shareholders’ interest in terms of the management capacity to obtain operating results that potentially benefit the share price; if the established results are achieved, it will cause a gradual delivery of shares over a period of 4 to 5 years (see Note 22).
- e) On July 14, 2020, Betterware’s legal name changed from Betterware de México, S.A.P.I. de C.V. to Betterware de México, S.A.B. de C.V.
- f) On August 28, 2020, the Company filed a Registration Statement on Form F-1 with the SEC in order to (i) register the warrants that were protected under the Registration Rights Agreement, and (ii) modify the Registration Declaration on Form F-4 that had been filed with the SEC on January 22, 2020. In the terms established in the Registration Declaration, it was effective on September 11, 2020. The registration of Form F-1 triggered the investors rights to exercise their warrants on a cash basis.

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- g) On October 8, 2020, the Company announced that, based on the agreements reached at the Ordinary General Shareholders' meeting held on October 2, 2020, it would carry out the redemption of all outstanding warrants for the purchase of shares of the Group. As a result of the redemption, a "cashless" exercise of the warrants was considered for an exercise price of US\$ 11.44 per share, expiring on November 9, 2020, with which the warrant holders would receive 0.37 shares of the Company for each warrant that was redeemed.
- h) On December 14, 2020, Betterware and Promotora Forteza, S.A. de C.V. ("Forteza", and one of Betterware's shareholder), entered into a merger agreement pursuant to which Forteza agreed to merge with and into Betterware, surviving Betterware as the acquiror. On December 16, 2020, the merger was completed. Consequently, considering that Forteza was a Betterware shareholder, the number of Betterware shares were delivered to Forteza's shareholders in proportion to their shareholding in Betterware, without implying an increase in Betterware's share capital or in the total number of outstanding shares of the Company. The net effects of the merger was an increase in equity of Ps. 4,724.

## 2019

- i) During August 2019, the Group started building a distribution center which will be completed in the first quarter of 2021. As of January 3, 2021 and December 31, 2019, payments related to this construction amounted to Ps. 508,958 and Ps. 165,000, respectively. The total investment amounted Ps. 673,958.

## 2. Significant accounting policies

### a. *Basis of preparation*

The consolidated and combined financial statements include the financial statements of Betterware and BLSM (the "consolidated and combined financial statements"). Prior to the merger transaction disclosed in Note 1.b, Betterware and BLSM were subsidiaries under the common control of Campalier, operating under common management; therefore, combined financial statements of these entities were prepared as of December 31, 2019 and 2018. On March 10, 2020, BLSM became a subsidiary of Betterware resulting in the preparation of its consolidated financial statements as of such date. As a result, the combined statement of changes in stockholders' equity for the 52-week period ended December 31, 2019 and the year ended December 31, 2018 (equivalent to 52 weeks) present the net parent investment gross by including contributed capital and retained earnings (rather than net as presented in prior years), as management believes it is a preferable presentation for comparability purposes with the share structure and presentation as of and for the 53-week period ended January 3, 2021.

Betterware's financial year is a 52- or 53-week period ending on the Sunday nearest to December 31. The financial year of 2020 consisted of 53 weeks and ended on January 3, 2021. The comparative financial year of 2019 and of 2018 consisted of 52 weeks. The financial information as of January 3, 2021 and for the 53-week period ended on such date is also herein referred to the 2020 period (the "2020 period" or the "period of 2020"). The financial information as of December 31, 2019 and for the 52-week period ended on such date is also herein referred to the 2019 period (the "2019 period" or the "period of 2019"). The financial information for the year ended December 31, 2018 (equivalent to a 52-week period) is also herein referred to the 2018 period (the "2018 period" or the "period of 2018").

Transactions among the Betterware and BLSM and the balances and unrealized gains or losses arising from intra-group transactions have been eliminated in the preparation of the consolidated and combined financial statements.

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### b. *Basis of accounting*

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

### c. *Basis of measurement*

The consolidated and combined financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value.

#### *Functional and presentation currency*

These consolidated and combined financial statements are presented in Mexican pesos ("Ps."), which is the Group's functional currency. All financial information presented in Mexican pesos has been rounded to the nearest thousand (except where otherwise specified). When referring to U.S. dollars ("US\$"), means thousands of United States dollars.

#### *Consolidated and combined statement of profit or loss and other comprehensive income*

The Group opted to present a single consolidated and combined statement of profit or loss and comprehensive income, combining and consolidating the presentation of profit and loss, including an operating profit line item, and comprehensive income in the same statement. Due to the commercial activities of the Group, costs and expenses presented in the consolidated and combined statements of profit or loss and other comprehensive income were classified according to their function. Accordingly, cost of sales and operating expenses were presented separately.

### d. *Cash and cash equivalents and restricted cash*

Cash and cash equivalents consist mainly of bank deposits and short-term investments in securities, highly liquid and easily convertible into cash in a period no longer than three months. Cash is stated at nominal value and cash equivalents are valued at fair value. Any cash or cash equivalent that cannot be disposed of in less than three months is classified as restricted cash.

As of January 3, 2021, restricted cash by \$42,915 was classified within other current assets (see note 5). This restricted cash was in guarantee for some forwards to be exercised between May and October 2021.

### e. *Financial instruments*

Financial assets and financial liabilities are recognized in the Group's consolidated and combined statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

**f. Financial assets**

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

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*Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

*Amortized cost and effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

*Foreign exchange gains and losses*

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically, for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss.

*Impairment of financial assets*

The Group always recognizes lifetime expected credit losses (“ECL”) for trade receivables. The expected credit losses on these financial assets are estimated using the simplified approach by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

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

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*Write-off policy*

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

**g. Financial liabilities**

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship.

#### *Financial liabilities and equity*

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Financial liabilities measured subsequently at amortized cost*

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination and consolidation, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

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#### *Foreign exchange gains and losses*

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'Foreign exchange (loss) gain, net' line item in the consolidated and combined Statements of Profit or Loss and Other Comprehensive Income for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

#### *Derecognition of financial liabilities*

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

#### ***h. Derivative financial instruments***

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are disclosed in Note 18.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the consolidated and combined financial statements unless the Group has both legal right and 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.

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#### *Accounting for warrants*

The warrants meet the definition of a derivative financial instrument as they represent a written put option that gives the holders of the warrants the right to exchange them for the Group's shares at a fixed price. Although the warrants will be exchanged for the Group's shares based on the terms of the warrant agreement, the warrants were classified as a derivative financial liability measured at FVTPL, and not as an equity instrument, given that the functional currency of the Company (MXN) differs from the strike-price of the warrants, which is fixed in USD. Changes in the fair value of the financial liability are presented in the consolidated and combined statements of profit or loss under the heading "Loss in valuation of warrants".

The Group's operating income and the financial position are not negatively impacted as no outflow of cash is required as the obligation is settled by issuing Betterware's shares. For purposes of the Company's EBITDA, the changes in the fair value of the liability are excluded as they represent non-cash charges.

The exchange of warrants for the Group's shares give rise to the settlement of the obligation associated with the liability with a corresponding increase in equity. The redemption of warrants will result in a net impact in equity resulting from the increase in their fair value is recorded in profit or loss (reducing retained earnings), offset by the equivalent increase in equity as a result of the issuance of shares.

#### ***i. Inventories and cost of sales***

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on weighted-average. The net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**j. Prepaid expenses**

Prepaid expenses are mainly comprised of advanced payments for printed catalogs, as well as, advanced payments for the purchase of inventories that are received after the date of the consolidated and combined statement of financial position and during the normal course of business, and they are presented in current assets in accordance with the classification of the destination item.

**k. Other assets**

Other assets mainly include inventory of rewards, restricted cash (see Note 2d) and rent security deposits. They are presented in current or non-current assets in accordance with the classification of the destination item.

Under the reward program, the Group grants reward points to its distributors for the recruitment of associates, while associates receive such points for the referral of new associates within a catalogue. These points are exchangeable for products that Betterware acquires from other suppliers, which are not related to a revenue contract. The points expire based on commercial terms established by the Group that can be modified at management's discretion. Inventory of rewards mainly consist of certain products and items (in the form of rewards) that Betterware acquires with the purpose to encourage sales among the distributors and associates. Such inventory is acquired once the distributors and associates redeem the reward points that are granted by the Group so that the balance of inventory at each reporting period only relates to items already redeemed but not delivered. Inventory of rewards are recognized at cost of acquisition.

**l. Property, plant and equipment, net**

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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If significant parts of an item have different useful lives, then they are accounted for as separate items (major components).

Depreciation is recognized using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

Buildings	20 - 50 years
Molds	5 years
Vehicles	4 years
Computers and equipment	3 - 10 years
Leasehold improvements	3 years

Property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Borrowing costs directly attributable to the acquisition or construction of qualifying assets (designated asset), which are assets that necessarily take a substantial period of time before they are available for their intended use, are added to the cost of those assets, until such time as the assets are available for their intended use. If any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

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. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**m. Intangible assets**

- **Brand**

This is an intangible asset with an indefinite useful life and corresponds mainly to the value of the "Betterware" brand, which was transmitted to the Group through a merger with Strevo Holding, S.A. de C.V. ("Strevo", an unrelated third party) on July 28, 2017. This intangible asset is subject to annual impairment testing, and whenever there is an indication that the asset may be impaired.

Additionally, the Group has incurred expenditures related to registration of trademark rights, which have a finite life. Such expenditures are amortized on a straight-line basis over their estimated useful lives which range from 10 to 30 years.

- **Relationship with customers**

This is an intangible asset with a definite useful life of ten years and is being amortized on a straight-line basis and corresponds to the value of the relationships with customers. It was transmitted to the Group through a merger with Strevo on July 28, 2017. This intangible asset is subject to impairment testing whenever there is an indication that the asset may be impaired.

- **Derecognition of intangible assets**

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

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**n. Impairment of tangible and intangible assets other than goodwill**



At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

***o. Goodwill***

Goodwill corresponds to the excess resulted between the consideration paid and the fair values of the net assets acquired at the date of acquisition paid by Betterware Latinoamerica Holding México, S.A. de C.V. (BLHM) and Strevo. Goodwill was generated by different legal entities and transmitted to the Group through the mergers carried out on November 30, 2002 and July 28, 2017, respectively (see Note 11).

As disclosed in Note 11, Goodwill was transferred to the Group through mergers carried out on November 30, 2002 and July 28, 2017 with BLHM and Strevo, respectively, which was generated through the acquisition of shares of the Group in November 2002 and March 2015, respectively.

Goodwill is not amortized but is tested annually for impairment. Goodwill arising from a business combination is allocated to the cash generating unit (“CGU”) receiving a benefit from the synergies of the combination. An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other long-lived assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

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***p. Leases***

**Classification and valuation of leases under IAS 17, in effect through December 31, 2018**

*The Group as lessee*

For the year ended December 31, 2018, the classification of leases as finance or operating depended on the substance of the transaction rather than the form of the contract.

Leases in which a significant portion of the risks and rewards relating to the leased property are retained by the lessor were classified as operating leases. Payments made under operating leases (net of incentives received by the lessor) were recognized in the consolidated and combined statement of income based on the straight-line method over the lease period.

Leases where the Group assumes substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalized at the beginning of the lease, at the lower of the fair value of the leased property and the present value of the future minimum lease payments. If its determination was practical, in order to discount the future minimum lease payments to present value, the interest rate implicit in the lease was used; otherwise, the incremental borrowing rate of the lessee was used.

For the year ended December 31, 2018, the Group had only entered into operating leases.

*The Group as lessor*

As of and for the year ended December 31, 2018, the Group did not maintain any leases as lessor.

**Classification and valuation of leases under IFRS 16, in effect beginning January 1, 2019**

*The Group as lessee*

The Group evaluates whether a contract is or contains a lease agreement at inception of a contract. A lease is defined as an agreement or part of an agreement that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. The Group recognizes an asset for right-of-use and the corresponding lease liability, for all lease agreements in which it acts as lessee, except in the following cases: short-term leases (defined as leases with a lease term of less than 12 months); leases of low-value assets (defined as leases of assets with an individual market value of less than US\$5,000 (five thousand dollars)); and, lease agreements whose payments are variable (without any contractually defined fixed payment). For these agreements, which exempt the recognition of an asset for right-of-use and a lease liability, the Group recognizes the rent payments as an operating expense in a straight-line method over the lease period.

The right-of-use asset comprises all lease payments discounted at present value; the direct costs to obtain a lease; the advance lease payments; and the obligations of dismantling or removal of assets. The Group depreciates the right-of-use asset over the shorter of the lease term or the useful life of the underlying asset; therefore, when the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Depreciation begins on the lease commencement date.

The lease liability is initially measured at the present value of the future minimum lease payments that have not been paid at that date, using a discount rate that reflects the cost of obtaining funds for an amount similar to the value of the lease payments, for the acquisition of the underlying asset, in the same currency and

for a similar period to the corresponding contract (incremental borrowing rate). To determine the lease term, the Group considers the non-cancellable period, including the probability to exercise any right to extend and/or terminate the agreement.

Subsequently, the lease liability is measured increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made.

When there is a modification in future lease payments resulting from changes in an index or a rate used to determine those payments, the Group remeasures the lease liability when the adjustment to the lease payments takes effect, without reassessing the discount rate. However, if the modifications are related to the lease term or exercising a purchase option, the Group reassesses the discount rate during the liability's remeasurement. Any increase or decrease in the value of the lease liability subsequent to this remeasurement is recognized as an adjustment to the right-of-use asset to the same extent.

Finally, the lease liability is derecognized when the Group fulfills all lease payments. When the Group determines that it is probable that it will exercise an early termination of the contract that leads to a cash disbursement, such disbursement is accounted as part of the liability's remeasurement mentioned in the previous paragraph; however, in cases in which the early termination does not involve a cash disbursement, the Group cancels the lease liability and the corresponding right-of-use asset, recognizing the difference immediately in the consolidated and combined statement of profit or loss and other comprehensive income.

#### *The Group as lessor*

As of January 3, 2021 and December 31, 2019 and for the periods of 2020 and 2019, the Group does not maintain any leases as lessor.

#### **q. Foreign currency**

In preparing the consolidated and combined financial statements, transactions in currencies other than the Mexican Peso, which is the functional currency of the consolidated and combined entities are recognized at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of transaction.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

#### **r. Employee benefits**

##### Retirement benefits - Defined benefit obligations

The Group's defined benefit obligations cover seniority premiums which consist of a lump sum payment of 12 day's wage for each year worked, calculated using the most recent salary, not to exceed twice the legal minimum wage established by law. The related liability and annual cost of such benefits are calculated with the assistance of an independent actuary on the basis of formulas defined in the plans using the projected unit credit method at the end of each annual reporting period.

The Group's net obligation with respect to the defined-benefit plan are calculated separately for each plan, estimating the amount of future benefit accrued by employees in return for their services in ongoing and past periods; that benefit is discounted to determine its present value, and the costs for the services that have not been recognized and the fair value of the plan assets are deducted. The discount rate is the yield at the reporting date of the government bonds that have maturity dates approximate to the maturities of the Group's obligations which are denominated in the same currency in which benefits are expected to be paid (Mexican pesos).

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; and
- Remeasurements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if applicable), are recognized immediately in the liability against other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is never reclassified to profit or loss. Past service cost is recognized in profit or loss in the period in which a plan amendment or curtailment occurs, or when the Group recognizes the related restructuring costs or termination benefits, if earlier.

##### Short-term and other long-term employee benefits and statutory employee profit sharing ("PTU")

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Likewise, a liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

##### Statutory employee profit sharing ("PTU")

PTU is recorded in the results of the year in which it is incurred and is presented in operating expenses line item in the consolidated and combined statement of profit or loss and other comprehensive income.

As a result of the 2014 Income Tax Law, PTU is determined based on taxable income, according to Section I of Article 9 of the that Law.

### Termination benefits

Termination benefits are recognized as an expense when the Group's commitment can be evidenced, without real possibility of reversing, with a detailed formal plan either to terminate employment before the normal retirement date, or else, to provide benefits for termination as a result of an offer that is made to encourage voluntary retirement. If the benefits are payable no later than 12 months after the reporting period, then they are discounted at present value.

### **s. *Income taxes***

Income tax expense represents the sum of the tax currently payable and deferred tax.

- Current tax

Current income tax ("ISR") is recognized in the results of the year in which is incurred.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgment of tax professionals within the Group supported by previous experience in respect of such activities.

- Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated and combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

- Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

### **t. *Provisions***

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions mainly include incentives granted to distributors and associates in the form of reward points, discounts and others such as compensations to employees (bonuses) not paid at the reporting date, professional services fees, among others.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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### *Warranties*

When the Group grants assurance-type warranties in contracts with customers, those rights to the customer are recognized in profit or loss in the cost of sales line item against a provision in the statement of financial position; however, when the Group provides its customers with service-type warranties, those are treated under the revenue recognition model as a performance obligation. The Group has not granted any service-type warranties to its customers.

### *Reward Points*

Through its loyalty program (see note 2u), the Group also grants reward points to its distributors for the recruitment of associates, while associates receive such points for the referral of new associates within a catalogue. The loyalty program allows the Group's distributors and associates to accumulate sales points which are exchangeable for products that are purchased from other retailers. Since these types of points also provide a benefit to distributors and associates that they would not receive without purchasing the Group's products, this loyalty program represents a separate performance obligation, which is recognized as described in Note 2u.

**u. Revenue recognition**

Revenues comprise the fair value of the consideration received or to receive for the sale of goods and services in the ordinary course of the transactions, and are presented in the consolidated and combined statement of profit or loss, net of the amount of variable considerations (discounts and product returns). To recognize revenues from contracts with its customers, the Group applies a comprehensive model, which is based on a five-step approach consisting of the following: (1) identify the contract (verbal or written); (2) identify performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when the Group satisfies a performance obligation. The Group recognizes revenue at a point in time, when it transfers control over a product to a customer, which occurs when the customers take delivery of the products and formally accepts them.

The Group invoices its customers at the shipment date with payment terms between 15 and 30 days; customers are allowed to request for a product return only if the product has technical issues or physical damages. However, this right qualifies as an assurance-type warranty (and not a performance obligation) related to the functionality of the products sold, and therefore, it is recognized in accordance with the policy disclosed in Note 2t.

Discounts to distributors and associates are included in the invoice price and are presented in the net sales line item from the moment in which the customer acquires control of the products sold; thus, management does not perform estimates over discounts to be taken by the customers.

*Loyalty program*

The Group operates a loyalty program through which its distributors and associates accumulate points on sales of Betterware goods that entitle them to exchange the points for products the Group acquires from different suppliers. Since these points provide a benefit to distributors and associates that they would not receive without purchasing the Betterware products, this loyalty program represents a separate performance obligation.

Therefore, the transaction price is allocated between the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated based on the fair value of the product to be given when the points are redeemed by the distributors and associates and the likelihood of redemption, as evidenced by the Group's historical experience. Additionally, a contract liability is recognized for revenue relating to the loyalty points at the time of the initial sales transaction, reducing the revenue recognized upon the initial sale of the goods. Revenue from the loyalty points is recognized when the points are redeemed by the customer and exchanged for the related products. Revenue for points that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers.

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*Variable considerations*

The Group adjusts the transaction price according to the estimations that may result in a variable consideration. These estimates are determined according to the terms and conditions of the contracts with the customer, the history or the customer's performance.

*Contract costs*

The Group capitalizes incremental costs to obtain a contract with a customer if it expects to recover those costs. However, the Group does not capitalize incremental costs if the amortization period for the asset is one year or less. For any other costs related to the fulfillment of a contract with a customer, that is not part of the revenue recognition, it is considered as an asset including all the costs incurred, only if such costs are directly related to an existing contract or specific anticipated contract and if those costs generate or enhance resources that will be used to satisfy performance obligations in the future and are expected to be recovered. The Group amortizes the asset recognized for the costs to obtain and/or fulfill a contract on a systematic basis, consistent with the pattern of transfer of the good to which the asset relates.

**v. Share-based payments**

The share-based compensation plans to eligible executives and directors settled by providing Betterware shares are measured at their fair value as of the grant date and are subject to compliance with certain business performance metrics of the business and their continuance at the Company for an established period.

The fair value determined at the grant date is recorded as an expense based on the vesting period and the graded vesting method, which consists of recognizing the expense from the grant date over the period the executives or directors render the service and earn the benefits stipulated according to the plan, with a corresponding increase in equity. At the end of each period, the Company reviews its estimates of the number of equity instruments that are expected to be awarded.

**w. Financing income and cost**

Financing income (cost) are comprised of interest income, interest expense, the foreign currency gain (loss) on financial assets and financial liabilities; and gain (loss) in valuation of financial derivative instruments. Those are recognized in the consolidated and combined statement of profit or loss and other comprehensive income when accrued.

**x. Contingencies**

Significant obligations or losses related to contingencies are recognized when it is probable that their effects will materialize and there are reasonable elements for their quantification. If these reasonable elements do not exist, their disclosure is included qualitatively in the notes to the consolidated and combined financial statements. Income, profits or contingent assets are recognized until such time as there is certainty of their realization.

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**3. Changes in significant accounting policies**

**a. Application of new and revised International Financing Reporting Standards ("IFRSs" or "IAS") that are mandatorily effective for the current year**

In the current year, the Group has applied a number of new and amended IFRS and interpretations issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2020. The conclusions related to their adoption are described as follows:

*New and amended IFRS Standards that are effective for the current year*

#### *Amendments to IFRS 16, Rent concessions related to Covid-19*

The amendments introduce a practical expedient that provides lessees the option not to assess whether a rent concession that meets certain conditions is a lease modification. The practical expedient is applicable to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- a) The change in the lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- c) There is no substantive change to other terms and conditions of the lease.

The Group determined there were no impacts on the adoption of these amendments, considering that it did not enter into rental concessions for the leases that it maintains as a lessee.

Additionally, the Group adopted the following amendments, which did not have any effects on the financial statements in the current year:

- Amendments to IAS 1 and IAS 8, Definition of material
- Amendments to IFRS 3, Definition of a business
- Amendments to IFRS 4, Insurance Contracts in the application of IFRS 9, Financial Instruments
- Amendments to IFRS 9, IAS 39 and IFRS 7, Interest rate benchmark reform – Phase 1
- Amendments to the IFRS's conceptual framework

#### *New and revised IFRS Standards in issue but not yet effective*

At the issuance date of these financial statements, the Group has not applied the following new and revised IFRS that have been issued but are not yet effective. Based on management's analysis, the Group does not expect that the adoption of the following standards will have a material impact on the financial statements in future periods:

- Amendments to IAS 1, Classification of liabilities as current or non-current<sup>(1)</sup>
- Amendments to IAS 16, Property, plant and equipment proceeds before intended use<sup>(1)</sup>
- Amendments to IAS 37, Cost of fulfilling an onerous contract<sup>(1)</sup>
- Amendments to IAS 41, Biological Assets<sup>(1)</sup>
- Amendments to IFRS 1, First time adoption of International Financial Reporting Standards<sup>(1)</sup>
- Amendments to IFRS 9, Financial instruments<sup>(1)</sup>
- IFRS 17, Insurance Contracts<sup>(2)</sup>

*(1) Effective for annual reporting periods beginning on January 1, 2022*

*(2) Effective for annual reporting periods beginning on January 1, 2023*

Additionally, the Company is continuously monitoring the progress of the reference interest rate reform project that modifies the regulations as mentioned below:

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

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

Regarding the modification of financial assets, financial liabilities and lease liabilities, the IASB introduced a practical expedient that involves updating the effective interest rate.

On the other hand, regarding hedge accounting, the hedge relationships and documentation must reflect the modifications to the hedged item, the hedging instrument and the risk to be hedged. Hedging relationships must meet all criteria for applying hedge accounting, including effectiveness requirements.

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

The Company is in the process of evaluating the impacts arising from the application of these amendments, however it does not expect there will be a material impact on its consolidated financial position or results of operations.

#### **4. Critical accounting judgments and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in Note 2, management of the Group is required to make judgments, estimates, and

assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The judgments, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Management has exercised the following critical judgments in the process of applying its accounting policies, which is considered to have the most significant effect on the amounts recognized in the consolidated and combined financial statements:

- Contingencies

Management makes judgments and estimates in recording provisions for matters relating to claims and litigation. Actual costs may vary from estimates for several reasons, such as changes in cost estimates for resolution of complaints and disputes based on different interpretations of the law, opinions and evaluations concerning the amount of loss.

Contingencies are recorded as provisions when it is probable that a liability has been incurred and the amount of the loss is reasonably estimable. It is not practical to estimate sensitivity to potential losses if other assumptions were used to record these provisions, due to the number of underlying assumptions and the range of possible reasonable outcomes regarding potential actions by third parties, such as regulators, both in terms of loss probability and estimates of such loss.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant estimates impacting the Group's consolidated and combined financial statements are as follows:

- Key assumptions used in impairment testing

The Group performs annual impairment testing on long-lived assets, for which key assumptions are used in the calculation of the recoverable amount (see Note 11). For impairment testing, goodwill is allocated to the cash-generating unit ("CGU") from which the Group has considered that economic and operational synergies of business combinations are generated. The recoverable amounts of the CGU have been determined based on the calculations of their value in use, which require the use of estimates. The most significant of these estimates are as follows:

- Estimates of future gross and operating margins, according to the historical performance and industry expectations of the CGU.
- Discount rate based on the weighted average cost of capital (WACC) of the CGU.
- Long-term growth rates.

- Loyalty program and provision for reward points

The Group operates a loyalty program through which its distributors and associates accumulate points on sales of Betterware goods that entitle them to exchange the points for products the Group acquires from different suppliers. Since these points provide a benefit to distributors and associates that they would not receive without purchasing the Betterware products, this loyalty program represents a separate performance obligation.

Therefore, the transaction price is allocated between the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated based on the fair value of the product to be given when the points are redeemed by the distributors and associates and the likelihood of redemption, as evidenced by the Group's historical experience. Additionally, a contract liability is recognized for revenue relating to the loyalty points at the time of the initial sales transaction. Revenue from the loyalty points is recognized when the points are redeemed by the customer and exchanged for the related products. Revenue for points that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers.

The Group also grants reward points to its distributors for the recruitment of associates, while associates receive such points for the referral of new associates within a catalogue. Since these points, which are exchangeable for products Betterware acquires from other suppliers are not related to a revenue contract, they are recognized in the statement of profit or loss within the selling expenses line item with the corresponding provision in the statement of financial position, when the distributor or associate earns them. The Group creates a provision for the rewards that are expected to be redeemed by its associates and distributors based on its experience and past history.

**5. Cash and cash equivalents**

	<u>2020</u>	<u>2019</u>
Cash on hand in banks	Ps. 629,146	96,008
Time deposits	20,674	117,689
	<u>Ps. 649,820</u>	<u>213,697</u>

As of January 3, 2021, cash and cash equivalents balance excluded an amount of Ps. 42,915 of restricted cash derived from the guarantee of some forwards which are due between May and August 2021, which is presented as a current asset in the consolidated and combined statement of financial position (see Note 9) and under investing activities in the consolidated and combined statements of cash flows. As of December 31, 2019, there was no restricted cash.

**6. Trade accounts receivable**

	<u>2020</u>	<u>2019</u>
Trade account receivables	Ps. 766,889	260,727
Expected credit loss	(9,083)	(13,640)

Ps. 757,806 247,087

The clients' accounts receivable detailed above are measured at their amortized cost. The average, with respect to the turnover of accounts receivable, is from 14 to 28 days as of January 3, 2021, and 30 days as of December 31, 2019. No interest is charged on pending accounts receivable.

The Group measures the loss reserve for commercial accounts receivable in an amount equal to the expected lifetime credit loss. Expected credit losses in accounts receivable are estimated using a provisions matrix with reference to the debtor's previous default history and an analysis of the debtor's current financial situation, adjusted for factors specific to the debtors and the general economic conditions of the industry in which the debtors operate, and assessing both current and predicted conditions as of the reporting date.

There have been no changes to the estimation techniques used or significant assumptions made during the current reporting period.

The Group cancels an account receivable when there is information that indicates that the debtor is experiencing serious financial difficulties and there is no realistic prospect of recovery, e.g. when the debtor has been placed in liquidation or has entered bankruptcy proceedings, or when a commercial account receivable is more than one year old, whichever occurs first. None of the commercial accounts receivable that have been canceled are subject to enforcement activities.

The following table shows the expected lifetime credit loss recognized for accounts receivable in accordance with the simplified approach established in IFRS 9.

As of January 3, 2021	Trade receivables – days past due				Total
	Not past due	14-21	21 – 28	>28	
Expected credit loss rate	2%	30%	62%	33%	
Estimated total gross carrying amount at default	Ps. 539,693	31,918	17,772	53,743	643,126
Expected credit loss	Ps. 8,163	9,588	10,946	17,563	46,260

As of December 31, 2019	Trade receivables – days past due				Total
	Not past due	14-21	21 – 28	>28	
Expected credit loss rate	2%	20%	49%	42%	
Estimated total gross carrying amount at default	Ps. 207,032	12,098	7,045	29,807	255,982
Expected credit loss	Ps. 3,950	2,454	3,477	12,634	22,515

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The following table shows the movement in lifetime ECL that has been recognized for trade and other receivables in accordance with the simplified approach set out in IFRS 9.

	Total
Balance as of January 1, 2019	Ps. (9,340)
Expected credit loss	(22,515)
Amounts written off	18,215
Balance as of December 31, 2019	(13,640)
Expected credit loss	(46,260)
Specific credit loss	(11,367)
Amounts written off	62,184
Balance as of January 3, 2021	Ps. (9,083)

#### 7. Inventories and cost of sales

	2020	2019
Finished goods	Ps. 904,999	224,025
Packing material	26,029	4,577
	931,028	228,602
Merchandise in transit	342,998	116,952
	Ps. 1,274,026	345,554

The cost of inventories recognized as an expense in respect of operating income was Ps. 3,290,994, Ps. 1,280,829 and Ps. 958,469 for the periods of 2020, 2019 and 2018.

The cost of inventories recognized as an expense includes Ps. 24,438, Ps. 14,273 and Ps. 7,084 for the periods of 2020, 2019 and 2018, respectively, in respect of write-downs of inventory to net realizable value. Such write-downs have been recognized to account for obsolete inventories.

#### 8. Prepaid expenses

	2020	2019
Printed catalogs	Ps. 41,920	21,692
Premiums paid in advance for insurance	10,061	9,628
Advances to suppliers	2,689	12,973
Other	39,831	8,891
	Ps. 94,501	53,184

#### 9. Other assets

	<u>2020</u>	<u>2019</u>
Restricted cash	Ps. 42,915	-
Inventory of rewards	28,804	13,315
Rental security deposit	5,774	3,549
Transaction costs of the merger	-	9,822
Other receivables	58,698	7,259
	<u>136,191</u>	<u>33,945</u>
Current	130,417	20,574
Non-current	5,774	13,371
	<u>Ps. 136,191</u>	<u>33,945</u>

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#### 10. Property, plant and equipment, net

	<u>2020</u>	<u>2019</u>
Acquisition cost	Ps. 905,840	305,874
Accumulated depreciation	(114,713)	(98,524)
	<u>Ps. 791,127</u>	<u>207,350</u>

<u>Acquisition cost:</u>	<u>As of January 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>As of December 31, 2019</u>
Land	Ps. -	47,124	-	47,124
Molds	37,515	3,754	-	41,269
Vehicles	1,602	-	-	1,602
Computers and equipment	59,640	7,183	-	66,823
Leasehold improvements	24,492	5,390	-	29,882
Construction in progress	-	119,174	-	119,174
	<u>Ps. 123,249</u>	<u>182,625</u>	<u>-</u>	<u>305,874</u>

<u>Accumulated depreciation:</u>	<u>As of January 1, 2019</u>	<u>Depreciation expense</u>	<u>Eliminated on disposals</u>	<u>As of December 31, 2019</u>
Molds	Ps. (22,963)	(2,685)	-	(25,648)
Vehicles	(1,446)	(59)	-	(1,505)
Computers and equipment	(36,500)	(11,503)	-	(48,003)
Leasehold improvements	(19,368)	(4,000)	-	(23,368)
	<u>Ps. (80,277)</u>	<u>(18,247)</u>	<u>-</u>	<u>(98,524)</u>

<u>Acquisition cost:</u>	<u>As of December 31, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>As of January 3, 2021</u>
Land	Ps. 47,124	2,132	-	49,256
Molds	41,269	85,049	(22)	126,296
Vehicles	1,602	28,740	(17,235)	13,107
Computers and equipment	66,823	3,273	(2,056)	68,040
Leasehold improvements	29,882	4,426	-	34,308
Buildings	-	326,644	-	326,644
Construction in progress	119,174	169,015	-	288,189
	<u>Ps. 305,874</u>	<u>619,279</u>	<u>(19,313)</u>	<u>905,840</u>

<u>Accumulated depreciation:</u>	<u>As of December 31, 2019</u>	<u>Depreciation expense</u>	<u>Eliminated on disposals</u>	<u>As of January 3, 2021</u>
Molds	Ps. (25,648)	(3,636)	-	(29,284)
Vehicles	(1,505)	(633)	-	(2,138)
Computers and equipment	(48,003)	(9,837)	1,043	(56,797)
Leasehold improvements	(23,368)	(1,856)	-	(25,224)
Buildings	-	(1,270)	-	(1,270)
	<u>Ps. (98,524)</u>	<u>(17,232)</u>	<u>1,043</u>	<u>(114,713)</u>

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Depreciation expense is included in administrative expenses line in the consolidated and combined statement of profit or loss and other comprehensive income. No impairment losses have been determined.

During August 2019, the Group began to build a distribution center, which is going to be completed in the first quarter of 2021. As of January 3, 2021 and December 31, 2019, the total payments related to this construction were Ps. 508,958 and Ps. 165,000, with a total investment of Ps. 673,958.

For the periods of 2020 and 2019, the Group capitalized borrowing costs in the amount of Ps. 33,460 and Ps. 9,284, respectively, directly related to the distribution center that was under construction.

## 11. Goodwill

	<u>As of January 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>As of December 31, 2019</u>
Cost	Ps. 348,441	-	-	348,441
	<u>As of December 31, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>As of January 3, 2021</u>
Cost	Ps. 348,441	-	-	348,441

Goodwill corresponds to the resulting excess between the consideration given and the fair values of the net assets acquired on the acquisition date paid by Betterware Latinoamerica Holding México, S.A. de C.V. (BLHM) and Strevo Holding, S.A. de C.V.

For impairment testing purposes, goodwill has been allocated to a CGU. The recoverable value of the CGU was based on the fair value minus disposal costs, estimated using discounted cash flows. The fair value measurement was classified as a Level 3 fair value based on the inputs in the valuation technique used.

The values assigned to the key assumptions represent the administration's assessment of future trends in relevant industries and are based on historical data from external and internal sources.

As of January 3, 2021 and December 31, 2019, the estimated recoverable amount of the CGU exceeded its carrying amount.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both internal and external sources.

In percent	<u>2020</u>	<u>2019</u>
Discount rate	11.2	12.4
Terminal Value Growth Rate	3.0	3.0
Budgeted EBITDA Growth Rate	38.0	14.0

The discount rate was a post-tax measurement estimated based on the historical industry average, weighted-average cost of capital and a market interest rate of 7.3% and 7.2% as of January 3, 2021 and December 31, 2019, respectively.

The cash flow projections included specific estimates for 5 years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

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Budgeted EBITDA was estimated taking into account past experience and a revenue growth rate projected taking into account the average growth levels experienced over the past 5 years and the estimated sales volume and price growth for the next five years. It was assumed that the sales price would increase in line with forecast inflation over the next five years.

## 12. Intangible assets, net

<u>Acquisition cost:</u>	<u>As of January 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>As of December 31, 2019</u>
Brand	Ps. 253,000	-	-	253,000
Customer relationships	64,000	-	-	64,000
Software	17,135	4,516	-	21,651
Brands and logo rights	6,209	1,399	-	7,608
	Ps. 340,344	5,915	-	346,259
<u>Accumulated amortization:</u>	<u>As of January 1, 2019</u>	<u>Amortization expense</u>	<u>Eliminated on disposals</u>	<u>As of December 31, 2019</u>
Customer relationships	Ps. (24,533)	(6,400)	-	(30,933)
Software	-	(421)	-	(421)
Brands and logo rights	(3,712)	(228)	-	(3,940)
	Ps. (28,245)	(7,049)	-	(35,294)

	As of December 31, 2019	Additions	Disposals	As of January 3, 2021
<b>Acquisition cost:</b>				
Brand	Ps. 253,000	-	-	253,000
Customer relationships	64,000	-	-	64,000
Software	21,651	24,333	-	45,984
Brands and logo rights	7,608	276	(2,491)	5,393
	<u>Ps. 346,259</u>	<u>24,609</u>	<u>(2,491)</u>	<u>368,377</u>
<b>Accumulated amortization:</b>				
Customer relationships	Ps. (30,933)	(6,400)	-	(37,333)
Software	(421)	(6,675)	-	(7,096)
Brands and logo rights	(3,940)	(647)	-	(4,587)
	<u>Ps. (35,294)</u>	<u>(13,722)</u>	<u>-</u>	<u>(49,016)</u>

As of January 3, 2021 and December 31, 2019, a carrying amount of Ps. 253,000 for the value of "Betterware" brand is presented in the consolidated and combined statements of financial position. Such brand was transmitted to the Group through a merger carried out on July 28, 2017 with Strevo (a related party, under common control). Strevo obtained such brand when acquiring the majority of the Group's shares in March 2015.

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As of January 3, 2021 and December 31, 2019, a carrying amount of Ps. 26,667 and Ps. 33,067, respectively, for the value of the Group's intangible asset comprised of relationships with customers, is presented in the consolidated and combined statements of financial position. Such intangible asset was transmitted to the Group through the merger carried out on July 28, 2017 with Strevo as previously discussed. This intangible asset has a useful life of ten years and is being amortized on a straight-line basis.

Additionally, as of January 3, 2021 and December 31, 2019, the intangible asset line in the consolidated and combined statement of financial position includes Ps. 806 and Ps. 3,668, respectively, corresponding to paid rights related to registration of brands and logos before the intellectual property authorities. Such rights are valid ranging a defined period from 10 to 30 years and therefore, are amortized over such useful lives.

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. As of January 3, 2021 and December 31, 2019, no indications of impairment have been identified.

In relation to impairment of intangible assets with indefinite useful life (brand), the Group estimates the recoverable amount of the intangible asset which is based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used. Key assumptions are the same as those used for estimating the recoverable amount for Goodwill. See Note 11.

### 13. Leases

#### *Right of use assets, net*

The Group leases a fleet of cars for its sales staff and qualified employees with different expiration dates, as well as computers and servers being the latest expiration date in April 2025. Those leases were recorded as right of use assets as follows:

	As of January 1, 2019	Additions	Disposals	As of December 31, 2019
Cost	Ps. 36,909	-	-	36,909
	<u>As of January 1, 2019</u>	<u>Depreciation expense</u>	<u>Eliminated on disposals</u>	<u>As of December 31, 2019</u>
Accumulated depreciation	Ps. -	(13,098)	-	(13,098)
	<u>As of December 31, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>As of January 3, 2021</u>
Cost	Ps. 36,909	20,531	(17,861)	39,579
	<u>As of December 31, 2019</u>	<u>Depreciation expense</u>	<u>Eliminated on disposals</u>	<u>As of January 3, 2021</u>
Accumulated depreciation	Ps. (13,098)	(12,734)	11,135	(14,697)

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As of January 3, 2021 and December 31, 2019, the Group has commitments derived from short-term lease contracts (see Note 27). During 2020, the Group entered into a master lease agreement for 311 computers and servers.

#### Lease liability

The lease liabilities as of January 3, 2021 and December 31, 2019 amounted Ps. 24,378 and Ps. 24,584.

The maturity analysis of total future minimum lease payments, including non-accrued interest, is as follows:

Year	Amount
2021	Ps. 8,727
2022	7,880
2023	5,941
2024	2,711
2025	2,711
	<u>Ps. 27,970</u>

Interest expense generated from the lease liability amounted to Ps. 2,054 and Ps. 3,765 for the periods of 2020 and 2019, respectively.

#### 14. Accounts payable to suppliers

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The average payment period is 4 months, with no interest charged. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

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#### 15. Borrowings

	2020	2019
Secured line of credit with Banamex, for up to Ps. 400,000, bearing interest at the TIIE rate plus 260 basis points. Withdrawals from this line of credit can be made during a 10-month period starting December 15, 2018, and are payable on a quarterly basis from December 17, 2019 up to December 18, 2025.	Ps. 373,333	135,209
Secured line of credit with Banamex for up to Ps. 195,000, bearing interest at the TIIE rate plus 295 basis points, payable on a quarterly basis from October 30, 2020 to December 30, 2025.	188,500	-
Line of credit with BBVA for up to Ps. 75,000 bearing interest at 7.5%, payable monthly from September 20, 2020 to August 31, 2023	64,721	-
Line of credit with MCRF P, S.A. de C.V. SOFOM, E.N.R. of Ps. 600,000, bearing interest at a fixed rate of 13.10%. This line of credit is payable on a quarterly basis starting May 15, 2019 through May 15, 2023. BLSM Latino América Servicios, S.A. de C.V., is a guarantor in this loan.	-	516,597
Unsecured line of credit with Banamex, for up to Ps. 80,000, bearing interest at the TIIE rate plus 285 basis points (renewable on a yearly basis).	-	15,000
Interest payable	<u>Ps. 3,323</u>	<u>10,907</u>
Total debt	<u>629,877</u>	<u>677,713</u>
Less: Current portion	105,910	148,070
Long-term debt	<u>Ps. 523,967</u>	<u>529,643</u>

On January 30, 2020, the Group renegotiated the interest rate of the secured line of credit with Banamex, which changed from the TIIE rate plus 317 basis points to the TIIE rate plus 260 basis points. In addition, withdrawals from this line of credit were extended to August 2020, and are payable on a quarterly basis from September 2020 up to December 18, 2025.

On March 10, 2020, Betterware entered into a current account credit agreement with HSBC México, S.A., for an amount of Ps. 50,000, with provisions by means of promissory notes specifying payment of principal and interest. BLSM is jointly liable for this credit. On May 4, 2020, the first amendment agreement was signed, in which the amount of the line of credit was increased to Ps. 150,000. The maturity date of this line of credit is March 10, 2022, and it bears interest at the TIIE rate plus 350 basis points. During 2020, the Group utilized Ps. 115,000, of which as of January 3, 2021 the entire amount has been repaid.

On March 25, 2020, the Group withdrew Ps. 74,000 from its secured line of credit with Banamex.

On March 27, 2020, the Group made a prepayment to the line of credit with MCRF P, S.A. de C.V. SOFOM, E.N.R. of Ps. 258,750. In addition, on April 27, 2020, the Group paid the outstanding amount of the line of credit.

On April 13, 2020, the Group withdrew Ps. 100,000 from its secured line of credit with Banamex.

On July 30, 2020 a total amount of Ps. 195,000 was withdrawn from a credit agreement signed on June 3, 2020 with Banamex. This loan bears interest at the TIIE rate plus 295 basis points maturing on December 30, 2025.

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On September 20, 2020, the Group entered into a line of credit with BBVA for up to Ps. 75,000 bearing interest at 7.5%, payable monthly. The line of credit has racks in

the Group's distribution center pledged as collateral for an amount of Ps. 80,901.

As of January 3, 2021 and December 31, 2019, the fair value of the borrowings amounted to Ps. 634,992 and Ps. 679,188, respectively. Fair value was calculated using the discounted cash flow method and the Interbank Equilibrium Interest Rate (TIIE), adjusted for credit risk, and used to discount future cash flows.

As of January 3, 2021, the interest rate spread of the Banamex unsecured credit line of up to Ps. 80,000 amounted to TIIE plus 285 basis points. As of December 31 of 2019, the interest rate was TIIE plus 275 basis points.

Interest expenses related to the borrowings presented above are included in the interest expense item in the consolidated and combined statement of earnings and other comprehensive income.

**Reconciliation of movements of liabilities to cash flows arising from financing activities**

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated and combined statement of cash flows as cash flows from financing activities.

	<u>Long-term debt</u>	<u>Interest payable</u>	<u>Derivative financial instruments, net</u>
Balances as of January 1, 2019	Ps. 620,164	11,227	16,629
Changes that represent cash flows -			
Loans obtained	104,500	-	-
Restricted cash <sup>(1)</sup>	22,940	-	-
Payments	(82,996)	(95,033)	-
Changes that do not represent cash flows -			
Interest expense	-	85,429	-
Borrowing costs capitalized in PP&E	-	9,284	-
Valuation effects of derivative financial instruments	-	-	15,680
Amortization of commissions and debt issuance costs	2,198	-	-
Balances as of December 31, 2019	Ps. 666,806	10,907	32,309
Changes that represent cash flows -			
Loans obtained	1,712,207		
Restricted cash <sup>(1)</sup>	(42,915)		
Payments	(1,757,112)	(121,297)	
Changes that do not represent cash flows -			
Interest expense	-	80,253	-
Borrowing costs capitalized on PP&E	-	33,460	-
Valuation effects of derivative financial instruments	-	-	287,985
Amortization of commissions and debt issuance cost	4,653	-	-
Balances as of January 3, 2021	Ps. 583,639	3,323	320,294

(1) Balances in column "Long-term debt" in the table above, are netted with restricted cash balances.

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The Group's long-term debt maturities as of January 3, 2021, including non-accrued interest, are as follows:

<u>Year</u>	<u>Amount</u>
2022	Ps. 126,736
2023	118,915
2024	114,187
2025	270,356
	<u>Ps. 630,194</u>

The line of credit agreements with Banamex contain the following financial covenants:

- a) To maintain a short-term debt coverage ratio not lower than 1.5.
- b) To maintain a total debt coverage ratio not greater than 3.0.
- c) To maintain a leverage ratio not greater than 7.0.
- d) To maintain a minimum cash and cash equivalents balance of Ps. 40,000

The Group was in compliance with all covenants as of January 3, 2021 and December 31, 2019. The Group obtained permission from Banamex prior to December 31, 2019 to consummate the merger disclosed in Note 1.b.

**16. Income Taxes**

The Group is subject to income taxes ("ISR") in Mexico. Under the ISR Law, the rate for 2020, 2019 and 2018 was 30% and will continue as such in future periods.

Income tax recognized in profit or loss for the periods of 2020, 2019 and 2018 was comprised of the following:

<u>2020</u>	<u>2019</u>	<u>2018</u>
-------------	-------------	-------------

Current tax	Ps.	576,834	229,900	158,545
Deferred tax expense (benefit)		(34,066)	2,792	(8,366)
	Ps.	542,768	232,692	150,179

Income tax expense recognized at the effective ISR rate differs from income tax expense at the statutory tax rate. Reconciliation of income tax expense recognized from statutory to effective ISR rate is as follows:

		2020	2019	2018
Profit before income tax	Ps.	881,129	704,834	449,447
Tax rate		30%	30%	30%
Income tax expense calculated at 30% statutory tax rate		264,339	211,450	134,834
Inflation effects, net		8,333	6,278	6,408
Non-deductible expenses		5,493	3,202	3,217
Loss on valuation of warrants		255,456	-	-
Share-based payments		8,275	-	-
Other items, net		872	11,762	5,720
	Ps.	542,768	232,692	150,179

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Realization of deferred tax assets depends on the future generation of taxable income during the period in which the temporary differences will be deductible. Management considers the reversal of deferred tax liabilities and projections of future taxable income to make its assessment on the realization of deferred tax assets. Based on the results obtained in previous years and in future profit and tax projections, management has concluded that it is probable the deferred tax assets will be realized.

As of January 3, 2021 and December 31, 2019, the Group had no tax loss carryforwards.

Composition of the deferred tax asset (liabilities) as well as the reconciliation of changes in deferred taxes balances as of January 3, 2021 and December 31, 2019 is presented below:

<b>Temporary differences</b>		As of January 1, 2019	Recognized in profit or loss	Recognized in OCI	As of December 31, 2019
Deferred tax assets:					
Expected credit loss	Ps.	2,802	2,415	-	5,217
Accruals and provisions		26,632	(668)	(26)	25,938
Derivative financial instruments		4,989	(4,989)	-	-
Property, plant and equipment		74	4,505	-	4,579
Deferred tax liabilities:					
Intangible assets		(87,740)	1,920	-	(85,820)
Derivative financial instruments		(6,192)	(3,161)	-	(9,353)
Inventories			(89)	-	(89)
Other assets and prepaid expenses		(11,192)	(2,699)	-	(13,891)
Net deferred tax liability	Ps.	(70,627)	(2,766)	(26)	(73,419)

<b>Temporary differences</b>		As of December 31, 2019	Recognized in profit or loss	Recognized in OCI	As of January 3, 2021
Deferred tax assets:					
Expected credit loss	Ps.	5,217	(3,732)	-	1,485
Accruals and provisions		25,938	42,340	360	68,638
Derivative financial instruments		-	35,886	-	35,886
Property, plant and equipment		4,579	(4,579)	-	-
Deferred tax liabilities:					
Intangible assets		(85,820)	1,920	-	(83,900)
Inventories		(9,353)	(21,687)	-	(31,040)
Derivative financial instruments		(89)	89	-	-
Property, plant and equipment		-	(10,888)	-	(10,888)
Other assets and prepaid expenses		(13,891)	(5,644)	-	(19,535)
Net deferred tax liability	Ps.	(73,419)	33,705	360	(39,354)

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		<b>Commissions, promotions and other</b>	<b>Bonuses and other employee benefits</b>	<b>Professional services fees</b>	<b>Total</b>
As of January 1, 2019	Ps.	35,805	1,958	1,223	38,986
Increases		345,148	90,843	2,026	438,017
Payments		(348,174)	(79,445)	(2,695)	(430,314)
As of December 31, 2019	Ps.	32,779	13,356	554	46,689
Increases		1,272,651	51,253	16,947	1,340,851
Payments		(1,198,284)	(21,039)	(17,209)	(1,236,532)
As of January 3, 2021	Ps.	107,146	43,570	292	151,008

#### *Commissions, promotions and other*

Commissions, promotions, and other includes commissions payable to the sales force on the last week of the period, which are paid in the first week of the year or of the following period. Additionally, it includes the provision of reward points obtained by distributors and associates for the sale of products and for expanding the network of registered distributors and associates.

#### *Bonuses and other employee benefits*

Bonuses and other employee benefits include annual performance bonuses as well as vacation provisions, vacation bonuses, savings funds, and more.

#### *Fees for professional services*

Fees for professional services includes fees for services such as external audits, legal services, internal audits, and more.

## 18. Derivative financial instruments

### 18.1 Interest rate and exchange rate derivatives

In connection with the secured line of credit for up to Ps. 400,000 contracted with Banamex, and in order to mitigate the risk of future increases in interest rates, the Group entered into a derivatives contract with Banamex, which consists of an interest rate swap. By using this interest rate swap, the Group converts its variable interest rates into fixed rates.

In addition, to reduce the risks related to fluctuations in the exchange rate of the US dollar, the Group uses derivative financial instruments such as forwards to mitigate foreign currency exposure resulting from inventory purchases made in US dollars.

The details of the derivative financial instrument contracts entered into by the Group as of January 3, 2021 and December 31, 2019, are as follows:

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#### As of January 3, 2021

<b>Instrument</b>	<b>Notional amount in thousands</b>	<b>Fair Value</b>	<b>Contract date</b>	<b>Maturity date</b>	<b>Rate received</b>	<b>Rate paid</b>
<b>Liabilities:</b>						
Interest rate swap	Ps. 353,333	Ps. 32,842	11/15/2018	12/15/2023	TIIE 28 days <sup>(1)</sup>	8.33%
				<b>Average Strike Ps./US\$</b>	<b>Maturity date</b>	
Forwards US Dollar / Mexican Peso	US\$ 140,325	Ps. 287,452		22.36	Weekly, through October 2021	
<b>Total Liabilities</b>		<b>Ps. 320,294</b>				
<b>Non-current liability</b>		<b>Ps. 25,179</b>				
<b>Total current liability</b>		<b>Ps. 295,115</b>				

(1) As of January 3, 2021, the 28-day TIIE rate was 4.49%

#### As of December 31, 2019

<b>Instrument</b>	<b>Notional amount in thousands</b>	<b>Fair Value</b>	<b>Contract date</b>	<b>Maturity date</b>	<b>Rate received</b>	<b>Rate paid</b>
<b>Liabilities:</b>						
Interest rate swap	Ps. 50,000	Ps. 19,614	11/15/2018	12/15/2023	TIIE 28 days <sup>(1)</sup>	8.33%
				<b>Average Strike Ps./US\$</b>	<b>Maturity date</b>	
Forwards US Dollar / Mexican Peso	US\$ 47,690	Ps. 12,695		19.61	Weekly, through October 2020	

<b>Total Liabilities</b>	<b>Ps.</b>	<b>32,309</b>
<b>Non-current liability</b>	<b>Ps.</b>	<b>16,754</b>
<b>Total current liability</b>	<b>Ps.</b>	<b>15,555</b>

(1) As of December 31, 2019, the 28-day TIE rate was 7.55%.

The impacts in profit or loss of the derivative financial instruments for the periods of 2020 and 2019 amounted to a loss of Ps. 287,985 and Ps. 15,680, respectively, which is included in the consolidated and combined statements of comprehensive income in the line item of “unrealized loss in valuation of derivative financial instruments.”

The maturities of the notional amount of the derivatives are as follows:

<b>Instrument</b>	<b>Notional amount in thousands of</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Liabilities:</b>				
Interest rate swap	Ps.	46,667	46,667	260,000
Forwards US Dollar / Mexican Peso	US\$	-	-	-

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## 18.2 Warrants

As part of the merger with DD3 as disclosed in Note 1.c, Betterware assumed an obligation that allowed existing warrant holders to purchase (i) a total of 5,804,125 Betterware shares subject to exercise as of April 12, 2020 at a price of US\$ 11.50 per share that would expire on or before March 25, 2025 at the time of redemption or settlement, and (ii) the option to purchase 250,000 units that automatically became an option to issue 250,000 Betterware shares and warrants to buy 250,000 additional Betterware shares. The Company registered the warrants to be traded on OTC Markets, which had an observable fair value.

During July and August 2020, the Group repurchased 1,573,88 warrants. From August 18<sup>th</sup> to October 7, 2020, 895,597 warrants were exchanged for 621,098 shares, of which, 462,130 warrants were settled on a cash basis by exchanging 1 warrant for 1 share at a price of US\$ 11.44 for share, which resulted in receiving cash by an amount of Ps. 116,419. The remaining 433,467 warrants were exchanged on a cashless basis by exchanging 1 warrant for 0.37 shares.

During September 2020, the purchase option of units was exercised by their holders on a cashless basis, which resulted in the issuance of 214,020 Betterware shares.

Additionally, on October 8, 2020 and as part of the terms of the warrant agreement, the Company issued a notice requiring all of its outstanding public warrants to be redeemed by its holders given that the condition to exercise the redemption was complied. Such condition required that the share price reached US\$ 18.00 during a period of at least 20 days. The redemption of warrants was exercised on a cashless basis by exchanging 3,087,022 warrants for 1,142,325 of the Company’s shares. 8,493 public warrants were not exercised by their holders during the redemption period that expired on November 9, 2020, and they were paid by the Company for a price of US\$ 0.01 per warrant.

Finally on December 23, 2020, 239,125 private warrants were exercised on a cashless basis by their holders and exchanged for 156,505 of the Company’s shares.

As of January 3, 2021, the warrant holders had redeemed all of the outstanding warrants and purchase option of units and the Company recognized a loss for the increase in the fair value of the warrants of Ps. 851,520, which is recognized under the heading “Loss in valuation of warrants” in the consolidated and combined statement of profit or loss.

## 19. Employee benefits

### Post-employment benefits –

The Group recognizes the liability and corresponding impacts to profit and loss as well as comprehensive income regarding to the seniority premiums to be paid to its employees. This benefit is determined considering the years of service and the compensation from the employees.

The components of the defined benefit liability for the periods of 2020, 2019 and 2018, are as follows:

#### a) *Movement in net defined liability –*

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components:

	<b>2020</b>	<b>2019</b>
Balance at January 1	Ps. 1,630	1,355
<i>Included in profit or loss:</i>		
Current service cost	425	424
Interest cost	114	123
<b>Net cost of the period</b>	<b>539</b>	<b>547</b>
	<b>2020</b>	<b>2019</b>
<i>Included in OCI:</i>		
Actuarial loss (gain)	1,199	(102)
Income tax effect	360	(26)

**Other:**

Benefits paid		(1,330)	(196)
Balance as of January 3, 2021	Ps.	1,678	1,630

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**b) Actuarial assumptions –**

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2020	2019	2018
<b>Financial:</b>			
Future salary growth	4.0%	4.5%	4.8%
Discount rate	6.1%	7.1%	9.2%
<b>Demographic:</b>			
Number of employees	1,294	654	684
Age average	31 years	35 years	35 years
Longevity average	2 years	3 years	2 years

**c) Sensitivity analysis –**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation considering a change of  $\pm 0.50\%$  in the discount rate.

	Effects as of January 3, 2021	Effects as of December 31, 2019
<b>Increase / decrease in the discount rate</b>		
+ 0.50%	Ps. 126	(127)
- 0.50%	(141)	115

**20. Financial instruments**

Below is the categorization of the financial instruments, excluding cash and cash equivalents, held by the Group as of January 3, 2021 and December 31, 2019, as well as the indication of fair value hierarchy level, when applicable:

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Accounting classification and fair values

As of January 3, 2021	Amortized cost	Fair value through profit or loss	Fair value hierarchy level
Financial assets -			
Trade receivables	Ps. 757,806	-	
Total	757,806	-	
Financial liabilities -			
Debt	629,877	-	
Accounts payable	2,078,628	-	
Lease liability	24,378	-	
Derivative financial instruments	-	320,294	2
Total	2,732,883	320,294	
<b>As of December 31, 2019</b>			
Financial assets -			
Trade receivables	Ps. 266,938	-	
Other receivables	5,867	-	
Total	272,805	-	
Financial liabilities -			
Debt	677,713	-	
Accounts payable	529,348	-	
Lease liability	24,584	-	
Derivative financial instruments	-	32,309	2
Total	1,231,645	32,309	

Measurements of fair values



Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As previously disclosed, some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

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Financial assets/ financial liabilities	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship and sensitivity of unobservable inputs to fair value
Foreign currency forward contracts and interest rate swaps (see Note 18)	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

There were no transfers between Level 1 and 2 during the current or prior year.

#### Fair value of debt that is not measured at fair value (but fair value disclosures are required)

The fair value of debt, which is measured at amortized cost using the effective interest method, amounted Ps. 634,992 as of January 3, 2021 and was classified as Level 2. Fair value was calculated using the discounted cash flow method and the Mexican risk-free rate (TIE), adjusted by credit risk, was used for discounting future cash flows.

#### Financial risk management

The Group's Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk, and price risk), credit risk, liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

#### Market risk

The Group's activities expose it primarily to the financial risks of changes in exchange rates and interest rates (see below). The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- In order to reduce the risks related to fluctuations in the exchange rate of foreign currency, the Group uses derivative financial instruments such as forwards to adjust exposures resulting from foreign exchange currency.
- Additionally, the Group occasionally uses interest rate swaps to adjust its exposure to the variability of the interest rates or to reduce their financing costs. The Group's practices vary from time to time depending on judgments about the level of risk, expectations of change in the movements of interest rates and the costs of using derivatives.

See Note 18 for disclosure of the derivative financial instruments entered into for the periods of 2020 and 2019.

#### Exchange risk management

The Group undertakes transactions denominated in foreign currencies, mainly U.S. dollars; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

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The carrying amounts of the Group's U.S. dollars denominated financial assets and financial liabilities at the reporting date are as follows:

	2020	2019
Assets	US\$ 29,559	1,331
Liabilities	(49,570)	(16,095)
Net position	US\$ (20,011)	(14,764)
Closing exchange rate of the year	19.9352	18.8452

#### Exchange rate sensitivity analysis

The Group is mainly exposed to variations in the Mexican Peso / the U.S. Dollar exchange rate. For sensitivity analysis purposes, the Group has determined a 10 percent increase and decrease in Ps. currency units against the U.S. dollar (“relevant currency”). 10 percent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated financial assets/liabilities and adjusts their translation at the year-end for a 10 percent change in foreign currency rates. Given that the foreign exchange currency net position results in a liability, a positive number below indicates an increase in profit where currency units strengthen 10 percent against the relevant currency. For a 10 percent weakening of currency units against the relevant currency, there would be a comparable impact on the net income, and the balances below would be negative.

	<u>2020</u>
Impact on net income	Ps. 39,982

#### ***Foreign exchange forward contracts***

It is the policy of the Group to enter into foreign exchange forward contracts to manage the foreign currency risk associated with anticipated purchase transactions up to 6 months. Basis adjustments are made to the initial carrying amounts of inventories when the anticipated purchases take place.

See Note 18 with details on foreign currency forward contracts outstanding at the end of the reporting period. Foreign currency forward contract liabilities are presented in the line ‘Derivative financial instruments’ within the consolidated and combined statement of financial position.

The Group has entered into contracts to purchase raw materials from suppliers in China, with such purchases denominated in U.S. dollars. The Group has entered into foreign exchange forward contracts to hedge the exchange rate risk arising from these anticipated future purchases.

#### ***Interest rate risk management***

The Group is exposed to interest rate risk because the Group borrows funds at variable interest rates. The risk is managed by the Group by maintaining an appropriate balance between fixed and variable rate borrowings, and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

The Group’s exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

#### ***Interest rate sensitivity analysis***

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the reporting date was outstanding during the year. A one per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in interest rates.

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If interest rates had been one per cent higher/lower and all other variables were held constant, the Group’s net income for the 2020 period would decrease/increase by Ps 6,266. This is attributable to the Group’s exposure to interest rates on its borrowings as described in Note 15.

#### ***Interest rate swap contracts***

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and variable rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed in Note 18. The average interest rate is based on the outstanding balances at the end of the financial year.

#### ***Credit risk management***

The Group’s exposure to credit risk is not significant as no customer represents more than 10% of consolidated and combined sales and receivables. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated, spread across diverse geographical areas. Credit policy has been implemented for each customer establishing purchase limits. Customers who do not satisfy the credit references set out by the Group, can only carry out transactions with the Group through prepayment.

See Note 6 for further details on Trade Receivables and allowance for doubtful accounts.

#### ***Collateral held as security and other credit enhancements***

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

#### ***Overview of the Group’s exposure to credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As of January 3, 2021, the Group’s maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group, arises from the carrying amount of the respective recognized financial assets as stated in the consolidated and combined statement of financial position.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 6, includes further details on the loss allowance for these assets respectively.

#### ***Liquidity risk management***

The ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for management of the Group’s short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities, and reserve borrowing facilities, by continuously monitoring the forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out below.

### Liquidity maturity analysis

The Group manages its liquidity risk by maintaining adequate reserves of cash and bank credit lines available and consistently monitoring its projected and actual cash flows. The maturity analysis of lease liabilities is presented in Note 13 and long-term debt maturities are presented in Note 15.

The Group has access to financing facilities as described below. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

<b>Bank credit lines</b>	<b>2020</b>	<b>2019</b>
Amount used	Ps. 626,554	656,459
Amount not used	297,828	260,500
Total credit lines	Ps. 924,382	916,959

The Group's remaining contractual maturity for its financial liabilities with agreed repayment periods, based on their undiscounted cashflows with both interest and principal, is disclosed on Notes 13, 15 and 18.

### Capital risk management

The Group manages its capital to ensure it will be able to continue as a going concern, while it maximizes returns for its shareholders through the optimization of its capital structure. The Group's management reviews the capital structure when presenting its financial projections to the Board of Directors and stockholders as part of the annual business plan. When performing its review, the Board of Directors considers the cost of equity and its associated risks.

The capital structure of the Group consists of net debt (borrowings disclosed in Note 15 after deducting cash and bank balances) and stockholders' equity of the Group.

## 21. Stockholders' equity

Stockholders' equity as of January 3, 2021 and as of December 31, 2019 and 2018 by number of shares, is as follows:

	<b>Betterware de México, S.A.B. de C.V.</b>	<b>Betterware de México, S.A.B. de C.V. and BLSM Latino America Servicios, S.A. de C.V. <sup>(1)</sup></b>	
	<b>As of January 3, 2021</b>	<b>As of December 31, 2019</b>	<b>As of December 31, 2018</b>
Fixed capital	10,000	5,000	5,000
Variable capital	36,574,968	5,032,939	3,654,378
	36,584,968	5,037,939	3,659,378

(1) As of December 31, 2019 and 2018, for the 2019 and 2018 periods, the Group presented combined financial statements including Betterware and BLSM as they were entities under common control. The Group previously prepared combined statements of changes in net parent investment when all periods presented represented the combined results of both entities. As a result of the merger in March 2020, which resulted in BLSM becoming a wholly owned subsidiary of Betterware and the issuance of shares to the existing shareholders of such entities, the Group now prepares consolidated financial statements as of such date. The Group has therefore presented a combined statement of changes in stockholders' equity for the 2019 period and for the year ended December 31, 2018 (presenting the net parent investment gross by including contributed capital and retained earnings, rather than net as presented in prior years), as management believes it is a preferable presentation for comparability purposes with the existing share structure and presentation applicable to the consolidated financial statements as of January 3, 2021 and for the 2020 period.

The capital stock is represented by fully subscribed and paid common shares with no par value, with the exception of fixed capital, for which the par value per share is Ps. 10. The variable capital stock is unlimited. As of January 3, 2021 the Company had 1,015,072 treasury shares.

### 2020

On March 10, 2020, DD3 was merged into Betterware. Due to the merger, which resulted in the Company increased its variable capital by issuing shares to the previous shareholders of DD3 by Ps.181,865, less issuance costs of Ps.16,736. On the same date, a liability of Ps. 55,810 for the fair value of the assumed warrants obligation was recognized.

On October 2, 2020, the Ordinary Shareholders' Meeting approved an increase in the Company's variable capital by an amount of Ps. 89,235, due to the cash exercise of 352,256 warrants, equivalent to 352,256 shares.

On November 9, 2020, the Ordinary Shareholders' Meeting approved an increase in the Company's variable capital by an amount of Ps. 27,183, due to the cash exercise of 109,874 warrants, equivalent to 109,874 shares.

On November 9, 2020, the Ordinary Shareholders' Meeting approved an increase in the Company's share premium by an amount of Ps. 860,571, due to the cashless exercise of 3,520,489 warrants as of such date and as part of the redemption (see Note 1.f), equivalent to 1,301,293 shares.

On December 14, 2020, the Ordinary Shareholders' Meeting approved the merger of Promotora Forteza (a commonly controlled entity) into Betterware. As part of the merger stockholders' equity increased Ps. 4,724.

As of January 3, 2021, and as a result of the exercise of the purchase option of units by its holders (see note 18.2) and the share-based payments granted to certain directors and executives (see note 22), the total capital increase in share premium amounted Ps. 909,428.

### 2018

On February 13, 2018, the Ordinary General Shareholders' Meeting of Betterware agreed to reduce the capital stock by Ps. 97,921. On December 5, 2018, as part of the unanimous resolutions adopted outside the Shareholders' Meeting, it was agreed to increase capital stock by Ps. 20.

### **Dividends**

#### **2020**

On January 10, 2020, the General Shareholders' Meeting approved a payment of dividends from retained earnings in the amount of Ps. 70,000, which were paid in cash on January 10, 2020. Part of this amount (Ps. 42,739) was paid to Campalier based on its shareholding. The dividend per share was Ps. 2.32.

On May 8, 2020, the General Shareholders' Meeting approved a payment of dividends on account of the profits to be generated in the fiscal year 2020 in the amount of Ps. 100,000, which were paid in cash on May 28, 2020. Part of this amount (Ps. 53,522) was paid to Campalier based on its shareholding. The dividend per share was Ps. 2.90.

On August 17, 2020, the Ordinary General Shareholders' Meeting approved a payment of dividends on account of the profits to be generated in fiscal year 2020 in the amount of Ps. 330,000, which were paid in cash on August 20, 2020. Part of this amount (Ps. 176,621) was paid to Campalier based on their shareholding. The dividend per share was Ps. 9.27.

On November 9, 2020, the Ordinary General Shareholders' Meeting approved a payment of dividends on account of the profits to be generated in the fiscal year 2020 in the amount of Ps. 330,000, which were paid in cash on November 19, 2020. Part of this amount (Ps. 168,136) was paid to Campalier based on their shareholding. The dividend per share was Ps. 9.11.

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#### **2019**

On May 29, 2019, the Ordinary General Shareholders' Meeting approved dividends payment from retained earnings for an amount of Ps. 128,000 which were paid in cash. Part of this amount (Ps. 78,151) was paid to Campalier based on its equity interest.

On October 8, 2019, the Ordinary General Shareholders' Meeting approved dividends payment from retained earnings for an amount of Ps. 150,000 which were paid in cash. Part of this amount (Ps. 91,583) was paid to Campalier based on its equity interest.

#### **2018**

On February 13, 2018, the Ordinary General Shareholders' Meeting approved dividends payment from retained earnings for an amount of Ps. 79,080, which were paid in cash. Part of this amount (Ps. 46,696) was paid to Campalier based on its equity interest.

On November 28, 2018, the Ordinary General Shareholders' Meeting approved payment of dividends from profits generated in the year, for an amount of Ps. 111,000, which were paid in cash. Part of this amount (Ps. 65,545) was paid to Campalier based on its equity interest.

On December 4, 2018, the Ordinary General Shareholders' Meeting approved payment of dividends from profits generated in the year, in the amount of Ps. 110,000. From this amount, Ps. 45,045 was paid in cash; while the remaining for Ps. 64,955 was paid on March 31, 2019, hence it is included as a liability in the consolidated and combined statement of financial position.

### **Legal reserve**

Retained earnings include the statutory legal reserve. The Mexican General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of common stock at par value (historical pesos). The legal reserve may be capitalized but may not be distributed unless the Group is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of January 3, 2021 and December 31, 2019, the legal reserve, in historical pesos, was Ps. 10,679 and Ps. 10,370, respectively and it is included in retained earnings.

## **22. Share-based payments**

As disclosed in Note 1.d and 2.v, the Group grants a compensation plan based on Betterware's shares to certain directors as well as executives. The plans were authorized at the Board of Directors' Meeting on July 30, 2020, in which it was established that to obtain the rights to the corresponding shares of the Group, there should be a performance metric based on EBITDA (Earnings before interest, taxes, depreciation and amortization) and their continuance at Betterware, which will be delivered based on the particular compensation plans of each individual.

For the 2020 period, the expense associated with share-based payment awards was recognized in the consolidated statement of profit or loss and other comprehensive income for \$32,910 (see Note 25), with a corresponding increase in equity.

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## **23. Earnings per share**

The amount of basic earnings per share is calculated by dividing the net income for the year attributable to shareholders of the Group's ordinary shares by the weighted average of the ordinary shares outstanding during the year. The following events resulted in the issuance of ordinary shares for the 2020 period:

- a) The warrants that DD3 had issued and that were automatically converted into warrants to purchase a total of 5,804,125 shares (see Note 1.c), exercised by its holders through a cash and cashless basis. The cash exercises resulted in the issuance of 462,130 shares and the cashless exercises in the issuance of 1,457,798 shares.
- b) The unit purchase option subject to the warrant contract to issue 250,000 Betterware shares and warrants to buy 250,000 additional Betterware shares (see Note 1.c). The purchase option resulted in the issuance of 214,020 Betterware shares, which were exercised on a cashless basis.

The amount of diluted earnings per share is calculated by dividing the net income attributable to shareholders of the Group's common shares (after adjusting it due to changes in the fair value of warrants recognized at FVTPL in accordance with IFRS 9) by the weighted average of the common shares outstanding during the year plus the weighted average number of ordinary shares that would have been issued at the time of converting all diluted potential ordinary shares into ordinary shares. For the 2020 period, the share-based payment incentive plans issued by the Group (see Note 22) qualified as a potential dilutive event, resulting in 709,700 potentially dilutive shares. The effect of warrants and unit purchase options throughout the 2020 and while not exercised in the period qualified as antidilutive events. In accordance with

IAS 33, antidilutive potential ordinary shares are disregarded in the calculation of diluted earnings per share.

As a result of the merger transaction, which closed on March 13, 2020 (see Note 1.b), between Betterware and DD3 and the subscription and payment of 2,040,000 Betterware shares on Nasdaq all Betterware shares issued and outstanding immediately prior to the closing date were canceled and new shares were issued. Betterware's original shareholders held 87.7% of the total outstanding shares, DD3 shareholders held a 6.4% stake, and investors under the Nasdaq listing held a 5.9% stake. After the closing date, Betterware had 34,451,020 issued and outstanding shares.

Additionally, because IFRS requires that the calculation of basic and diluted earnings per share ("EPS") for all periods presented be adjusted retrospectively when the number of ordinary shares or potential ordinary shares outstanding increases as a result of a capitalization, bond issue, or share split, or decreases as a result of a reverse share split, EPS calculations for the reporting period and the comparative period should be based on the new number of shares. Therefore, as a result of the cancellation and issuance of new shares on March 13, 2020, earnings per share in the consolidated and combined financial statements has also been adjusted for all periods presented to reflect the number of shares issued and outstanding giving an amount of 34,451,020 for the 2020 period, and an amount of 30,199,945 shares for the 2019 and 2018 periods, which corresponds to the amount of shares attributable to the original Betterware shareholders without giving effect to the capital contribution of the DD3 shareholders and the resources obtained by the Nasdaq listing described in the previous paragraph.

The following table shows the income and share data used in the calculation of basic and diluted earnings per share for the periods of 2020, 2019 and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Net income (in thousands of pesos)</b>			
Attributable to shareholders	Ps. 338,361	472,142	299,267
<b>Shares (in thousands of shares)</b>			
Weighted average of outstanding shares			
Basic	34,083	30,200	30,200
Diluted	34,383	30,200	30,200
<b>Basic and diluted earnings per share:</b>			
Basic earnings per share (pesos per share)	Ps. 9.93	15.63	9.91
Diluted earnings per share (pesos per share)	9.84	15.63	9.91

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#### 24. Related party balances and transactions

Balances and transactions between Betterware and BLSM, which are related parties, have been eliminated on combination and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Key management personnel compensation comprised short-term employee benefits of Ps. 37,713, Ps. 34,540 and Ps. 34,500 for the 2020, 2019 and 2018 periods, respectively. Compensation of the Group's key management personnel includes salaries and non-cash benefits. No long-term employee benefits were paid to key management personnel during 2020, 2019 and 2018.

##### *Transactions*

The following balances were outstanding as of January 3, 2021 and December 31, 2019:

	<u>2020</u>	<u>2019</u>
<b>Trade accounts receivable from related parties</b>		
Fundación Betterware., A.C.	Ps. -	610
	Ps. -	610

#### 25. Revenue and operating expenses

##### *Revenue –*

Revenue recognized in the 2020, 2019 and 2018 periods was generated in Mexico. A disaggregation per home product is as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Kitchen and food preservation	Ps. 2,532,420	1,229,148	820,995
Home solutions	1,456,666	529,551	360,595
Bathroom	842,724	441,093	376,262
Laundry & Cleaning	828,473	318,782	308,359
Tech & mobility	773,160	290,366	196,439
Bedroom	826,964	275,722	254,066
	<u>Ps. 7,260,408</u>	<u>3,084,662</u>	<u>2,316,716</u>

##### *Contract balances*

As of January 3, 2021 and December 31, 2019, the Group did not identify significant costs to obtain/fulfill a contract that are required to be capitalized as an asset. Consequently, the Group did not perform any analysis in order to identify possible impairment losses. See Note 6 about the expected credit loss model applicable to all financial assets measured at amortized cost.

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##### *Operating expenses –*

Operating expenses by nature, for the periods of 2020, 2019 and 2018 are as follows:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cost of personnel services and other employee benefits	Ps. 564,213	423,956	332,878
Distribution costs	331,023	121,155	102,397
Sales catalog	247,250	128,687	92,931
Promotions for the sales force	172,177	26,311	24,492
Packing materials	112,512	58,361	46,976
Impairment loss on trade accounts receivables	57,627	22,512	18,699
Commissions and professional fees	61,403	13,577	8,335
Depreciation and amortization	43,688	38,394	25,960
Share-based payments	32,910	-	-
Bank fees	23,965	15,436	30,934
Rent expense, operating leases	22,451	17,663	20,269
Events, marketing and advertising	19,237	37,848	35,253
Travel expenses	13,522	18,835	17,254
Other	147,077	68,853	50,122
	<u>Ps. 1,849,055</u>	<u>991,588</u>	<u>806,500</u>

## 26. Segment information

Information reported to the Chief Operating Decision Maker (“CODM”), for the purposes of resource allocation and assessment of business performance, focuses on the Group as a whole and with main strategies on a company-wide basis. As discussed in Note 1, the Group is focused on the home organization segment whose product portfolio includes home organization; kitchen preparation, food containers, and practical furniture, among other categories (see Note 25). The Group’s products are offered through 9 catalogs in Mexico over the year. As such, no reporting on segment information is deemed necessary to assess the Group performance given its business model and current operations.

In addition to the above, the Group obtains all its revenue from the Mexican market, therefore no geographic information is disclosed. Also, the Group considers that there are no major customers, and therefore, no concentration risks exist given the nature of the business and the sale of its products through a significant number of distributors.

## 27. Commitments

### *Lease arrangements*

The Group leases warehouses and an administrative office space that expired on January 3, 2021 and that were renewed for three months in order to relocate the operations to the new distribution center (see Note 1.i). Rental expense for the periods of 2020, 2019 and 2018 was Ps. 15,703, Ps. 11,605 and Ps. 14,169, respectively.

### *Borrowings*

The secured lines of credit with Banamex, for up to Ps. 400,000 and Ps. 195,000 (see Note 15) have a lien for the land acquired to build the Group’s new corporate headquarters and distribution center (see Note 10).

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## 28. Contingencies

The Group is a party to various legal actions in the normal course of its business. The Group is not involved in or threatened by proceedings for which the Group believes it is not adequately insured or indemnified or which, if determined adversely, would have a material adverse effect on its consolidated and combined financial position, results of operations and cash flows.

Additional taxes payable could arise in transactions with related parties if the tax authority, during a review, believes that prices and amounts used by the Group are not similar to those used with or between independent parties in comparable transactions.

In accordance with the current tax legislation, the authorities have the power to review up to five fiscal years prior to the last income tax return filed.

On August 12, 2014, the International Inspection Administration “4” (“AFI” for its acronym in Spanish), under the Central Administration of International Control, in relation to the General Administration of Large Taxpayers of the Tax Administration Service (“SAT” for its acronym in Spanish), requested information regarding the Group’s 2010 income tax filing, which was provided at that time. On February 20, 2017, the final agreement was signed with the Taxpayer Advocacy Office (“PRODECON”) regarding the SAT’s review. On March 2, 2017, the SAT notified the Group about certain issues on which an agreement was not reached. As a result, the Group filed a lawsuit for annulment before the SAT’s resolution, which is in progress as of the date of issuance of these consolidated and combined financial statements. Based on the evaluation of the Group’s Management, tax liabilities are not expected to arise as a result of this matter. As of January 3, 2021, the maximum exposure of the contingent liability on this matter was estimated to amount Ps. 20,086.

## 29. Subsequent events

On January 15, 2021, the Company launched the marketing campaign “Encuentra la Solución” which will represent an investment of Ps. 75,000 in 2021.

The new distribution center will be completed during the first quarter of 2021. It began operating in the last quarter of 2020 and as of the date of the consolidated and combined financial statements, only the administrative office building is in process to be completed. Capital expenditures related to the new distribution center were made in the first quarter of 2021 and amounted to Ps. 61,615.

On February 18, 2021, the Ordinary Shareholders’ Meeting approved the capitalization to retained earnings of the cumulative amount of Ps. 876,518 in premium for share issuance. Additionally, a dividend payment of Ps. 350,000 was approved.

On March 12, 2021, Betterware entered into an agreement to acquire 60% of GurúComm for Ps. 45,000. GurúComm is a Mobile Virtual Network Operator (“MVNO”) and communications software developer, with an enterprise value of Ps. 75,000 (approximately US\$3,500). The Company does not expect the acquisition to be material to its 2021 results of operations.

**30. Authorization to issue the consolidated and combined financial statements**

On March 25, 2021, the issuance of the Group's combined consolidated financial statements was authorized by Andrés Campos, Chief Executive Officer, and Diana Jones, Chief Financial Officer.

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## “BETTERWARE DE MÉXICO, S.A.B. de C.V.

## BY-LAWS

## CHAPTER I

NAME, PURPOSE, DOMICILE, NATIONALITY AND DURATION

**Article First. Name.** The corporate name of the Company is “**Betterware de México**”. Such name shall be followed by the words “*Sociedad Anónima Bursátil de Capital Variable*” or its abbreviation “*S.A.B. de C.V.*”. (the “**Company**”).

**Article Second. Domicile.** The domicile of the Company is the city of Guadalajara, Jalisco, which includes the cities of Guadalajara, Zapopan, San Pedro Tlaquepaque, Tonalá, Tlajomulco de Zúñiga, El Salto, Juanacatlán, Ixtlahuacán de los Membrillos and Zapotlanejo; however, the Company may establish offices, agencies and/or branches elsewhere within or outside Mexico, and appoint or submit to conventional domiciles, without the Company’s domicile being changed thereby.

**Article Third. Purpose.** The corporate purpose of the Company shall be:

- (1) Incorporate, organize and manage any class of civil entities, business entities or of any other nature, or associations, acquire shares, interests, rights, participations, quotas, or an equity interest in other civil entities, business entities or of any other nature, associations, trusts or co-investments, whatever their corporate purpose is, whether as a stockholder or as a founding member, or by the acquisition of shares or interests in those civil entities, business entities or of any other nature, associations, trusts or co- investments previously incorporated, and dispose or transfer such shares or interests, as well as promote and manage any kind of companies, entities, trusts or co- investments. The above-mentioned entities or trusts may be Mexican or foreign, in the understanding that the Company shall always follow with the applicable law, as the case may be.
  - (2) Purchase and sale, negotiation, commercialization and promotion, directly or indirectly through third parties, of any kind of products, including products, solutions and accessories for household and personal use, cleaning and personal care.
  - (3) Develop, design, build, commercialize, lease, buy, transfer and maintenance, directly or indirectly, any kind of real estate property.
  - (4) Grant or enter into leases or bailments, as well as acquire, possess, exchange, transfer, sell, dispose or encumber, the property or possession of any kind of personal property and real estate property, including any kind of property (*in rem*) or personal (*in personam*) rights, that are necessary or convenient for the Company’s corporate purpose or for the operations or corporate purposes of the business entities, civil entities or of any nature, associations, institutions or trusts in which the Company might have an interest or participation of any nature.
  - (5) Receive from other entities or persons, and provide all kind of services, including but not limited to, administration, advice and consulting services, as well as assistance services in any kind, to any third party, including to the entities or associations in which the Company is a stockholder or partner, directly or through third parties, in the United Mexican States or abroad, in accordance with the applicable law.
  - (6) Represent as an intermediary, commission agent, representative, agent, or with any other character, to any person or entity, Mexican or foreigner, public or private.
  - (7) Grant, issue, accept, negotiate, endorse or any other form to subscribe, including as guarantor, any kind of negotiable instruments contemplated in the law of any jurisdiction regardless of the name or characterization of such document.
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- (8) Obtain and grant all kinds of finance, loans, credits or bails, and issue bonds, obligations, commercial paper, equity certificates, debt, promissory notes, and in general, any other negotiable instrument or similar debt instrument, whether individually, in series or in group, with or without a specific guaranty, in the United Mexican States (“Mexico”), or abroad, in accordance with the applicable law of any jurisdiction.
- (9) Issue not subscribed shares of any class that will be kept in the treasury of the Company to be delivered to the extent the corresponding subscription is made, as well as enter into option agreements with third parties granting them the right to subscribe and pay such shares issued by the Company. In addition, the Company may issue unsubscribed shares in the terms and conditions established in Article 53 (Fifty-Three) and other applicable articles in the Securities Market Law.
- (10) Acquire its own shares, in the terms established in the Securities Market Law and these by-laws.
- (11) Open, handle, modify, close or cancel any kind of bank accounts, investment accounts or/and of any kind of the Company, with any banking institution, whether national or foreigner.
- (12) Celebrate any kind of derivative transactions, in accordance with Mexican or foreign law, regardless of its classification, currency, sale or the applicable underlying assets.
- (13) Acquire, possess, use, register, develop and use any kind of patents, brands, commercial names, inventions, utility models, industrial designs, trade secret, franchises, licenses, sublicenses and any kind of industrial property rights, intellectual property rights, royalties, either owned by the Company or by third parties.
- (14) Perform, directly or through third parties, training and development programs, as well as investigation programs;
- (15) Process and obtain concessions, licenses, authorizations and permits before entities or governmental agencies, either federal, state or/and local governments and third parties, with the purpose to accomplish the Company’s purpose.
- (16) Produce, transform, adapt, commercialize, import, export, purchase, sale or dispose, under any legal title of machinery, replacements, materials, raw materials, industrial products, effects and merchandise of any kind.
- (17) Celebrate and perform, in the United Mexican States or abroad, directly or through third parties, all kind of actions, include ownership acts, contracts, civil agreements, business or of any other nature, principal or secondary, guarantees, including, but not limited to, pledge agreements, mortgages, or any other actions that may be considered encumbrances over its personal or real estate property, or any other acts permitted under Mexican law or by the law of any other jurisdiction.
- (18) Grant all kinds of real estate guarantees, including pledges, mortgages, trusts or any other guarantees permitted under Mexican law or by the law of any other jurisdiction.
- (19) Guaranty obligations and indebtedness, of the Company or of any third party, either as a bailee guarantor, or of any other type, including as joint or several obligor.
- (20) In general, execute and perform all acts, agreements, contracts and documents, including civil, business or of any other nature permitted by the applicable law, in Mexico or abroad, to the extent it is necessary or convenient for the performance of the Company’s purpose.

**Article Fourth. Duration.** The duration of the Company will be indefinite.

**Article Fifth. Nationality.** The Company is of Mexican nationality. Any foreigner who upon incorporation or thereafter acquires an interest or participation in the Company shall, by that mere fact, be considered as a Mexican with respect (a) to the shares or rights that it acquires from the Company; (b) the goods, concession rights, participations or interests of which the Company is the holder; and (c) of the rights and obligations resulting from agreements in which the Company is a party, and it shall be understood that it agrees not to invoke the protection of its Government, under the penalty, in the contrary case, of forfeiting the rights or assets it may have acquired in favor of the Mexican nation.

## CHAPTER II

### CAPITAL STOCK AND SHARES

**Article Sixth. Capital Stock.** The capital stock shall be variable. The minimum fixed portion of the capital stock, without right of withdrawal, is the amount of \$50,000 (Fifty Thousand pesos 00/100 Mexican currency), and is represented by 10,000 (Ten Thousand) shares. The capital stock shall be represented by common, nominative shares, with only one class, which par value shall not be expressed.

**Article Seventh. Shares.** The shares of the capital stock will belong to the series of shares that the Stockholders' Meeting resolves upon its issuance. The total amount of the shares in which the capital stock is divided may be freely subscribed, in the terms of the Foreign Investment Law (*Ley de Inversión Extranjera*) and its Regulation and any other applicable law.

Within its respective series, each share will grant equal rights and/or obligations to their holders. Each share will grant to their respective holders the same property rights; therefore all shares shall equally participate, without distinctions, in every dividend, reimbursement, amortization, or distribution of any nature in the terms established herein. To avoid any distinction in the shares quotation price, the provisional or definite share certificates shall not establish any differences between the shares representing the minimum fixed portion and the variable portion of the capital stock. Each share shall grant one vote in the General Stockholders' Meeting.

Upon prior authorization from the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*), the Company may issue limited, restricted, or non-voting shares, in accordance with the provisions of Article 54 (Fifty-Four) of the Securities Market Law (*Ley del Mercado de Valores*) and other legal applicable legal provisions. Shares other than common shares, with no voting rights or with limited or restricted voting rights, may not exceed (twenty- five percent) of the paid-in capital stock that the National Banking and Securities Commission deems traded among the investing public, on the date of the public offering. The National Banking and Securities Commission may increase the aforementioned limit, in the case of schemes that contemplate the issuance of any type of shares mandatorily convertible into common shares within a term not exceeding 5 (five) years, counted as from the date of their offering, or in the case of shares or investment schemes that limit voting rights based on the nationality of the holder.

The non-voting shares will not be considered for purposes of establishing the quorum of the General Stockholders' Meeting, while the shares with limited or restricted voting rights will only be counted to legally hold the Stockholders' Meetings regarding the issues and matters where they are entitled to vote.

Upon the issuance of the shares with limited, restricted or without any voting rights, the General Stockholders' Meeting that agrees to issue such shares shall establish the rights, limitations and other applicable characteristics. In such case, the shares that are issued pursuant to this Article Seventh, shall be from a different series that the ones that represent the capital stock of the Company.

**Article Eighth. Unsubscribed Shares.** The Company may issue unsubscribed shares, regardless if they represent the fixed or the variable portion of the capital stock, shares that shall be held in the treasury of the Company to be delivered once their payment and subscription is made.

In addition, the Company may issue unsubscribed shares for its subscription by the stockholders or any third party, pursuant to the terms and conditions set forth in Article 53 (Fifty-Three) of the Securities Market Law or any provision that substitutes such law from time to time, including obtaining the public offering authorization from the National Banking and Securities Commission.

The preemptive right referred to in Article 132 (one hundred and thirty-two) of the General Law of Companies (*Ley General de Sociedades Mercantiles*) will not apply in the case of increases to the capital stock carried out under the terms of Article 53 (Fifty-Three) of the Securities Market Law or any other provision replacing it.

**Article Ninth. Acquisition of the Company's Own Shares.** The Company may acquire the shares that represent its own capital stock or any negotiable instruments or any other instrument that represent such shares, without being applicable the prohibition set forth in the first paragraph or Article 134 (one hundred thirty-four) of the General Law of Commercial Entities (*Ley General de Sociedades Mercantiles*).

The acquisition of its own shares shall be made in terms and pursuant to Article 56 (Fifty-Six) of the Securities Market Law and any other applicable provisions at the time of such acquisition. The acquisition of own shares will always be carried out through the stock exchange in which the shares representing the capital stock of the Company are listed, provided that such acquisition is permitted by applicable law and regulations, at market prices, or otherwise, through public offerings or auctions authorized by the National Banking and Securities Commission.

The shares that are held by the Company, or in such case, the issued and unsubscribed shares that are held in the treasury of the Company, may be subscribed by any stockholder of the Company or any third party, with the previous consent of the Board of Directors. For these purposes, it shall not be applicable Article 132 (one hundred thirty-two) of the General Law of Commercial Entities.

The acquisition by the Company of its own shares shall be made against the Company's equity and in such event, the acquired shares may be kept by the Company without decreasing its capital stock; or against the Company's capital stock, where such shares shall be converted into unsubscribed shares that the Company shall keep in the Company's treasury, without the need of the previous consent of the General Stockholders' Meeting, notwithstanding the Board of Directors may consent such conversion. The General Stockholders' Meeting shall expressly agree for each fiscal year, the total amount of proceeds that may be allocated for acquiring the Company's shares or any negotiable instruments or any other instrument that represent such shares, being the only limitation that the total proceeds to be allocated for these purposes shall not exceed the sum of the total balance of the Company's net profit, including the net profits that have been withheld in previous fiscal years. The Board of Directors shall appoint the responsible persons for the acquisition and subscription of the Company's own shares.

As long as the shares are held by the Company, such shares shall not be represented or voted in the Stockholders' Meetings and shall not have any corporate or economic rights.

Entities controlled by the Company may not acquire, directly or indirectly, shares representing the capital stock of the Company, or negotiable instruments representing such shares; with the following exceptions (i) acquisitions made through investment funds, and (ii) acquisitions made by such companies to implement or comply with stock option plans for employees and pension, retirement, and seniority premium funds and any other fund with similar purposes, created directly or indirectly by the Company, subject to applicable law, provided that the number of shares acquired for such purpose does not exceed 5% (five percent) of the total outstanding shares of the Company. The provisions of this paragraph will also apply to acquisitions made on derivative financial instruments or warrants with underlying shares representing the capital stock of the Company, which are payable in kind.

Pursuant to the provisions of Article 366 (Three Hundred Sixty-Six) of the Securities Market Law, persons related to the Company and trustees of trusts created for the purpose of establishing stock option plans for employees and pension, retirement, and seniority premium funds and any other funds with similar purposes, created directly or indirectly by the Company, may only dispose of, or acquire shares representing the capital stock of the Company the shares representing its capital stock or the negotiable instruments representing these, through public offerings or auctions authorized by the National Banking and Securities Commission, except in the cases provided in Article 367 (Three Hundred Sixty-Seven) of the Securities Market Law and other applicable provisions.

Article Tenth. Share Certificates. The provisional or definite share certificates shall be progressively numbered, may represent one or more shares, shall include the references established in Article 125 (one hundred twenty-five) of the General Law of Commercial Entities, Article 282 (two hundred eighty-two) and any other applicable provisions of the Securities Market Law and any other applicable provisions, and shall be signed by 2 (two) members of the Board of Directors.

In the case of permanent share certificates, these may have attached progressively numbered coupons as determined by the Board of Directors, that shall be used for payment of dividends or for the exercise of any other rights granted by the General Stockholders' Meeting or Board of Directors, being the Board capable of waiving the need of such coupons.

For shares that are deposited with an institution for securities deposit, the Company may deliver to such institution several or one share certificate that represent a portion or all the shares of the capital stock of the Company. In such case, the share certificates shall be issued with the legend "to be deposited" in the corresponding institution for securities deposit, without being required to include the name, domicile or nationality of the stockholder, pursuant to the provisions of the Securities Market Law and any other applicable provisions. In addition, the Company may issue share certificates without any attached coupons. In this case, the certificates issued by the securities deposit institution shall be considered as such coupons for all the legal purposes, in terms of the Securities Market Law. The Company shall issue the corresponding definitive share certificates within the agreed period, as the case may be, by the General Stockholders' Meeting or the Board of Directors, pursuant to the terms of the General Law of Commercial Entities.

Article Eleventh. Shares Registry Book. The Company shall have a Shares Registry Book in accordance with Articles 128 (one hundred and twenty-eight) and 129 (one hundred and twenty- nine) of the General Law of Commercial Entities which may be kept by the Secretary of the Board of Directors of the Company, in which all transactions relating to the subscription, acquisition or transfer of shares shall be recorded, and in which the names, addresses, nationalities and, if applicable, the code of the Federal Taxpayers Registry of the stockholders, as well as those in whose favor shares are transferred, shall be indicated.

In the event that the shares representing the capital stock of the Company are listed in stock exchanges, it shall be sufficient for their recording in such Shares Registry Book, the indication of such circumstance and of the institution for securities deposit in which the share certificate(s) is(are) deposited and, in such case, the Company shall consider as shareholders those who demonstrate such character with the statements issued by the relevant institution for securities deposit, complemented with the corresponding list of the owners of the shares drawn up by those who appear as depositors in such certificates, under the terms of the applicable law.

The Shares Registry Book will remain closed as of the date in which the statements are issued pursuant to the applicable law, until the immediately following business day from the date of the relevant Meeting. During such period no entry shall be made in such Share Registry Book.

The Company shall only consider as legitimate holder the person who appears registered as such in the Shares Registry Book in terms of Article 129 (one hundred and twenty-nine) of the General Law of Commercial Entities.

Article Twelfth. Increases and Decreases of the Capital Stock. With the exception of capital increases resulting from the issuance and subscription of the Company's own shares pursuant to Article Ninth above and Article 56 (Fifty-Six) of the Securities Market Law and other applicable legal provisions, capital increases shall be made by resolutions of the Ordinary or Extraordinary General Stockholders' Meeting, as the case may be, pursuant to the rules contained in this Article.

Increases in the fixed portion of the capital stock shall be made by resolution of the Extraordinary General Stockholders' Meeting in accordance with these by-laws, with the corresponding amendment thereto.

Increases in the variable portion of the capital stock shall be made by resolution of the Ordinary General Stockholders' Meeting. Upon the adoption of the corresponding resolutions, the General Stockholders' Meeting that agreed the capital increase, or any subsequent General Stockholders' Meeting, shall establish the terms or conditions on which such increase must be made, being the only formality to notarize the corresponding meeting minutes without having to amend these by- laws or register the corresponding deed in the Public Registry of Commerce of the Company's domicile.

Pursuant to and subject to Article 53 (Fifty-Three) and other applicable provisions of the Securities Market Law, the Company may issue unsubscribed shares to be kept in the Company's treasury to be subsequently subscribed by the stockholders or any third party. The foregoing, provided that (i) the extraordinary general stockholders' meeting approves the maximum amount of the capital increase and the conditions under which the relevant issue of Shares must be made, (ii) the subscription of the issued Shares is made through a public offering, upon prior registration with the National Securities Registry (Registro Nacional de Valores), in both cases in compliance with the provisions of the Securities Market Law and other general provisions resulting therefrom, and

(iii) the amount of the subscribed and paid-in capital stock is announced when the authorized capital stock represented by the issued and unsubscribed Shares is offered. The preemptive right referred to in Article 132 of the General Law of Companies will not apply in the case of increases to the capital stock through public offerings.

Except for the increases in the stock capital resulting from the issue and subscription of the Company's own shares pursuant to Article Ninth of these by-laws, all capital stock increases shall be recorded in a Book of Capital Variations to be kept by the Company for this purpose.

The capital increases may be made under any of the circumstances referred to in Article 116 (one hundred and sixteen) of the General Law of Commercial Entities, through payment in cash or in kind, through a capitalization of liabilities or reserves payable by the Company or of any other capitalizable accounts of the stockholders' equity. Considering the Company's shares certificates do not have a nominal value, it will not be necessary to issue new share certificates in the event of a capital increase as a result of any premium capitalization, capitalization of withheld earnings, capitalization of valuation or revaluation reserves or any other capitalizable item.

In the event of capital increases through payment in cash or in kind or by the capitalization of the Company's liabilities, the existing stockholder of the Company shall have preferential rights to subscribe the new shares that are issued to register such capital increase, in proportion of the number of shares each stockholder owns, on the date of the General Stockholders' Meeting where the capital increase is approved, within the respective series, within a term of 15 (fifteen) calendar days calculated from the notice publication date in the electronic system established by the Ministry of Economy (Secretaría de Economía) or calculated from the date the Stockholders' Meeting was held in the event that all shares of the capital stock of the Company were represented thereto. In case of capital increases through an accounts capitalization of the stockholders' equity, all stockholders shall have the right over its proportional share of such accounts, for which, if applicable, such stockholders shall receive such shares of the class or series previously determined by the General Stockholders' Meeting.

In the event that there are remaining unsubscribed shares after the term established in paragraph above for the stockholders to exercise its preferential right in terms of this Article, such shares may be offered to any person for its subscription and payment, in the conditions and within the term established by the Stockholders' Meeting that agreed in such capital increase or in the conditions and within the term established by the Board of Directors or the Delegates appointed by the Stockholders' Meeting for such purpose, in the understanding that the price and other terms at which such shares are offered to third parties, may not be less than the price at which they were previously offered to the Company's current stockholders. In the event such shares are not subscribed and paid, such shares may be kept in the Company's treasury or may be cancelled, in both cases, with a previous capital decrease as determined by the Stockholders' Meeting in accordance with the applicable law.

Except for capital stock decreases resulting from the acquisition of the Company's shares referred to in Article Ninth above, Article 56 (Fifty-Six) of the Securities Market Law and other applicable provisions, as well as the scenarios specifically established in this Article Twelfth, the capital stock may only be decreased by the resolution of a General Ordinary or Extraordinary Stockholders' Meeting, as the case may be, subject to the provisions of the General Law of Commercial Entities and in accordance with the following rules:

- (a) The capital stock decreases, in its fixed portion, must be resolved by the resolution of a General Extraordinary Stockholders' Meeting, being necessary to amend the Company's by-laws, follow the provisions of Article 9 (nine) of the General Law of Commercial Entities, with the exception of decreases in the capital stock of the Company resulting from the acquisition by the Company of the Company's shares as described in in Article Ninth above.
- (b) The decreases in the capital stock of the Company, in its variable portion, except those resulting from the acquisition by the Company of the Company's shares as described in in Article Ninth above, may be made by the resolution of a General Ordinary Stockholders' Meeting, being the only formality that the corresponding Meeting minutes must be notarized before a notary public, without the need to amend the Company's by-laws or register the corresponding public deed in the Public Registry of Commerce of the Company's domicile.
- (c) Except for the decreases in capital stock of the Company resulting from the acquisition by the Company of the Company's shares as described in in Article Ninth above, any decrease in the capital stock of the Company must be recorded in a Book of Capital Variations that the Company will keep for this purpose.
- (d) The capital stock of the Company may be decreased to absorb any losses or to reimburse any contributions made by the stockholders, as well as to release the stockholders from unpaid installments in case of shares that are pending to be paid at the moment of its issuance, or as a result of the redemption and cancellation of the shares which amount has not been fully subscribed and paid in accordance with the resolutions previously made by the General Stockholders' Meeting; in such case, it shall not be necessary an additional resolution by the General Stockholders' Meeting or by the Board of Directors, in the event that the General Stockholders' Meeting has expressly delegated the power to the Board. In no event may the capital stock of the Company be reduced to an amount lesser than the legal minimum, if any.
- (e) The decreases in the capital stock of the Company to absorb losses shall be made proportionally among all the shares representing the capital stock, without being necessary to cancel any shares, since the shares do not have a nominal value.

Pursuant to the provisions of the Securities Market Law, the stockholders holding the shares that represent the variable portion of the Company's capital stock, shall not have the right of withdrawal referred to in Article 220 (two hundred and twenty) of the General Law of Commercial Entities.

The Company may redeem shares with distributable profits without decreasing its capital stock, with the previous resolution by the Extraordinary General Stockholders' Meeting, observing the provisions of Article 136 (one hundred and thirty-six) of the General Law of Commercial Entities, and observing the following rules:

- (a) When the shares are redeemed to all stockholders, such redemption shall be made in such a way that, after the redemption by the Company, all stockholders shall have the same participation percentages as they had immediately before such redemption was made; and
- (b) The share certificates that hold the redeemed shares, shall be cancelledArticle Thirteenth. Provisions on Change of Control.
- (c) Definitions.

For the purposes of this Article Thirteenth, the following terms shall have the following meaning, in their singular and plural form:

“Shares”: means any and all shares representing the capital stock of the Company, whatever their class, series, sub-series or denomination, or any certificate, security, right (including options), or instrument issued or created on the basis of, referenced to, or whose underlying asset are such shares, including ordinary participation certificates, deposit certificates, or negotiable instruments, regardless of the governing law or the market in which the shares are placed or have been entered into or granted, or conferred any right over such shares or is convertible into, or exchangeable for, such shares, including derivatives and financial instruments, options, warrants, and convertible debentures.

“Acquisition” has the meaning set forth in subsection (b) of this Article Thirteenth.

“Voting Agreement” has the meaning set forth in subsection (b) of this Article Thirteenth.

“Affiliate” means (i) with respect to Persons who are not natural persons, all Persons who directly or indirectly through one or more intermediaries, Control, are Controlled or are under the common Control of the first Person, and (ii) with respect to natural persons, means any past, present or future spouse and any direct or indirect ascendants or descendants, including parents, grandparents, children, grandchildren and siblings.

“Competitor” means any Person engaged, directly or indirectly, by any means or through any Person, vehicle or contract, principally as its principal activity, in the business of direct sales in any form or otherwise predominantly as its principal activity in such business.

“Consortium” means the group of Entities, regardless of the jurisdiction under which they are constituted or exist, linked to each other by one or more natural persons who, if they are part of a Group of Persons, have Control of the former.

“Control”, “Controlled” or “Controlled” (including the terms “Controlled”, “Controlled”, “Controlled” and “under Common Control”) means in respect of any Person, through a Person or Group of Persons and independently of the jurisdiction under which they are constituted or exist, (i) the power to impose, directly or indirectly, by any means, resolutions or decisions, or to veto or prevent such resolutions or decisions from being taken, in any sense, at General Stockholders' or Partners Meetings, or equivalent bodies, or to appoint or remove the majority of the directors, administrators, managers or their equivalents of said Person; (ii) maintain the ownership of any class of Shares or rights related thereto which permit, directly or indirectly, the exercise of voting rights in respect of more than 50% (fifty percent) of the Shares, of whatever nature, with voting rights of such Person, and/or (iii) the power to direct, determine, influence, veto or impede, directly or indirectly, the policies and/or decisions of the Board of Directors or of the management, strategy, activities, operations or principal policies of such Person, whether through ownership of Shares, by contract or agreement, written or oral, or by any other means, regardless of whether such control is apparent or implied.

“Initial Public Offering Date”

“Group of Persons” means Persons, including Consortia or Business Groups, who have agreements, of any nature, verbal or written, to make decisions in the same direction or to act jointly. In the absence of proof to the contrary, it is presumed that they constitute a “Group of Persons”:

- (i) persons who are related by consanguinity, affinity or civil relationship up to the fourth degree, spouses, concubine and concubinary, or cohabitants; and (ii) persons who are not related by consanguinity, affinity or civil relationship up to the fourth degree, spouses, concubine and concubinary, or cohabitants; and
- (ii) Entities, regardless of the jurisdiction under which they are constituted, that form part of the same Consortium or Business Group and the person or group of persons that have control of said Entities.

“**Business Group**” means the group of Entities, regardless of the jurisdiction under which they are constituted or exist, organized according to schemes of direct or indirect participation in the capital stock or equivalent, linked by contract, or in any other way, in which the same Entity, of any type, maintains the Control of such Entities.

“**Significant Influence**” means the ownership of rights that allow, directly or indirectly, to exercise the right to vote with respect to at least 20% (twenty percent) of the capital stock of a Entity.

“**20% Participation**” means the ownership or holding, individually or jointly, directly or indirectly, through any Person, of at least 20% (twenty percent) of the capital stock or equivalent of an Entity or of any right that grants such Person or Persons the power to vote on 20% (twenty percent) of the capital stock of an Entity.

“**Person**” means any natural person, Entity or any of the Subsidiaries or Affiliates thereof, of any nature whatsoever, whether or not they are called, whether or not they have legal existence, and in accordance with the law of any jurisdiction, or any Consortium, Group of Persons or Business Group acting or intending to act in a joint, concerted or coordinated manner for the purposes of this Article.

“**Entity**” means any entity, partnership, limited liability company, company, association, co-investment, joint venture, trust, unincorporated or unincorporated organization or governmental authority or any other form of economic or business association constituted under the laws of any jurisdiction.

“**Related Persons**” means the Persons who, with respect to the Company, are located in one of the following cases:

- (i) Persons who have Control or Significant Influence over any Entity forming part of the Business Group or Consortium to which the Company belongs, as well as the directors, administrators or relevant executives of the Persons making up said Consortium or Business Group;
- (ii) Persons who have Power to Control with respect to a Person who forms part of the Consortium or Business Group to which the Company belongs;
- (iii) the spouse, concubine and concubinary, cohabitants, and persons who are related by consanguinity, by affinity or civil relationship up to the third degree, to natural persons who are located in any of the cases indicated in paragraphs (i) and (ii) above, as well as the partners of, or co-owners together with, the natural persons mentioned in said paragraphs with whom they have business relations;
- (iv) Entity that are part of the Consortium or Business Group to which the Company belongs; and/or
- (v) Entity over whom any of the persons referred to in (i) to (iii) above exercise Significant Control or Influence.

**“Power to Control”** means the factual capacity to decisively influence the resolutions adopted in the Stockholders’ Meetings or sessions of the Board of Directors or in the management, administration and execution of the business of the Entities or of the Entities that form part of the Business Group or Consortium to which said Entity belongs or which it Controls or in which it has Significant Influence. It is presumed that they have the power to control the Entities, unless there is evidence to the contrary, the Persons who are located in any of the following scenarios:

- (i) The stockholders or partners who have the Control of an Entity or of the Entities who form part of the Business Group or Consortium to which said Person belongs.
- (ii) The individuals who have links with an Entity or with the Entities or that form part of the Business Group or Consortium to which said Entity belongs or that this Entity Controls or in which it has a Significant Influence, through life, honorary positions or with any other similar title or similar to the previous ones;
- (iii) The Persons who have transmitted the Control of the Entity or of the Legal Persons that form part of the Business Group or Consortium to which said Entity belongs or in which this Entity has Significant Influence, under any title and free of charge or at a value lower than the market or accounting value, in favor of individuals with whom they are related by consanguinity, affinity or civil up to the fourth degree, the spouse, concubine or concubinary; and
- (iv) Those who instruct directors or relevant executives of the Entity or of the Entities who form part of the Business Group or Consortium to which said Entity belongs or which it Controls or in which it has Significant Influence, in the taking of decisions or in the execution of operations in an Entity which forms part of the Business Group or Consortium to which said Entity belongs or which it Controls or in which it has Significant Influence.

**“Subsidiary”** means, with respect to any Person, any company or other organization in respect of which a Person owns a majority of the shares or securities representing its capital stock or voting interests, or the Voting Control of such company and/or organization, either directly or indirectly, or in respect of which a Person has the right to appoint a majority of the members of its board of directors (or equivalent governing body) or its administrator.

(a) Authorization of an Acquisition of Securities by the Board of Directors.

Any direct or indirect acquisition of Shares, under any title or legal scheme, that is intended to be carried out in one or more simultaneous or successive operations or acts of any legal nature, without any time limitation between them, whether through a securities exchange or not, in Mexico or abroad, including structured transactions such as mergers, corporate reorganizations, divisions, consolidations, adjudication or execution of guarantees or other similar operations or legal acts (any such operations being an “Acquisition”), by one or more Persons, Related Persons, Group of Persons, Business Group or Consortium, shall require for its validity the favorable prior written consent of the Board of Directors each time the number of Shares to be acquired, when added to the Shares comprising its prior holding of Shares in the Company, as the case may be, results in the acquirer or acquirers holds a percentage in the capital stock of the Company equivalent to or greater than 9.9% (nine point nine percent). Once that percentage is reached, any subsequent Acquisition of Shares by each of said Persons, Related Persons, Group of Persons, Business Group or Consortium by means of which they acquire additional Shares of the Company representing 2% (two per cent) or more, must be notified to the Board of Directors of the Company at the corporate domicile of the Company (through the Executive Chairman of the Board with a copy to the Secretary who is not a member of the Board). No additional authorization is required to make such subsequent Acquisitions (i.e., such Acquisitions in excess of those previously approved by the Board of Directors to reach 9.9% (nine point nine percent) of the capital stock) or to enter into Voting Agreements until the percentage of participation in the capital stock is equal to or greater than 20% (twenty percent); in the understanding that the Company shall follow the reporting obligations to the Board of Directors must be observed (through the notifications mentioned above).



The favorable agreement of the Board of Directors, prior and in writing, shall also be required for the execution and effectiveness of agreements, whether oral or written, regardless of their denomination or the title or classification given to such agreements, where voting mechanisms or agreements of association are formed or included, including voting blocks, or that certain Shares, directly or indirectly, shall be combined in some other way, or for the performance of any act tending to or involving a change in the Control of the Company or a 20% (twenty percent) Interest in the Company (each, a “Voting Agreement” and, collectively, the “Voting Agreements”), provided that it shall not be considered a Voting Agreement, any temporary agreement between stockholders whose purpose is the exercise of minority rights established in the applicable law shall be permitted and shall not require the authorization of the Board of Directors. In any event, such Voting Agreements (including permitted temporary agreements) must be duly notified and delivered to the Company and their existence will be disclosed by the Company to its stockholders.

For these purposes, the Person who individually, or jointly with the applicable Related Person(s), or the Group of Persons, Business Group or Consortium that intends to make any Acquisition or enter into any Voting Agreement, must comply with the following:

1. The interested party or parties must submit a written request for authorization for consideration by the Board of Directors. Said request must be addressed and delivered, in a reliable manner, to the Chairman of the Board of Directors, with a copy to the Secretary who is not a member thereof, at the Corporate domicile. The abovementioned request must be submitted under protest of truth and must contain at least the following information
  - i. if applicable, the number and class or series of Shares of which the Person(s) concerned and/or any Related Person(s) thereto or the Group of Persons, Business Group or Consortium (A) owns or co-owns, either directly or through any Related Person(s), and/or (B) in respect of which it intends to enter into a Voting Agreement;
  - ii. the number and class or series of Shares which they intend to acquire, by Acquisition or which, as the case may be, will be the subject of any Voting Agreement;
  - iii. (A) the percentage which the Shares referred to in (i) above represent of the total Shares issued by the Company, and (B) the percentage which the sum of the Shares referred to in (i) and (ii) above represent of the total Shares issued by the Company, on the understanding that for such purpose it may be based on the total number of shares reported by the Company to the securities exchange on which its shares are listed;
  - iv. the identity, principal line of business and nationality of the Person(s), Group of Persons, Consortium or Business Group that intends to carry out the Acquisition or enter into the relevant Voting Agreement; it the understanding that if any of them is an Entity, the identity and nationality of each of the partners, stockholders, founders, beneficiaries or any equivalent who finally, directly or indirectly, have Control of said Entity must be specified;
  - v. the reasons and objectives for which it intends to make an Acquisition or enter into the relevant Voting Agreement, particularly mentioning whether it intends to acquire, directly or indirectly, (A) shares additional to those referred to in the authorization request, (B) a 20% (twenty percent) Share, or (C) Control of the Company;
  - vi. whether it has a direct or indirect participation (and the amount and percentage of such participation) in the capital stock or in the management or operation of a Competitor or any Related Person to a Competitor, or whether it has any economic or business relationship with a Competitor or any Related Person to a Competitor, or whether any of its Related Persons are Competitors;
  - vii. whether it has the authority to acquire the Shares or enter into the relevant Voting Agreement, in accordance with the provisions of these by-laws and applicable law; if so, whether it is in the process of obtaining any consent or authorization, from which Person, and the terms and conditions in which it expects to obtain it;

viii. the origin of the economic resources that it intends to use to pay the price of the Shares that are the object of the application; if the resources come from any financing, the solicitant shall specify the identity and nationality of the Person providing him with such resources and whether such Person is a Competitor or a Related Person to a Competitor, and the documentation evidencing the respective financing agreement and the terms and conditions of such financing. The Board of Directors may request the Person to submit such request, as it considers necessary to guarantee payment of the respective purchase price and before granting any authorization in accordance to the foregoing, additional evidence with respect to the financing agreement (including evidence that no conditions exist in such agreement) or the establishment or granting of

(A) bond, (B) guarantee trust, (C) irrevocable letter of credit, (D) deposit, or (E) any other type of guarantee, for up to an amount equivalent to 100% (one hundred percent) of the price of the Shares to be acquired or which are the subject matter of such transaction or agreement, designating the stockholders, either directly or through the Company, as beneficiaries;

- ix. the identity and nationality of the financial institution that would act as intermediary, in the event that such Acquisition is made through a public offer;
- x. if applicable, in the case of a public offer to purchase, a copy of the project offer document or similar document which it intends to use for the acquisition of the Shares or in connection with such transaction or arrangement, complete as at that date, and a statement as to whether it has been authorized by, or submitted for authorization by, the competent authorities (including the National Banking and Securities Commission); and
- xi. an address in Mexico City to receive notifications and notices in connection with the filed application.

In the cases that the Board of Directors so determines, for confidential information that cannot yet be disclosed or for any other justified reasons in the opinion of the Board of Directors, the Board of Directors may, at its sole discretion, exempt the applicant from following with one or more of the requirements listed above.

- 2. Within five (5) business days following the date on which the request for authorization referred to in paragraph 1 (one) above was received, the Executive Chairman and/or Secretary shall summon a session of the Board of Directors to consider, discuss and resolve on the request for such authorization. The summons to the sessions of the Board of Directors must be made in writing and sent in accordance with the provisions of these by-laws.
- 3. The Board of Directors may request from the Person who intends to make the Acquisition or enter into the corresponding Voting Agreement, the additional documentation and the clarifications it considers necessary to properly analyze the request, as well as to hold any meetings, to resolve on the request for authorization presented to it; in the understanding that any request of this nature on the part of the Board of Directors must be submitted by the applicant within 15 (fifteen) calendar days following the date on which the Board of Directors has so requested in writing, and in the understanding, furthermore, that the request shall not be considered as final and complete, but until the Person who intends to carry out the Acquisition or execute the Voting Agreement submits all additional information and makes all clarifications requested by the Board of Directors.

The Board of Directors shall be obligated to resolve any request for authorization received under the terms of this Article of the by-laws within the period of 90 (ninety) calendar days following the sending of the request or the date on which the request is duly integrated in accordance with the provisions of the preceding paragraph.

The Board of Directors must issue a resolution approving or rejecting the application. In any case, the Board of Directors will act in accordance with the guidelines established in the second paragraph of section (c) ("General Provisions") below and must justify its decision in writing.

4. In order for a session of the Board of Directors to be considered validly installed, on first or subsequent notice, to deal with any matter related to any request for authorization or agreement referred to in this Article, the attendance of at least 66% (sixty-six percent) of its proprietary members or their respective alternates shall be required. The resolutions shall be valid when adopted by the favorable vote of at least 66% (sixty-six percent) of the members of the Board of Directors.
5. In the event that the Board of Directors authorizes the proposed Acquisition of Shares or the execution of the proposed Voting Agreement, and such Acquisition, Voting Agreement or, in general, such operation implies (i) the acquisition of a 20% (twenty percent) or greater Share, and/or (ii) a change of Control, in addition to any authorization requirement established in this Article, the Person or Group of Persons intending to make the Acquisition or enter into the Voting Agreement must, prior to acquiring the Shares or entering into the respective Voting Agreement object of the authorization, make a purchase offer for 100% (one hundred percent) of the outstanding Shares, at a price payable in cash not less than the highest of the following:
  - (i) the book value per Share, in accordance with the latest quarterly financial statements approved by the Board of Directors and presented to the National Banking and Securities Commission or to the applicable securities exchange; or
  - (ii) the highest closing price per Share with respect to transactions in the securities exchange where the Shares are placed, published in any of the 365 (three hundred and sixty-five) days prior to the date of the application filed or the authorization granted by the Board of Directors; or
  - (iii) the highest price paid with respect to the purchase of any Shares, during the 365 (three hundred and sixty-five days) days immediately before sending of the request or the authorization granted by the Board of Directors, by the Person who intends to make the Acquisition or enter into the Voting Agreement.

In each of these cases (items (i) to (iii) above), a premium equal to or greater than 15% (fifteen percent) shall be paid in respect of the price per Share payable in connection with the requested Acquisition, on the understanding that the Board of Directors may modify, upwards or downwards, the amount of such premium, taking into account the opinion of a reputable investment bank.

The public tender offer referred to in this section 5 must be completed within 90 (ninety) days of the date of the Board of Directors' authorization, on the understanding that such term may be extended for an additional period of 60 (sixty) days if the applicable governmental authorizations continues to be pending on the date of expiration of the initial term referred to above.

The price paid for each Share shall be the same, irrespective of the class or series of Shares.

In the event that the Board of Directors receives, on or before the closing of the Acquisition or the execution of the Voting Agreement, an offer from a third party, requesting to make the Acquisition of at least the same number of Shares, on better terms for the stockholders or holders of Shares of the Company (including the type and amount of the consideration), the Board of Directors shall have the capacity to consider and, if applicable, authorize such second request, revoking the authorization previously granted (regardless that the General Stockholders' Meeting has previously authorized the first Acquisition first request), and submitting both requests for consideration by the Board of Directors itself, in order for the Board of Directors to approve the request it considers appropriate, on the understanding that if the Board rejects both offers, then it will send such offers to the General Stockholders' Meeting in accordance with paragraph 8 below, in that understanding that any approval will be without prejudice to the obligation to carry out a tender offer in terms of this Article and applicable law.

6. Such Acquisitions of Shares that do not correspond to (i) the acquisition of a 20% (twenty per cent) of the capital stock of the Company, or (ii) a change of Control, may be registered in the Company's Shares Registry Book, once authorized by the Board of Directors and consummated on its terms. Such Acquisitions or Voting Agreements involving (and) the acquisition of a 20% (twenty percent) of the capital stock of the Company, or (z) a change of Control, may be registered in the Company's Share Register Book until the tender offer referred to in section 5 above has been completed.
7. The Board of Directors may deny its authorization for the requested Acquisition or for the execution of the proposed Voting Agreement, informing the applicant in writing the reasons for the denial of such authorization, and may also establish the terms and conditions under which it would be in a position to authorize the requested Acquisition or the execution of the proposed Voting Agreement. The applicant shall have the right to request and hold a meeting with the Board of Directors or, as the case may be, with an ad-hoc committee appointed by the Board of Directors, to explain, expand or clarify the terms of its request, as well as to state its position through a document submitted to the Board of Directors.
8. To the extent that the Board of Directors rejects a request for approval of an Acquisition or a Voting Agreement that involves (i) acquiring 20% (twenty percent) of the capital stock of the Company, or (ii) a change of Control, the Secretary of the Board of Directors shall be obligated to summon, within a period of 10 (ten) calendar days following such rejection (or within 20 (twenty) calendar days prior to the termination of the term for the Board of Directors to decide on such request), to an General Ordinary Stockholders' Meeting at which the stockholders of the Company may, by the simple majority of the votes of the outstanding Shares of the Company, ratify the decision of the Board of Directors or revoke such decision; in such case, the resolution of the stockholders at such General Ordinary Stockholders' Meeting shall be deemed as final and shall replace any prior rejection by the Board of Directors.

(b) General Provisions.

For the purposes of this Article Thirteenth, it shall be understood that the Shares belong to one Person, if the shares are held by such Person, as well as to those Shares (i) which any Related Person is the holder, or (ii) which any Entity is the holder, when such Entity is Controlled by such Person. Likewise, when one or more Persons intend to acquire Shares in a joint, coordinated or concerted manner, in a one single act, series or succession of acts, regardless of the act that created such transaction or series of transactions, they shall be considered as a single Person for the purposes of this Article. The Board of Directors, considering the definitions contemplated in this Article Thirteenth, shall determine whether one or more Persons that intend to acquire Shares or enter into Voting Agreements shall be considered as a single Person for the purposes of this Article; in the understanding that it shall not be considered joint, coordinated or concerted acquisitions, such acquisition made by investors simultaneously as part of organized or coordinated marketing efforts through brokerage houses or similar intermediaries through a block of shares. In such determination, any information that as a matter of fact or a as matter or law is made available to the Board of Directors.

In its evaluation for the authorization request referred to in this Article, the Board of Directors shall take into account the following factors and any others it deems appropriate, acting in good faith and in the best interest of the Company and its stockholders and in compliance with its duties of due diligence and loyalty pursuant to the Securities Market Law: (i) the price offered by the potential purchaser and the type of consideration offered as part of such offer; (ii) any other relevant terms or conditions included in such offer, including the terms of the conditions precedent or subsequent of such offer, as well as the viability of the offer and the origin of the funds to be used for the Acquisition; (iii) the credibility, business and moral solvency and reputation of the potential purchaser; (iv) the effect on the Company of the proposed Acquisition or Voting Agreement with respect to the Company's business, including its financial and operating position and its business prospects; (v) whether the Acquisition or Voting Agreement will have an effect on the Company's proposed strategy, investments or future operations; (vi) potential conflicts of interest (including those arising from the Person making the application being a Competitor or Affiliate of a Competitor) in cases where the Acquisition or Voting Agreement does not relate to 100% (one hundred percent) of the Shares; (vi) the reasons raised by the potential purchaser for making the Acquisition or entering into the Voting Agreement; and (vii) the quality, accuracy and veracity of the information provided in the potential purchaser's application.

If Acquisitions of Shares are made or restricted Voting Agreements are entered into in this Article, without obtaining a prior favorable written consent from the Board of Directors (or the General Ordinary Stockholders' Meeting, in such cases described above), the Shares subject to such Acquisitions or Voting Agreements shall not grant any right to vote at any General Stockholders' Meeting of the Company, under the sole liability of such acquirer, group of acquirers or parties to the applicable contract or agreement. The Shares subject to such Acquisitions or Voting Agreements that have not been approved by the Board of Directors (or the General Ordinary Stockholders' Meeting in the cases described above) will not be recorded in the Company's Share Registry Book, and any registrations previously made will be cancelled, and the Company shall not recognize or deem valid the records or lists referred to in Article 290 (two hundred and ninety) of the Securities Market Law, therefore, such records or lists shall not constitute evidence of the ownership of such Shares or grant the right to such holder to attend to any Stockholders' Meetings or legitimize the exercise of any action, including any procedural action.

The authorizations granted by the Board of Directors pursuant to the provisions of this Article shall cease to be effective in case that the information and documentation used by the Board of Directors to make any decision ceases to be substantially true, complete and/or legal.

In the event of violating the provisions of this Article, the Board of Directors may agree, among others, the following measures: (i) the reversal of the performed transactions, with mutual restitution between the parties, if possible, or (ii) the transfer of the Shares subject to the Acquisition, to an interested third party previously approved by the Board of Directors at the minimum reference price determined by the Board of Directors.

The provisions of this Article shall not apply to (i) Acquisitions of Shares made by way of inheritance or succession, or (ii) Acquisitions of Shares by the Company, or by trusts set up by the Company, (iii) the transfer to a control trust or similar entity incorporated at any time in the future by the stockholders of the Company who were stockholders immediately before to the Date of the Initial Public Offering (as such term is defined below), or (iv) any temporary agreement between stockholders where it is agreed that a block of 10% (ten per cent) or more of the outstanding Shares shall elect the directors at any Stockholders' Meeting.

The provisions of this Article shall apply in addition to any laws and general provisions relating to mandatory securities acquisitions in the markets where the Shares or any other issued securities or any rights related to such Shares are listed. In case this Article conflicts, in whole or in part, with such laws or general provisions, the law or the general provisions relating to mandatory securities acquisitions shall control.

This Article shall be registered in the Public Registry of Commerce of the Company's domicile, and shall be included in the share certificates that represent the capital stock of the Company, in order for this Article to be effective against any third party.

This Article may only be removed from the by-laws or be amended by favorable resolution of (i) up to the third anniversary of the Initial Public Offering Date, the stockholders representing at least 95% (ninety-five percent) of the Shares outstanding on such date, and (ii) at any time after the third anniversary of the Initial Public Offering Date, the stockholders representing 66% (sixty-six percent) of the Shares outstanding on such date.

## CHAPTER III

### CORPORATE ADMINISTRATION

**Article Fourteenth. Administrative Body.** The administration of the Company shall be the responsibility of its Board of Directors, the Executive Chairman of the Board of Directors and its General Manager within the scope of their respective responsibilities. The Board of Directors shall be primarily responsible for establishing the general strategies for conducting the business of the Company and the entities controlled by the Company, as well as to oversee its management and performance of such entities executives.

The Board of Directors shall have between 9 (nine) members and not more than 21 (twenty-one), as established by the Company's General Ordinary Stockholders' Meeting, subject to the provisions in these by-laws regarding the appointment of the Minority Appointed Director (as such term is defined below). An alternate director may be appointed for each proprietary member. At least 25% (twenty-five percent) of the members of the Board must qualify as independent in terms of the Securities Market Law and the applicable provisions to the securities market where the Shares are registered. The alternate directors of the independent directors must also be considered independent. In the event of the temporary or permanent absence of a proprietary member, such vacancy shall be filled, as the case may be, by the alternate member who has been specifically appointed to replace such absent proprietary member.

The stockholders with shares with voting rights, even limited or restricted, that hold at least 10% (ten percent) or more of the Company's capital stock, whether individually or jointly (the "Minority Stockholder with Designation Rights"), shall have the right to appoint and revoke at a General Stockholders' Meeting one (1) member of the Board of Directors and its alternate (any such members of the Board of Directors, the "Minority Appointed Director"), and shall be able to enter into temporary voting agreements that will not require any authorization for its execution. The appointment of the Minority Appointed Director may only be revoked by the remaining stockholders when all other directors are revoked, and in such case, the substituted members shall not be appointed during the 12 (twelve) months immediately after the revocation date.

The appointment or election of the members of the Board of Directors by stockholders that are not Minority Stockholder with Designation Rights shall be made through an Ordinary General Stockholders' Meeting with the majority vote of the stockholders with voting rights and that are present at such meeting (the "Majority Appointed Directors") in accordance with the provisions of these by-laws. The majority of the Company's Stockholders may at any time appoint at least 9 (nine) members of the Board of Directors, who will be appointed in addition to the Minority Appointed Directors; the above, in the understanding that, if the majority Stockholders intend to appoint more than 9 (nine) members, the minority rights described in the immediately preceding paragraph must be followed at all times and, if necessary, the number of Majority Appointed Directors shall be reduced in order to allow the Minority Stockholders with Designation Rights of their rights described above (including the execution of a temporary voting agreement).

For the purposes of these by-laws, the independent directors shall be those persons selected for their experience, capacity and professional prestige, who meet the requirements established in Article 26 (Twenty-Six) of the Securities Market Law and the applicable provisions to the securities market where the Shares are registered.

The General Ordinary Stockholders' Meeting shall be responsible to qualify the independence of the members of the Board of Directors. The National Banking and Securities Commission, upon prior exercise of the right to a hearing of the Company and the director in question, may object to the qualification of independence of the members of the Board of Directors, if there is evidence of the lack of independence, within a term of 30 (thirty) business days as from the notice given by the Company.

**Article Fifteenth. Members of the Board of Directors.** The members of the Board of Directors may or may not be stockholders of the Company, provided that they shall have legal capacity to exercise their office and not be disqualified from exercising acts of commerce. Under no circumstance shall any member of the Board of Directors be a person that has been the Company's external auditor or be part of the Company's Business Group or Consortium, as the case may be, during the 3 (three) years immediately before his/her appointment date.

The appointed Minority Appointed Directors by any Minority Stockholders with Designation Rights in an Annual General Ordinary Stockholders' Meeting, shall hold his/her office for a period of 1 (one) year, and at each Annual General Ordinary Stockholders' Meeting the Minority Stockholders with Designation Rights may (i) revoke the appointment of such Minority Appointed Director and appoint a different Minority Appointed Director in order to take his/her place; or (ii) ratify the appointment of such Minority Appointed Director; provided that if the Minority Stockholders with Designation Rights ceases to hold at least 10% (ten percent) of the Company's capital stock at the time such Annual General Ordinary Stockholders' Meeting is held or such Minority Stockholders with Designation Rights ceases to have a temporary voting agreement for such purposes, the Minority Appointed Director may be removed from the Board of Directors by the majority of the Company's stockholders without the need to remove all the members of the Board of Directors.

Except in the event that all members of the Board of Directors are removed, or in the event of resignation of such members, in which case the alternate members of the Board, or any proprietary director appointed in their place, must remain in office for the remainder of the applicable period to the resigned director, the Majority Appointed Directors and the Minority Appointed Directors shall remain in office for a period of 1 (one) year; in the understanding that their appointment may be renewed by means of their re-election in accordance with the provisions of the two preceding paragraphs, as the case may be, until the General Stockholders' Meeting of the Company revokes their appointment, and they shall continue in the performance of their duties even if they have been removed as established herein or by resignation from their office, for up to 30 (thirty) calendar days, in the absence of the appointment of the substitute or when the latter does not take office, without being subject to the provisions of Article 154 (one hundred and fifty-four) of the General Law of Commercial Entities. The Board of Directors may appoint interim directors, without the intervention of the General Stockholders' Meeting, in the event the term for their appointment has expired, the director has resigned, is incapable or dies or the provision of Article 155 (one hundred and fifty-five) of the General Law of Commercial Entities is updated. The General Stockholders' Meeting of the Company shall ratify such appointments or appoint the substitute directors at the following Meeting after such event occurs.

For purposes of this Article Fifteen, one (1) year shall be understood as the period elapsed between the date in which a General Ordinary Stockholders' Meeting is held to deal with the matters referred to in Article 181 (one hundred and eighty-one) of the General Law of Commercial Entities and the date in which the next General Ordinary Stockholders' Meeting is held to deal with such matters.

**Article Sixteenth. Appointments.** The Board of Directors, at its first meeting immediately after the Meeting that appointed it, shall appoint from among its members the Executive Chairman, who shall have the authorities and duties that, if applicable, are determined by the General Stockholders' Meeting or the Board of Directors itself.

The Board of Directors may also appoint the Secretary and the alternate Secretary, who may not be members of the Board of Directors, and shall also appoint the persons who will hold the other positions created for the best performance of their duties.

The temporary or definitive absences of the directors will be covered by the alternates. The copies or certificates of the meeting minutes of the Board of Directors and of the General Stockholders' Meeting, as well as of the entries contained in the non-accounting corporate books and registries, and, in general, of any document in the Company's files, may be authorized and certified by the Secretary or by the Alternate Secretary, who may also, jointly or separately, appear before a notary public to formalize the aforementioned minutes, without the need of any resolution, and to execute, jointly or separately, and publish any call to the General Stockholders' Meeting of the Company ordered or resolved by the Board of Directors, the Audit Committee or the Corporate Practices Committee in accordance with the Securities Market Law and these by-laws.

**Article Seventeenth. Powers of the Board of Directors.** The Board of Directors shall have the legal representation of the Company, and consequently, shall be vested with the following powers:

1.- To exercise the power-of-attorney of the Company for lawsuits and collections that is granted with all the general authorities and even the special ones that require a special clause in accordance with the law, for which it is granted without any limitation, in accordance with the provisions of the first paragraph of Article 2,554 (two thousand five hundred and fifty-four) of the Civil Code for the Federal District and its correlatives of the Civil Codes of all the States of the Republic and of the Federal Civil Code; shall therefore be empowered, including but not limited to, to file criminal complaints and accusations and grant pardons, to become an offended party or coadjutant in criminal proceedings, to desist from the actions it attempts;

to promote and desist in *amparo* proceedings; to compromise, to submit to arbitration, to articulate and absolve positions, to assign property, to challenge judges, to receive payments and to perform all acts expressly determined by law, including representing the Company before administrative and judicial authorities and labor tribunals.

- 2.- For acts of administration in accordance with the provisions of the second paragraph of Article 2,554 (two thousand five hundred and fifty-four) of the Civil Code for the Federal District and its correlatives of the Civil Codes of the States of the Republic and the Federal Civil Code.
- 3.- For acts of ownership, in accordance with the provisions of the third paragraph of Article 2,554 (two thousand five hundred and fifty-four) of the Civil Code for the Federal District and its correlatives of the Civil Codes of the states of the Republic and the Federal Civil Code.
- 4.- To subscribe all kinds of credit instruments, under the terms of Article 9 (nine) and the second paragraph of Article 85 (eighty-five) of the General Law of Negotiable Instruments and Credit Operations.
- 5.- To open and cancel bank accounts on behalf of the Company, as well as to make deposits and draw against it and appoint persons to draw against them.
- 6.- To appoint and remove the Chief Executive Officer, managers, agents and employees of the Company, as well as to determine their attributions, guarantees, working conditions and remunerations.
- 7.- To call General Ordinary, Extraordinary and Special Stockholders' Meetings in all the cases provided in these by-laws, or when it deems it appropriate and to execute its resolutions.
- 8.- To appoint and remove the external auditors of the Company.
- 9.- To formulate internal work regulations.
- 10.- To establish branches and agencies of the Company in any part of the Mexico or abroad.
- 11.- To determine the direction in which the votes corresponding to the shares or partnership interests of the capital stock of other companies owned by the Company should be cast at the General or Special Stockholders' Meetings.
- 12.- To execute the resolutions of the Meetings, delegate its functions to one or more of the directors, officers of the Company or attorneys-in-fact designated for such purpose, so that they may exercise them in the business or businesses and under the terms and conditions indicated by the Board itself.
- 13.- To acquire and dispose of shares and partnership interests of other companies.
- 14.- To grant general or special powers-of-attorney, and to delegate the authorities except for those whose exercise corresponds exclusively to the Board of Directors by provision of law, or of these by-laws, always reserving the exercise of its authorities, as well as to revoke the powers-of- attorney it grants and to establish the special committees it deems necessary for the development of the Company's operations, establishing the authorities and obligations of such committees, the number of members, as well as the rules governing their operation, in the understanding that such committees shall not have authorities which, in accordance with the Securities Market Law or these by-laws, correspond to the General Stockholders' Meeting, the Board of Directors or other corporate bodies.
- 15.- To carry out all acts authorized by these by-laws or resulting therefrom, including the issuance of all kinds of opinions required under the Securities Market Law.
- 16.- To appoint the persons responsible for the acquisition, issue and subscription of own shares and to determine the policies for the acquisition, issue and subscription of own shares.



17.- Power to establish the Committee or Committees that perform the function of Corporate Practices and Auditing referred to in the Securities Market Law, and to appoint and remove its members (with the exception of the Chairman of the Committee or Committees that perform the functions of Corporate Practices and Auditing, which will be appointed pursuant to the provisions of the Securities Market Law and other applicable legal provisions), as well as to establish such special committees or commissions as it deems necessary for the development of the Company's operations, establishing the powers and obligations of such committees or commissions, the number of members that comprise them and the manner of appointing their members, as well as the rules governing their operation, in the understanding that such committees or commissions will not have powers that according to the Law or these by-laws correspond exclusively to the General Stockholders' Meeting, the Board of Directors or the Committee or Committees that perform the functions of Corporate Practices and Auditing established by the Securities Market Law.

18.- To submit to the General Stockholders' Meeting held on the occasion of the closing of the fiscal year, the annual report of the Audit Committee, the annual report of the Corporate Practices Committee, and the annual report of the Chief Executive Officer, as well as such other reports, opinions and documents as may be required pursuant to and in the terms of the Securities Market Law, the General Law of Commercial Entities and other applicable legal provision

19.- To approve, upon prior opinion from the relevant committee:

- a) The policies and guidelines for the use or enjoyment by related parties, of the property of the Company and of the entities controlled by it.
- b) The transactions, on a case by case basis, that the Company or the entities controlled by it intend to enter into with related parties. The following transactions will not require the approval of the board of directors, provided that they comply with the policies and guidelines approved by the board for such purpose:
  1. Transactions that, due to their amount, are not relevant for the Company or the entities controlled by it.
  2. Transactions carried out between the Company and the entities controlled by it or in which it has a significant influence or among any of these, provided that:
    - i) They are part of the ordinary or usual course of business.
    - ii) They are considered to be made at an arm's length basis or on the basis of valuations made by specialized external agents.
  3. Transactions carried out with employees, provided that they are carried out under the same conditions as with any client or as a result of general employment benefits.
- c) Transactions executed, whether simultaneously or successively, which due to their characteristics may be deemed as a single transaction and which are intended to be carried out by the Company or the legal entities controlled by it, during a fiscal year, when they are unusual or non-recurring, or if their amount represents, based on figures corresponding to the closing of the immediately preceding quarter, any of the following cases:
  1. The acquisition or disposal of property with a value equal to or greater than five percent of the consolidated assets of the Company.
  2. Granting guarantees or incurring liabilities for a total amount equal to or greater than five percent of the consolidated assets of the Company.
  3. Investments in debt securities or banking instruments are excepted, provided that they are made in accordance with the policies approved by the Board of Directors for such purpose.
- d) The appointment, designation, and, if applicable, removal of the chief executive officer of the Company and its full compensation, and the policies for the appointment and full compensation of the other relevant officers.
- e) Policies for granting loans or any type of credit or guarantees to related parties.

f) Waivers for a director, senior executive, or person with decision-making authority, to take advantage of business opportunities for itself or for the benefit of third parties, which correspond to the company or to the entities controlled by it or in which it has a significant influence. The waivers for transactions the amount of which is less than the amount mentioned in subsection c) of this item, may be delegated to any of the committees of the company commissioned with the duties regarding auditing or corporate practices referred to in the Securities Market Law.

g) The internal control and internal audit guidelines of the Company and of the entities controlled by it.

h) The accounting policies of the Company, in accordance with the accounting principles recognized or issued by the Commission through general provisions.

i) The financial statements of the Company.

j) Hiring the legal entity that provides the external auditing services and, as applicable, additional or supplementary services to those of external auditing.

If the resolutions of the board of directors are not in line with the opinions provided by the relevant committee, such committee must instruct the chief executive officer to disclose such circumstance to the investing public, through the stock exchange on which the shares of the Company or the debt securities representing these are listed, in accordance with the terms and conditions set forth by such stock exchange in its internal regulations.

20.- To provide the general stockholders' meeting held for the closing of the fiscal year: the reports referred to in Article 43 of the Securities Market Law, b) The report that the chief executive officer prepares pursuant to Article 44, Section XI of the Securities Market Law, together with the opinion of the external auditor, c) The opinion of the board of directors regarding the contents of the report of the chief executive officer referred to in the preceding subsection, d) The report referred to in Article 172, subsection b) of the General Law of Companies, containing the main accounting and reporting policies and criteria followed in the preparation of the financial reports. e) The report on the transactions and activities in which it has been involved pursuant to the provisions of the Securities Market Law.

21.-To follow up on the main risks to which the Company and the entities controlled by it are exposed, identified on the basis of the information submitted by the committees, the chief executive officer, and the entity that provides the external audit services, and the accounting, internal control, and internal audit, registration, filing, or information systems of the latter and the former, which may be carried out through the committee that exercises the audit duties.

22.- To approve the information and communication policies with the shareholders and the market, and with the relevant directors and executives, to comply with the provisions of the Securities Market Law.

23.- To determine the relevant course of action to remedy the irregularities of which it is aware and implement the relevant corrective measures.

24.-To establish the terms and conditions by which the chief executive officer will abide in the exercise of its authority for acts of ownership.

25.-To order the chief executive officer to disclose to the public the relevant events of which it becomes aware. The foregoing, without prejudice to the obligation of the chief executive officer referred to in Article 44, Section V of the Securities Market Law.

26.- To perform any duties entrusted to it by the Securities Market Law and other applicable law. The board of directors will be responsible for overseeing compliance with the resolutions of the stockholders' meetings, which may be carried out through the committee that exercises the auditing duties referred to in the Securities Market Law.

**Article Eighteenth. Chairman of General Stockholders' Meetings and Board Meetings.** The Executive Chairman of the Board shall preside over the General Stockholders' Meetings and the meetings of the Board of Directors, and in lack of him or in his absence, said meetings shall be presided by one of the members appointed by the other attendees by majority vote, and shall comply with and execute all the resolutions of the Meetings and of the Board without the need for any special resolution.

**Article Nineteenth. Meetings of the Board of Directors.** The meetings of the Board of Directors will be held at the corporate domicile of the Company, or in any other place, as the Board itself determines it or is necessary. Extraordinary meetings may be held by telephone, in the understanding that the Secretary or alternate Secretary must prepare the corresponding minute, which in all cases must be signed by the Executive Chairman and the Secretary or alternate Secretary, and collect the signatures of the directors who attended the meeting.

In order for the meetings of the Board of Directors to be valid, the attendance of the majority of its members shall be required and its resolutions will be valid when adopted by the majority of the members present at the relevant meeting. In the event of a tie, the Executive Chairman of the Board of Directors shall not have a casting vote.

The Board of Directors shall meet: (a) in ordinary meeting at least once every three months, on the dates that the Board of Directors or its Executive Chairman determine for such purpose; and (b) in extraordinary meeting, prior call, when the Executive Chairman deems it necessary, which may be signed by the Chairman himself, by the Secretary, or by the alternate Secretary. Also, the directors who represent, jointly, at least 25% (twenty-five percent) the members of the board, the Chairman of the Corporate Practices Committee, the Chairman of the Audit Committee and the persons referred to in the Securities Market Law and other applicable legal provisions in accordance and in the terms provided therein, may call for an extraordinary meeting of the Board.

**Article Twentieth. Calls for the Board of Directors Meetings.** The calls for the meetings of the Board of Directors must be sent by mail, e-mail or any other reliable means of communication to the members of the Board of Directors, with at least 10 (ten) days prior to the date of the meeting. For the directors residing outside the corporate domicile, the call may be sent by e-mail or by airmail deposited at least 5 (five) days prior to the date of the meeting. The Executive Chairman, the Secretary and the alternate Secretary may also call for an extraordinary meeting by telephone or e-mail with acknowledgement of receipt, as far in advance as they deem necessary, but in no event less than 5 (five) days prior to the date of the meeting.

Resolutions may be adopted in lieu of a meeting of the Board of Directors by unanimity of its members or their respective alternates, and such resolutions shall have, for all legal purposes, the same validity as if they had been adopted in a meeting of the Board of Directors, as long as they are confirmed in writing. The document containing the written confirmation must be sent to the Secretary of the Company, who will transcribe the respective resolutions in the corresponding meeting minutes book, and will indicate that said resolutions were adopted in accordance with these by-laws.

**Article Twenty-First. Meeting Minutes of the Board of Directors** The minute of each meeting of the Board shall be registered in a specially authorized book and shall be signed by the Executive Chairman and the Secretary.

**Article Twenty-Second. Duties and Liability of the Members of the Board of Directors** Duties and Liability of the Directors and Limitations of Liability.

1.- **Duty of Care** - The members of the board of directors, in the due exercise of the duties that the Securities Market Law and the bylaws commission to such corporate body, must act in good faith and in the best interest of the company and the legal entities it controls, for which it may:

I. Request information from the company and the legal entities controlled by it as reasonably required for decision-making. For this purpose, the board of directors of the Company may establish, upon prior opinion from the committee that performs the audit duties, guidelines that provide the way in which such requests must be made and, as applicable, the scope of the requests for information by the directors.

II. Request the attendance of relevant executives and other persons, including external auditors, who may contribute or provide information for decision-making at board meetings.

III. Adjourn the meetings of the board of directors, if a director has not been called or has not been called in time or, as applicable, if the information provided to the other directors has not been provided. Such adjournment will be for up to three calendar days, and the board may meet without the need for a new call, provided that the deficiency has been cured.

IV. Discuss and vote, requesting that only the members and the secretary of the board of directors be present, if they wish so.

The members of the Board of Directors must act in accordance with the duty of care provided in the Securities Market Law and in the applicable provisions of the stock exchange in which the Shares are listed.

The members of the board of directors, the relevant executives and other persons who represent the Company must provide the necessary information to comply with the provisions of the

Securities Market Law, abiding by the provisions of Article 3 thereof. The information submitted to the board of directors of the Company by relevant executives and other employees, both of the Company and of the entities controlled by it, must be signed by the persons responsible for its content and preparation. The members of the board of directors and other persons who hold a job, position, or commission in any of the entities controlled by the Company or in which the Company has a significant influence, shall not violate the discretion and confidentiality provisions set forth herein or other laws, when providing information pursuant to the provisions hereof to the board of directors of the Company, regarding the referenced entities.

The members of the board of directors of the Company will be deemed to breach their duty of care and will be subject to liability under the terms of the provisions of Article 33 of the Securities Market Law, if they cause punitive damages to the Company or to the entities controlled by it or in which it has a significant influence, upon the occurrence any of the circumstances below:

I. If they refrain from attending, except with cause in the opinion of the stockholders' meeting, the meetings of the board and, as applicable, the committees of which they are members, and that due to their non-attendance the meeting of body in question cannot be legally called to order.

II. If they fail to disclose to the board of directors or, as applicable, to the committees of which they are members, relevant information known to them and which is required for the proper decision-making in such corporate bodies, unless they are legally or contractually bound to keep such information secret or confidential.

III. If they fail to comply with the duties imposed on them by the Securities Market Law or the bylaws of the Company.

Pursuant to the provisions of the Securities Market Law and the general provisions issued for such purpose by the National Banking and Securities Commission, the liability consisting of indemnifying the damages caused to the Company or to the entities controlled by it or in which it has a significant influence, due to lack of care by the members of the board of directors of the Company, resulting from the acts that they perform or the resolutions that they adopt in the board or those that are not adopted if the meeting of such corporate body cannot be legally called to order, will be joint and several among the liable parties that have adopted the resolution or caused such meeting of the corporate body to be unable to be legally called to order. Such liability will be limited to direct damages, but not punitive or consequential damages, caused to the Company and to the cases in which the director in question has acted with willful misconduct, bad faith, gross negligence, or unlawfully.

**2.- Duty of Loyalty.** - The members and secretary of the board of directors of the Company shall keep confidential the information and matters of which they have knowledge by reason of their position in the Company, if such information or matters are not public. The members and, as applicable, the secretary of the board of directors, who have a conflict of interest in any matter, must refrain from participating and being present in the discussion and voting of such matter, without affecting the quorum required for such meeting to be legally called to order. The directors will be jointly and severally liable to those who have preceded them in the position, for any irregularities they may have incurred if, having knowledge thereof, they did not communicate these in writing to the committee in charge of auditing and to the external auditor. Likewise, such directors shall inform the audit committee and the external auditor of any irregularities that they become aware of during the performance of their duties and which relate to the Company or the entities controlled by it or in which it has a significant influence.

The members and secretary of the board of directors of the Company will incur disloyalty to the Company and, accordingly, will be liable for the damages caused to the Company or to the entities controlled by it or in which it has a significant influence, if, without legitimate cause, by virtue of their employment, position, or commission, they obtain economic benefits for themselves or procure these for the benefit of third parties, including a specific shareholder or group of shareholders. The provisions contained in this paragraph, and in Sections V to VII below, will also apply to persons exercising executive authority in the Company. In the case of entities in which the Company has significant influence, liability for disloyalty will apply to the members and secretary of the board of directors of such Company who contribute to obtaining, without legal cause, the benefits referred to in this paragraph.

Likewise, the members of the board of directors will incur disloyalty to the Company or entities controlled by it or in which it has a significant influence, being therefore liable for the damages caused to the latter or the former, upon performing any of the following:

- I. Voting in the meetings of the board of directors or adopting resolutions related to the property of the Company or entities controlled by it or in which it has significant influence, with a conflict of interest.
- II. Not disclosing, in the matters to be discussed in the meetings of the board of directors or committees of which they are members, the conflicts of interest they have with respect to the Company or entities controlled by it or in which it has a significant influence. In this regard, the directors must specify the details of the conflict of interest, unless they are legally or contractually bound to keep the secrecy or confidentiality thereof.
- III. Knowingly favoring a specific shareholder or group of shareholders of the company or of the entities controlled by it or in which it has a significant influence, to the detriment or prejudice of the other shareholders.
- IV. Approving transactions entered into by the Company, or the entities controlled by it or in which it has significant influence, with related parties, without complying with or abiding by the requirements set forth in the Securities Market Law.
- V. Taking advantage for themselves or approving for the benefit of third parties, the use or enjoyment of the property of the Company or entities controlled by it, in violation of the policies approved by the Board of Directors.
- VI. Misusing relevant information that is not public, related to the Company or entities controlled by it or in which it has significant influence.
- VII. Taking advantage of or exploiting, for their own benefit or for the benefit of third parties, without the approval of the board of directors, business opportunities that correspond to the Company or entities controlled by it or in which it has significant influence. To that effect, unless there is evidence to the contrary, it will be deemed that advantage has been taken over a business opportunity corresponding to the Company or entities controlled by it or in which it has significant influence, or that it has been exploited, if the director, directly or indirectly, performs activities that:

- a. Are part of the ordinary or usual course of business of the Company itself or of the legal entities controlled by it or in which it has a significant influence.
- b. Involve the performance of a transaction or a business opportunity that was originally intended for the Company or the legal entities mentioned in the preceding paragraph.
- c. Involve or intend to involve in commercial or business projects to be developed by the Company or the entities mentioned in subsection a) above, provided that the director has had prior knowledge thereof.

The members and secretary of the board of directors of the Company must refrain from engaging in any of the following conducts:

- I. Generating, disseminating, publishing, or providing information to the public relating to the Company or entities controlled by it or in which it has a significant influence, or relating to the securities of any of these, knowing that it is false or misleading, or causing any such conducts to be carried out.
- II. Ordering or causing the failure to record transactions carried out by the Company or the entities controlled by it, and altering or ordering the alteration of the records to conceal the true nature of the transactions carried out, affecting any item of the financial statements.
- III. Concealing, omitting, or causing the concealment or omission of the disclosure of relevant information that under the terms of this law must be disclosed to the public, shareholders, or security holders, unless the Securities Market Law provides for the possibility of deferral.

IV. Ordering or accepting the recording of false information in the accounting records of the Company or entities controlled by it. Unless there is evidence to the contrary, the data included in the accounting records will be deemed false if the authorities, in the exercise of their authority, request information related to the accounting records and the Company or entities controlled by it do not have it, and the information supporting the accounting records cannot be accredited.

V. Destroying, modifying, or causing the destruction or modification, in whole or in part, the accounting systems or records or the documentation evidencing the accounting entries of the Company or the entities controlled by it, prior to the expiration of the legal terms of conservation and for the purpose of concealing the record or evidence thereof.

VI. Destroying or ordering the destruction, in whole or in part, of information, documents, or files, including electronic, for the purpose of impeding or obstructing the supervisory acts of the Commission.

VII. Destroying or order the destruction, in whole or in part, of information, documents or files, including electronic, for the purpose of manipulating or hiding relevant data or information of the Company from those who have a legal interest in knowing them.

VIII. Submitting to the Commission false or altered documents or information, for the purpose of hiding its real content or context.

IX. Altering active or passive accounts or the conditions of agreements, recording or causing the recording of non-existent transactions or expenses, exaggerating the real ones or intentionally performing any act or transaction that is illegal or prohibited by law, causing in any of such cases damages to the property of the Company in question or of the entities controlled by it, for its own financial benefit, either directly or through a third party.

The foregoing will also apply to persons exercising executive authority in the Company.

Pursuant to the provisions of the Securities Market Law, specifically Articles 34 (Thirty-Four) to 37 (Thirty-Seven) and the general provisions issued for such purpose by the National Banking and Securities Commission, the liability consisting of indemnifying the damages caused by the acts, circumstances, or omissions referred to in Articles 34, 35, and 36 of the Securities Market Law, will be joint and several among the liable parties that have adopted the resolution and will be enforceable as a consequence of the damages caused. The relevant indemnity must cover the damages caused to the Company or entities controlled by it or in which it has a significant influence and, in any case, the liable parties must be removed from office. Under no circumstances may the Company agree to the contrary, or provide in its bylaws, benefits or exculpatory provisions, which limit, release, replace, or compensate the liability obligations referred to in the articles mentioned in the preceding paragraph, or obtain for the benefit of any person insurance, surety bonds, or guarantees that cover the amount of the indemnification for the damages caused.

3.- **Liability Action.** The liability resulting from the breach of the duty of care or the duty of loyalty shall be exclusively in favor of the Company or of the legal entity controlled by it or over which it has a significant influence, that suffers punitive damages. The liability action may be exercised by the Company or by the stockholders of the Company who, individually or jointly, hold voting shares including limited or restricted voting shares, representing 5% (five percent) or more of the corporate capital of the Company in accordance with the provisions of Article 38 (Thirty-Eight) of the Securities Market Law.

The plaintiff may settle in court the amount of the indemnity for damages, provided that it previously submits for approval of the board of directors of the Company, the terms and conditions of the relevant settlement agreement. The lack of such formality will be cause for relative nullity. The exercise of the actions referred to in this section will not be subject to compliance with the requirements set forth in Articles 161 and 163 of the General Law of Companies. In any case, such actions must include the total amount of the liabilities in favor of the Company or of the entities controlled by it or in which it has a significant influence and not only the personal interest of the plaintiff(s). The action referred to in this section exercised by any of the persons mentioned in the preceding paragraph, in favor of the entities controlled by the Company or in which the Company has significant influence, will be independent of the actions that correspond to the entities themselves or to the shareholders thereof pursuant to the provisions of Articles 161 and 163 of the General Law of Mercantile Corporations.

The actions aiming to enforce liability under the terms of this section, have a statute of limitations of five years counted as from the day on which the act or circumstance that has caused the relevant punitive damages was carried out. In any case, the persons who in the opinion of the judge have exercised the liability action referred to in this section, with recklessness or bad faith, will be ordered to pay the costs under the terms of the provisions of the Commercial Code (*Código de Comercio*).

The liability that the Securities Market Law imposes on the members and secretary of the board of directors, and the executives of the Companies, will be enforceable even when the shares representing the capital stock of the Company are publicly traded through debt securities representing such shares, issued by trust companies under trusts, in which case the action referred to in Article 38 of the Securities Market Law and this section may be exercised by the trust company or by the holders of such securities representing the percentage of capital stock referred to in Section II of such article.

4.- **Excluding Liability.** The members of the board of directors will not incur, jointly or severally, liability for damages caused to the Company or to the legal entities it controls or in which it has a significant influence, resulting from the acts they perform or the resolutions they adopted, when acting in good faith, any of the following liability exclusion provisions occurs.

I. Comply with the requirements provided by the Securities Market Law or the bylaws for the approval of matters within the scope of the board of directors or, as applicable, the committees of which they are members.

II. Make decisions or vote in the meetings of the board of directors or, as applicable, the committees of which they are members, based on information provided by relevant executives, the legal entity that provides the external audit services or independent experts, the capacity and reliability of which do not provide any reason for reasonable doubt.

III. Have selected the most appropriate alternative, to the best of their knowledge, or the adverse financial effects have not been foreseeable, in both cases, based on the information available at the time of the decision.

IV. Comply with the resolutions of the stockholders' meeting, provided these do not violate the law.

## CHAPTER IV

### COMMITTEES OF THE BOARD OF DIRECTORS

**Article Twenty-Third. Audit and Corporate Practices Committee.** The surveillance of the management, conduction and execution of the businesses of the Company and of the legal persons controlled by the Company shall in charge of the Board of Directors through the audit and corporate practices committee (the “**Audit and Corporate Practices Committee**”) and of the legal person that performs the external audit of the Company.

1.- **Composition:** The Audit and Corporate Practices Committee of the Company shall be composed of at least 3 (three) members appointed by the Board itself, in accordance with the provisions of the Securities Market Law, the applicable provisions of the stock exchange in which the Shares are listed, these by-laws and other applicable legal provisions, in the understanding, however, that the Chairman of the Audit and Corporate Practices Committee shall be elected by the General Stockholders’ Meeting of the Company.

The members of the Audit and Corporate Practices Committee shall qualify as independent and shall be subject to the duties and responsibilities set forth in the Securities Market Law and in the applicable provisions of the stock exchange in which the Shares are listed, as well as to the corresponding liability exclusions.

The Audit and Corporate Practices Committee may create one or more Sub-Committees to receive support for the performance of its functions. The Audit and Corporate Practices Committee shall be entitled to appoint and remove the members of such Sub-Committees and to determine the authorities of it.

2.- **Periodicity of the Meetings:** The Audit and Corporate Practices Committee and its Sub- Committees shall meet with the necessary periodicity for the performance of its functions, at the request of any of its members, the Board of Directors or its Executive Chairman or the General Stockholders’ Meeting; in the understanding that it shall meet at least 4 (four) times during a relevant calendar year, to resolve the matters within its competence in terms of the Securities Market Law, these by-laws and other applicable legal provisions.

The meetings of the Audit and Corporate Practices Committee and its Sub-Committees may be held via telephone or videoconference, in the understanding that the Secretary of the meeting must prepare the relevant minute, which in any case must be signed by the Chairman and the respective Secretary, and collect the signatures of the members who attended in the meeting.

3.- **Functions:** Regarding Corporate Practices, the Audit and Corporate Practices Committee shall have the functions referred to in the Securities Market Law, especially the provisions of section I (first) of Article 42 (forty-two), and other applicable legal provisions, as well as those determined by the General Stockholders’ Meeting. They shall also perform all those functions in respect of which a report must be rendered in accordance with the provisions of the Securities Market Law. It shall have the following functions, without limitation:

- 1.- To provide opinions to the board of directors on matters within its scope in accordance with the Securities Market Law.
- 2.- To provide opinions regarding related party transactions to the General Stockholders’ Meeting and the Board of Directors.
- 3.- To request the opinion of independent experts in cases in which it deems it convenient, for the proper performance of its duties or if required by the Securities Market Law or general provisions.
- 4.- To call stockholders’ meetings and have the items they deem appropriate included in the agenda of such meetings.
- 5.- To support the board of directors in the preparation of the reports referred to in Article 28, Section IV, subsections d) and e) of the Securities Market Law.
- 6.- To develop, recommend and review guidelines and guidelines for the corporate governance of the Company and its subsidiaries.
- 7.- To recommend amendments to the by-laws of the Company and its subsidiaries.



- 8.- Analyze and review all legislative, regulatory and corporate governance developments that may affect the Company's operations, and make recommendations in such regard to the Board of Directors.
- 9.- To prepare and propose the different manuals necessary for the corporate governance of the Company or for the compliance with the applicable provisions.
- 10.- To define the compensation and performance evaluation policies of the Company's senior executives.
- 11.- Use best compensation practices to align the interests of the Stockholders and senior management of the Company, being able to hire any independent expert necessary for the performance of this function.
- 12.- Ensure access to market data and best corporate practices through external consultants in such area.
- 13.- Develop a plan for the succession of the Company's senior executives.
- 14.- To call Ordinary, Extraordinary, and Special General Stockholders' meetings within ten (10) days following the date on which it is requested in writing by Shareholders representing at least ten percent (10%) of the voting shares, including shares with limited or restricted voting rights.
- 15.- All others provided by the Securities Market Law or in the Company's bylaws, in accordance with the duties assigned to it by this law.

Regarding Auditing, the Audit and Corporate Practices Committee shall have the functions referred to in the Securities Market Law, especially the provisions of section II of Article 42 (forty- two), and other applicable legal provisions, as well as those determined by the General Stockholders' Meeting. They shall also perform all those functions in respect of which a report must be rendered pursuant to the provisions of the Securities Market Law. shall have the following functions, without limitation:

- 1.- To provide its opinion to the board of directors on matters within its scope pursuant to the Securities Market Law.
- 2.- To determine the need for and viability of the tax and financial structures of the Company.
- 3.- To provide its opinion on the financial and tax structure of the international expansion of the Company.
- 4.- To provide its opinion regarding the Company's financial reports, accounting policies, control and information technology systems.
- 5.- To evaluate and recommend the external auditor of the Company.
- 6.- To evaluate the performance of the legal entity that provides the external audit services, and to analyze the opinion or reports prepared and signed by the external auditor. For such purpose, the committee may request the presence of the aforementioned auditor when it deems it convenient, notwithstanding the fact that it must meet with the latter at least once a year.
- 7.- To discuss the Company's financial statements with the persons responsible for their preparation and review, and based thereon, to recommend or not their approval to the board of directors.
- 8.- To report to the board of directors on the status of the internal control and internal audit system of the Company or of the legal entities controlled by it, including any irregularities detected, if any.
- 9.- To prepare the opinion referred to in Article 28, Section IV, subsection c) of the Securities Market Law and submit it to the consideration of the board of directors for its subsequent submission to the stockholders' meeting, based, without limitation, on the opinion of the external auditor. Such opinion must at least indicate: (i). If the accounting and reporting policies and criteria followed by the Company are adequate and sufficient, considering the specific circumstances of the Company. (ii). If such policies and criteria have been consistently applied in the information submitted by the chief executive officer. (iii) If, as a result of (i) and (ii) above, the information submitted by the chief executive officer reasonably reflects the financial position and results of the Company.

- 10.- To support the board of directors in the preparation of the reports referred to in Article 28, section IV, subsections d) and e) of the Securities Market Law.
- 11.- To oversee that the transactions referred to in Articles 28, Section III and 47 of the Securities Market Law are carried out in accordance with the provisions set forth therein, and the policies derived therefrom.
- 12.- To request the opinion of independent experts if deemed appropriate, for the adequate performance of its duties or if required by the Securities Market Law or general provisions.
- 13.- To require the relevant executives and other employees of the Company or of the legal entities controlled by it, to provide reports related to the preparation of financial information and any other type of information it deems necessary for the performance of its duties.
- 14.- To investigate any potential violation of which it becomes aware to the transactions, operating guidelines, and policies, internal control and internal audit system and accounting records, whether of the Company or of the legal entities controlled by it, for which it shall examine the documentation, records, and other supporting evidence, to the degree and extent required to carry out such oversight.
- 15.- To receive observations made by shareholders, directors, relevant executives, employees, and generally, by any third party, with respect to the matters referred to in item 13 above, and take such actions as it deems appropriate in connection with such observations.
- 16.- To request periodic meetings with the relevant executives, and the provision of any type of information related to the internal control and internal auditing of the Company or legal entities controlled by it.
- 17.- To inform the board of directors of any significant irregularities detected in the performance of its duties and, as applicable, of the corrective measures taken or to propose measures that should be applied.
- 18.- To call stockholders' meetings and request that the items they deem appropriate be included in the agenda of such meetings.
- 19.- To oversee that the chief executive officer complies with the resolutions of the stockholders' meetings and the meetings of the board of directors of the Company, in accordance with the instructions, if any, issued by the stockholders' meeting or by the board of directors of the Company.
- 20.- To ensure that internal mechanisms and controls are established to verify that the acts and transactions of the Company and of the legal entities controlled by it comply with the applicable regulations, and to implement methods that allow to review compliance with the foregoing.
- 21.- To ensure the independence and efficiency of the Company's internal and external audits.
- 22.- To evaluate the transactions between related parties of the Company, as well as to identify possible conflicts of interest arisen from them.
- 23.- To analyze the financial structure of the Company, in the short, medium and long term, including any financing and refinancing transactions.
- 24.- To review and express an opinion regarding the management of the Company's treasury, risk and exposure of the Company to fluctuations in the exchange rate and hedging instruments of the Company, regardless its nature or denomination.
- 25.- To evaluate the processes and selection of insurance brokers, as well as the coverages and premiums of the Company's insurance policies.
- 26.- All others provided by the Securities Market Law or in the Company's bylaws, in accordance with the duties assigned to it by this law.

The chairman of the committee exercising the duties in matters of corporate practices and auditing will be appointed and/or removed from office exclusively by the general stockholders' meeting. Such chairman may not chair the board of directors and must be selected on the basis of its experience, recognized ability, and professional reputation. They must also prepare an annual report on the activities of these bodies and submit it to the board of directors. Such report must at least include the following items:

I. With respect to corporate practices:

- a) Observations regarding the performance of the relevant executives.
- b) Related party transactions during the fiscal year in question, detailing the characteristics of significant transactions.
- c) The full compensation packages of the individuals referred to in Article 28, Section III, subsection d) of the Securities Market Law.
- d) Waivers granted by the board of directors in accordance with the provisions of Article 28, Section III, subsection f) of the Securities Market Law.

II. On auditing matters:

- a) The status of the internal control and internal audit system of the Company and the legal entities controlled by it and, as applicable, the description of its deficiencies and deviations, and the aspects that require improvement, considering the opinions, reports, communications, and the external audit report, and the reports issued by the independent experts who have provided their services during the period covered by the report.
- b) The mention and follow-up of the preventive and corrective measures implemented based on the results of the investigations related to the violation of the operation guidelines and policies and accounting records, whether of the Company or of the legal entities controlled by it.
- c) The evaluation of the performance of the legal entity that provides the external audit services, and of the external auditor in charge thereof.
- d) The description and evaluation of the additional or supplementary services, if any, provided by the legal entity in charge of performing the external audit, and those provided by the independent experts.
- e) The main results of the reviews of the financial statements of the Company and of the legal entities controlled by it.
- f) The description and effects of the amendments to the accounting policies approved during the period covered by the report.
- g) The measures adopted as a result of the observations considered relevant, formulated by shareholders, directors, relevant executives, employees and, generally, any third party, with respect to accounting, internal controls, and matters related to internal or external auditing, or derived from the claims made on circumstances deemed irregular in the management.
- h) Follow-up on the resolutions of the stockholders' meetings and of the meetings of the board of directors.

To prepare the reports referred to in this section and the opinions referred to in Article 42 of the Securities Market Law, the corporate practices and audit committee must listen to the relevant executives; in the event of a difference of opinion with the latter, such differences must be included in the aforementioned reports and opinions.

## CHAPTER V

### GUARANTEE, INDEMNITY AND EMOLUMENTS OF THE MEMBERS OF THE BOARD OF DIRECTORS AND COMMITTEES

**Article Twenty-Fourth. Guarantee for the exercise of offices.** None of the members of the Board of Directors or of the different committees of the Company, nor the Secretary, alternate Secretary or the respective alternates of all of the foregoing, nor the Chief Executive Officer or the relevant executives shall have the obligation to provide guarantees to ensure the fulfillment of the responsibilities they may incur in the performance of their offices, unless the General Stockholders' Meeting that has appointed them establishes such obligation.

**Article Twenty-Fifth. Indemnification by the Company.** Subject to the provisions of the Securities Market Law, the Company undertakes to indemnify and hold harmless the proprietary and alternate members, of the Board of Directors, of the Committee or Committees that perform the functions of Corporate Practices and Auditing, and of any other committees created by the Company, the Secretary and Alternate Secretary, and the relevant officers of the Company, in connection with any liability arising from the performance of their duties, including the payment of an indemnification for any damage or injury caused and the necessary amounts to reach a settlement, as well as the total fees and expenses of lawyers and other advisors hired for the defense of the interests of such persons in the cases mentioned above, unless such liabilities result from fraudulent acts, bad faith, unlawful acts or omissions whose compensation is not permitted pursuant to the Securities Market Law and other applicable legal provisions.

**Article Twenty-Sixth. Emoluments, guarantee and insurance of the Members of the Board of Directors** The General Stockholders' Meeting shall approve any compensation payable to the members of the Board of Directors and of the Committees of the Company for the performance of their positions or functions in any of its committees, or for attending or participating in meetings of said bodies.

The members of the Board of Directors of the Company shall not be obliged to guarantee their performance as such, by means of a bond or any other form of guarantee or indemnity.

The Company shall indemnify and hold harmless each Director, and in such event, the Executive Chairman and the Secretary, for and against any damages from any action or decision made by such Director, Executive Chairman or Secretary acting within its corresponding authority, and such indemnification shall include a compensation for all and any costs that such Director, Executive Chairman or Secretary may incur in relation to the defense of any claim, except in such cases where he/she acts in bad faith, willful misconduct or performs any illegal acts as provided in such laws applicable to the Company. For purposes of this paragraph, the Company will hire, at its sole cost and expense, insurance policies to cover any liability described herein.

## CHAPTER VI

### CHIEF EXECUTIVE OFFICER

**Article Twenty-Seventh. Functions and Powers.** The duties of management and execution of the business of the Company and the entities it controls shall be responsibility of the Chief Executive Officer Director pursuant to the provisions of Article 44 (forty-four) of the Securities Market Law, subject to the strategies, policies and guidelines approved by the Board of Directors.

The Chief Executive Officer, for the performance of his duties, shall have the broadest powers of attorney to represent the Company for acts of administration and lawsuits and collections, including special powers of attorney requiring special clauses in accordance to law. For acts of ownership, it shall be subject to the provisions set out by the Board of Directors, pursuant to Article 28 (twenty-eight), section VIII, of the Securities Market Law and other applicable provisions.

Notwithstanding the foregoing, the Chief Executive Officer shall:

- I. Submit for the approval of the board of directors the business strategies of the Company and the legal entities controlled by it, based on the information provided by the latter.
- II. Comply with the resolutions of the stockholders' meetings and of the board of directors, in accordance with the instructions, if any, issued by the stockholders' meeting or the board of directors.
- III. Propose to the committee in charge of auditing duties, the guidelines of the internal control and internal auditing system of the Company and the legal entities controlled by it, and execute the guidelines approved by the board of directors of the Company for such purpose.
- IV. Subscribe the relevant information of the Company, together with the relevant executives in charge of its preparation, within their scope.
- V. Disseminate the relevant information and events that must be disclosed to the public, in accordance with the provisions of the Securities Market Law, being responsible for the content and timeliness of such information, even if the dissemination thereof is delegated to third parties, except in case of willful misconduct or negligence of such third parties.
- VI. Comply with the provisions relating to the performance of transactions for the acquisition and trading of the Company's own shares.
- VII. Exercise, by itself or through an authorized delegate, within its scope or by instruction of the Board of Directors, the corrective and liability actions that may be appropriate.
- VIII. Verify that the capital contributions made by the members are made, as applicable.
- IX. Comply with the legal and corporate requirements provided with respect to the dividends paid to the shareholders.
- X. Ensure that the accounting, recording, filing, or information systems of the Company are kept.
- XI. Prepare and submit to the Board of Directors the report referred to in Article 172 of the General Law of Companies, except for the provisions of subsection b) of such provision.
- XII. Establish internal mechanisms and controls that allow verifying that the acts and transactions of the Company and the legal entities controlled by it have complied with the applicable regulations, and follow up on the results of such internal mechanisms and controls and take the necessary measures as applicable.
- XIII. Exercise the liability actions referred to in the Securities Market Law, against related parties or third parties that have allegedly caused damages to the Company or the legal entities controlled by it or in which it has a significant influence, unless by determination of the board of directors of the Company and upon prior opinion of the committee in charge of the auditing duties, the damages caused are not significant.
- XIV. All others provided by the Securities Market Law or in the Company's bylaws, in accordance with the duties assigned to it by this law.

The Chief Executive Officer shall perform the duties entrusted to him by the General Stockholders' Meeting or the Board of Directors, as well as those set forth in the Securities Market Law, and in compliance with its duties of due diligence and loyalty pursuant to the Securities Market Law.

The Chief Executive Officer, for the performance of his duties and activities, as well as for fulfillment of his obligations, shall be assisted by the relevant directors appointed for such purpose and by any employee of the Company or of the legal entities it controls.

## CHAPTER VII

### STOCKHOLDERS' MEETING

**Article Twenty-Eighth. General Stockholders' Meeting.** The General Stockholders Meeting is the supreme body of the Company. The Stockholders Meetings shall be General or Special and General Meetings may be Extraordinary or Ordinary. Stockholders Meetings shall be held at the Company's domicile, except in the event of unforeseen circumstances or force majeure.

**Article Twenty-Ninth. Minority Rights.** Calls for General Stockholders' Meetings may be made by the Board of Directors, the Secretary or the Chairman of the Board of Directors or the Audit or Corporate Governance Committees. Stockholders holding at least 10% (ten percent) of the shares with voting rights, even those limited or restricted voting rights, may request in writing, at any time, that the Chairman of the Board of Directors (or the Executive Chairman of the Board, if applicable) or the Chairman of the Corporate Practices Committee and/or Audit Committee, convene a General Stockholders' Meeting to discuss the matters specified in their request, without the need to comply with the procedure set forth in Article 184 (one hundred and eighty four) of the General Law of Commercial Entities. Any stockholders shall have the same right in any of the cases referred to in Article 185 (one hundred and eighty-five) of the General Law of Commercial Entities. If no call is made within 15 (fifteen) days following the date in which the request was made, a Civil or District Judge of the Company's domicile shall may convene the Meeting at the request of any of the interested stockholders in terms of the applicable law.

Also, Stockholders holding at least 10% (ten percent) of the shares with voting rights, even those limited or restricted voting rights, may, for one single occasion, present a motion to adjourn the Meeting for 3 (three) calendar days and without requiring a new call, in order to vote on certain matters in which they do not believe they are adequately informed, in which case the percentage referred to in Article 199 (one hundred and ninety-nine) of the General Law of Commercial Entities shall not apply.

The holders of voting shares, including limited or restricted voting shares, that represent 20% (twenty percent) or more of the capital stock, whether individually or jointly, may judicially contest the resolutions adopted by the General Meetings in connection with matters in respect of which they are entitled to vote, in which case the percentage referred to in Article 201 (two hundred and one) of the General Law of Commercial Entities shall not apply.

The shareholders, without prejudice to the provisions of other laws or these bylaws, may enter into agreements among themselves, under the terms of Article 16, Section VI of the Securities Market Law. The execution of such agreements and their characteristics must be notified to the Company within five business days following the date of their execution for these to be disclosed to the investing public through the stock exchange(s) where the Shares or debt securities representing them are listed, under the terms and conditions set forth therein, and for their existence to be disclosed in the annual report referred to in Article 104, Section III, subsection a) of the Securities Market Law, being available to the public for consultation at the Company's offices. Such agreements will not be enforceable against the Company and breaching these will not affect the validity of the vote at stockholders' meetings, but will only be effective among the parties once they are disclosed to the investing public.

Shareholders that, individually or jointly, hold voting shares, including shares with limited or restricted voting rights, or without voting rights, representing five percent or more of the capital stock, may directly exercise a liability action against any member of the Board of Directors, Chief Executive Officer, or any relevant executive for breach of the duties of care and loyalty, in favor of the Company or the legal entity controlled by it, in accordance with Article 38, Section II of the Securities Market Law.

The shareholders will have the right to prevent the discussion of general or equivalent matters at the general stockholders' meeting, in accordance with Article 49, Section II of the Mexican Securities Market Law.

**Article Thirtieth. Calls.** Calls for Stockholders' Meetings must be published in the electronic system established by the Ministry of Economy, and additionally in the systems of the stock exchange in which the securities representing the capital stock of the Company are listed, no less than 15 (fifteen) calendar days before the date of the Meeting. The first call for the extraordinary general meetings must be published in the electronic system established by the Ministry of Economy, and additionally in the systems of the stock exchange in which the securities representing the capital stock of the Company are listed, no less than 15 (fifteen) calendar days before the date of said Meeting and no less than 5 (five) calendar days before the second and subsequent calls.

From the date on which the call of meeting is published, any information and documents related to each of the items of the Agenda shall be made immediately available to the stockholders at the offices of the Company's office at no charge and at least 15 (fifteen) calendar days prior to the date of the Meeting.

The calls shall contain the Agenda of the Meeting in which general matters shall not appear and shall be signed by the person responsible for such calls, provided; however, that if the calls are made by the Board of Directors, the signature of the Chairman, the Secretary or any other alternate Secretaries, if there is more than one, shall be sufficed. Meetings may be held without prior notice if the capital stock of the Company is fully represented at the time of voting.

In accordance with the second paragraph of Article 178 (one hundred and seventy-eight) of the General Law of Commercial Entities, unanimous resolutions adopted without holding a Meeting, by the stockholders with voting rights or with the relevant special series of shares, as the case may be, shall be, for all legal effects and purposes as valid as those adopted at a General or Special Meeting, respectively, provided that they are confirmed in writing by the stockholders.

**Article Thirty-First. Admission to Stockholders Meetings.** Only persons registered as stockholders in the Stock Registry Book, and the persons that provide certificates issued by the

S.D. Indeval Institución para el Deposito de Valores, S.A. de C.V., or any other institution acting as custodian of the securities supplemented with the lists of custodians therein, shall have the right to appear or be represented in the Stockholders' Meetings, for which the provisions of the Securities Market Law shall apply. The members of the Company's Board of Directors may not represent any stockholder in the Stockholders' Meetings of the Company. Stockholders may be represented at the Meetings by the person or persons they designated for such purpose by means of a power of attorney granted in accordance with the following Article.

The members of the board of directors, the Chief Executive Officer, and the individual designated by the legal entity that provides the external auditing services, may attend the stockholders' meetings of the company.

**Article Thirty-Second. Representation of Stockholders at the Meeting** Stockholders may be represented in the Meetings by the person or persons who prove their legal capacity by means of a simple letter signed in the presence of two witnesses, or through the forms referred to in Article 49 (Forty-Nine) Section III of the Securities Market Law, that the Company makes available to them through the securities exchange brokers or in the Company itself, at least 15 (fifteen) calendar days in advance of each Meeting, which the Secretary shall verify and inform the General Stockholders' Meeting, certifying it in the relevant Meeting Minutes.

The members of the Board of Directors and the relevant executives of the Company may not represent any stockholder in the Company's Stockholders' Meetings.

**Article Thirty-Third. Meeting Minutes Book** The Stockholders' Meeting Minutes shall be prepared by the Secretary, will be transcribed in the corresponding book and will be signed by the Executive Chairman and the Secretary of the Meeting.

**Article Thirty-Fourth. Chairman, Secretary and Tellers at Stockholders' Meetings.** The Meetings will be presided by the Chairman of the Board of Directors. In his absence the Meetings will be presided by the person appointed by the majority vote of the stockholders.

The Secretary of the Board of Directors will act as Secretary of the Stockholders Meetings, and in his absence or if so indicated by the General Stockholders' Meeting itself, the position will be held by the alternate Secretary; in the absence of both, the position will be held by the person appointed by the majority vote of the stockholders.

The Chairman of the Board shall appoint two (2) tellers from among the stockholders, stockholders' representatives or guests attending the Meetings, in order to count the number of shares represented, to determine whether a legal quorum has been met and, as the case may be, to count the votes cast.

**Article Thirty-Fifth. General Ordinary and Extraordinary Meetings.** The Company's Annual General Ordinary Stockholders' Meetings shall be held at least once a year, within four (4) months following the closing of each fiscal year (the "**Annual General Ordinary Meeting**"). In addition to the other matters specified in the Agenda of the Annual General Ordinary Meeting, it shall:

- 1.- Discuss, approve or modify and determine as appropriate, any matters in relation to the report of the Chief Executive Officer and the Board of Directors, regarding the Company's financial situation and other related accounting documents, as set forth in Article 172 (one hundred and seventy-two) of the General Law of Commercial Entities.
- 2.- Discuss, approve or modify the reports of the Chairman of the Corporate Practices and Audit Committees, if necessary.
- 3.- Discuss, approve or modify the report rendered by the Chief Executive Officer, in accordance with the Securities Market Law and other applicable provisions.
- 4.- Learn the opinion of the Board of Directors in connection with the content of the Chief Executive Officer's report.
- 5.- Subject to the provisions established in Article Fifteen of these by-laws, discuss and approve on the re-appointment, revocation and/or appointment, if any, of one third of the proprietary members and respective alternates of the Board of Directors that said Annual General Ordinary Meeting resolve to re-appoint, revoke and/or appoint.
- 6.- Evaluate the independence of independent directors.
- 7.- To appoint the Chairmen of the Corporate Practices and Audit Committees. 8.- To decide on the use of the Company's profit, if any.
- 9.- If applicable, determine the maximum amount of resources that may be used for the acquisition of its own shares.
- 10.- Approve the execution of transactions whether simultaneously or subsequently by the Company or the legal entities it controls within the same fiscal year that may be considered as one and the same transaction that the Company when they represent 20% (twenty percent) or more of the consolidated assets of the Company, based on figures corresponding to the close of the immediately preceding quarter, regardless of the way in which they are applied. Stockholders holding shares with limited or restricted voting rights may vote at such Meetings.
- 11.- Any other matter that shall be convened with by the General Ordinary Meeting in accordance with applicable law or that is not specifically reserved for an General Extraordinary Meeting.

In addition to those set forth in Article 182 (one hundred and eighty-two) of the General Law of Commercial Entities, the following matters are reserved for General Extraordinary Meetings: (i) the Company's spin-off; (ii) issuance of shares other than ordinary shares, and the cancellation of the registration of shares representing the capital stock of the Company in the National Securities Registry or in the local or foreign stock exchanges where the shares are traded; (iii) redemption of the Company's shares with distributable profits by the Company, (iv) increase of capital stock pursuant to Article Twelve, (v) amendment of the Company's by-laws, and (vi) other matters reserved to it by law or those for which these by-laws require a special quorum.

**Article Thirty-Sixth. Quorum for installation and voting at General Ordinary Stockholders' Meetings.** In order for an General Ordinary Stockholders' Meeting to be considered legally convened by virtue of a first call, at least 50% (fifty percent) plus 1 (one) of the outstanding voting shares of the Company must be represented, and its resolutions shall be valid when adopted by majority vote of the voting shares in attendance. In the event of a second or subsequent call, the General Ordinary Stockholders' Meeting may be validly held regardless of the number of shares represented, and its resolutions shall be valid when adopted by majority vote of the shares represented at the Meeting.

**Article Thirty-Seventh. Quorum for installation and voting at General Extraordinary Stockholders' Meetings.** In order for an General Extraordinary Stockholders' Meeting to be considered legally convened on first call, at least 75% (seventy-five percent) of the outstanding voting shares of the Company must be represented, and its resolutions shall be valid when adopted by the favorable vote of shares representing at least 50% (fifty percent) of the outstanding voting shares of the Company. In the event of a second or subsequent call, Extraordinary General Stockholders' Meetings may be validly held if 50% (fifty percent) of the outstanding voting shares of the Company is represented, and their resolutions will be valid if adopted by the favorable vote of shares representing at least 50% (fifty percent) of the outstanding voting shares of the Company.

Notwithstanding the provisions of the preceding paragraph, the favorable vote of shares with or without voting rights representing (i) 75% (seventy-five percent) of the Company's outstanding capital stock shall be required to amend the Company's by-laws and (ii) 95% (ninety-five percent) of the capital stock of the Company to resolve and request from the National Banking and Securities Commission the cancellation of the registration of the shares of the Company in the National Securities Registry, under the terms provided in the Securities Market Law and other applicable provisions.

For Special Meetings, the same rules provided in this Article shall apply for General Extraordinary Meetings, but referring to the corresponding special category of shares.

**Article Thirty-Eighth. Cancellation of the Registration of Shares in the National Securities Registry.** The National Banking and Securities Commission may cancel the registration of securities in the Registry at the request of the Company, upon prior resolution of the extraordinary general stockholders' meeting and with the affirmative vote of the holders of voting or non-voting shares representing 95% (ninety-five percent) of the capital stock of the Company. Once the aforementioned stockholders' meeting resolution is obtained, a tender offer must be carried out in accordance with the provisions of Article 108, Section I of the Securities Market Law, with the provisions of Articles 96, 97, 98, Sections I and II, and 101, first paragraph, of such Law and the general provisions derived therefrom being also applicable.



## CHAPTER VIII

### FISCAL YEAR AND FINANCIAL INFORMATION

**Article Thirty-Ninth. Financial Information.** Within the three (3) months following the closing of each fiscal year, the Chief Executive Officer and the Board of Directors shall prepare the following financial information and any other information necessary pursuant to provisions of the applicable legal, within their respective duties and responsibilities pursuant to the provisions of these by-laws and the Securities Market Law, which will be delivered to the General Stockholders' Meeting by the Board of Directors:

- a) A report on the Company's progress during the year and on the policies followed by the Board of Directors and, where appropriate, on the main existing projects.
- b) A report stating and explaining the main information and accounting policies and criteria used for the preparation of the financial information.
- c) A statement showing the Company's financial position at the end of the fiscal year.
- d) A statement showing, and duly explained and classified, the Company's results of the fiscal year.
- e) A statement showing the changes in the Company's financial position during the fiscal year.
- f) A statement showing the changes in the items conforming the Company's assets during the fiscal year.
- g) Any necessary notes to supplement and clarify the information provided by the above- mentioned statements.

**Article Fortieth. Deadline for submission.** The information referred to in the previous Article must be completed and made available to the stockholders no less than 15 (fifteen) calendar days before the Meeting at which they are to be discussed. Stockholders shall have the right to receive a copy of the corresponding reports.

**Article Forty-First. Fiscal Year.** The fiscal years shall last one year, and the date of their commencement and termination shall be set by the Ordinary General Stockholders Meeting subject to the relevant tax provisions. If the Company is liquidated or merged, the fiscal year will end early on the date on which it is liquidated or merged, as the case may be.

## CHAPTER IX

### PROFIT AND LOSSES

**Article Forty-Second. Profits of the Company.** The net profits of each fiscal year, after deducting the amounts corresponding to: a) income tax for such fiscal year; b) if applicable, Company's profits distribution, and; c) if applicable, amortization of losses from previous fiscal years, which will be distributed, subject to a resolution of the General Stockholders' Meeting, as follows:

- 1.- 5% (five percent) to constitute and reconstitute the legal reserve fund, until it is equal to at least 20% (twenty percent) of the capital stock.
- 2.- The General Ordinary Stockholders' Meeting may create, with net profits, the "Reserve for Acquisition of Own Shares", indicating the amount of this reserve.
- 3.- If the General Stockholders' Meeting so determines, it may create, increase, modify or eliminate other capital reserves if such Meeting deems appropriate, and may create funds for budget estimates and reinvestments, as well as special reserve funds.
- 4.- The residual amounts, if any, shall be applied in the manner determined by the General Ordinary Stockholders' Meeting, including, if applicable, to pay dividends to all stockholders, in proportion to their participation.

**Article Forty-Third. Dividends.** Dividends shall be declared by the General Ordinary Stockholders' Meeting and its payments shall be made on the terms, days and place determined by such Meeting, taking into consideration the policies established by the Board of Directors or its Executive Chairman, which shall be made known through the publication of a notice in at least one newspaper with wide circulation.

The dividends not collected within 5 (five) years, from the date on which they were due and payable, shall be deemed to have been waived in favor of the Company.

The losses, if any, will be assumed by all the stockholders, in proportion to the number of their shares, including the Company's assets represented by them.

## CHAPTER X

### DISSOLUTION AND LIQUIDATION

**Article Forty-Fourth. Dissolution.** The Company shall be dissolved in any of the cases specified in Article 229 (two hundred and twenty-nine) of the General Law of Commercial Entities.

**Article Forty-Fifth. Liquidators.** Upon dissolution, the Company shall be placed in liquidation. The liquidation will be entrusted to one or more liquidators appointed by the General Extraordinary Stockholders' Meeting. If the Meeting does not make such appointment, a Civil or District Judge of the Company's domicile shall do so at the request of any stockholder.

The liquidators shall have the powers and authorities established by General Law of Commercial Entities and those determined by the General Stockholders' Meeting, including:

- I. Conclude special operations pending at the time of dissolution.
- II. Collect the credits and pay the debts of the Company.
- III. Dispose or transfer the Company's assets and liquidate its liabilities.
- IV. Prepare the final financial statement to be submitted for consideration and approval of the General Stockholders' Meeting, and once such statement has been approved, it shall be registered in the Public Registry of Commerce.
- V. Distribute all remaining proceeds, if any, among all the stockholders of the Company, taking into consideration their participation percentage, once the final financial statement has been approved.
- VI. Cancel the registration of the Company in the Public Registry of Commerce once the liquidation is concluded.

**Article Forty-Sixth. Liquidation Procedure.** The liquidation shall be made in accordance with the resolutions taken by the stockholders upon their resolution to dissolve the Company. In the absence of resolution approving the Company's liquidation, the liquidation shall be made pursuant to the provisions of the General Law of Commercial Entities.

During the liquidation, the Stockholders' Meetings will meet as described in these by-laws, and the liquidator or liquidators will have the same responsibilities that were performed by the Board of Directors before the Company's liquidation, and the Audit and Corporate Practices Committee will continue to perform its responsibilities towards the liquidator or liquidators, as they used to perform such responsibilities as to the Board of Directors, before the Company's liquidation.

## CHAPTER XI

### APPLICABLE LAW AND JURISDICTION

**Article Forty-Seventh. Applicable Law.** In all matters not expressly provided for in these by-laws, the provisions of the Securities Market Law, the General Law of Commercial Entities, and other applicable law in Mexico shall be applicable.

**Article Forty-Eighth. Jurisdiction.** In the event of any controversy between the Company and its stockholders or between two or more stockholders or between two or more groups of stockholders regarding any matters relating to the Company, all stockholders and the Company expressly and irrevocably submit to the laws applicable in, and to the jurisdiction of, the competent federal courts in Mexico City, Mexico, expressly and irrevocably waiving any other jurisdiction that may correspond to them by virtue of their present or future domicile or for any other reason.

## DESCRIPTION OF SHARE CAPITAL

*The following is a summary of the material terms of our securities registered under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act"). We are a company incorporated in Mexico.*

### Type and Class of Securities

Our ordinary shares are listed on the NASDAQ under the symbol "BWMX" ("Ordinary Shares"). Our authorized share capital consists of 36,584,968 Ordinary Shares. All of our Ordinary Shares have been validly issued, fully paid and are non-assessable. Our fully paid Ordinary Shares are issued in registered form and may be freely transferred under our amended Articles of Association, subject to applicable law.

### Ordinary Shares

Ordinary Shares are issued in registered form only and no certificates will be issued. The Company is entitled to treat the registered holder of any share as the absolute owner thereof and is not bound to recognize any equitable claim or other claim or interest in such share on the part of any other person.

### Issuance of Ordinary Shares

Our by-laws require our shareholders to authorize any share issuance. Any issuance of shares is subject to mandatory preemptive rights, except in the event of a public offering and other limited circumstances. Shares issued that have cleared preemptive rights or that are the subject of public offerings, may be allocated as a result of a resolution from our directors. Shares repurchased by us in the open market may be placed again based upon resolutions by our directors.

### Shareholders' Meetings

Any person authorized to vote may be represented at a meeting by a proxy who may speak and vote on behalf of the member. Depending on the matter that requires shareholders' approval, the by-laws and Mexican law provide a fixed quorum.

The annual ordinary shareholders' meeting, on first call, must have a quorum of at least 50% plus one of the outstanding shares of the company's capital stock and all resolutions shall be approved with the affirmative vote of at least the majority of the present shares. In the event of a second or subsequent call, the general ordinary stockholders' meeting may be validly held regardless of the number of shares represented, and its resolutions shall be valid when adopted by majority vote of the shares represented at the meeting.

The extraordinary shareholders' meetings, on first call, must have a quorum of at least 75% of the outstanding shares of the company's capital stock and all resolutions must be approved with the affirmative vote of at least 50% of the outstanding voting shares of the company. In the event of a second or subsequent call, extraordinary general stockholders' meetings may be validly held if 50% of the outstanding voting shares of the company is represented, and their resolutions will be valid if adopted by the favorable vote of shares representing at least 50% of the outstanding voting shares of the company. The favorable vote of shares with or without voting rights representing 75% of the company's outstanding capital stock shall be required to amend the company's by-laws.

### Voting Rights

Holders of our Ordinary Shares are entitled to one vote per share on all matters submitted to a vote of holders of Ordinary Shares. Mexican Law does not provide for cumulative voting in the election of directors. Voting of shareholders at a general meeting may be in person or by proxy. Our articles of association specify how the Company shall determine the shareholders of record entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof.

### Permitted Transfers of Ordinary Shares

The Ordinary Shares are freely transferable subject to compliance with transfer formalities under our bylaws and applicable law.

### Dividend Rights

The declaration, amount and payment terms of any dividends must be approved by a majority of our shareholders acting at a general ordinary shareholders' meeting at which a quorum, on first call, of shareholders representing at least half plus one our capital stock are present, based upon the prior recommendation of our board of directors. Under Mexican law, dividends may only be paid (i) from retained earnings as set forth in financial statements previously approved by shareholders, (ii) if we have no prior fiscal year losses (unless such losses have been repaid or absorbed) and (iii) if a legal reserve has been created or is maintained by annually setting aside at least 5.0% of net income until the legal reserve equals at least 20% of our capital stock.

Dividends may be paid in U.S. dollars, Euro or any other currency chosen by the shareholders meeting and dividends may be paid at such places and times as may be determined by the shareholders meeting within the limits of any decision made at such general shareholders meeting. Dividends may also be paid in kind in assets of any nature, and the valuation of those assets shall be established by the shareholders meeting according to valuation methods determined in its discretion.

### Directors

The board of directors shall have between 9 (nine) members and not more than 21 (twenty-one). Any shareholder or group of shareholders that have 10% of the capital stock of the company may appoint one member of the board of directors.

The members of the board shall hold office for one year or until the shareholders that have appointed them revoke such appointment. The directors may be reelected as many times as deemed convenient and shall continue in office until their successors have been appointed and taken office. At least 25% of members of the board of directors shall be independent in accordance with Mexican Law.

### Registrar and Transfer Agent

We have appointed Continental Stock Transfer & Trust Company as our U.S. registrar and transfer agent, and all Ordinary Shares and shareholders are transferred from the register held at our registered office to the register held by our U.S. registrar and transfer agent.

### Repurchase of Ordinary Shares

Pursuant to our articles of association, our board of directors may redeem our own Ordinary Shares in accordance with Mexican Law on such terms and in such manner as may be authorized by the general meeting of shareholders in an ordinary resolution, subject to the rules of any stock exchange on which our Ordinary Shares are traded.

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**Reduction of Share Capital**

The fixed portion of the share capital of the Company may be reduced by a resolution adopted by the general extraordinary meeting of shareholders, through the amendment of its articles of association. Variable portion of the share capital of the Company may be reduced by a resolution adopted by the general ordinary meeting of shareholders.

**Annual Accounts**

The board of directors shall draw up the annual accounts of the Company that shall be submitted to the approval of the shareholders at the annual general meeting. Except in some cases provided for by Mexican Law, our board of directors must also annually prepare management reports on the annual accounts and consolidated accounts.

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List of Subsidiaries

<u>Company</u>	<u>Country</u>
Betterware, BLSM Latino América Servicios, S.A. de C.V.	Mexico

## CODE OF ETHICS

**1. Objective**

The Code of Ethics seeks to provide guidance as to what is expected from each of us in order to implement the values of Betterware de México, S.A.B. de C.V. and BLSM Latino América Servicios, S.A. de C.V., hereinafter "Betterware," by promoting the organizational culture.

**2. Scope:**

The Code of Ethics applies to all members of the Board of Directors, Managers, employees, and to any person acting on behalf of Betterware.

The Code of Ethics extends to distributors, suppliers, and any entity or person that has a business relationship with Betterware.

**3. Definitions:**

3.1 Ethics Committee: Betterware's internal organism composed by Executive Chairman, CEO, CFO, CIO, CSO and the President of the Audit Committee.

**4. Development:****Corporate Philosophy**

The success of Betterware's operations is built on the commitment of shareholders, directors, and employees to adhere to the corporate philosophy, which has enabled it to be recognized as a company with high ethical business standards.

**Mission**

To create opportunities

**Vision**

Every home every catalogue.

**Values**

Our values are: *Attitude, Commitment, Honesty* and *Respect*.

*Attitude:* Achieve our objectives and goals based on optimism that is contagious.

*Commitment:* Go beyond the limit, fulfill our goals, and make things happen.

*Honesty:* Always speak and act according to the truth and show loyalty.

*Respect:* Recognize our own value, treat others as we would like to be treated; listen to different opinions; and encourage dignified treatment.

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## **Our relationship with third parties**

### **Distributors**

Service and attention to our distributors is Betterware's primary purpose; we go to great lengths every day to ensure that our products exceed our distributors' expectations with regards to their performance and durability.

### **Suppliers**

At Betterware we commit to fairly and promptly fulfilling the agreements reached to purchase merchandise and contract for services; we always enter into contracts based on objective criteria such as quality, reputation, innovation, price, service, and support, among others.

At Betterware we foster ethical business relationships, respect the institutional values of each of our suppliers.

Betterware asks all of its suppliers to adhere to the corporate philosophy and to the *Business Ethics Policy*.

In the event that any of our suppliers is reported for illegal or unethical activities, it could result in the termination of the business relationship.

### **Employees**

Human Talent is the basis for Betterware's development; we therefore expect each of our employees' decisions to be based on professional judgments that at all times seek to benefit our company.

We do not allow any type of discrimination to exist, whether based on age, religion, sex, race, sexual preference, or any condition protected under the laws of the community in which we operate.

### **Shareholders, Board Members, and committee members**

Betterware understands the shareholders' commitment to maintaining this company as a source of jobs and creator of social wellbeing, and as a company commits to provide a reasonable return based on its investment, creating long-term value.

### **Community**

Betterware is convinced that the Company contributes to society with its business model, by generating economic benefits and the personal development that our distributors obtain, motivates it to continue to grow.

### **Zero tolerance:**

The following acts are prohibited:

- Engaging in any type of discrimination, or sexual harassment, whether physical or verbal, against any employee, distributors, or supplier.
- Showing up to work in an unsuitable manner, or under the influence of alcohol or any drug, except where there is a medical prescription for the latter.

### **Compliance with the laws**

At Betterware we fully comply with the applicable laws and regulations to which we are subject, any act of negligence or fraud, which generates a breach, will result in the application of the corresponding legal measures.

### **Conflict of interests**

Betterware recognizes and respects that its members can take part in activities of any kind outside of their normal duties, however they must take care all time that there is no conflict of interest due to inappropriate use of resources that discredit the reputation of the Company.

Some examples of restricted activities are:

- To be part of any business that affects directly or indirectly the Company, or is a competitor of Betterware.
- To take advantage of its position as Betterware employee to obtain personal benefits, including family or third parties.
- To receive revenues or benefits from suppliers, competitors or clients.
- It is not allowed that to an employee to also be a Betterware supplier.
- To be part of or have influence a negotiation with clients or suppliers which provide a personal benefit to the employee.
- To sell Betterware products and obtain a personal benefit.
- Board members are not allowed to provide additional services to the Company nor obtain any remuneration different from its board member fee.

### **Gift acceptance policy**

In order to maintain a transparent business ethic, the following activities are prohibited:

- Accept or give courtesies that of any kind that compromise or give the appearance of compromising our decision process of any current or future negotiation.
- It is forbidden to condition or seek to condition a negotiation in exchange for any gift, attention or courtesy.
- Request, negotiate or accept discounts or courtesies from suppliers, consultants or service providers for their own benefit.

Gifts under US\$50 are acceptable. Some examples includes: promotionals (pens, coffee mugs, agendas).

Unacceptable gifts includes cash, checks, gift cards; luxury items as pens, wine bottles or electronic devices; high value event tickets. It is not allowed to accept invitations from suppliers.

### **Practices of business free of corruption and bribery**

At Betterware we reject any act of corruption, bribery, collusion, influence peddling and any other illicit activity during your duties with the aim of obtaining commercial advantage.

Betterware adheres to compliance with the United States Foreign Corrupt Practices Act (“FCPA”) for which it is strictly prohibited:

- a) Promising, offering, committing, paying, lending, giving or in any way transferring things of value to an agent or government official, in those cases where the contribution is illegal.
- b) Commit illegal or improper acts, or induce or instruct a third party or commit.

Any act of bribery and / or extortion must be reported through the Whistleblower Line or to any member of the Ethics Committee.

## Practices Anti-money Laundering

Betterware is committed to complying with the laws and regulations related to money laundering, so it avoids getting involved in arrangements or operations that may be or are related to assets of illicit origin.

### Fraud

We are committed to not taking any action that could constitute fraud within or outside the Company.

### Financial information

Users of our financial information have the guarantee that all the records that support our information are properly classified, reviewed and authorized. Providing reliable and timely information in accordance with International Financial Reporting Standards.

### Confidential information

All information generated and / or under the custody of Betterware members for the performance of their duties is considered confidential, so we are responsible for preserving the information responsibly.

Betterware does not share internal financial or operational information with third parties under any circumstances. For any exception, the Executive President of the Board should be consulted, who defines any situation not contemplated in internal policies.

Additionally, any person who has inside information will not be able to carry out operations with any Betterware value (e.g. shares).

To get more detail of how confidential information should be managed refer to the Use of Privileged Information Policy; Protection and Safeguarding of Confidential Information Policy and Internal Control Policy.

### Whistleblower Line

All Betterware members, as well as third parties, may report a lack of ethics, and to ensure their full protection, they can use the external reporting service that has been implemented for the company:

E-mail: [denuncia.better@linea.com](mailto:denuncia.better@linea.com)

Web: [www.linealide.com](http://www.linealide.com), [denuncia.bw@bw-ético](mailto:denuncia.bw@bw-ético)

Telephone: 01 800 001 3842

WhatsApp: 33 2459 8019

Anyone who retaliates against any Betterware member who, in good faith, reports an ethics violation or an alleged violation of the law may be subject to disciplinary actions, including administrative sanctions or termination of employment.

Investigations will be carried out in total confidentiality and in full compliance with the respect of the people involved. The responsible for conducting these investigations, as well as determining the sanctions is the Ethics Committee.

### Disciplinary measures

Any act of breach of our Code of Ethics may lead to the application of disciplinary measures, from a call for attention, a report to the personnel file, administrative act, suspension of work, or the termination of the employment relationship without responsibility for the company and the application of the corresponding legal sanctions.

## 5. Record of changes

March 2018	01	New creation
May 2020	02	Updateed

## CERTIFICATION

I, Andres Campos, certify that:

1. I have reviewed this annual report on Form 20-F of Betterware de México, S.A.B. de C.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the company and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

By: /s/ Andres Campos  
Name: Andres Campos  
Title: Chief Executive Officer

Dated: April 19, 2021

## CERTIFICATION

I, Diana Jones, certify that:

1. I have reviewed this annual report on Form 20-F of Betterware de México, S.A.B. de C.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the company and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

By: /s/ Diana Jones  
Name: Diana Jones  
Title: Chief Financial Officer

Dated: April 19, 2021

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Betterware de México, S.A.B. de C.V. (the "Company") on Form 20-F for the fiscal year ended January 3, 2021, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Andres Campos, Chief Executive Officer, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the U.S. Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Andres Campos

Name: Andres Campos

Title: Chief Executive Officer

Date: April 19, 2021

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002**

In connection with the annual report of Betterware de México, S.A.B. de C.V. (the "Company") on Form 20-F for the fiscal year ended January 3, 2021, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Diana Jones, Chief Financial Officer, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the U.S. Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Diana Jones

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Name: Diana Jones  
Title: Chief Financial Officer

Date: April 19, 2021