

**Vitro, S.A.B. de C. V. and Subsidiaries**

Consolidated financial statements as of December 31, 2021 and 2020 and for the years then ended, and Independent Auditors' Report dated March 28, 2022.



**Vitro, S.A.B. de C.V. and Subsidiaries**

Independent Auditors' Report and Consolidated Financial Statements for the years ended on December 31, 2021 and 2020

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## Independent Auditors' Report

To the Board of Directors and Stockholders

Vitro, S.A.B. de C.V.:

(Thousands of U.S. dollars)

### Opinion

We have audited the consolidated financial statements of Vitro, S.A.B. de C.V. and subsidiaries (the "Group"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the consolidated statements of profit or loss and other comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects, the consolidated financial position of Vitro, S.A.B. de C.V. and subsidiaries, as of December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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



Testing of impairment analysis of long-lived assets	
See notes 10, 12 and 13 of the consolidated financial statements.	
Key audit matter	How the key audit matter was addressed in our audit
<p>Property, machinery and equipment, intangible assets and other assets with a defined useful life in addition to goodwill (long-lived assets) for \$1,456,880 represents 57% of total consolidated assets, of which \$603,491 corresponds to the Cash-Generating Unit (CGU) of the Architectural Business in the United States (U.S.) and \$567,031 (includes net operating assets for \$102,220) to the CGU of the Automotive Business (Automotive CGU).</p> <p>Management tests long-lived assets for impairment when there are triggering events and in case of goodwill at least once a year at year end. Several key assumptions are used in the determination of estimated value in use, including estimates of future sales amounts and prices, operating costs and the discount rate.</p> <p>We have identified the impairment testing of long-lived assets of the Architectural Business in the U.S. CGU and the Automotive Business as a key audit matter due to the complexity and the significant judgment required in determining the estimated value in use.</p>	<p>Our audit procedures for this key audit matter included the following, among others:</p> <ul style="list-style-type: none"> <li>● Involving our own valuation specialists to assist us in evaluating the appropriateness of the discount rates applied and comparing it to available public information of comparable companies.</li> <li>● Evaluating the assumptions applied to key inputs such as long-term growth rates expected for the CGU of the Architectural Business in the U.S. and the Automotive Business determined by the Group.</li> <li>● Performing our own sensitivity analysis, which included assessing the effect of reasonably-likely reductions in forecast cash flows, to evaluate the estimated impact on the estimated value in use of the CGU of the Architectural Business in the U.S. and the Automotive Business.</li> <li>● Evaluating the adequacy of the disclosures in the consolidated financial statements.</li> </ul>

**Other matter**

Our audit was performed with the purpose to have an opinion over the consolidated financial statements as a whole. The supplementary information disclosed in note 26 is presented for additional analysis purposes only and is not required as part of the consolidated financial statements. Such information corresponds to the year ended as of December 31, 2021, has been subject to audit procedures in the context of the audit of the consolidated financial statements, and in our opinion, is presented fairly in all material respects in relation to the consolidated financial statements as of December 31, 2021 as a whole.



### Other information

Management is responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended December 31, 2021, to be filed with the National Banking and Securities Commission (Comision Nacional Bancaria y de Valores) and the Mexican Stock Exchange (Bolsa Mexicana de Valores), (the "Annual Report") but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

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

### Auditors' Responsibilities for the Audit of the consolidated financial statements

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

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

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



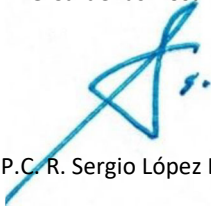
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern.
- If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

KPMG Cárdenas Dosal S. C.



C.P.C. R. Sergio López Lara

Monterrey, N.L., México, March 28, 2022.



**Vitro, S.A.B. de C.V. and Subsidiaries**  
Consolidated Statements of Financial Position  
As of December 31, 2021 and 2020  
(Thousands of U.S. dollar)

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Assets			
Cash and cash equivalents	17	\$ 110,122	\$ 483,909
Trade accounts receivable, net	6 and 17 17	212,864	178,228
Recoverable taxes		8,096	7,304
Recoverable value added tax		46,478	16,193
Other current assets	5	33,805	61,981
Inventories, net	7	458,129	386,412
Current assets		<u>869,494</u>	<u>1,134,027</u>
Investment in associated companies	8	22,642	10,587
Investment properties	9	20,147	18,533
Property, plant and equipment, net	10	1,143,029	1,208,924
Right of use assets, net	11	58,865	68,009
Goodwill	12	57,703	115,363
Intangible and other assets, net	13	256,148	62,139
Deferred income taxes	22	111,294	275,450
Long-term assets		<u>1,669,828</u>	<u>1,759,005</u>
Total assets		<u>\$ 2,539,322</u>	<u>\$ 2,893,032</u>

See accompanying notes to consolidated financial statements.



**Vitro, S.A.B. de C.V. and Subsidiaries**  
Consolidated Statements of Financial Position  
As of December 31, 2021 and 2020  
(Thousands of U.S. dollars)

	Notes	2021	2020
Liabilities			
Short-term debt	14	\$ 101,672	\$ 102,138
Short-term maturity of long-term debt	14 and 17	573,798	186,974
Interest payable	17	584	1,678
Short-term maturity of lease liability	11	17,851	18,715
Trade accounts payable	17	270,188	240,781
Accrued expenses and provisions	15 and 17	48,039	33,754
Income tax payable	22	21,121	8,609
Deconsolidation income tax	22	19,225	34,513
Other short-term liabilities	5 and 17	90,134	79,993
Short-term liabilities		<u>1,142,612</u>	<u>707,155</u>
Long-term debt	14	7,221	575,502
Long-term lease liability	11	32,792	39,344
Deconsolidation income tax	22 y 5	9,578	27,582
Deferred income taxes	22	15,678	40,648
Other long-term liabilities	5	9,134	11,300
Derivative financial instruments	17	13,011	33,210
Employee benefits	16	108,891	153,378
Long-term liabilities		<u>196,305</u>	<u>880,964</u>
Total liabilities		<u>1,338,917</u>	<u>1,588,119</u>
 Stockholders' equity			
Capital stock	18	378,860	378,860
Repurchased shares	18	(32,621)	(27,549)
Additional paid-in capital		344,037	344,037
Other comprehensive loss	18	(19,842)	(44,153)
Retained earnings	18	529,235	652,774
Controlling interest		1,199,669	1,303,969
Non-controlling interest	18	736	944
Stockholders' equity		<u>1,200,405</u>	<u>1,304,913</u>
 Total liabilities and stockholders' equity			
		<u>\$ 2,539,322</u>	<u>\$ 2,893,032</u>

See accompanying notes to consolidated financial statements.





**Vitro, S.A.B. de C.V. and Subsidiaries**

## Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the years ended December 31, 2021 and 2020

*(Thousands of U.S. dollars, except the amounts per share)*

	<u>Notes</u>	<u>2021</u>	<u>2020</u>
Net sales	24	\$ 1,957,568	\$ 1,768,299
Cost of sales	23	<u>1,561,562</u>	<u>1,401,589</u>
<b>Gross profit</b>		396,006	366,710
Administrative expenses	23	130,471	100,215
Distribution and sale expenses	23	<u>244,388</u>	<u>190,619</u>
<b>Income before other expenses, net</b>		21,147	75,876
Other (income)	20 a)	-	(4,758)
Other expenses	20 b)	<u>30,041</u>	<u>37,229</u>
<b>Operating (loss) income</b>		(8,894)	43,405
<b>Financial cost, net:</b>			
Financial income	21 a)	(2,647)	(13,088)
Financial cost	21 b)	<u>71,217</u>	<u>52,517</u>
<b>Total financial cost</b>		<u>68,570</u>	<u>39,429</u>
Share in net income of associated companies	8	<u>(4,580)</u>	-
<b>(Loss) profit before income taxes</b>		(82,044)	3,976
Income taxes	22	<u>24,854</u>	<u>49,468</u>
<b>Loss of the year</b>		<u>\$ (106,898)</u>	<u>\$ (45,492)</u>

**Other comprehensive income:****Items that will not be reclassified to profit or loss:**

Actuarial remeasurements of the defined benefit obligation, net of deferred taxes

16 and  
18

\$	4,209	\$	(48,461)
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**Total items that will not be reclassified to profit or loss**

\$	4,209	\$	(48,461)
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**Vitro, S.A.B. de C.V. and Subsidiaries**  
Consolidated Statements of Profit or Loss and Other Comprehensive Income  
For the years ended December 31, 2021 and 2020  
(Thousands of U.S. dollars, except the amounts per share)

	Notes	2021	2020
		<u>                    </u>	<u>                    </u>
<b>Items that can be reclassified to profit or loss:</b>			
Profit (loss) in fair value of hedging financial instruments, net of deferred taxes	17 and 18	\$ 21,846	\$ (7,763)
Effect of foreign currency translation	18	<u>(1,655)</u>	<u>(23,627)</u>
<b>Total items that can be reclassified to profit or loss</b>		<u>20,191</u>	<u>(31,390)</u>
<b>Total other comprehensive income (loss)</b>		<u>24,400</u>	<u>(79,851)</u>
<b>Total comprehensive loss of the year</b>		<u>\$ (82,498)</u>	<u>\$ (125,343)</u>
<b>Total loss of the year attributable to:</b>			
Controlling interest	18	\$ (106,601)	\$ (45,376)
Non-controlling interest	18	<u>(297)</u>	<u>(116)</u>
<b>Total loss of the year</b>		<u>\$ (106,898)</u>	<u>\$ (45,492)</u>
<b>Total comprehensive loss of the year attributable to:</b>			
Controlling interest	18	\$ (82,290)	\$ (125,255)
Non-controlling interest	18	<u>(208)</u>	<u>(88)</u>
<b>Total comprehensive loss of the year</b>		<u>\$ (82,498)</u>	<u>\$ (125,343)</u>
<b>Earnings per common share:</b>			
Basic and diluted loss per share	18	\$ (0.2261)	\$ (0.0957)

See accompanying notes to consolidated financial statements.



**Vitro, S.A.B. de C.V. and Subsidiaries**  
Consolidated Statements of Cash Flows  
For the years ended December 31, 2021 and 2020  
(Thousands of U.S. dollars)

	Notes	<u>2021</u>	<u>2020</u>
<b>Cash flows in operating activities:</b>			
Net loss		\$ (106,898)	\$ (45,492)
Adjustments for:			
Depreciation and amortization	10,11,13 and 23	147,776	144,941
Impairment loss	23	50,000	-
Loss (gain) on sale of assets	9 and 20	9,711	(4,758)
Investments in associates	8	4,580	-
Income taxes	22	24,854	49,468
Plant closing	9	-	14,128
Investment retirement cost	9	-	5,024
Inventory obsolescence reserve	7	5,216	5,281
Financial income	21 a)	(2,647)	(5,903)
Derivative financial instruments	17 and 21 b)	19,177	2,852
Effect of exchange variation and others		8,416	(8,878)
Financial costs	21 b)	44,809	49,665
		<u>204,994</u>	<u>206,328</u>
<b>Changes in working capital:</b>			
Trade accounts receivable, net		(38,095)	36,111
Inventories		(81,700)	11,715
Trade accounts payable		31,940	(7,239)
Other operating assets		(9,020)	14,427
Other operating liabilities		(27,201)	12,946
Employee benefits		(40,737)	(6,790)
Income taxes paid		(65,080)	(43,803)
		<u>(24,899)</u>	<u>223,695</u>
<b>Net cash flows generated by operating activities</b>		<u>\$ (24,899)</u>	<u>\$ 223,695</u>



**Vitro, S.A.B. de C.V. and Subsidiaries**  
Consolidated Statements of Cash Flows  
For the years ended December 31, 2021 and 2020  
(Thousands of U.S. dollars)

	Notas	<u>2021</u>	<u>2020</u>
<b>Cash flows in investing activities:</b>			
Purchase of property, plant and equipment		\$ (96,777)	\$ (95,973)
Proceeds from sale of property, plant and equipment and investment properties		16,316	4,723
Prepayment for land purchase		6,896	-
Investment in joint venture		(2,000)	(2,624)
Purchase of intangible assets		(4,096)	(8,322)
Other assets		(3,231)	(3,991)
Interest collected		2,373	5,998
<b>Net cash flows used in investing activities</b>		<u>(80,519)</u>	<u>(100,189)</u>
<b>Cash flows in financing activities:</b>			
Acquisition of new debt	14	364,200	438,977
Payment of loans	14	(545,407)	(249,205)
Lease payments	11	(18,272)	(15,913)
Interest paid		(34,663)	(41,886)
Dividends paid	18	(16,938)	-
Repurchase of own shares	18	(5,072)	(20)
Debt raising cost	14	(1,542)	(2,145)
Derivative financial instruments		(8,681)	(1,408)
<b>Net cash flows (used in) generated by financing activities</b>		<u>(266,375)</u>	<u>128,400</u>
<b>Net (decrease) increase in cash and cash equivalents:</b>		(371,793)	251,906
Cash and cash equivalents as of January 1,		483,909	230,165
Effect of exchange fluctuations		(1,994)	1,838
<b>Cash and cash equivalents as of December 31,</b>		<u>\$ 110,122</u>	<u>\$ 483,909</u>

See accompanying notes to consolidated financial statements.



**Vitro, S.A.B. de C.V. and Subsidiaries**

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2021 and 2020

(Thousands of U.S. dollars)

	Capital stock	Repurchased shares and additional paid-in capital	Other comprehensive income	Retained earnings	Controlling interest	Non- controlling interest	Total stockholders' equity
<b>Balances as of January 1, 2019</b>	\$ 378,860	\$ 316,508	\$ 35,726	\$ 698,150	\$ 1,429,244	\$ 1,032	\$ 1,430,276
<b>Transactions with Company's stockholders:</b>							
Repurchased shares (Note 18e)	-	(20)	-	-	(20)	-	(20)
<b>Comprehensive income:</b>							
Other comprehensive loss (Note 18h)	-	-	(79,879)	-	(79,879)	(28)	(79,851)
Net profit	-	-	-	(45,376)	(45,376)	(116)	(45,492)
Comprehensive loss	-	-	(79,879)	(45,376)	(125,255)	(88)	(125,343)
<b>Balances as of December 31, 2020</b>	\$ 378,860	316,488	\$ (44,153)	\$ 652,774	\$ 1,303,969	\$ 944	\$ 1,304,913
<b>Transactions with Company's stockholders:</b>							
Repurchase of shares (Note 18e)	-	(5,072)	-	-	(5,072)	-	(5,072)
Dividends paid (Note 18d)	-	-	-	(16,938)	(16,938)	-	(16,938)
<b>Comprehensive income:</b>							
Other comprehensive income (Note 18h)	-	-	24,311	-	24,311	89	24,400
Net los	-	-	-	(106,601)	(106,601)	(297)	(106,898)
Comprehensive los	-	-	24,311	(106,601)	(82,290)	(208)	(82,498)
<b>Balances as of December 31, 2021</b>	\$ 378,860	\$ 311,416	\$ (19,842)	\$ 529,235	\$ 1,199,669	\$ 736	\$ 1,200,405

See accompanying notes to consolidated financial statements.



**Vitro, S.A.B. de C.V. and Subsidiaries**  
Notes to consolidated financial statements  
As of December 31, 2021 and 2020  
(Amounts in thousands of U.S. dollars)

**1. The Company's activity**

Vitro, S.A.B. de C.V. ("Vitro", together with its subsidiaries the "Company") is a holding and operating company whose subsidiaries are engaged in serving diverse markets, including flat glass for the construction and automotive industries, as well as glass containers for the cosmetics, fragrances, pharmaceutical and liquor markets. In addition, Vitro and its subsidiaries are engaged in the manufacture of machinery, equipment and capital goods for industrial use, the manufacture of inorganic chemical products as well as energy commercialization. Vitro's corporate offices are located at Avenida Ricardo Margain Zozaya No. 400, Colonia Valle del Campestre, San Pedro Garza Garcia, Nuevo León, Mexico.

**2. Significant events**

**2021**

*a) Restructuring*

The Board of Directors resolved favorably on a proposal for Vitro's businesses to adopt a new flexible corporate structure that allows them to have access to more competitive capital markets and allows them to take advantage of better business opportunities by industry, either through strategical mergers and acquisitions, co-investments, or through injections of capital and debt (hereinafter referred to as the "New Corporate Structure").

The adoption of this New Corporate Structure, whose implementation was approved by the Shareholders' Meeting on July 1, 2020, has begun through the mechanism and operations described below:

- i. Creation of four new subsidiaries with residence in Spain that are wholly owned by Vitro S.A.B. de C.V., with the purpose that each one of them, respectively, holds the shareholding of the subsidiaries that operate the businesses of automotive glass, architectural glass, glass containers and inorganic chemical products, as appropriate (hereinafter referred to as the "Newly Created Subsidiaries").
- ii. Direct transfer by Vitro, S.A.B. of C.V. in favor of the respective Newly Created Subsidiaries, of the shares or partnership interests of the subsidiaries resident in Mexico and abroad that are directly related to the operation of the automotive glass, architectural glass, glass container and chemical products business, as appropriate.
- iii. Transfer of a financial structure for each business by Vitro in favor of the Newly Created Subsidiaries and/or one or more of the companies subject to the transfer, so that each of them has its own assets and liabilities related to the automotive glass, architectural glass, glass container and chemical product businesses, as applicable, and



## **Vitro, S.A.B. de C.V. and Subsidiaries**

Notes to consolidated financial statements

As of December 31, 2021 and 2020

(Amounts in thousands of U.S. dollars)

- iv. Transfer or grant of temporary use or a mix of the previous, by Vitro and some of its subsidiaries in favor of the Newly Created Subsidiaries and/or one or more of the companies subject to transfer, of certain assets that are directly related to the operation of the architectural glass, automotive glass, glass container and inorganic chemical products businesses, as applicable.

The implementation of the New Corporate Structure has no impact on the operations with our customers, suppliers, employees and other stakeholders. The effective date of this implementation was January 1, 2021.

As a result of such restructuring, the segment note presented in note 24 was updated to the new form of management and the information for 2020 was restructured accordingly.

### *b) Dividends paid*

In the Ordinary General Meeting held on April 20, 2021, the shareholders agreed to declare and pay dividends at the rate of \$0.03604 per share (see Note 18d), the payment was made on April 29, 2021.

### *c) Debt prepayment*

On January 4, 2021, Vitro made a voluntary prepayment of \$180,000 to its syndicated loan, in order to reduce interest payments (see Note 14).

### *d) Debt refinancing*

On February 27, 2021, Vitro entered into financing through a bilateral credit agreement with BBVA for up to \$150,000 for the purpose of paying existing debt (see Note 14).

### *e) Debt prepayment*

On February 2, 2021, Vitro made a voluntary partial prepayment of \$140,000 to the syndicated loan in order to reduce interest payments and lengthening its average life while maintaining a solid financial structure (see Note 14).

### *f) Debt refinancing*

On February 26, 2021, Vitro entered into financing through a bilateral credit agreement with ING Bank N.V. for \$75,000 for the purpose of paying the existing debt (see Note 14).

### *g) Debt prepayment*

On March 1, 2021, Vitro made a voluntary prepayment of \$84,000 to the syndicated loan, in order to fully pay the balance of the syndicated loan and complete the refinancing of the debt (see Note 14).



**Vitro, S.A.B. de C.V. and Subsidiaries**  
Notes to consolidated financial statements  
As of December 31, 2021 and 2020  
(Amounts in thousands of U.S. dollars)

**2020**

*a) Commercial arbitration resolution*

On January 21, 2020, Vitro received payment of \$39,200 (see note 24) as a final resolution of an arbitration brought before the International Chamber of Commerce (ICC). This arbitration was initiated in 2018 to resolve the differences it had over the glass distribution contract for the architectural market. The costs incurred were \$6,066, which were recorded in operating expenses.

*b) Debt refinancing*

On January 20, 2020, Vitro and certain subsidiaries signed a bilateral loan agreement with The Bank of Nova Scotia for \$170,000 to refinance part of its debt.

*c) Debt prepayment*

On February 4, 2020, Vitro made a voluntary prepayment of \$76,000 to its syndicated loan, in order to maintain a solid financial structure by improving its financial structure, as well as reducing interest payments with the resources obtained from the portfolio sale program.

*d) Definitive closure of the Evansville, Indiana and Ewart, Michigan plants in the United States of America.*

On June 2, 2020, Vitro informed that it made the decision to close permanently the operations of two plants where it manufactures automotive glass in the United States, located in Ewart, Michigan and Evansville, Indiana. This was done in order to reorganize its automotive glass production and make the business more efficient. This decision does not affect customers nor other stakeholders of the automotive glass business since other Vitro plants have the capacity to produce the parts at the Evansville, IN and Ewart, MI plants (See note 9).

*e) Refinancing of a portion of debt*

On December 30, 2020, the operating subsidiaries of four business units in the United States of America entered into a Note Purchase Agreement with The Prudential Insurance Company of America, in order to refinance part of their existing consolidated debt under the Syndicated Credit Facility. The Notes were issued in two tranches: (i) \$130,000 due December 30, 2026, and (ii) \$50,000 due December 30, 2030.





### 3. Basis of preparation and consolidation

#### a) Basis of preparation

The consolidated financial statements as of December 31, 2021 and 2020, and for the years then ended, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The accompanying consolidated financial statements have been prepared on the historical cost basis, which includes the revaluation of the assumed cost, except for certain financial instruments which are recorded at fair value and investment properties which are recorded at fair value. Generally, historical cost is based on the fair value of the consideration given in exchange for the assets.

#### i. New IFRS's adopted in 2021

- COVID 19 – Rent concessions (Amendments to IFRS 16)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The adoption of these new standards and amendments did not have a material impact on the Company's consolidated financial statements.

#### ii. New IFRS's issued but not yet adopted

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

- Onerous contracts - Cost of compliance with contract (*Amendments to IAS 37*) <sup>(1)</sup>
- Property, plant and equipment: proceeds prior to the intended use (*Amendments to IAS 16*) <sup>(1)</sup>
- Reference to the conceptual framework (*Amendments to IFRS 3*) <sup>(1)</sup>
- Classification of a liability as current and non-current (*Amendments to IAS 1*) <sup>(2)</sup>
- IFRS 17 – Insurance contracts <sup>(2)</sup>
- Disclosure of accounting policies (*Amendments to IAS 1 and IFRS 2*) <sup>(2)</sup>
- Definition of accounting estimates (*Amendments to IAS 8*) <sup>(2)</sup>
- Deferred taxes related to assets and liabilities arising from the same operation (*Amendments to IAS 12*) <sup>(2)</sup>

(1) Effective for annual periods beginning on or after January 1, 2022.

(2) Effective for annual periods beginning on or after January 1, 2023.

Management does not expect the adoption of the new standards and amendments mentioned above to have a material impact on the Company's consolidated financial statements in future periods.



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*b) Basis of consolidation of financial statements*

The consolidated financial statements include those of Vitro, S.A.B. de C. V. and its subsidiaries on which it has control. Control is achieved when the Company: 1) has the power over the entity; 2) it is exposed or has rights to variable returns from its involvement with the investee; and 3) has the ability to use its power to affect its returns. Power is the actual ability to direct relevant activities of an entity. Intercompany balances and transactions have been eliminated in these consolidated financial statements. Investments in associates and other non-consolidated investments where there is material influence are accounted for using the equity method and at acquisition cost, respectively (Note 8).

As of December 31, 2021, the main entities controlled by Vitro and its shareholding are as follows:

FLAT GLASS	Vitro Arquitectónico España, S.L.U.(1)	100.00%	
	Vitro Automotriz UE, S.L.U.(1)	100.00%	
	Cristales Automotrices, S.A. de C.V.	51.00%	
	Cristales y Servicios, S.A. de C.V.	51.00%	
CHEMICAL	Industria del Álcali, UE, S.L.U.(1)	100.00%	
CONTAINERS	Vitro Empaques, S.L.U.(1)	100.00%	Vitro Vidriera Monterrey, S.A. de C.V. 100.00%
	Fabricación de Maquinas S.A. de C.V.	100.00%	
CORPORATE	Aerovitro, S.A. de C.V.	100.00%	

(1) Spanish Companies.

The Company's proportion of voting rights in entities on which it has control is similar to its shareholding.



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*c) Functional and reporting currency*

The functional and recording currencies of the main countries in which Vitro has operations are as follows:

Country	Recording currency	Functional currency	Closing exchange rate as of December 31,		Average exchange rate as of December 31,	
			2021	2020	2021	2020
USA	Dollar	Dollar	\$ 1.0000	\$ 1.0000	\$ 1.0000	\$ 1.0000
Mexico	Peso	Dollar /Peso	\$ 0.0489	\$ 0.0502	\$ 0.0479	\$ 0.0501
Canada	Canadian Dollar	Canadian Dollar	\$ 0.7915	\$ 0.7850	\$ 0.7856	\$ 0.7784
Colombia	Colombian Peso	Colombian Peso	\$ 0.0003	\$ 0.0003	\$ 0.0003	\$ 0.0003
Poland	Polish Zloty	Polish Zloty	\$ 0.2481	\$ 0.2683	\$ 0.2449	\$ 0.2676

The presentation currency is the U.S. dollar. In these consolidated financial statements and their notes, when referring to dollars or "\$", refers to amounts rounded to thousands of dollars, likewise, when referring to "\$ Ps.", they correspond to Mexican pesos.

*d) Use of estimates and judgments*

The accompanying consolidated financial statements have been prepared in conformity with IFRS, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the consolidated financial statements and their related disclosures. The Company's management, upon applying professional judgment, considers that estimates made, and assumptions used were adequate under the circumstances; however, actual results may differ from such estimates.

The related estimates and assumptions are reviewed continuously. Changes to accounting estimates are recognized in the period in which the estimate is changed if the change affects solely that period, or the current period and future periods if the review affects both current and future periods.

Critical accounting judgments and key uncertainty sources when applying the estimates performed as of the date of the consolidated financial statements, and that have a significant risk of resulting in an adjustment to the carrying amount of assets and liabilities during the following financial period are as follows:

A. Judgments

i. Going concern

As a result of the permanence of COVID-19 in the world the Company has been taken sanitary measures and to mitigate the spread of this virus, social isolation has been maintained, support to employees who have tested positive, restrictions on visits to its places of business, including surveillance and monitoring of personnel.



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As a result of the pandemic and other factors, there were complications in the supply chain in all the regions of the automotive sector where the Company has a stake, the scarcity of raw materials, high prices of steel and plastic resins, and the lack of semiconductors, among others. Other factors have caused constant stoppages in the plants of our OEM clients in the US and Mexico, to mitigate this effect, some production lines were temporarily closed, trying to balance production and inventory generation.

Operating costs and expenses for 2021 amounted to \$1,892,534, which increased by 1% with respect to total sales compared to 2020 when they amounted to \$1,692,423. The increase is due to a higher price of electricity, transportation costs, raw materials, among others.

### ii. Functional currency

In order to determine the functional currency of the subsidiaries, management evaluates the economic environment in which it primarily generates and expends cash. Therefore, factors related to sales, costs, funding sources and cash flows generated from operations are considered.

### iii. Estimate of the lease term

The Company participates in lease contracts that do not have a definite forced term, a defined renewal period (if it contains a renewal clause), or automatic annual renewals; therefore, to measure the lease liability, it estimates the term of the contracts considering their contractual rights and limitations, their business plan, as well as the management's intentions for the use of the underlying asset. In addition, the Company considers the early termination clauses of its contracts and the probability of exercising them, as part of its estimate of the lease term.

## B. Estimates

### iv. Evaluations to determine the recoverability of accounts receivable.

The Company performs an allowance for doubtful accounts, based on the expected credit losses required by IFRS 9; in addition, it considers key factors such as the customers' financial and operating situation, conditions of expired accounts and the economic conditions of the country.



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v. Evaluations to determine obsolete and slow-moving inventories

The Company performs a reserve for obsolete and/or slow-moving inventories, considering its internal control process and operating and market factors of its products. This reserve is reviewed periodically and is determined considering the turnover and consumption of raw materials, work-in-process and finished goods, which are affected by changes in production process and by changes in the market conditions in which the Company operates.

vi. Evaluations to determine recoverability of deferred tax assets

As part of the tax analysis carried out by the Company, the projected tax result is determined annually based on the judgments and estimates of future transactions to conclude on the likelihood of recoverability of deferred tax assets.

vii. Useful lives of intangible assets and of property, plant and equipment

Useful lives of both intangible assets and property, plant and equipment are used to determine the amortization and depreciation of assets and are defined according to the analysis by internal and external specialists. Useful lives are periodically reviewed, at least once a year, and are based on the current conditions of assets and the estimate of the period during which they will continue to generate economic benefits to the Company. If there are changes in the estimate of useful lives, the carrying amount of assets is affected prospectively, as well as the amortization or depreciation expense, as applicable.

viii. Impairment of long-lived assets

The carrying amount of long-lived assets is reviewed for impairment in case that situations or changes in the circumstances indicate that it is not recoverable. If there are impairment indicators, a review is carried out to determine whether the carrying amount exceeds its recoverability value and whether it is impaired.

ix. Employee benefits from retirement

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



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### x. Estimation of the discount rate to calculate the lease liability

The Company estimates the discount rate to be used in the determination of the lease liability, based on the incremental loan rate (“IBR”) using a three-level model: (i) reference rate, (ii) credit risk component and (iii) adjustment for characteristics of the underlying asset. In this model, management also considers its policies and practices to obtain financing, considering types of assets, currency in which the contract is agreed upon and the term of the contract, mainly.

### xi. Contingencies

Due to their nature, contingencies relate to the conclusion of certain future events that are not entirely controlled by the Company that might or might not occur. The evaluation of such contingencies significantly requires judgments and estimates on the possible result of such future events. The Company evaluates the potential outcomes of lawsuits and contingencies according to estimates carried out by its legal advisors. These estimates are reviewed periodically.

### e) *Classification of costs and expenses*

Costs and expenses presented in the consolidated statement of profit or loss and other comprehensive income were classified according to their function.

## **4. Summary of significant accounting policies**

The significant accounting policies of the Company are as follows:

### a) *Foreign currency*

The individual financial statements of each of the Company’s subsidiaries are prepared in the currency of the primary economic environment in which the Company operates (its functional currency). To consolidate the financial statements of foreign subsidiaries, they are translated from the functional currency into the reporting currency. The financial statements are translated into U.S. dollars (the reporting currency), considering the following methodology:

- The transactions where the recording and functional currency is the same, translate their financial statements using the following exchange rates: (i) the closing exchange rate for assets and liabilities and (ii) the weighted average for revenues, costs and expenses, as they are deemed representative of the existing conditions at the transaction date. Translation adjustments resulting from this process are recorded in other comprehensive income (loss). The adjustments related to goodwill and fair value generated from the acquisition of a foreign transaction are deemed assets and liabilities of such transaction and are translated at the exchange rate in effect at yearend.



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- Foreign currency transactions are recorded at the exchange rate in effect at the applicable translation date. Monetary assets and liabilities denominated in foreign currency are stated at the exchange rate in effect at the balance sheet date. Exchange fluctuations are recorded in the consolidated statements of profit or loss and other comprehensive income.

### *b) Cash and cash equivalents*

Cash and cash equivalents consist mainly of bank deposits in checking accounts 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 equivalent which liquidity is longer than three months is presented in the other current assets line item. Any cash equivalent whose use has been restricted is classified as restricted cash.

### *c) Financial instruments*

Financial assets and liabilities are initially measured at fair value. The costs of the transaction that are directly attributable to the acquisition or issuance of a financial asset or liability (different from financial assets and liabilities recognized at fair value through profit or loss) are added to or deducted from the fair value of the financial assets and liabilities at their initial recognition. The costs of the transaction directly attributable to the acquisition of financial assets or liabilities that are recognized at fair value through profit or loss are recognized immediately in the income or loss of the year.

#### *Financial assets*

The Company subsequently classifies and measures its financial assets based on the Company's business model to manage its financial assets, as well as the characteristics of the contractual cash flows of those assets. In this way, financial assets can be classified at amortized cost and effective interest method, at fair value through other comprehensive income, and at fair value through profit or loss.

All financial assets are recognized and written off at the trade date, whereby a purchase or sale of a financial asset is under an agreement with terms that require the delivery of the asset within a period that is generally established by the corresponding market, and is initially valued at fair value, plus the transaction costs, except for those financial assets classified as at fair value with changes through profit or loss, which are initially valued at fair value, without including the transaction costs.

Financial assets and liabilities are offset and the net balance is presented in the consolidated statement of financial position when, and only when, the Company has a legal right to offset the corresponding balances and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.



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*i. Financial assets at amortized cost*

Financial assets at amortized cost are those that i) are kept within a business model whose objective is to maintain such assets to obtain the contractual cash flows and ii) the contractual conditions of the financial asset give rise, on specified dates, to cash flows that are only payments of the principal and interest on the amount of the outstanding principal.

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

*ii. Financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income are those whose business model is based on obtaining contractual cash flows and selling financial assets, in addition to their contractual conditions giving rise, on specified dates, to cash flows, which are only payments of the principal and interest on the amount of outstanding principal.

*iii. Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are those that do not comply with the characteristics to be measured at amortized cost or at fair value through other comprehensive income, since: i) they have a business model different from those that seek to obtain contractual cash flows or obtain contractual cash flows and sell the financial assets, or, ii) the cash flows they generate are not only payments of the principal and interest on the amount of the outstanding principal.





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The company's model is to maintain financial assets to collect contractual flows. There is a segment of accounts receivable that are subject to a transfer of collection rights (with no recourse) through the use of financial factoring. The purpose of these operations is to accelerate the collection of the nominal amount documented in certain accounts receivable generated by the supply of goods and in some clients chosen by the financial counterparty (see note 6) and thus optimizing the Company's cash flows. The scheme is that of a financial factoring without recourse and under the delegated collection modality (it is Vitro who receives the cash flows associated with this collection and immediately pays the financial counterparty), through which the collection rights of certain invoices to clients chosen by Santander, who, once it accepts them, the collection rights are contractually transferred under the Financial Factoring contract, thus replacing the issuer (Vitro's operating subsidiaries) of the billing and receiving the nominal amount of accepted invoices, less a financial discount. It should be noted that the risks (mainly that of non-collection) and benefits of these operations are transferred from Vitro to Santander, with Vitro remaining as a free commission agent to receive payments of these accounts receivable and immediately transfer such payments to Santander. For accounting purposes, these particular operations and for the eligible portfolio, follow a trading business model; however, they are recognized at the nominal value of the invoices and, since the recovery periods are short, such value is similar to the fair value at the moment of initial recognition and the moment that elapses, between the issuance of the eligible invoices and the acceptance by Santander. It is until the moment in which the acceptance by Santander is perfected under the Financial Factoring contract, when Vitro temporarily recognizes a collection right towards this (settlement account) and simultaneously affects as financial expense, the amount that Santander adjusts by providing liquidity prior to collection, until it recognizes the settlement of the account receivable at its adjusted value for financial cost, proceeding to remove the collection right towards Santander from the Company's financial position. Although subsequently, Vitro and in order to maintain the commercial relationship with these clients, whose invoices were subject to the Financial Factoring scheme, continues to act as the collector, when these nominal funds arrive, they are immediately turned over to Santander to satisfy what is required regarding subsequent involvement of the service under IFRS 9. IFRS 9 requirements for derecognition or removal from the balance sheet of those assets eligible for Financial Factoring by the financial counterparty are present to account for the transaction, and the associated administrative management and recovery costs that Vitro incurs without any remuneration, are already in place as costs and expenses in the income statement.

*Derecognition of financial assets*

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows of the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction where:
  - all the risks and rewards of ownership of the financial asset are substantially transferred; or
  - the Company does not substantially transfer or retain all the risks and rewards of ownership and does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets previously recognized in its statement of financial position; in these cases, the transferred assets are derecognized.



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*Impairment of financial assets*

As of December 31, 2021 and 2020, the Company recognizes an allowance for impairment of financial assets on an expected credit loss approach, such as trade receivables and sundry debtors. The credit losses expected in these financial assets are estimated using a calculation model based on the historical experience of credit losses of the Company, adjusted to the factors that are specific to the debtors, the general economic conditions and an evaluation of both of the current management and the conditions existing at the date of the report, including the time value of the money, when appropriate.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. For exposure at default, for financial assets, this is represented by the gross carrying amount of the assets at the reporting date; for financial guarantee contracts, the exposure includes the amount stated at the reporting date, together with any additional amounts expected to be obtained in the future per default date determined based on historical trend, the Company's understanding of the specific financial needs of the debtors, and other relevant forward-looking information.

The Company adopted a simplified model for calculating expected losses, through which it recognizes the expected credit losses during the lifetime of the account receivable. The model consists of determining the average write-off of accounts receivable for each customer, which is defined as the default threshold. The Company then determines the average value of accounts receivable for the last twelve months that have exceeded the default threshold, which is used as the basis for the calculation. The percentage to be applied to this base amount is the percentage that represents the average of the accounts receivable that exceeds the default threshold divided by the average sales of the last twelve months. This methodology imposes a provision on the initial recognition of the accounts receivable in order to determine the impairment of accounts receivable. For certain categories of financial assets such as trade accounts receivable, assets that have been subjected to impairment tests and that have not suffered individually, are included in such assessment on a collective basis. Before the objective evidence that an accounts receivable portfolio could be impaired, the Company's past experience with regards to collection, an increase in the number of overdue payments in the portfolio that exceed the average credit period, as well as observable changes in international and local economic conditions that correlate with the default in payments could be included.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control over the financial assets.



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For financial assets recorded at amortized cost, the amount of impairment loss recognized is the difference between the carrying amount of the asset and the present value of future collections, discounted at the original effective interest rate of the financial asset. The carrying amount of the financial asset is reduced for the impairment loss directly for all financial assets, except for trade accounts receivable, where the carrying amount is reduced through an account for allowance doubtful accounts. When a doubtful account is deemed uncollectible, it is eliminated against the allowance. The subsequent recovery of the previously eliminated amounts is converted to credits against the allowance. Changes in the carrying amount of the allowance account are recognized in profit or loss.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or the borrower.
- A breach of contract such as a default or past due event.
- The lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, grant the borrower a concession that the lender would not otherwise consider.
- It is increasingly likely that the debtor will go into bankruptcy or some other financial reorganization.
- The extinction of a functional market for the financial asset due to its financial difficulties.

*Financial liabilities*

*Financial liabilities at fair value with changes through profit or loss.*

Financial liabilities are classified at fair value through profit or loss when the financial liability is (i) contingent consideration from an acquirer in a business combination, (ii) held for trading or (iii) designated as fair value through profit or loss.

A financial liability is classified as held for trading purposes if:

- It is acquired mainly in order to repurchase it in the near future; or
- It is part of an identified financial instrument portfolio managed jointly, and for which there is evidence of a recent pattern of taking short-term profits; or
- It is a derivative that has not been designated as a hedging instrument or does not meet the conditions to be effective



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A financial liability that is not held for trading purchasing or contingent consideration of an acquirer in a business combination may be designated as fair value through profit or loss on initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability is part of a company of financial assets or liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- It is part of an agreement that includes one or more embedded derivative instruments, and IFRS 9 allows the entire combined contract to be designated as fair value through profit or loss.

Financial liabilities at fair value through profit or loss are recorded at fair value, with any gain or loss arising on remeasurement recognized in the statement of comprehensive income.

### *Financial liabilities measured at amortized cost*

Other financial liabilities, including loans, are initially valued at fair value, net of costs of the transaction, and are subsequently valued at amortized cost using the effective interest rate method, and interest expenses are recognized on an effective return base.

The effective interest rate method is a method for the calculation of the amortized cost of a financial liability and of the assignment of the financial expense along the period concerned. The effective interest rate is the rate that exactly discounts the estimated cash payments along the expected life of the financial liability (or, where adequate, in a shorter period), which represents the net amount in books of the financial liability at its initial recognition.

### *Derecognition of financial liabilities*

The Company writes off financial liabilities if, and solely if, the obligations are met, cancelled or expired. The difference between the carrying amount of the financial liability written off and the consideration paid and payable is recognized in profit or loss.

When the Company exchanges with the existing lender one debt instrument for another one with 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 Company 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 percent 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 prior to the modification; and (2) the present value of the cash flows subsequent to the modification should be recognized in profit or loss as an extinguishment gain or loss, within other income or expenses.

The costs for obtaining and issuing a new debt are capitalized within the consolidated statement of financial position, except for those costs associated with debt settlement, provided that both debts are with the same creditor.



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If a debt is settled, the capitalized costs associated with such debt are canceled by recording them in profit or loss on the settlement date.

### *d) Inventories*

Inventories are valued at the average purchase price or average production cost, provided they do not exceed the net realizable value. Cost of sales is determined applying these averages upon sale.

Net realizable value is the selling price estimated during the regular course of business, less estimated termination costs and selling costs.

The Company uses the absorption cost system to determine the cost of inventories of production-in-progress and finished goods, which includes both direct costs and those indirect costs and expenses related to production processes.

### *e) Assets held for sale*

Long-term assets are classified as held for sale if their carrying amount will be recovered through a sale transaction and not through their continuous use. This condition is deemed met solely when the sale is highly probable and the asset (or group of assets for sale) is available for immediate sale in its current condition, once classified as assets held for sale, these assets are no longer depreciated. They are presented in the consolidated statements of financial position in the short term, according to the realization plans, and they are recorded at the lesser of their carrying amount or fair value less costs of sale.

### *f) Investment in associated companies and other investments*

An associated company is a company in which the Company has significant influence. Significant influence is the power to participate in the definition of financial and operating policies of an entity, but it does not have control or joint control on such policies.

The results, assets and liabilities of the associated companies are included in the Company's consolidated financial statements using the equity method. Under this method, an investment in an associated company is recognized in the consolidated statements of financial position at cost. When the comprehensive loss of an investment in an associated company exceeds the Company's equity in its capital, the Company discontinues the recognition of such losses. Additional losses are recognized up to the amount of the Company's obligations and legal commitments for its equity in the associated company.

Any excess of acquisition cost of the Company's equity in an associated company on the net fair value of identifiable assets, liabilities and contingent liabilities of such associated company is recognized as goodwill, which is included at the carrying amount of such investment. Any excess of net fair value of the identifiable assets, liabilities and contingent liabilities on the acquisition cost of an associated company is recognized in current earnings.

The results, assets and liabilities of other investments are included in the Company's consolidated financial statements at acquisition cost. Other investments are analyzed when there are indications of impairment, in which case the recovery value of such other investments is compared to the book value.



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g) *Property, plant and equipment*

Land and buildings, machinery and equipment held for use in production for rendering services or for administrative purposes are recognized in the consolidated statement of financial position at historical costs, less accumulated depreciation or accumulated impairment losses.

Depreciation is recorded in earnings and is calculated using the straight-line method based on the remaining useful lives of the assets, which are reviewed annually with the residual values, and the effect of any change in the recorded estimate is recognized on a prospective basis. The assets related to finance leases are depreciated in the shorter period between the lease and their useful lives, unless it is reasonably certain that the Company will obtain the ownership at the end of the lease period.

The estimated useful lives for the main classes of fixed assets that correspond to current and comparative periods are as follows:

	<u>Years</u>
Buildings	15 to 50
Machinery and equipment	3 to 30

When components of building, machinery and equipment have different useful lives, they are recorded as separate items (significant components) of buildings, machinery and equipment.

Gains and losses on the sale of land and buildings, machinery and equipment are determined by comparing the proceeds from the sale with the carrying amount of the item and are recognized net within other (income) and expenses, in income.

Investments in process are recorded at cost less any impairment loss recognized. The cost of assets constructed by the Company include cost for constructing the asset, as well as the cost for dismantling, removing items, restoring the place where they are located, and the costs for capitalized loans, according to the Company's policy. The depreciation of these assets, as in other properties, commences when the assets are ready for use and the conditions necessary for operation are met.

h) *Investment properties*

Investment properties are those held to obtain rents and increase in value (including investment properties under construction for such purposes), and are initially valued at acquisition cost, including the costs incurred in the related transactions. After the initial recognition, investment properties are valued at fair value. The fair value of the investment properties is determined annually through appraisals performed by an expert appraiser, who uses different valuation techniques such as observable markets, amortized costs, among others. Gains or losses arising from changes in the fair value of the investment properties are included in other (income) expenses in the consolidated statements of profit or loss and other comprehensive income in the period in which they arise.



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An investment property is eliminated upon disposal or when it is permanently retired from use and no future economic benefits are expected from the disposal. Any gain or loss arising from derecognition of the property (calculated as the difference between net income from disposal and the carrying amount of the asset) is recognized in earnings in the consolidated statements of comprehensive income in the period in which the property is derecognized.

*i) Leases*

The Company evaluates whether a contract is or contains a lease agreement, at the beginning of the contract term. A lease is defined as a contract in which the right to control the use of an identified asset is granted, for a specific term, in exchange for a benefit. The Company recognizes a right-of-use asset and a corresponding lease liability, with respect to all lease contracts in which it operates as a lessee, except in the following cases: short-term leases (defined as leases with a term of lease less than 12 months); leases of low-value assets (defined as leases of assets with an individual market value of less than \$ 7.5 (seven thousand five hundred dollars)); and lease contracts whose payments are variable (without any contractually defined fixed payment). For these contracts that exclude the recognition of a right-of-use asset and a lease liability, the Company recognizes rent payments as an operating expense in a straight line during the term of the lease.

The right-of-use asset is measured at cost and consists of of lease payments discounted at present value; direct costs to obtain a lease; advance lease payments; and the obligations of dismantling or removal of assets. The Company depreciates the right-of-use asset during the shortest period of the lease term and the useful life of the underlying asset, beginning on the start date of the lease; in this sense, when a purchase option in the lease is likely to be exercised, the right-of-use asset depreciates in its useful life. The right-of-use asset is tested for impairment when there are indications, in accordance with the long-lived asset impairment accounting policy.

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

In determining the term of the lease, the Company considers the mandatory term, including the likelihood of exercising any right to extend the term and/or an early exit.

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





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When there are changes to the lease payments for inflation, the Company remeasures the lease liability from the date on which the new payments are known, without reconsidering the discount rate. However, if the changes are related to the term of the contract or to the exercise of a purchase option, the Company re-evaluates the discount rate in the liability remeasurement. Any increase or decrease in the value of the lease liability after this remeasurement is recognized by increasing or decreasing to the same extent, as the case may be, the value of the right-of-use asset.

Finally, the lease liability is written off at the time the Company settles all the contract's payments. When the Company determines that it is likely that it will exert an early exit from the contract that merits a cash outlay, such consideration is part of the remeasurement of the liability quoted in the preceding paragraph; however, in those cases in which the early termination does not imply a cash outlay, the Company cancels the lease liability and the corresponding right-of-use asset, immediately recognizing the difference between them in the consolidated statement of profit or loss.

In addition, the Company does not have any significant lease agreements in which it acts as lessor. During the year, the Company did not receive any rental concessions that required special treatment.

During the fiscal years 2021 and 2020 due to COVID-19, there were no changes in agreements that implied a change in relation to the requirements of the standard and its clarifications or amendments issued in 2021.

*j) Borrowing costs*

The costs for loans directly attributable to the acquisition, construction or production of qualifying assets, which are assets that require a substantial period until they are ready to use, are added to the cost of those assets. Capitalization of loan costs ceases at the time that the assets are available for use. Exchange rate fluctuations arising from the procurement of funds in foreign currency are capitalized to the extent that they are deemed adjustment to the interest cost. The income obtained from the temporary investment of specific loans to be used in qualifying assets, is deducted from costs for loans eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period they are incurred.

*k) Intangible assets*

*Intangible assets with finite and indefinite lives*

Intangible assets that are acquired by the Company, and which have finite useful lives are recorded at cost less accumulated amortization and accumulated impairment losses. The estimated useful lives and amortization method are reviewed at the end of each year, and the effect of any change in the recorded estimate is recognized prospectively.

Intangible assets with indefinite useful lives are not amortized and are annually subject to impairment tests.





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*l) Goodwill*

Goodwill arises from a business combination and is recognized as an asset at the date control is acquired (acquisition date). Goodwill is the excess of the consideration transferred on the fair value at the acquisition date of the identifiable assets acquired and liabilities assumed. When the fair value of the identifiable net assets of the acquired exceeds the sum of the consideration transferred, the amount of such excess is recognized in the consolidated statement of comprehensive income as a gain on purchase. Goodwill is not amortized and is subject to annual impairment tests.

For the purposes of the evaluation of the impairment, goodwill is assigned to each of the cash generating units for which the Company expects to obtain benefits. If the recoverable amount of the cash-generating unit is less than the amount in books of the unit, the impairment loss is allocated first in order to reduce the amount in books of the goodwill allocated to the unit and then to the other assets of the unit, proportionally, on the basis of the amount in books of each asset in the unit. Impairment loss recognized for goodwill purposes cannot be reversed in a subsequent period.

Upon disposal of a subsidiary, the amount attributable to goodwill is included in the determination of the profit or loss on the disposal.

*m) Impairment of tangible and intangible assets*

The Company reviews the carrying amounts of its tangible and intangible assets to determine if there is any indicator that those assets have suffered any impairment loss. If there is any indicator, the recoverable amount of the asset is calculated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which such asset belongs. When a reasonable and consistent basis of distribution can be identified, corporate assets are also assigned to the individual cash generating units, or otherwise, are assigned to the smallest group of cash generating units for which a reasonable and sound distribution base can be identified. Intangible assets that have an indefinite useful life are subject to impairment tests at least annually, and whenever there is an indicator that the asset may have been impaired.

The recoverable amount is the higher between the fair value less cost to sell it and the value in use. Value in use calculations require the Company to determine the future cash flows generated by the cash generating units and an appropriate discount rate to calculate the present value thereof. The Company uses cash flow projections of revenues using estimates of market conditions, future pricing of its products and production and sales volumes. Likewise, for discount rate and perpetuity growth purposes, indicators of market risk premiums and long-term growth expectations in the markets in which the Company operates are used.



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The Company estimates a pre-tax discount rate for goodwill impairment testing purposes that reflects current assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. The discount rate estimated by the Company is based on the weighted average cost of capital of similar entities. In addition, the discount rate estimated by the Company reflects the return that investors would require if they were to make an investment decision on an equivalent asset in terms of cash flow generation, timing and risk profile.

If it is estimated that the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for that asset (or cash-generating unit) in prior years, except for goodwill.

External and internal indicators are subject to annual evaluation.

*n) Derivative financial instruments and hedging operations*

The Company's activities expose it to a variety of financial risks, including foreign exchange risk, interest rates and price risk such as generic goods, mainly that of natural gas.

The Company's policy is to contract derivative financial instruments ("DFI's") in order to mitigate and cover the exposure to which it is exposed, given its productive and financial transactions. The Company designates these instruments either as fair value hedges, cash flow hedges or hedges of a net investment in a foreign operation.

There is a Risk Committee, which is responsible for enforcing risk management policies, as well as for monitoring the proper use of financial instruments contracted by the Company.

The Committee is composed by several of the Company's officials. In addition, to perform this type of transactions an authorization from the Board of Directors is required.

The Company recognizes all derivative financial instruments in the consolidated statement of financial position at fair value, regardless of the intention of its holding. In the case of hedging derivatives, the accounting treatment depends on whether the hedging is of fair value or cash flows. DFI's negotiations may include considerations agreements, in which case, the resulting amounts are presented on a net basis.

The fair value of financial instruments is determined by recognized market prices and when instruments are not traded in a market; it is determined by technical valuation models recognized in the financial field using inputs such as price, interest rate and exchange rate curves, which are obtained from different sources of reliable information.



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When derivatives are contracted in order to cover risks and comply with all the hedge accounting requirements, their designations are documented describing the purpose, features, accounting recognition and how the measurement of effectiveness will be carried out.

The Company designates certain derivatives as hedging instruments in respect to rate risk cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes resulting from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of the hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Company designates the full change in the fair value as the hedging instrument for all of its hedging relationships involving forward contracts.

The Company shall cease to apply the specific policy of assessing the economic relationship between the hedged item and the hedging instrument (i) to a hedged item or hedging instrument when the uncertainty arising from the reform of the reference interest rate is no longer present with respect to the timing, and the amount of cash flows based on the interest rate of the respective item or instrument or (ii) when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Company will no longer apply the specific policy when the uncertainty arising from the reform of the reference interest rate on the timing and amount of future cash flows based on the interest rate of the hedged item is no longer present, or when the hedging relationship is discontinued.



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*o) Provisions*

Provisions are recognized for current obligations that arise from a past event that will probably result in the use of economic resources, and that can be reasonably estimated. For the purpose of accounting records, provisions are discounted at present value when the discount effect is material. Provisions are classified as current or non-current based on the estimated time period to meet the obligations that are covered. When the recovery of a third of some or all the economic benefits required to settle a provision is expected, an account receivable is recognized as an asset if it is virtually certain that the payment will be received, and the amount of the account receivable can be valued reliably.

*p) Income taxes*

Income taxes for the year include the current and deferred income tax. Current taxes and deferred taxes are recognized in profit or loss, except when they are related to a business combination, or items recognized directly in stockholders' equity, or in other comprehensive income (loss).

Current income tax is the tax expected to be paid or received. The income tax payable in the fiscal year is determined according to the legal and tax requirements, applying tax rates enacted or substantially enacted as of the report date, and any adjustment to the tax payable with respect to prior years.

Deferred income tax is recorded using the asset and liability method, which compares the accounting and tax values of the Company's assets and liabilities and deferred taxes are recognized with respect to the temporary differences between such values. No deferred income taxes are recognized for the following temporary differences: the initial recognition of assets and liabilities in a transaction other than a business acquisition and that does not affect the accounting or tax result, and differences related to investments in subsidiaries and joint ventures to the extent it is probable that they will not be reversed in a foreseeable future. In addition, deferred income taxes for taxable temporary differences arising from the initial recognition of goodwill are not recognized. Deferred income taxes are calculated using rates that are expected to apply to temporary differences when they are reversed, based on enacted laws or which have been substantially enacted at the reporting date.

Deferred income tax assets and liabilities are offset only if there is a legally enforceable right to offset current income tax assets and liabilities, and they correspond to the income tax levied by the same tax authority and to the same tax entity, or on different tax entities, and current tax assets and liabilities are intended to be settled on a net basis or their tax assets and liabilities are simultaneously materialized.

A deferred income tax asset is recognized for tax loss carryforwards, tax credits and deductible temporary differences, to the extent that it is probable that there is taxable income to which they can be applied. Deferred income tax assets are reviewed at the reporting date and are reduced to the extent that the realization of the corresponding tax benefit is no longer likely.

Management periodically evaluates positions exercised in tax returns with respect to situations where applicable law is subject to interpretation. Provisions are recognized when appropriate based on the amounts expected to be paid to the tax authorities. Deferred income tax assets are recognized only when it is probable that future taxable profit will be available against which deductions for temporary differences can be used.



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q) *Employee benefits*

i. *Defined benefit plans*

*Pension plans*

A defined benefit plan is a benefit plan at the end of a labor relationship different from one of defined contributions. The Company's net obligations with respect to the defined-benefit pension plans 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 fair value of the plan assets is 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 Company's obligations which are denominated in the same currency in which benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit for the Company, the recognized asset is limited to the net total of unrecognized past service costs and the present value of the economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan plus the plan assets. To calculate the present value of the economic benefits, the minimum funding requirements applicable to the Company's plan are considered. An economic benefit is available to the Company if it can be realized during the life of the plan, or upon settlement of the plan obligations.

When the benefits of a plan are improved, the portion of the improved benefits relating to past services by employees is recognized in profit or loss using the straight-line method over the average period until it acquires the right to the benefits. When the benefits are earned, the expense is recognized in profit or loss.

The Company recognizes actuarial remeasurements derived from defined benefit plans in the other comprehensive income (loss) account, in the period in which they occur, and they are never recycled to profit or loss.

*Medical post-employment benefits*

The Company grants medical benefits to retired employees at the end of the employment relationship. The right to access these benefits usually depends on whether the employees have worked up to the retirement age and have completed certain minimum service years. The period cost of these benefits is recognized in profit or loss using the same criteria as those described for pension plans.

ii. *Termination benefits*

Termination benefits are recognized as an expense when the Company 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.

The benefits from termination in cases of voluntary retirement are recognized as an expense, solely if the Company has made an offer of voluntary retirement, the offer is likely to be accepted, and the number of acceptances can be estimated reliably. If the benefits are payable no later than 12 months after the reporting period, they are discounted at the present value.



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*iii. Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as services are rendered.

A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Company has a legal or assumed obligation to pay these amounts as a result of past services provided by the employee and the obligation can be estimated reliably.

*r) Statutory employee profit sharing ("PTU")*

PTU is recognized in profit or loss of the fiscal year in which it is incurred, and is presented within operating income.

*s) Revenue recognition*

Revenue from the sale of products in the course of normal operations is recognized at the fair value of the consideration received or receivable, net of returns, commercial discounts and volume discounts.

For revenue recognition of contracts with customers, a comprehensive model is used for the accounting of revenues from contracts with customers, which introduces a five-step approach to revenue recognition: (1) contract identification; (2) identify performance obligations in the contract; (3) determine the price of the transaction; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenues when the entity satisfies the performance obligation.

The Company has signed contracts with its most representative customers, in which sales price lists, agreed currency, purchase volumes, cash discounts and volumes are agreed, for customers who do not have a contract, purchase orders are defined as contracts where the same characteristics mentioned above are defined.

The Company's most important performance obligations are not separable and are met at one point in time; therefore, the customer cannot be partially satisfied, generally, in these contracts, there is more than one performance obligation and they are treated as an integral and non-separable service.

In the contracts and purchase orders, the selling prices for the performance obligations identified are agreed, as well as discounts, if applicable.

The Company recognizes revenue when the performance obligation with its customers is satisfied, i.e. when control of the goods is transferred to the customer, which is given at the moment of delivery of the promised goods to the customer in accordance with the agreed terms and conditions.

In the case of payments related to obtaining contracts, these are capitalized and amortized over the duration of the contract. If an advance payment is received, it is recorded as an advance payment from customers and if it is to be made over a period of more than one year, it is reclassified to long-term.



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### *t) Financial income and costs*

Financial income includes income interest on invested funds, changes in the fair value of financial assets at fair value through profit or loss, Exchange gains and the related employee benefit effects of both the defined benefit obligation and the plan assets. Interest income is recognized in income as earned, using the effective interest method.

Financial costs include interest expenses on loans, effect of the discount by the passage of time on provisions, exchange losses, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognized on financial assets. The borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset, are recognized in earnings using the effective interest method.

### *u) Earnings per share*

The Company presents information about basic and diluted earnings per share ("EPS") corresponding to its common stock. The basic EPS is calculated by dividing the earning or loss attributable to stockholders that hold the Company's common stock by the weighted average outstanding common stock during the period, adjusted for the own shares held. The diluted EPS are calculated by adjusting the earning or loss attributable to stockholders that hold common shares and the weighted average number of outstanding shares, adjusted for the own shares held, for the effect of the dilution potential of all common shares, which include convertible instruments and options on shares granted to employees.

For the years ended December 31, 2021 and 2020, the Company has no dilutive effects.

### *v) Repurchase of shares*

When capital stock recognized as stockholders' equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of taxes, is recognized as a reduction to stockholders' equity. Shares that are repurchased are classified as treasury shares and are presented as a deduction from stockholders' equity. When treasury shares are subsequently sold or reissued, the amount received is recognized as an increase in stockholders' equity, and the surplus or deficit resulting from the transaction is transferred to retained earnings. Finally, when treasury shares are cancelled, an increase is recognized in "Retained earnings," a decrease in "Stockholders' equity" equivalent to the par value of the cancelled shares, and the surplus or deficit from the cancellation, with respect to the previous repurchase, is recognized in "Additional paid-in capital."





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*w) Segment information*

Operating segments are defined as the components of an enterprise engaged in the production and sale of goods and services that are subject to risks and rewards that are different from those associated with other business segments.

The Company's subsidiaries are grouped according to the business segments in which they operate. For internal and organizational purposes, each business carries out the management and supervision of all the activities of the respective business, which refer to production, distribution and marketing of its products. Consequently, the Company's management internally evaluates the results and performance of each business for decision-making purposes. Following this approach, in day-to-day operations, economic resources are allocated on an operating basis of each business.

Transactions between segments are determined on the basis of prices comparable to those that would be used with or between independent parties in comparable transactions at market value.

*x) Fair value determination*

Several of the Company's accounting policies and disclosures require the determination of the fair value of both financial and non-financial assets and liabilities. Fair values for measurement and disclosure purposes have been determined based on the methods mentioned in subsequent paragraphs; where appropriate, further information about the assumptions made in determining the specific fair values of that asset or liability is disclosed in the notes to the consolidated financial statements.

The levels that cover 1 to 3, based on the degree to which the fair value of the financial instruments is observed, are:

- Level 1 are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 are those derived from indicators other than quoted prices included within Level 1, but which include indicators that are observable for an asset or liability, either directly to prices quoted or indirectly; i.e. derived from these prices; and
- Level 3 are those derived from valuation techniques that include indicators for assets and liabilities, which are not based on observable market information (non-observable indicators).

The techniques and method of calculation are disclosed in Note 9 for investment properties and Note 17 for derivatives and debt disclosure.





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**5. Other current assets and other short and long-term liabilities**

The balances of other current assets as of December 31, 2021 and 2020 are as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Sundry debtors	\$ 18,787	\$ 35,331
Related parties (note 19)	3,141	15,333
Prepayments	5,115	4,718
Prepayment of inventories	2,726	1,660
Assets held for sale	2,692	4,939
Derivative financial instruments	1,344	-
<b>Total</b>	<b>\$ 33,805</b>	<b>\$ 61,981</b>

The balances of other short-term liabilities as of December 31, 2021 and 2020 are as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Sundry creditors	\$ 69,842	\$ 65,263
Taxes payable	16,509	13,441
Derivate financial instruments	3,783	
<b>Total</b>	<b>\$ 90,134</b>	<b>\$ 79,993</b>

The balances of other long-term liabilities as of December 31, 2021 and 2020 are as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Provision for compensations	\$ 2,878	\$ 3,012
Other liabilities	6,256	8,288
<b>Total</b>	<b>\$ 9,134</b>	<b>\$ 11,300</b>

**6. Trade accounts receivable, net**

Trade accounts receivable consists of the following:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Trade accounts receivable	\$ 224,996	\$ 188,015
Less allowance for doubtful accounts	(12,132)	(9,787)
<b>Total</b>	<b>\$ 212,864</b>	<b>\$ 178,228</b>



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On December 23, 2019, Vitro entered into an agreement to initiate a non-recourse portfolio sale program with Banco Santander, S.A. for 3 years, which is extendable for an additional year; the amount of such program is up to \$ 110,000. As of December 31, 2021 and 2020, the amount of the portfolio sold amounted to \$66,643 and \$87,274, respectively. Since the Company considers this transaction as an advanced payment, the cash flows related are recorded in the consolidated statement of cash flows within the changes of trade receivables.

The following is an analysis of the aging of trade receivable balances as of December 31, 2021 and 2020:

	<u>Current</u>	<u>30 days</u>	<u>31 to 60 days</u>	<u>Over 60 days</u>
2021	\$ 174,441	\$ 31,229	\$ 2,504	\$ 16,822
2020	\$ 140,108	\$ 31,334	\$ 6,342	\$ 10,231

The movement in the allowance for doubtful accounts is as follows:

	<u>2021</u>	<u>2020</u>
Opening balance	\$ 9,787	\$ 12,579
Increase of the year	38,456	17,281
Applications	(36,111)	(20,073)
Final balance of the year	<u>\$ 12,132</u>	<u>\$ 9,787</u>

## 7. Inventories

Inventories consist of the following:

	<b>December 31,</b>	
	<u>2021</u>	<u>2020</u>
Finished goods	\$ 227,507	\$ 181,622
Work in process	48,971	36,130
Raw Material	82,538	79,496
Spare parts	61,564	62,910
Others	37,549	26,254
Total	<u>\$ 458,129</u>	<u>\$ 386,41</u>

Inventories as of December 31, 2021 and 2020 are reduced to their net realizable value due to the obsolescence and slow-moving reserve in the amount of \$ 12,645 and \$11,701, respectively; this reserve mainly decreases the balances presented in the finished good, spare part and raw material lines.

In 2021 and 2020, inventories in the amount of \$589,322 and \$576,039, respectively, were recognized as an expense and included in cost of sales for those periods.



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**8. Investment in associated companies**

- Investments in associates

		<b>December 31,</b>	
	<b>% Holding</b>	<b>2021</b>	<b>2020</b>
Shandong PGW Jinjing Automotive Glass Co. Ltd. <sup>(a)</sup>	50.00	<u>\$ 15,502</u>	<u>\$ 1,047</u>

(a) Investment in Shandong PGW Jinjiang Glass Co, LTD, a company engaged in the production of automotive glass. During 2021, cash flows sent for the expansion of the company were capitalized for \$19,035, after recognition of the equity method, a loss of \$4,580 was recognized.

- Other investments

		<b>December 31,</b>	
	<b>% Holding</b>	<b>2021</b>	<b>2020</b>
Servicio Superior Ejecutivo, S.A. de C.V. <sup>(b)</sup>	50.00	<u>\$ 7,140</u>	<u>\$ 7,140</u>
Others	25.00	<u>-</u>	<u>2,400</u>
Total		<u>\$ 7,140</u>	<u>\$ 9,540</u>

(b) Joint venture held in April 2019, the created Company is dedicated to passenger air transportation.

**9. Investment properties**

As of December 31, 2021 and 2020, the balance of the investment properties is \$20,147 and \$18,533, respectively; these assets are mainly made up of land and buildings. The fair value of the investment properties was determined by independent and external property appraisers, who have appropriate recognized professional qualifications and recent on-site experience.

The fair value of investment properties was calculated based on Level 2 of the fair value hierarchy (Note 17iv).



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Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value
The commercial values of land in similar locations and dimensions were used. The price per square meter of this land was weighted.	<ul style="list-style-type: none"> <li>- Location of similar land (address)</li> <li>- Land dimensions</li> </ul>	<p>Estimated fair value would increase (decrease) if:</p> <p>The replacement value would vary if the average square meter in the area were to decrease or increase if the square meter were to increase.</p>

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

A summary of this balance is as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Land	\$ 165,831	\$ 159,958
Buildings	490,582	510,978
Accumulated depreciation	(304,787)	(301,208)
Impairment of buildings	(7,793)	-
	<u>343,833</u>	<u>369,728</u>
Machinery and equipment	1,533,831	1,567,024
Accumulated depreciation	(877,713)	(851,708)
Impairment of machinery and equipment	(35,929)	-
	<u>620,189</u>	<u>715,316</u>
Investments in process	179,007	123,880
Total	<u>\$ 1,143,029</u>	<u>\$ 1,208,924</u>



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<u>Cost or valuation</u>	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Investments in process</u>	<u>Total</u>
Balances as of January 1, 2020	\$ 177,199	\$ 521,789	\$ 1,536,953	\$ 136,196	\$ 2,372,137
Additions	24	10,806	101,457	(14,239)	98,048
Disposals	(3,933)	(4,286)	(8,501)	-	(16,720)
Translation effect	(5,973)	(12,904)	(16,960)	(768)	(36,605)
Closing of plants	-	(2,346)	(12,943)	-	(15,289)
Illumimex purchase	-	-	-	2,691	2,691
Transfers	(7,359)	(2,081)	(32,982)	-	(42,422)
Balance as of December 31, 2020	<u>\$ 159,958</u>	<u>\$ 510,978</u>	<u>\$ 1,567,024</u>	<u>\$ 123,880</u>	<u>\$ 2,361,840</u>
Additions	\$ 8,544	\$ 478	\$ 40,945	\$ 55,916	\$ 105,883
Disposals	(2,683)	(18,686)	(68,803)	-	(90,172)
Translation effect	12	(2,188)	(5,335)	(789)	(8,300)
Balance as of December 31, 2021	<u>\$ 165,831</u>	<u>\$ 490,582</u>	<u>\$ 1,533,831</u>	<u>\$ 179,007</u>	<u>\$ 2,369,251</u>

<u>Accumulated depreciation and impairment</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Investments in process</u>	<u>Total</u>
Balances as of January 1, 2020	\$ 296,756	\$ 803,765	\$ -	\$ 1,100,521
Depreciation of the year	18,249	86,186	-	104,435
Disposals	(4,188)	(6,887)	-	(11,075)
Closing of plants	(834)	(327)	-	(1,161)
Transfers	1,021	(17,993)	-	(16,972)
Translation effect	(9,796)	(13,036)	-	(22,832)
Balance as of December 31, 2020	<u>\$ 301,208</u>	<u>\$ 851,708</u>	<u>\$ -</u>	<u>\$ 1,152,916</u>
Depreciation of the year	\$ 16,772	\$ 87,772	\$ -	\$ 104,544
Impairment	7,793	35,929	-	43,722
Disposals	(12,198)	(58,031)	-	(70,229)
Translation effect	(995)	(3,736)	-	(4,731)
Balance as of December 31, 2021	<u>\$ 312,580</u>	<u>\$ 913,642</u>	<u>\$ -</u>	<u>\$ 1,226,222</u>

a) *Capitalized borrowing cost*

As of December 31, 2021 and 2020, the Company did not have assets that qualify for interest capitalization in the investments in process line item.



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*b) Asset write-off for closing of plants*

As of December 31, 2020 and 2019, no impairment expense related to value in use was recorded; however, as mentioned in Note 2d., in fiscal year 2020, the Company closed two of its plants, the effect of this situation was for an amount of \$14,128, which was recorded in other expenses and other assets were also written off for an amount of \$5,024. During 2021, due to the disposal plan for the plants, the company sold assets with a net cost of \$19,831 and generated income from such sale of \$13,894.

*c) Investments in progress*

As of December 31, 2021, investments in progress are mainly related to investments made for the Automotive industry related to a windshield line, in Architectural for the repair of the VF2 Furnace and a jumbo cutter in the plant located in Mexicali. In the inorganic chemicals division, it is primarily a vapor emission condenser. To complete the aforementioned projects, an additional investment of cash flows of \$50,500 is expected. The aforementioned projects are expected to come into operation during 2022 and early 2023.

*d) Impairment loss*

The company carried out its tests of the value in use of its assets and derived from the situation and uncertainty of the automotive industry, an impairment loss of \$43,722 lodged in the property, plant and equipment belonging to such industry was recognized, which was registered in the cost of sales. The assumptions used to calculate brand impairment are the same as those mentioned in note 12.

**11. Right of use asset, net and lease liability**

The following is a summary of the right-of-use assets and the lease liability:

	<u>Building</u>	<u>Machinery and equipment</u>	<u>Transport equipment</u>	<u>Other</u>	<u>Total</u>
Opening balance as of January 1, 2020	\$ 12,548	\$ 49,933	\$ 4,280	\$ 11	\$ 66,772
Additions	6,785	10,367	200	1,857	19,209
Depreciation expense of the year	<u>(3,828)</u>	<u>(11,712)</u>	<u>(1,615)</u>	<u>(817)</u>	<u>(17,972)</u>
Final balance as of December 31, 2020	\$ 15,505	\$ 48,588	\$ 2,865	\$ 1,051	\$ 68,009
Additions/disposals	7,012	1,333	3,091	(580)	10,856
Depreciation expense of the year	<u>(6,737)</u>	<u>(9,714)</u>	<u>(3,438)</u>	<u>(111)</u>	<u>(20,000)</u>
Final balance as of December 31, 2021	<u>\$ 15,780</u>	<u>\$ 40,207</u>	<u>\$ 2,518</u>	<u>360</u>	<u>\$ 58,865</u>



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a) Amounts recognized in consolidated statement of profit or loss

	<u>2021</u>	<u>2020</u>
Depreciation expense of right of use asset	\$ 20,000	\$ 17,972
Interest expense on lease liabilities	2,665	3,022
Expense related to low value leases	7,235	8,847

b) As of December 31, 2021 and 2020, the total cash outflow for leases amounts to \$20,937 and \$18,935, respectively.

The changes in the lease liability that derive from financing activities in accordance with the cash flow are as follows:

Balance as of January 1, 2020	\$ 54,763
Interest expense on lease liabilities	3,022
Additions	19,209
Lease payments	(18,935)
Balance as of December 31, 2020	<u>\$ 58,059</u>
Interest expense on lease liabilities	2,665
Additions	10,856
Lease payments	(20,937)
Balance as of December 31, 2021	<u>\$ 50,643</u>

Total future minimum lease payments are analyzed as follows:

	<u>December 31,</u> <u>2021</u>
Contractual obligations	58,301
Interests to be accrued	7,658
Obligations at present value	50,643
- Less than 1 year	17,851
- More than one year	<u>32,792</u>



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Interest rates used as of December 31, 2021 are as follows:

	<u>Term in months</u>	<u>Pesos Interest rate</u>	<u>Dollars Interest rate</u>
Buildings	36-120	9.72–10.10%	3.68 -4.60%
Machinery and equipment	24-120	9.61–9.90%	3.49 -4.06%
Transport equipment	24-72	9.70-10.10%	3.61 -4.60%
Others	24-36	9.52-9.92%	3.41 -4.12%

The Company does not face a significant liquidity risk with respect to lease liabilities. Lease liabilities are monitored through the Company's treasury.

## 12. Goodwill

Goodwill balances as of December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Balance as of January 1,	\$ 62,139	\$ 61,653
Impairment of goodwill	(4,582)	-
Translation effect	146	486
Balance as of December 31,	<u>\$ 57,703</u>	<u>\$ 62,139</u>

Goodwill was generated as a result of the acquisition of PPG's Flat Glass and Coatings Business and PGW's Original Equipment Automotive Glass Business, segment information for which is presented in Note 24. The recoverable amount of goodwill is determined based on its value in use, which uses projected cash flows based on the financial budget authorized and approved by the Board of Directors; This budget covers a period of five years. Value in use was determined using an after-tax discount rate calculated in perpetuity of 6.7% and 7.54% in 2021 and 2020, respectively. The growth rate in the automotive industry for the year 2022 is estimated at around 47% and for 2023 and onwards an average of 0.87%. The growth rate in the architectural industry for the United States of America market (Cash Generating Unit "CGU" that concentrates goodwill and other significant intangible assets) in 2022 is estimated at around 3% and by 2023 and in forward by an average of 4%, it should be noted that a perpetuity rate of 1.06% was used to determine the value in use and 1.5% for the architectural sector.

The Company recognized an impairment loss to goodwill assigned to the cash-generating unit of the automotive industry in the amount of \$4,582, which was recorded in other expenses.





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**13. Intangibles and other assets, net**

a) As of December 31, 2021 and 2020, intangible assets consist of the following:

	December 31,	
	2021	2020
Software	\$ 20,629	\$ 23,373
Trademarks and intellectual property	80,715	90,687
Customer relationships	129,492	139,009
Others	6,469	3,693
<b>Total</b>	<b>\$ 237,305</b>	<b>\$ 256,762</b>

Cost or valuation	Software	Trademarks and intellectual property	Customer relationships	Others	Total
Balance as of January 1, 2020	\$ 54,481	\$ 125,453	\$ 179,011	\$ 3,026	\$ 361,971
Additions	4,494	3,063	-	765	8,322
Reclassification	7,583	-	-	-	7,583
Illumimex intangibles	-	2,074	-	-	2,074
Translation effect	(492)	-	140	-	(352)
Balance as of December 31, 2020	\$ 66,066	\$ 130,590	\$ 179,151	\$ 3,791	\$ 379,598
Additions	2,404	-	-	1,692	4,096
Reclassification	155	-	-	1,281	1,436
Translation effect	(71)	-	43	-	(53)
Balance as of December 31, 2021	\$ 68,554	\$ 130,565	\$ 179,194	\$ 6,764	\$ 385,077

Accumulated amortization	Software	Trademarks and intellectual property	Customer relationships	Others	Total
Balance as of January 1, 2020	\$ 39,316	\$ 30,564	\$ 30,710	-	\$ 100,590
Amortization of the year	3,693	9,339	9,404	98	22,534
Translation effect	(316)	-	28	-	(288)
Balance as of December 31, 2020	\$ 42,693	\$ 39,903	\$ 40,142	\$ 98	\$ 122,836
Amortization of the year	4,133	9,412	9,490	197	23,232
Impairment	1,164	532	-	-	1,696
Translation effect	(65)	3	70	-	8
Balance as of December 31, 2021	\$ 47,925	\$ 49,850	\$ 49,702	\$ 295	\$ 147,772



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Amortization of intangible assets was calculated using useful lives of 15 years for trademarks and intellectual property, 20 years for customer relationships and 5 years for software.

The company carried out its tests of the value in use of its assets and derived from the situation and uncertainty of the automotive industry, an impairment loss of \$1,696 lodged in the intangible assets belonging to such industry was recognized, which was recorded in the cost of sales. The assumptions used to calculate brand impairment are the same as those mentioned in note 12.

b) Other assets balances as of December 31, 2021 and 2020 are composed as follows:

	December 31,	
	2021	2020
Costs for obtaining contracts	\$ 9,117	\$ 9,040
Others	9,726	9,648
	<u>\$ 18,843</u>	<u>\$ 18,688</u>

#### 14. Debt

As of December 31, 2021 and 2020 short-term debt consists of the following:

	<u>Interest rate</u>	<u>Currency</u>	<u>2021</u>	<u>2020</u>
Revolving credit	Libor + 1.85%	Dollar	\$ 11,200	\$ 11,200
Short-term line	Libor + 1.80%	Dollar	52,972	53,266
Revolving credit	Libor + 1.70%	Dollar	<u>37,500</u>	<u>37,672</u>
			<u>\$ 101,672</u>	<u>\$ 102,138</u>



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As of December 31, 2021 and 2020, long-term debt consists of the following:

	<u>Interest rate</u>	<u>Currency</u>	<u>Maturity date</u>	<u>2021</u>	<u>2020</u>
Leases	2.4% to 9.5%	Dollar	2020 to 2025	\$ 9,698	\$ 12,619
Syndicated loan	Libor (1)	Dollar	2023	-	404,000
Bilateral credit	Libor + 1.58%	Dollar	2026	170,000	170,000
Bilateral credit	Libor + 2.12%	Dollar	2026	150,000	-
Purchase agreement	Serie A: 2.80%	Dollar	2026	130,000	130,000
Sale of memos	Serie B: 3.43%	Dollar	2030	50,000	50,000
Bilateral credit	Libor + 2.125%	Dollar	2026	75,000	-
Debt issuance costs				<u>(3,679)</u>	<u>(4,143)</u>
Total long-term debt				<u>581,019</u>	<u>762,476</u>
Less short-term maturities				<u>(573,798)</u>	<u>(186,974)</u>
Long term debt, excluding current maturities				<u>\$ 7,221</u>	<u>\$ 575,502</u>

(1) Variable interest rate of LIBOR plus an applicable margin according to the consolidated leverage ratio.

Bank loans include certain obligations (covenants), as well as maintain certain financial ratios. As of December 31, 2021, due to the interpretation of the accounting standard IAS 1, the long-term debt as of December 31, 2021 in the amount of \$571,321 was reclassified to short-term. See note 27.

*2021 debt transactions*

On January 4, 2021, a voluntary partial prepayment of \$180,000 was made to the syndicated loan in order to reduce interest payments and maintain a financial structure in accordance with what was established by the Company's risk committee, this was done with the resources obtained by the execution of the Note Purchase Agreement with The Prudential Insurance Company of America, entered into on December 30, 2020. Derived from the interest rate hedge that was executed on this loan, with the prepayment an excess hedge was generated with an effect of a charge to financial cost in the amount of \$10,315 and a charge to financial cost for the amortization of capitalized costs in the amount of \$953 that were recognized in January 2021 and considering the tax effects of the operation.



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On February 2, 2021, a voluntary partial prepayment of \$140,000 was made to the syndicated loan in order to reduce interest payments and extend its average life. The prepayment was made with the resources obtained from the execution of the Bilateral Credit Agreement with BBVA Mexico announced on January 27, 2021 for an amount of \$150,000. Derived from the interest rate hedge that was executed, with the prepayment an excess hedge was generated with an effect of a charge to the financial cost for an amount of \$5,982 and a charge to the financial cost for the amortization of capitalized costs for an amount of \$717 that were recognized in February 2021 and considering the tax effects of the operation. In addition, on February 26, 2021, the Company acquired a loan for \$75,000 with ING Bank, these resources were used for the prepayment of the syndicated loan.

On March 1, 2021, the prepayment of the debt was made under the syndicated loan for \$84,000. The aforementioned payment was made with part of the resources obtained by the loans mentioned in the previous paragraph.

*2020 debt transactions*

In order to maintain a solid financial structure by improving its financial structure, as well as reducing interest payments, on February 4, 2020, a voluntary prepayment of \$76,000 was made to the syndicated loan with the resources obtained from the portfolio sale program.

On January 30, 2020, Vitro and certain subsidiaries signed a bilateral loan for \$170,000 with the purpose of making a voluntary prepayment for the same amount to the syndicated loan, thus reducing the financial cost and extending the average life of the debt.

Derived from the bilateral loan, Vitro capitalized costs for obtaining debt amounting to \$2,145, and amortized in the results \$2,663 corresponding to old debt costs (see Note 22).

On June 16, 2020, Vitro restructured a portion of a swap-type derivative financial instrument it entered into in 2018 with the objective of decreasing interest payments at an annual fixed rate of 1.6810% for 170,000, covering 100% of the bilateral loan agreement.

On December 30, 2020, the operating subsidiaries of its four business units in the United States of America entered into a Note Purchase Agreement with The Prudential Insurance Company of America, in order to refinancing part of their existing consolidated debt under the Syndicated Loan. The Notes were issued in two tranches: (i) \$130,000 due December 30, 2026, and (ii) \$50,000 due December 30, 2030.



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Reconciliation between relevant changes in debt and cash flows from financing activities:

	<u>2021</u>	<u>2020</u>
Initial balances	\$ 864,614	\$ 661,180
Acquisition of loans	364,200	438,977
Loan payments	(545,407)	(249,205)
Payment of commissions and other expenses	(1,542)	(2,145)
Amortization of expenses	1,986	2,663
Exchange fluctuation	(1,160)	13,144
Final balances	<u>\$ 682,691</u>	<u>\$ 864,614</u>

**15. Accrued expenses and provisions**

As of December 31, 2021 and 2020, accrued expenses payable were as follows:

	<b>December 31,</b>	
	<u>2021</u>	<u>2020</u>
Wages and benefits payable	\$ 27,171	\$ 23,759
Services and other accounts payable	1,352	1,335
Other expenses payable	19,516	8,660
Total	<u>\$ 48,039</u>	<u>\$ 33,754</u>

**16. Employee benefits**

Employee benefits recognized in consolidated statements of financial position, by country, are as follows:

	<b>December 31,</b>	
	<u>2021</u>	<u>2020</u>
Mexico	\$ 45,836	\$ 48,767
USA	66,566	105,942
Canada	(3,639)	(1,493)
Others	128	162
Total net defined liability (asset)	<u>\$ 108,891</u>	<u>\$ 153,378</u>



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A description of types of post-employment benefits granted by the Company are as follows:

*Defined benefits plan*

The Company has a defined benefits pension plan covering Mexican staff, which consists of a lump sum payment or a monthly pension calculated based on the sum of a basic pension, an additional seniority factor and an additional factor for income equal to or less than the maximum limit used for the Mexican Social Security Institute.

The Company's plan in Mexico also covers 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 costs of such benefits are calculated by an independent actuary, based on formulas defined in the plans, using the projected unit credit method.

In addition, in the USA and Canada, the Company grants retirement plans to key personnel, as well as a post-employment medical benefits plan, mainly.

Employee benefits retirement plans valuation is based on service years, current age, and estimated remuneration at retirement date. The main subsidiaries of the Company have constituted funds for the payment of retirement benefit payments through irrevocable trusts. The Company is not exposed to unusual risks related to the plan assets.

Financial information related to employee benefits is as follows:

	<b>December 31,</b>	
	<u>2021</u>	<u>2020</u>
<b>Net defined liabilities (assets) for:</b>		
Pension plans	\$ 79,822	\$ 106,589
Post-employment medical benefits	29,069	46,789
Total net defined liabilities	<u>\$ 108,891</u>	<u>\$ 153,378</u>
<b>Amount recognized in profit and loss for:</b>		
Pension plans	\$ 10,165	\$ 11,847
Post-employment medical benefits	(14,468)	1,617
Total recognized in profit and loss	<u>\$ (4,303)</u>	<u>\$ 13,464</u>
<b>Amount recognized in comprehensive income, before taxes,</b>		
Pension plans	\$ (658)	\$ 48,329
Post-employment medical benefits	(1,375)	13,104
Total recognized in comprehensive income	<u>\$ (2,033)</u>	<u>\$ 61,433</u>



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The present values for defined benefit obligations, as well as of the assigned plan assets to such obligations are as follows:

	<u>Mexico</u>	<u>USA</u>	<u>Canada</u>	<u>Others</u>	<u>Total</u>
<b>December 31, 2021:</b>					
Defined benefit obligations	\$ 203,022	\$ 170,593	\$ 7,737	\$ 128	\$ 381,480
Plan assets	<u>(157,186)</u>	<u>(104,027)</u>	<u>(11,376)</u>	<u>-</u>	<u>(272,589)</u>
Net defined (asset) liability	<u>\$ 45,836</u>	<u>\$ 66,566</u>	<u>\$ (3,639)</u>	<u>\$ 128</u>	<u>\$ 108,891</u>
<b>December 31, 2020:</b>					
Defined benefit obligations	\$ 225,400	\$ 210,571	\$ 8,834	\$ 162	\$ 444,967
Plan assets	<u>(176,633)</u>	<u>(104,629)</u>	<u>(10,327)</u>	<u>-</u>	<u>(291,589)</u>
Net defined (assets) liabilities	<u>\$ 48,767</u>	<u>\$ 105,942</u>	<u>\$ (1,493)</u>	<u>\$ 162</u>	<u>\$ 153,378</u>

Movements in defined benefit obligations during the year are as follows:

	<b>Year ended December 31,</b>	
	<u>2021</u>	<u>2020</u>
Defined benefit obligations as of January 1,	\$ 444,96	\$ 439,299
Service cost	(10,568)	7,392
Interest cost	17,656	20,020
Actuarial re-measurements	(16,139)	41,892
Benefits paid	(48,075)	(51,623)
Translation effect	(6,327)	(12,016)
Others	<u>(34)</u>	<u>3</u>
Defined benefit obligations	<u>\$ 381,48</u>	<u>\$ 444,967</u>

The cost of the service period for the year includes a benefit of \$14,604 as a result of a modification in the employee benefit plan of a subsidiary. As of January 1, 2022, medical coverage is provided for retirees and covered spouses or dependents up to age 65 under a PPO plan. Beginning at age 65, retirees and covered spouses will receive monthly contributions of \$100 that can go toward a health care plan premium or other health care expenses.



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Changes in the fair value of the plan assets are as follows:

	<b>Year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Fair value of the plan assets as of January 1,	\$ 291,589	\$ 339,467
Actual yield	12,621	15,097
Actuarial re measurements	(14,106)	(19,541)
Company contributions	11,958	424
Benefits paid	(23,634)	(31,789)
Administrative expense	(1,230)	(1,150)
Translation effect	(4,609)	(10,919)
Fair value of the plan assets	<u>\$ 272,589</u>	<u>\$ 291,589</u>

As of December 31, 2021 and 2020, the main actuarial hypotheses used were as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Discount rate		
Mexico	7.75%	6.00%
United States of America		
Vitro Flat Glass	2.64%	2.36%
Pittsburgh Glass Works	2.40%	2.46%
Canada	3.19%	2.59%
Salary increase rate		
Mexico	4.25%	4.00%
United States of America		
Vitro Flat Glass	2.00%	2.50%
Pittsburgh Glass Works	1.50%	1.50%
Canada	3.00%	3.00%

The average duration of defined benefit obligations is approximately 10 years.





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The following table shows future cash flows for benefits expected to be paid in the following ten years:

<b>Payments expected in the years:</b>	<b>Amount</b>
2022	\$ 56,464
2023	31,437
2024	31,252
2025	31,746
2026 and thereafter	230,581
	<u>\$ 381,480</u>

These amounts are based on current data and reflect future services expected, as the case may be. Benefit payments are based on the assumptions that inactive participants retire at 65 years old, and other actuarial hypothesis, that they do it along a 10-year period.

The categories of the plan assets as of December 31, 2021 and 2020 are as follows:

	<b>Actual yield rate</b>		<b>Fair value of plan assets</b>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Equity instruments	(4%)	(18%)	\$ 170,698	\$ 183,754
Debt instruments			101,891	107,835
			<u>\$ 272,589</u>	<u>\$ 291,589</u>

As of December 31, 2021 and 2020, plan assets include 54,201,598 shares of Vitro, whose fair values amount to \$63,829 and \$86,652, respectively. The Company is not exposed to unusual risks related to plan assets.

The Company, within its U.S. subsidiaries, has assets invested as follows: cash 3%, fixed income assets 35%, and equity assets ranging 62%.

The determination of defined benefit obligations is carried out using actuarial assumptions, such as the discount rate and salary increases. The sensitivity analysis shown below was developed based on the reasonableness of possible changes with respect to the actuarial assumptions as of December 31, 2021, holding all other assumptions constant; however, it may not represent actual changes in the defined benefit obligations, since the actuarial assumptions are correlated and are unlikely to change in isolation.



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The amounts included in the following table represent increase or (decrease) in the defined benefit obligation, as the case may be.

	<u>Liability</u>
Increase in discount rate of 0.50%	\$ (14,342)
Decrease in discount rate of 0.50%	15,093

**17. Financial instruments**

The carrying amounts of financial instruments and their fair values are presented below:

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>
<b>Financial assets</b>				
Cash and cash equivalents	\$ 110,122	\$ 110,122	\$ 483,909	\$ 483,909
<i>Financial assets measured at amortized cost</i>				
Accounts receivable and other current assets	246,924	246,924	238,679	238,679
<i>Financial assets at fair value through profit or loss</i>				
Derivative financial instruments	1,344	1,344	-	-
<b>Financial liabilities</b>				
<i>Financial liabilities at amortized cost</i>				
Debt and interest payable	720,300	683,275	897,468	866,292
Lease liability	59,019	50,643	58,059	58,059
Trades payable and other liabilities	340,030	340,030	306,044	306,044
<i>Financial liabilities at fair value through profit or loss</i>				
Derivative financial instruments	3,783	3,783	1,289	1,289
<i>Financial liabilities at fair value through OCI</i>				
Hedge derivative financial instruments	13,011	13,011	33,210	33,210



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The following tables show the valuation techniques used to measure Level 2 fair values for financial instruments measured at fair value in the statement of financial position, as well as the inputs used. The corresponding valuation processes are described below.

Type	Valuation technique	Relationship between observed information and fair value
Derivative financial instruments SWAPS (Level 2)	The fair value is determined by calculating the difference between the net present value of the asset and liability leg. To calculate the net present value of each leg, the future cash flows are first calculated according to the corresponding underlying. These cash flows are subsequently discounted at present value with an interest rate (curve), which is in accordance with the currency of such cash flows.	For positions where a fixed price is paid, a decrease in the price of the underlying asset expects the derivative to decrease. If a fixed price is received, the value increases.
Derivative financial instruments – call options. (Level 2)	The fair value is determined by calculating the net present value of the expected difference between the future value of the underlying and the value agreed at inception, plus a premium based on the time remaining at the expiration of such option. To calculate the net present value, the expected value of the option at maturity is first calculated according to the corresponding underlying using models such as the Black-Scholes. Such cash flows are subsequently discounted at present value with an interest rate (curve), which is in accordance with the currency of such cash flows.	For positions where the call option is purchased, a decline in the price of the underlying asset expects the derivative to decline. If the call option is sold, the value increases.
Debt (Level 2)	The fair value of the debt is determined using interest rate and exchange rate curves and discounting future cash flows using yield rates of high credit institutions.	The fair value of the debt is inversely related to the hedging of its derivative financial instruments.

The Company is exposed to market risks (interest rate risk, commodity price risk and foreign exchange risk), credit risk and liquidity risk, which are managed in a centralized manner. The Board of Directors establishes and monitors the policies and procedures to measure and manage these risks, which are described below:

*i. Market risk*

Market risk is the risk of changes in market prices, such as exchange rates, interest rates, commodities and equity instruments. The objective of market risk management is to manage and control exposures to market risks within acceptable parameters, at the same time that yields are optimized.

*Interest rate risk*

The Company is exposed to the risk of changes in interest rates mainly for the loans mentioned in note 14.



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A benchmark interest rate reform has been underway globally. The reform seeks to replace some interbank offered rates (IBOR) with alternative quasi-risk-free interest rates (the "IBOR reform"). The Group has IBOR exposures on its financial instruments that will be replaced or reformed as part of these market initiatives.

The Group's main IBOR exposure as of December 31, 2021 is indexed to USD LIBOR. The alternative reference rate for USD LIBOR is SOFR. As of December 31, 2021, it is not yet clear when the announcement will take place that will set a date for the end of publication of USD LIBOR. However, the Group has completed the process of implementing the appropriate support provisions for all exposures indexed to USD LIBOR by the end of 2021.

Risk management monitors and manages the Group's transition to alternative rates. Risk management assesses the extent to which contracts reference IBOR cash flows, whether such contracts will need to be changed as a result of IBOR reform, and how to manage communication about IBOR reform with counterparties.

Risk management reports to the Company's steering committee on a quarterly basis and collaborates with other functions as needed. Provides periodic reports to management on interest rate risk and the risks arising from the IBOR reform.

As of December 31, 2021 and 2020, various contracts were entered into to exchange cash flows of so-called Interest Rate Swaps in order to mitigate the risk due to the variability of the interest rate paid on liabilities contracted in dollars.

These types of operations represent hedging mechanisms to seek to fix the interest rate of financial obligations. These operations, in accordance with accounting regulations, are considered as hedging operations. For accounting purposes, the Company has designated such Rate Swaps under the cash flow hedge model to cover a portion of the interest payment of the debt in USD.

As of December 31, 2021, the Company has an interest rate swap excess of \$275,894, which has a market value of (\$6,169), which affects the comprehensive financing result.

As of December 31, 2021, the position in the derivative financial instrument is summarized below:

Bank	ING <sup>(3)</sup>	BBVA	BBVA <sup>(2)</sup>
Notional	75,000	75,000	170,000
Notional currency	Dollar	Dollar	Dollar
Financial statement line item where the hedge instrument is presented	Derivative financial instruments	Derivative financial instruments	Derivative financial instruments
Delivery rate	1.69%	1.82%	1.68%
Receipt rate	Libor 1M	Libor 1M	Libor 1M
Fair value as of December 31, 2021	(1,650)	(1,709)	(3,483)



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Maturity	January 26	February 26	June 25
Change in fair value to measure the ineffectiveness of the hedged instrument	(1,650)	(1,754)	(3,544)
Amount recognized in other comprehensive income <sup>(2)</sup>	1,133	1,155	(3,483)
Ineffectiveness recognized in statement of profit or loss	459	369	-
Reclassification of other comprehensive income to statement of profit or loss	-	-	-
Carrying value of hedged item (Exposure)	150,000	75,000	170,000
Currency carrying value	Dollar	Dollar	Dollar
Change in fair value to measure the ineffectiveness of the hedged instrument	1,228	1,724	3,494
Hedging ratio	50%	100%	100%
Effectiveness Test	100%	106%	100% <sup>(1)</sup>

- <sup>(1)</sup> The coverage, despite being 100% of the notional, shows a percentage of ineffectiveness and a portion to be recognized in the income statement as ineffectiveness.
- <sup>(2)</sup> In June 2020, Vitro renegotiated its interest rate swap with BBVA in order to align it to the new debt used to prepay in advance the syndicated loan that was covered.
- <sup>(3)</sup> Corresponds to an interest rate swap contracted by Vitro, S.A.B. with ING which is replicated to two subsidiaries.

As of December 31, 2020, the position in the derivative financial instrument is summarized below:

Bank	ING <sup>(1)</sup>	BBVA
Notional	404,000	170,000
Notional currency	Dollar	Dollar
Financial statement line item where the hedge instrument is presented	Derivative financial instruments	Derivative financial instruments
Delivery rate	2.77%	1.68%
Receipt rate	LIBOR 1M	LIBOR 1M
Fair value as of December 31, 2020	(22,412)	(10,798)
Maturity	June 2023	June 2025
Change in fair value to measure the ineffectiveness of the hedged instrument	(22,412)	(10,798)
Amount recognized in other comprehensive income	(21,135)	(10,798)
Ineffectiveness recognized in statement of profit or loss	-	927
Carrying value of hedged item (Exposure)	404,000	170,000



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Currency carrying value	Dollar	Dollar
Change in fair value to measure the ineffectiveness of the hedged instrument	21,210	186
Hedging ratio	100%	100%
Effectiveness Test	100%	111% <sup>(2)</sup>

- <sup>(1)</sup> For hedging purposes, 94% of the notional amount of this instrument was designated as hedging. Six percent of the instrument is designated as held for trading measured at fair value through profit or loss.
- <sup>(2)</sup> The hedge, despite being 100% of the notional amount, results in a percentage of ineffectiveness and a portion to be recognized in the statement of profit or loss as ineffectiveness.

As of December 31, 2021, 27% of borrowings are denominated at a fixed rate and 73% of borrowings are denominated at a variable rate (see Note 14).

Management assesses whether the hedging relationship meets the effectiveness criteria at the inception of the hedging relationship, on an ongoing basis at each reporting date and upon a significant change in circumstances affecting the hedging requirements.

*Sensitivity analysis to interest rate risk*

The Company performed a sensitivity analysis considering an increase or decrease of 0.5% in the value of the LIBOR rate, and its effects on the results of the year as of December 31, 2021.

The percentage used to analyze the sensitivity to exchange rate risk is the scenario that represents management's assessment of the reasonableness of possible variations in this reference rate, since it is a market rate with low or no volatility. As a result of the analysis, the effect of a possible increase or decrease in the interest rate would have had an impact on the profit or loss of the year of \$968 as expense or income, respectively.

*Foreign exchange risk applicable to foreign subsidiaries*

A foreign subsidiary is a subsidiary that has a functional currency other than the U.S. dollar. Vitro's foreign subsidiaries maintain their assets and liabilities and carry out their operations mainly in Mexican pesos, Canadian dollars, euros, reales, soles, zlotys and Colombian pesos, in a market and business environment in the same currency. The Company's management considers assets and liabilities denominated in foreign currencies to be insignificant; therefore, the foreign exchange risk for these subsidiaries is almost nil.

As mentioned in Note 14, the Company's debt is denominated in U.S. dollars; therefore, there is no foreign exchange risk.

*Foreign exchange risk applicable to subsidiaries located in Mexico.*

Vitro's Mexican subsidiaries that maintain a U.S. dollar functional currency and that carry out transactions and maintain balances in pesos or in a foreign currency other than the peso, are exposed to the risk of exchange rate variations. This exposure to risk may result from changes in economic conditions, monetary and/or tax policies, the liquidity of global markets, local and international political events, among others.



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The most significant foreign currency of Mexican subsidiaries is the Mexican peso; the carrying amount of financial assets and liabilities denominated in Mexican pesos at the end of the period is as follows:

	December 31,	
	2021	2020
Financial assets	\$Ps. 1,142,512,028	\$Ps 3,313,988,465
Financial liabilities	(1,889,151,152)	(2,937,678,820)
Net financial asset position	(746,639,124)	376,309,645

Financial assets in Mexican pesos are mainly comprised of cash and other accounts receivable, while financial liabilities are mainly comprised of short-term bank debt, suppliers and sundry creditors, all of which are denominated in Mexican pesos. As of December 31, 2021 and 2020, the Company considers assets and liabilities denominated in foreign currencies other than the Mexican peso to be immaterial.

The exchange rates of the Mexican peso with respect to the U.S. dollar used to prepare these consolidated financial statements were as follows:

	December 31,	
	2021	2022
<b>Exchange rate:</b>		
Pesos per dollar at year-end	\$Ps. 20.4672	\$Ps 19.9087
Pesos per average dollar during the year	\$Ps. 20.2830	\$Ps 19.9505

As of March 28, 2022, the issuance date of the consolidated financial statements, the exchange rate of the peso against the U.S. dollar was \$Ps. 20.1313.

*Foreign currency sensitivity analysis*

The sensitivity analysis carried out by the Company considers a strengthening or weakening by 10% of the U.S. dollar against the Mexican peso and their effects on the results of fiscal years 2021 and 2020. The percentage used to analyze the sensitivity to foreign exchange risk is the scenario that represents the Management's evaluation of the fairness of possible variations in the exchange rate. As a result of the analysis, the effect of possible strengthening or weakening of the U.S. dollar against the Mexican peso would have had an impact on profit or loss of \$740 and \$2,100 as income or expense, respectively.

ii. *Credit risk*

**Credit risk refers to the risk that a customer or counterpart breaches its contractual obligations resulting in a financial loss to the Company, and arises mainly from trade accounts receivable and investments in the Company's securities.**



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*Trade accounts receivable and other accounts receivable*

The Company continuously performs credit evaluations to its clients and adjusts the limits of credit based on the credit history and current creditworthiness. In addition, it monitors the collections and payments from customers, and has an allowance for doubtful accounts based on historical experience and on some specific aspect that has been identified. While these allowances for doubtful accounts have historically been within the Company's expectations and within the established allowance, there is no guarantee that it will continue to have the same level of allowances for doubtful accounts that it has had in the past. An important variation in the experience of the Company's allowances for doubtful accounts could have a significant impact on the consolidated results of operations and, therefore on the consolidated financial position.

The Company's exposure to credit risk is affected mainly by the individual characteristics of each customer. However, the Company's management also believes the demographics of its customer base, which includes the risk of non-compliance of the industry and country in which customers operate, as these factors can influence the credit risk, particularly in deteriorated economic circumstances.

As of December 31, 2021, the maximum exposure to credit risk is \$360,666. In addition, the Company has guarantees on certain balances of trade accounts receivable whose performance does not fully meet Management's expectations.

The Company has no concentration of credit risk, since consolidated sales and accounts receivable from a single customer did not exceed 10% of total sales, at the segment level there is a concentration in the container and flat glass division as indicated in Note 24.

*iii. Liquidity risk*

Liquidity risk represents the possibility that the Company has difficulties to comply with its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's approach to manage its liquidity risk is to ensure, to the extent possible, always having enough liquidity to meet its obligations when they fall due, without affecting the performance of the business or damage the image and reputation of Vitro.

The Company's Board of Directors is responsible for establishing an appropriate framework of liquidity risk management according to the Company's needs. The Company manages its liquidity risk by maintaining bank reserves and through a constant monitoring of cash flows.

In previous years, the Company's main source of liquidity has been predominantly cash generated from operating activities in each one of the business units and sale of certain assets.

The contractual maturities of the debt as of December 31, 2021, including the related interest, are as follows:





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	<u>Less than 1</u> <u>year</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>Over 5</u>
<b>Fixed rate debt<sup>1</sup></b>	\$ 7,832	\$ 13,631	\$ 145,010	\$ 56,860
<b>Variable rate debt<sup>1</sup></b>	111,986	35,116	400,494	-
<b>Leases</b>	20,550	17,829	17,075	2,847
<b>Trade accounts payable and other liabilities</b>	339,932	-	-	-
	<u>\$ 480,300</u>	<u>\$ 66,576</u>	<u>\$ 562,579</u>	<u>\$ 59,707</u>

As of December 31, 2021, the Company has available cash of \$110,122.

<sup>1</sup> Maturities are considered with the original form of payments. See Note 27.

*iv. Fair value of financial instruments*

The fair value of financial instruments that are presented below has been determined by the Company using the information available in the market or other valuation techniques, which require judgment to develop and interpret the estimates of fair values. It also uses assumptions that are based on market conditions existing at each of the balance sheet dates. Consequently, the estimated amounts presented are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

The Company's amounts of cash and cash equivalents, as well as accounts receivable and payable to third parties and related parties, and the current portion of bank loans and long-term debt approach their fair value, as they have short-term maturities. The Company's long-term debt is recorded at amortized cost and consists of debt that bears interest at fixed and variable rates, which are related to market indicators. To obtain and disclose the fair value of long-term debt, different sources and methodologies are used such as market quotation prices or quotations of agents for similar instruments; other valuation techniques for the cases of those liabilities that have no price in the market and is not feasible to find quotes of agents for similar instruments.

*v. Other market price risks*

In the ordinary business course, the Company has contracted calls and swaps and other derivate financial instruments (DFI) in order to mitigate and hedge its exposure to natural gas and electricity price fluctuations. The estimated percentage of fuel consumption covered has varied from 10% to 100%. During 2021 the percentage covered was 15%. The percentage of covered consumption and the covered prices varied constantly according to market conditions based on the needs of the Company and the use of alternative fuels within their production processes.

The derivate financial instruments that the Company held during the years presented were calls and swaps, which were acquired due to the need to economically cover the fluctuation price of natural gas and electricity used by some of the Company's plants. Those DFIs, were not designated as a hedge for accounting purposes; therefore, fluctuations in fair value are recognized in profit or loss within net financial cost.



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The following table shows the active positions and their characteristics for the year ended December 31, 2021:

<u>Type of instrument</u>	<u>Type of underlying</u>	<u>Annual notional in MMBTUs</u>	<u>Average price</u>	<u>Initial date</u>	<u>Maturity date</u>	<u>Fair Value</u>
Call	Natural gas	720,000	\$4.00	23-aug-21	01-sep-22	\$ 112
Swap	Natural gas	831,047	\$5.16	01-nov-21	01-mar-22	(854)
Swap	Natural gas	831,047	\$5.04	09-nov-21	01-mar-22	(787)
Swap	Natural gas	831,047	\$4.825	23-aug-21	01-mar-22	(641)
Swap	Natural gas	831,047	\$4.75	29-nov-21	01-mar-22	(593)
Swap	Natural gas	605,724	\$4.70	30-nov-21	01-mar-22	(563)
Swap	Natural gas	605,724	\$4.43	30-nov-21	01-mar-22	(400)
Swap	Natural gas	403,815	\$4.25	01-dec-21	01-mar-22	(192)
Swap	Natural gas	433,095	\$1.36	29-nov-21	01-dec-22	168
Swap	Natural gas	433,095	\$1.56	04-nov-21	01-dec-22	79

<u>Type of instrument</u>	<u>Type of underlying</u>	<u>Annual notional in MMBTUs</u>	<u>Average price</u>	<u>Initial date</u>	<u>Maturity date</u>	<u>Fair Value</u>
Embedded	Electricity	27,875	\$40- 67	31-dec-21	31-jan-22	\$ (165)
Embedded	Electricity	13,090	\$26- 43	31-dec-21	31-dec-22	1,397

The effects on profit or loss for the years ended December 31, 2021 and 2020 related to the DFIs described above are described in Note 21.

## 18. Capital and reserves

### *Capital management*

The Company's objective in managing its capital structure is to safeguard its ability to continue as a going concern, and at the same time maximize the return to its stockholders through an adequate balance in its funding sources. In order to maintain this structure, the Company carries out various actions such as efficiently managing working capital, adjusting dividend payments in accordance with free cash flow generation, cancellation and/or issuance of new shares and/or debt, or investment or divestment of assets.



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The Company, through the Board of Directors, evaluates the cost and risks associated with its capital structure on an ongoing basis. This evaluation is made primarily based on the ratios of indebtedness, debt to EBITDA (Earnings Before Interest and Income Taxes) flow for the last 12 months, and interest coverage. EBITDA is not a performance measure defined by IFRS. The debt ratio represents the ratio of net debt to EBITDA cash flow; EBITDA is calculated based on income before other income and expenses and adding the virtual items reflected in the statement of comprehensive income, within cost of sales and operating expenses, mainly depreciation, amortization and seniority premium and pension plan reserves; finally, interest coverage is calculated by dividing EBITDA by interest expense for the last twelve months of the period analyzed. Vitro has a long-term objective of maintaining the financial indebtedness ratio within a range of 1.5 to 3.5 times and interest coverage greater than 5 times. As of December 31, 2021, the results of the calculation of each of the aforementioned financial ratios were 3.06 times for the indebtedness ratio and 7.10 times for the interest coverage ratio.

### *Common stock structure*

- a) As of December 31, 2021 and 2020, the Company's capital stock amounts to 470,027,224 and 474,127,227 common shares, fully subscribed and paid, and with no par value.
- b) Retained earnings include the statutory legal reserve. The 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 capital stock at par value (historical pesos). The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason.
- c) At the General Ordinary Stockholders' Meeting held on July 1, 2020, the following was approved:
  - Create a reserve for the repurchase of own shares for a maximum amount of \$52,000.
- d) At the General Ordinary Stockholders' Meeting held on April 20, 2021, the following was approved:
  - Declaration and payment of dividends at the rate of \$0.0357 per share.
- e) In 2021 and 2020, the Company repurchased 4,100,003 and 15,000 shares in the amount of \$5,072 and \$20.
- f) As of December 31, 2021 and 2020, the Company holds 13,544,502 and 9,444,202 own shares in treasury, respectively.
- g) The distribution of stockholders' equity, except for the restated amounts of contributed capital stock and tax earnings withheld, will give rise to income tax on dividends payable by the Company at the rate in effect when the distribution is made. The tax paid on such distribution may be credited against the income tax of the year in which the tax on dividends is paid and in the following two years, against the tax of the year and the provisional payments thereof.

The balances of the controlling interest in the tax accounts in stockholders' equity, corresponding to the Company's capital contribution account and net tax-income account amount to \$572,066 and \$2,847,658 as of December 31, 2021, and \$547,847 and \$1,271,286 as of December 31, 2020, respectively.



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h) Other components of comprehensive income

Effect of translation of foreign transactions

The movement for the period is recorded when translating the consolidated financial statements from the functional currency to the reporting currency. During fiscal years 2021 and 2020, there are no other extraordinary movements affecting the cumulative translation adjustment recognized in stockholders' equity.

Actuarial remeasurements

Actuarial remeasurements are recognized as other components of comprehensive income. During December 31, 2021 and 2020, the actuarial remeasurements correspond solely to variations in actuarial assumptions for both the labor liability and the plan assets and are presented net of income taxes.

Hedging derivative financial instruments

The effective portion of valuation gains or losses on derivative financial instruments designated as cash flow hedges is recognized in other comprehensive income, net of income taxes.

Below is an analysis of the movements of the other comprehensive income accounts of the controlling interest:

	<b>Effect of foreign currency translation</b>	<b>Hedging derivative financial instruments</b>	<b>Actuarial remeasurements</b>	<b>Total other comprehensive income</b>
Balance as of January 1, 2020	\$ 147,602	\$ (15,618)	\$ (96,258)	\$ 35,726
Comprehensive income movement	<u>(23,655)</u>	<u>(7,763)</u>	<u>(48,461)</u>	<u>(79,879)</u>
Balance as of December 31, 2020	\$ 23,947	\$ (23,381)	\$ (144,719)	\$ (44,153)
Comprehensive income movement	<u>(1,744)</u>	<u>21,846</u>	<u>4,209</u>	<u>24,311</u>
Balance as of December 31, 2021	<u>\$ 22,203</u>	<u>\$ (1,535)</u>	<u>\$ (140,510)</u>	<u>\$ (19,842)</u>



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i) Non-controlling interest is as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Capital stock	\$ 683	\$ 594
Retained earnings	53	350
	<u>\$ 736</u>	<u>\$ 944</u>

j) Basic and diluted earnings per share

The earnings and number of common shares used for the calculation of the basic and diluted earnings per share are as follows:

	<b>Year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
(Loss) earnings from continuing operations attributable to controlling interest	\$ (106,601)	\$ (45,376)
Weighted average of common shares for calculation of basic and diluted earnings per share	471,431,335	474,134,727
	<u>7</u>	<u>7</u>
Loss per share from continuing operations	<u>\$ (0.2261)</u>	<u>\$ (0.0957)</u>

The Company had no dilution effects affecting common stock averages for purposes of these calculations. The decrease in basic earnings per share and earnings per share was primarily due to the decrease in income for the year compared to the prior year.

k) As of December 31, 2021 and 2020, the total outstanding shares are analyzed as follows:

	<b>2021</b>	<b>2020</b>
Shares at the beginning of the year	474,127,22	474,142,22
Repurchase of shares	4,100,003	15,000
Shares at the end of the year	<u>470,027,22</u>	<u>474,127,22</u>

## 19. Related parties

Transactions with related parties carried out in the ordinary course of business, were as follows:

a) *Purchase of food coupons.* - The Company purchases food coupons for its staff from a self-service store, of which one of our board members is a stockholder. For the years ended December 31, 2021 and 2020, the amount of those purchases was \$5,462 and \$5,558, respectively.



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b) *Compensation to management's key personnel.* - For the years ended December 31, 2021 and 2020, the total compensation for the services provided by our board members and directors was approximately \$7,997 and \$7,054, respectively. This amount includes fees, wages, variable compensation and retirement bonuses. This item is analyzed as follows:

	<u>2021</u>	<u>2020</u>
Fixed compensation	78 %	73%
Variable compensation	<u>22 %</u>	<u>27%</u>

c) *Accounts receivable.* - The Company has a receivable from Shandong PGW Jinjing Automotive Glass Co. Ltd. for the year ended as of December 31, 2021 and 2020, the total amount was \$3,141 and \$15,333, respectively.

d) *Transactions with Shandong PGW Jinjing Automotive Glass Co. Ltd.*- The Company has transactions with Shandong PGW Jinjing Automotive Glass Co. Ltd. for the twelve-month periods ended December 31, 2021 and 2020. In purchases the total amount was \$6,954 and \$3,971, respectively, and in accounts payable the total amount was \$97 and \$860, respectively.

**20. Other expenses (income), net**

The analysis of other (income) expenses is as follows:

a) Other (income):

	<b>Year ended December 31,</b>	
	<u>2021</u>	<u>2020</u>
Gain on sale and write-off of assets	\$ -	\$ (4,758)

b) Other expenses:

	<u>2021</u>	<u>2020</u>
Loss on sale and write-off of assets	\$ 9,711	\$ -
Reorganization expenses	11,399	16,665
Asset write-off due to plant closure	-	-
Impairment loss of goodwill	4,582	-
Other expenses	4,349	6,436
Total	<u>\$ 30,041</u>	<u>\$ 37,229</u>



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**21. Financial cost, net**

Below is a breakdown of the most significant items that compose financial cost:

a) Financial income:

	<b>Year ended December 31,</b>	
	<u>2021</u>	<u>2020</u>
Financial products	\$ (2,647)	\$ (5,903)
Exchange gain	-	(7,185)
Total	<u>\$ (2,647)</u>	<u>\$ (13,088)</u>

b) Financial cost

	<u>2021</u>	<u>2020</u>
Interest expenses	\$ 24,852	\$ 32,870
Restatement of taxes on tax consolidation	2,788	2,118
Derivative financial transactions	19,177	2,852
Interest expense on leases	2,665	3,022
Exchange loss	7,231	-
Financial result, net of employee benefits	5,035	4,187
Other financial expenses	9,469	7,468
Total	<u>\$ 71,217</u>	<u>\$ 52,517</u>

**22. Income taxes**

Income taxes recognized in profit or loss are analyzed as follows:

	<b>Year ended</b>	
	<b>December 31</b>	
	<u>2021</u>	<u>2020</u>
Current income taxes	\$ 45,905	\$ 21,419
Deferred income taxes	(21,051)	28,049
Total	<u>\$ 24,854</u>	<u>\$ 49,468</u>



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The reconciliation between the Company's income tax rate and the actual rate, expressed as a percentage of income before income taxes, is analyzed as follows:

	<b>Year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Expected (benefit) expense	(24,613)	1,193
Effects of inflation	(8,861)	(4,756)
Valuation allowance (reversal) for tax losses	142	5,593
Non-deductible expenses and others	10,470	4,119
Restructure	5,658	-
Derecognition of deferred tax assets, net	30,024	34,508
Rate difference for Companies outside of Mexico	8,255	14,920
Exchange fluctuation without tax effects	3,779	(6,109)
Income tax expense	<u>24,854</u>	<u>49,46</u>

The movements of the deferred taxes balance in the fiscal year are as follows:

	<b>Year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Opening balance	\$ 74,715	\$ 93,043
Deferred tax applied to income	21,051	(28,04
Actuarial remeasurements	2,177	12,972
Derivative financial transactions	(8,323)	2,588
Translation effects	5,996	(5,839)
Ending balance	<u>\$ 95,616</u>	<u>\$ 74,715</u>

The main temporary differences that gave rise to deferred income taxes in the consolidated statements of financial position are analyzed as follows:

	<b>2021</b>	<b>2020</b>
Accounts receivable	\$ 5,054	\$ 6,320
Employee benefits	36,266	37,802
Tax losses	24,192	16,064
Intangible assets	27,047	31,502
Fixed assets	(1,782)	6,663
Derivative financial instruments	905	3,390
Inventories	2,996	2,011
Others	16,616	11,611
Deferred income tax asset	<u>\$ 111,294</u>	<u>\$ 115,363</u>





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	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ (4)	\$ (203)
Employee benefits	(101)	407
Tax losses	(1,632)	(1,372)
Fixed assets	9,574	27,407
Derivative financial instruments	354	2,099
Advance payment to suppliers	194	591
Others	7,293	11,719
Deferred income tax liability	<u>\$ 15,678</u>	<u>\$ 40,648</u>
	<u>\$ 95,616</u>	<u>\$ 74,715</u>

As of December 31, 2021, the Company and its subsidiaries have tax-loss carryforwards of \$312,359, which have the right to be applied to future income and expire as follows:

Expiration in:	<u>Losses of Mexican companies</u>	<u>Losses of foreign companies</u>
2022	32	-
2023	155	-
2024	50	-
2025	-	-
2026	-	-
2027	229	-
2028	2,627	-
2029	14,051	10,882
2030	1,590	31,693
2031 and thereafter	62,984	188,066
Total	<u>\$ 81,718</u>	<u>230,641</u>

In the determination of deferred income tax, as of December 31, 2021, the effects of tax-loss carryforwards from Mexican companies of \$1,418 were included, which were not recognized as assets because there is not a high probability that they can be recovered.

In addition, tax-loss carryforwards of \$230,641 were not recognized in the foreign entities. Management believes that it is probable that such losses will be recoverable in subsequent years; however, during 2021, it has decided to reserve the net deferred tax assets of foreign entities in the United States of America.



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The income taxes recognized in other components of comprehensive income are analyzed as follows:

	<b>Year ended December 31,</b>	
	<u>2021</u>	<u>2020</u>
Effect of derivative financial transactions	\$ (8,323)	\$ 2,588
Actuarial remeasurement of benefit plan	<u>2,177</u>	<u>12,972</u>
Total income taxes recognized in other comprehensive income	<u>\$ (6,146)</u>	<u>\$ 15,560</u>

Through 2013, the Company consolidated its tax results from its operations in Mexico. Subsequently and in accordance with the tax reform, the Company has the obligation to pay the deferred tax determined at that date, which will be paid in accordance with the transitory provisions of the new Law. In 2021, the Company paid \$33,292 and as of December 31, 2021, the tax consolidation income tax amounts to \$19,225 in the short term and \$9,578 in the long term.

As of January 1, 2021, Vitro entities headquartered in the United States of America were restructured creating four taxpayers: 1) Vitro Assets Corp. with Vitro Flat Glass, LLC (companies under tax consolidation) as its sole subsidiary; 2) Vitro Packaging, LLC; 3) Vitro Chemicals, Fibers and Mining, LLC and 4) Pittsburgh Glassworks, LLC with Vitro Autoglass LLC and Vitro Meadville Flat Glass, LLC as its subsidiaries. Prior to this restructuring, the aforementioned companies consolidated their fiscal results.

As indicated in Note 2, the Company restructured the different legal entities into four divisions, which were incorporated into different companies in Spain. The aforementioned restructuring by the legal entities in the United States of America generated a tax gain of approximately \$137,538, which was offset by tax losses from prior years of \$85,056 (previously unrecognized) and tax losses of the year of \$44,116. After the effect of the amortization of tax losses, the effect on taxes amounted to \$4,971.

**23. Costs and expenses**

The main items comprising costs and general expenses as of December 31, 2021 and 2020 are as follows:

	<b>2021</b>		
	<u>Cost of sales</u>	<u>Administration expenses</u>	<u>Distribution and sale expenses</u>
Cost of inventory sales	\$ 589,322	-	-
Salaries, wages and benefits	317,917	65,723	37,617
Freights	34,591	92	171,048
Depreciation and amortization	125,479	17,200	5,097
Impairment	45,418	-	-
Maintenance	70,554	2,221	1,430
Energy	82,477	794	564
Others	295,804	44,441	28,632
Total	<u>\$ 1,561,562</u>	<u>130,471</u>	<u>244,388</u>



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	2020		
	Cost of sales	Administration expenses	Distribution and sale expenses
Cost of inventory sales	\$ 576,039	-	-
Salaries, wages and benefits	304,725	65,812	30,555
Freights	34,839	102	134,975
Depreciation and amortization	124,916	16,831	3,194
Maintenance	54,199	2,063	977
Energy	73,693	665	433
International arbitration recovery	-	(39,200)	-
Others	233,178	53,942	20,485
<b>Total</b>	<b>\$ 1,401,589</b>	<b>100,215</b>	<b>190,619</b>

#### 24. Operating segments

An operating segment is a Company's component that is engaged in business activities for which it can earn income and incur expenses, including income and expenses relating to transactions with any of the other components of the Company. All the operation results of the operating segments are reviewed periodically by the Company's management to make decisions on the resources that must be distributed to the segment and assess their performance.

Transactions between segments are determined based on comparable prices to those that would be used with or between independent parties in comparable transactions.

The accounting, administrative and operating policies are the same as those described by Vitro. The Company evaluates the performance of its segments based on operating income. Sales and transfers between segments are recorded in each segment as if they were made to third parties; i.e. at market prices.

The segments reporting in Vitro are strategic business units that offer different products. These segments are managed separately; each requires its own system of production, technology, and marketing and distribution strategies. Each market serves to different customer bases.



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The Company has two operating segments to be reported: Flat Glass and Glass Containers. The primary products of each one of the segments are:

<u>Segment</u>	<u>Primary products</u>
Flat glass	Flat glass for the construction and automotive industries, and carbonate and sodium bicarbonate.
Chemicals	Inorganic chemicals
Glass containers	Glass containers, precision components, as well as machinery and molds for the glass industry.

As the holding, corporate and other companies are not classified as an operating segment according to IFRS 8 "Operating segments," they are classified in the "Others" column.

a) The following tables present certain information by segment as of December 31, 2021 and 2020:

Year ended December 31, 2021

	<u>Flat glass</u>	<u>Chemicals</u>	<u>Containers</u>	<u>Subtotal</u>	<u>Others and eliminations</u>	<u>Consolidated</u>
Consolidated sales	\$ 1,565,875	\$ 169,083	\$ 225,469	\$ 1,960,427	\$ (2,859)	\$ 1,957,568
Sales to other segments	315	1,577	5,836	7,728	(7,728)	-
Net sales to third parties	1,565,560	167,506	219,633	1,952,699	4,869	1,957,568
Net income (loss) before other expenses	(57,850)	35,370	31,357	8,877	12,270	21,147
Interest income	6,416	4,844	16,192	27,452	(24,805)	2,647
Financial expenses	65,179	7,636	16,962	89,777	(18,560)	71,217
Net income (loss) before income taxes	(144,901)	31,286	28,719	(84,896)	2,852	(82,044)
Income taxes	(25,994)	10,726	8,453	(6,815)	31,669	24,854
Depreciation and amortization	121,839	5,905	20,668	148,412	(636)	147,776
Investment in fixed assets	72,030	5,828	17,435	95,293	1,484	96,777
Impairment loss	50,000	-	-	50,000	-	50,000

Derived from the decreases in the volume of the original equipment automotive market and given the uncertainty of this industry, the Company tested the recovery value of the assets of the automotive CGU that belongs to the flat glass segment, concluding in the recognition of an impairment loss for an amount of \$50,000 which was allocated as follows: property, plant and equipment \$43,722, intangible assets \$1,696 and goodwill \$4,582.



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As of December 31, 2021, net sales to third parties of the Flat Glass and Containers segments are composed as follows:

	<u>Flat glass</u>
Architectural business	\$ 929,299
Automotive business	778,702
Eliminations	<u>(142,441)</u>
Total flat glass sales	<u>\$ 1,565,560</u>
	<u>Glass containers</u>
Pharmaceutical, perfume and medical container business	\$ 204,853
Machine, mold and spare part business	30,479
Eliminations	<u>(15,699)</u>
Total glass containers	<u>\$ 219,633</u>

The chemicals segment does not present sub-segment sales that have to be eliminated internally.

Year ended December 31, 2020

	<u>Flat</u>					<u>Others and</u>	
	<u>glass</u>	<u>Chemicals</u>	<u>Containers</u>	<u>Subtotal</u>		<u>eliminations</u>	<u>Consolidated</u>
Consolidated sales	\$ 1,425,580	\$ 158,254	\$ 184,702	\$ 1,768,536	\$	(237)	\$ 1,768,299
Sales to other segments	293	2,534	1,877	4,704		(4,704)	-
Net sales to third parties	1,425,287	155,720	182,825	1,763,832		4,467	1,768,299
Income before other (expenses) income, net	(13,466)	52,367	22,832	61,733		14,143	75,876
Interest income	29,287	6,177	5,976	41,440		(28,352)	13,088
Financial expenses	52,206	2,300	1,207	55,713		(3,196)	52,517
Income (loss) before income taxes	(84,305)	40,786	119,789	76,270		(72,294)	3,976
Income taxes	16,485	2,385	5,378	24,248		25,220	49,468
Depreciation and amortization	121,368	5,999	18,159	145,526		(585)	144,941
Investment in fixed assets	81,615	5,748	7,964	95,327		646	95,973
Derecognition of assets due to plant closure	14,091	-	37	14,128		-	14,128



**Vitro, S.A.B. de C.V. and Subsidiaries**  
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As of December 31, 2020, net sales to third parties of the Flat Glass and Containers segments consisted of the following :

	<u>Flat glass</u>
Architectural business	\$ 819,544
Automotive business	744,153
Eliminations	(138,410)
Total flat glass sales	<u>\$ 1,425,287</u>
	<u>Containers</u>
Pharmaceutical, perfume and medical container business	\$ 178,914
Machine, mold and spare parts business	14,348
Eliminations	(10,437)
Total glass containers sales	<u>\$ 182,825</u>

The chemicals segment does not present sub-segment sales that have to be eliminated internally.

As of December 31, 2021, assets and liabilities by segment are as follows:

	<u>Flat glass</u>	<u>Chemicals</u>	<u>Containers</u>	<u>Subtotal</u>	<u>Others and eliminations</u>	<u>Consolidated</u>
Total assets	2,376,912	311,935	654,169	3,343,016	(803,694)	2,539,322
Total liabilities	1,206,420	173,286	415,753	1,795,459	(456,542)	1,338,917

As of December 31, 2020, assets and liabilities by segment are as follows:

	<u>Flat glass</u>	<u>Chemicals</u>	<u>Containers</u>	<u>Subtotal</u>	<u>Others and eliminations</u>	<u>Consolidated</u>
Total assets	3,098,904	1,832,665	1,423,818	6,355,387	(3,462,355)	2,893,032
Total liabilities	1,707,719	216,473	299,119	2,223,311	(635,192)	1,588,119

b) Information related to main customers

The consolidated net sales of the Company's glass container segment had two instances of concentration, the amount of which exceeded 10% for the year ended December 31, 2021 and 2020.

In addition, in the flat glass segment, there is a single case of concentration of sales to a single customer, whose amounts were greater than 10% for the fiscal year ended December 31, 2021 and 2020.



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c) Geographical information

Certain geographical information regarding the Company's transactions is summarized as follows:

	<b>Year ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Net sales to customers <sup>(1)</sup> in:</b>		
Abroad, mainly in the USA	\$ 1,343,289	\$ 1,209,466
Mexico	614,279	558,833

<sup>(1)</sup> According to the country where the Company is located.

Geographic information on land and buildings, machinery and equipment, and investments in process is summarized as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Lands and buildings, machinery and equipment and investments in process:</b>		
Abroad, mainly in the USA	\$ 501,622	\$ 541,440
Mexico	641,407	667,484

The other non-current assets other than monetary items are summarized as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Intangible asset, including goodwill:</b>		
Abroad, mainly in the USA	\$ 281,940	\$ 302,386
Mexico	13,068	16,516

**25. Contingent liability**

The Tax Administration Service (SAT) notified Distribuida del Alkali S.A de C.V. subsidiary of Vitro, the beginning of the exercise of its review rights in relation to compliance with the obligations of the company as a direct subject, as well as withholder and jointly responsible in matters of income tax corresponding to the fiscal year of 2015. Until December 31, 2021, through its team of experts, Vitro has determined that since the notification of the SAT, the registration of a provision has not been required, since the probability of loss is considered less than probable. Our experts estimate that Vitro has sufficient elements to obtain a favorable resolution from the authority. However, until all the instances are finalized in this procedure, Vitro cannot guarantee the definitive favorable resolution.



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**26. Additional information**

As of December 31, 2021, the Company's Management has presented financial information in compliance with certain contractual requirements, which is made up of the consolidated financial statements of Vitro, S.A.B. of C.V. and Subsidiaries except for the non-restricted Company Especialidades en Cristal, S.A. de C.V., this as part of the obligations acquired by the debt contracts with banking institutions (Note 14). Such information is as follows:

**Vitro, S.A.B de C.V. and Subsidiaries except Especialidades en Cristal, S.A. de C.V.**  
**Statements of Financial Position**  
**As of December 31, 2021**

	<b>Vitro, S.A.B de C.V. and Subsidiaries</b>	<b>Especialidad es en Cristal, S.A. de C.V.</b>	<b>Eliminations</b>	<b>Vitro, S.A.B de C.V. and Subsidiaries except Especialidades en Cristal, S.A. de C.V.</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 110,122	\$ 1,082	-	\$ 109,040
Trade accounts receivable, net	212,864	4,916	3,098	211,046
Especialidades en Cristal, S.A. de C.V.	-	-	29,181	29,181
Recoverable taxes	8,096	-	-	8,096
Other recoverable taxes	46,478	3,751	-	42,727
Other current assets	33,805	6,654	5,220	32,371
Inventories, net	458,129	7,651	-	450,478
Current assets	<u>869,494</u>	<u>24,054</u>	<u>37,499</u>	<u>882,939</u>
Investment in associated companies	22,642	-	(2,067)	20,575
Investment properties	20,147	-	-	20,147
Property, plant and equipment, net	1,143,029	4,686	-	1,138,343
Right of use assets, net	58,865	770	-	58,095
Goodwill	57,703	-	-	57,703
Intangible and other assets, net	256,148	-	-	256,148
Deferred income taxes	111,294	692	-	110,602
Long-term assets	<u>1,669,828</u>	<u>6,148</u>	<u>(2,067)</u>	<u>1,661,613</u>
Total assets	<u>\$ 2,539,322</u>	<u>\$ 30,202</u>	<u>35,432</u>	<u>\$ 2,544,552</u>





**Vitro, S.A.B. de C.V. and Subsidiaries**  
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	<b>Vitro, S.A.B de C.V. and Subsidiaries</b>	<b>Especialidad es en Cristal, S.A. de C.V.</b>	<b>Eliminations</b>	<b>Vitro, S.A.B de C.V. and Subsidiaries except Especialidad es en Cristal, S.A. de C.V.</b>
<b>Liabilities</b>				
Short-term debt	\$ 101,672	\$ -	-	\$ 101,672
Short-term maturity of long-term debt	573,798	-	-	573,798
Interest payable	584	-	-	584
Short-term maturity of lease liability	17,851	277	-	17,574
Trade accounts payable	270,188	15,311	14,302	269,179
Especialidades en Cristal, S.A. de C.V.	-	-	8,318	8,318
Accrued expenses and provisions	48,039	15,104	14,879	47,814
Income tax payable	21,121	-	-	21,121
Deconsolidation income tax	19,225	-	-	19,225
Other short-term liabilities	90,134	659	-	89,475
Short-term liabilities	<u>1,142,612</u>	<u>31,351</u>	<u>37,499</u>	<u>1,148,760</u>
Long-term debt	7,221	-	-	7,221
Long-term lease liability	32,792	520	-	32,272
Deconsolidation income tax	9,578	-	-	9,578
Deferred income taxes	15,678	-	-	15,678
Other long-term liabilities	9,134	-	-	9,134
Derivative financial instruments	13,011	-	-	13,011
Employee benefits	108,891	398	-	108,493
Long-term liabilities	<u>196,305</u>	<u>918</u>	<u>-</u>	<u>195,387</u>
Total liabilities	<u>1,338,917</u>	<u>32,269</u>	<u>37,499</u>	<u>1,344,147</u>
<b>Stockholders' equity</b>				
Capital stock	378,860	3	3	378,860
Repurchased shares	(32,621)	-	-	(32,621)
Additional paid-in capital	344,037	-	-	344,037
Other comprehensive loss	(19,842)	(515)	(515)	(19,842)
Retained earnings	529,235	(1,555)	(1,555)	529,235
Controlling interest	1,199,669	(2,067)	(2,067)	1,199,669
Non-controlling interest	736	-	-	736
Stockholders' equity	<u>1,200,405</u>	<u>(2,067)</u>	<u>(2,067)</u>	<u>1,200,405</u>
Total liabilities and stockholders' equity	<u>\$ 2,539,322</u>	<u>\$ 30,202</u>	<u>35,432</u>	<u>\$ 2,544,552</u>



**Vitro, S.A.B. de C.V. and Subsidiaries**  
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**Vitro, S.A.B de C.V. and Subsidiaries except Especialidades en Cristal, S.A. de C.V.**  
**Statement of Profit or Loss**  
For the year ended as of December 31, 2021

	<u>Vitro, S.A.B de C.V. and Subsidiaries</u>	<u>Especialidad es en Cristal, S.A. de C.V.</u>	<u>Eliminations</u>	<u>Vitro, S.A.B de C.V. and Subsidiaries except Especialidades en Cristal, S.A. de C.V.</u>
Net sales	\$ 1,957,568	\$ 30,998	18,639	\$ 1,945,209
Cost of sales	<u>1,561,562</u>	<u>29,175</u>	<u>16,708</u>	<u>1,549,095</u>
<b>Gross profit</b>	396,006	1,823	1,931	396,114
Administrative expenses	130,471	884	882	130,469
Distribution and sale expenses	<u>244,388</u>	<u>3,038</u>	<u>1,049</u>	<u>242,399</u>
<b>Income before other expenses, net</b>	21,147	(2,099)	-	23,246
Other (income)	-	-	-	-
Other expenses	<u>30,041</u>	<u>-</u>	<u>-</u>	<u>30,041</u>
<b>Operating loss</b>	(8,894)	(2,099)	-	(6,795)
<b>Financial cost, net:</b>				
Financial income	(2,647)	(356)	(155)	(2,446)
Financial cost	<u>71,217</u>	<u>118</u>	<u>155</u>	<u>71,254</u>
<b>Total financial cost</b>	<u>68,570</u>	<u>(238)</u>	<u>-</u>	<u>68,808</u>
Share in net income of associated companies	<u>4,580</u>	<u>-</u>	<u>1,555</u>	<u>6,135</u>
<b>Loss before income taxes</b>	(82,044)	(1,861)	(1,555)	(81,738)
Income taxes	<u>24,854</u>	<u>(306)</u>	<u>-</u>	<u>25,160</u>
<b>Loss of the year</b>	<u>\$ (106,898)</u>	<u>\$ (1,555)</u>	<u>(1,555)</u>	<u>\$ (106,898)</u>



**Vitro, S.A.B. de C.V. and Subsidiaries**  
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**Vitro, S.A.B de C.V. and Subsidiaries except Especialidades en Cristal, S.A. de C.V.**  
**Statements of Cash Flows**  
**For the year ended as of December 31, 2021**

	<b>Vitro, S.A.B de C.V. and Subsidiaries</b>	<b>Especialidades en Cristal, S.A. de C.V.</b>	<b>Eliminations</b>	<b>Vitro, S.A.B de C.V. and Subsidiaries except Especialidades en Cristal, S.A. de C.V.</b>
<b>Cash flows in operating activities:</b>				
Net loss	\$ (106,898)	\$ (1,555)	\$ (1,555)	\$ (106,898)
Adjustments for:				
Depreciation and amortization	147,776	764	-	147,012
Impairment loss	50,000	-	-	50,000
Loss (Gain) on sale of assets	9,711	-	-	9,711
Income taxes	24,854	(306)	-	25,160
Investments in associated companies	4,580	-	1,555	6,135
Inventory obsolescence reserve	5,216	-	-	5,216
Financial income	(2,647)	(356)	(155)	(2,446)
Derivative financial instruments	19,177	-	-	19,177
Effect of exchange variation and others	8,416	-	-	8,416
Financial costs	44,809	118	155	44,846
	<u>204,994</u>	<u>(1,335)</u>	<u>-</u>	<u>206,329</u>
<b>Changes in working capital:</b>				
Trade accounts receivable, net	(38,095)	(4,939)	(17,372)	(50,528)
Inventories	(81,700)	(7,788)	-	(73,912)
Trade accounts payable	31,940	15,370	17,372	33,942
Other operating assets	(9,020)	(1,502)	(9,670)	(17,188)
Other operating liabilities	(27,201)	6,589	9,670	(24,120)
Employee benefits	(40,737)	17	-	(40,754)
Income taxes paid	(65,080)	-	-	(65,080)
	<u>(203,893)</u>	<u>(1,502)</u>	<u>(17,372)</u>	<u>(222,767)</u>
<b>Net cash flows (used in) generated by operating activities</b>	<b>\$ (24,899)</b>	<b>6,412</b>	<b>-</b>	<b>(31,311)</b>



**Vitro, S.A.B. de C.V. and Subsidiaries**  
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	Vitro, S.A.B de C.V. and Subsidiaries	Especialidades en Cristal, S.A. de C.V.	Eliminations	Vitro, S.A.B de C.V. and Subsidiaries except Especialidades en Cristal, S.A. de C.V.
<b>Cash flows in investing activities:</b>				
Purchase of property, plant and equipment	\$ (96,777)	(202)		(96,575)
Proceeds from sale of property, plant and equipment and investment properties	16,316	-	-	16,316
Investment in joint venture	(2,000)	-	-	(2,000)
Advance payment for land purchase	6,896	-	-	6,896
Purchase of intangible assets	(4,096)	-	-	(4,096)
Other assets	(3,231)	-	-	(3,231)
Trade accounts receivable subsidiaries	-	(4,898)	(4,898)	-
Trade accounts payable to Especialidades en Cristal, S.A. de C.V.	-	-	4,869	4,869
Interest collected	2,373	100	153	2,426
<b>Net cash flows used in investing activities</b>	<b>(80,519)</b>	<b>(5,000)</b>	<b>124</b>	<b>(75,395)</b>
<b>Cash flows in financing activities:</b>				
Acquisition of new debt	364,200	-		364,200
Payment of loans	(545,407)	-		(545,407)
Lease payments	(18,272)	(261)		(18,011)
Interest paid	(34,663)	(100)	(153)	(34,716)
Trade accounts payable subsidiaries	-	29	29	-
Dividends paid	(16,938)	-		(16,938)
Repurchase of own shares	(5,072)	-		(5,072)
Debt raising cost	(1,542)	-		(1,542)
Derivative financial instruments	(8,681)	-		(8,681)
<b>Net cash flows(used in) generated by financing activities</b>	<b>(266,375)</b>	<b>(332)</b>	<b>(124)</b>	<b>(266,167)</b>
<b>Net (decrease) increase in cash and cash equivalents:</b>	<b>(371,793)</b>	<b>1,080</b>	<b>-</b>	<b>(372,873)</b>
Cash and cash equivalents as of January 1,	483,909	-	-	483,909
Effect of exchange fluctuations	(1,994)	2	-	(1,996)
<b>Cash and cash equivalents as of December 31,</b>	<b>\$ 110,122</b>	<b>1,082</b>	<b>-</b>	<b>109,040</b>



**Vitro, S.A.B. de C.V. and Subsidiaries**  
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At stockholders' equity level there are no effects, so what is presented in the statement of changes in stockholders' equity does not differ from this note.

The information presented in this note is not required by the International Financial Reporting Standards, so its use is exclusively for the purposes established in such note.

**27. Subsequent events**

*Reclassification of long-term debt*

As described in Note 14, dated December 31, 2021, long-term debt for \$571,321 was reclassified to short-term debt as shown in the statement of financial position as of December 31, 2021 in compliance with accounting standard IAS 1, which is explained as follows.

In adherence and in legal and contractual compliance, the Company requested in advance from the creditor banks a waiver in a timely manner on January 19, 2022 for the accounting period that ended on December 31, 2021. Such waiver was granted by the creditor banks between February 14 and 25, 2022 within the legal and contractual framework agreed with the creditor banks. Due to the interpretation of the IAS 1 accounting standard, these waivers should have been granted before December 31, 2021 in order to continue classifying long-term debt, for the difference between the balance of stockholders' equity as of December 31, 2021 and certain contractual financial obligations.

On January 1, 2022, the Company reclassified back the short-term debt to long-term debt for an amount of \$571,321, this because the Company has the necessary waivers from the creditor institutions in a timely manner according to with the legal and contractual framework agreed with the creditor banks. In the same manner and time, the amending agreements were made to adjust the stockholders' equity covenant for at least the 12 months of 2022 to ensure future compliance. As a result of the reclassification, the balance sheet at the beginning of January 1, 2022 is shown below:



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	<b>January 1, 2022</b>
Assets	
Cash and cash equivalents	\$ 110,122
Trade accounts receivable, net	212,864
Recoverable taxes	8,096
Recoverable value added tax	46,478
Other current assets	33,805
Inventories, net	458,129
Current assets	<u>869,494</u>
Investment in associated companies	22,642
Investment properties	20,147
Property, plant and equipment, net	1,143,029
Right of use assets, net	58,865
Goodwill	57,703
Intangible and other assets, net	256,148
Deferred income taxes	111,294
Long-term assets	<u>1,669,828</u>
Total assets	<u>\$ 2,539,322</u>



**Vitro, S.A.B. de C.V. and Subsidiaries**  
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	<u>January 1, 2022</u>
Liabilities	
Short-term debt	\$ 101,672
Short-term maturity of long-term debt	2,477
Interest payable	584
Short-term maturity of lease liability	17,851
Trade accounts payable	270,188
Accrued expenses and provisions	48,039
Income tax payable	21,121
Deconsolidation income tax	19,225
Other short-term liabilities	90,134
Short-term liabilities	<u>571,291</u>
Long-term debt	578,542
Long-term lease liability	32,792
Deconsolidation income tax	9,578
Deferred income taxes	15,678
Other long-term liabilities	9,134
Derivative financial instruments	13,011
Employee benefits	108,891
Long-term liabilities	<u>767,626</u>
Total liabilities	<u>1,338,917</u>
Stockholders' equity	
Capital stock	378,860
Repurchased shares	(32,621)
Additional paid-in capital	344,037
Other comprehensive (loss) income	(19,842)
Retained earnings	529,235
Controlling interest	1,199,669
Non-controlling interest	736
Stockholders' equity	<u>1,200,405</u>
Total liabilities and stockholders' equity	<u>\$ 2,539,322</u>



**Vitro, S.A.B. de C.V. and Subsidiaries**  
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*Construction of a new float furnace*

During 2021, Vitro's Board of Directors approved the construction of a new float glass furnace whose investment will be approximately \$120,000, this will allow the Company to meet the growing market demand in Latin America and offer greater availability of products, as well as an improvement in logistics will also allow it to offer the highest level of service to its customers and to the markets in which the Company participates.

*Construction of a new containers furnace*

At the end of 2021, Vitro's Board of Directors approved the investment of a new containers furnace at its plant located in Toluca, State of Mexico, whose investment will be approximately \$70,000, with the purpose of compensating the increase in the demand for containers of glass in the segments in which Vitro participates.

**28. Authorization to issue the consolidated financial statements**

The consolidated financial statements and notes of the Company as of December 31, 2021 and for the year ended on that date, were authorized for issuance by the Board of Directors on March 28, 2022, under the responsibility of Mr. Adrián G. Sada Cueva, Executive General Director, and C.P. Claudio L. Del Valle Cabello, General Director of Administration and Finance.

These consolidated financial statements are subject to the approval of the Company's Board of Directors, as well as approval at the ordinary stockholders' meeting, where they may be modified, based on provisions set forth in the Mexican General Corporate Law.

