

2021



# FOURTH QUARTER

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### JAVER ANNOUNCES 2021 RESULTS WITH INCREASE IN REVENUES, EBITDA, AND A HIGHER FREE CASH FLOW GENERATION

**Monterrey, Nuevo Leon, Mexico – February 17, 2022 - Servicios Corporativos Javer S.A.B. de C.V.**, (BMV: JAVER) (“Javer” or “the Company”) announced today its financial results for the fourth quarter (“4Q21”) and the twelve-month period (“12M21”) ended December 31, 2021. All figures presented in this report are expressed in thousands of nominal Mexican pesos (Ps.), unless otherwise stated.

#### Highlights:

(Figures in thousands of Mexican pesos)	4Q21	4Q20	Variation	12M21	12M20	Variation
Homes titled	2,931	4,057	(27.8%)	12,865	14,302	(10.0%)
Net Revenues	1,903,258	2,132,572	(10.8%)	7,509,523	7,293,856	3.0%
Gross Profit	522,696	574,344	(9.0%)	2,103,026	1,991,979	5.6%
Gross Margin	27.5%	26.9%	0.5 pp	28.0%	27.3%	0.7 pp
EBITDA	273,616	319,235	(14.3%)	1,089,497	1,004,505	8.5%
EBITDA Margin	14.4%	15.0%	(0.6 pp)	14.5%	13.8%	0.7 pp
Net Income (Loss)	-31,037	44,760	(169.3%)	145,889	139,682	4.4%
Net Margin	(1.6%)	2.1%	(3.7 pp)	1.9%	1.9%	0.0 pp
FCF	251,202	107,851	132.9%	771,136	374,900	105.7%
Earnings per share*	-0.11	0.16	(168.8%)	0.52	0.50	4.0%

\*The weighted average number of shares to calculate basic earnings per share for the period ended December 31, 2021 and 2020, was 278,725,927 and 278,235,835, respectively; the weighted average number of shares to calculate diluted earnings per share was 282,936,373 and 281,637,083, respectively.

- **Units sold** decreased 27.8% to 2,931 units in 4Q21, compared to 4,057 units in 4Q20, due to the depletion in some projects which were not all replaced as a result of the postponement of the purchase of land reserves that occurred in 2020 and the improvement in the product mix strategy in the higher-end segments. In 12M21, 12,865 units were sold, 10.0% less than the 14,302 units titled in 12M20, due to the same effects mentioned previously.
- **Net Revenues** were Ps. 1,903.3 million during 4Q21, which represents a decrease of 10.8% compared to Ps. 2,132.6 million in 4Q20. In 12M21, revenues increased 3.0% to Ps. 7,509.5 million, compared to the Ps. 7,293.9 million generated in 12M20, mainly due to a greater displacement of units in the middle-income and residential segments, which resulted in a 14.0% increase in the average sales price per home.
- **EBITDA** in 4Q21 was Ps. 273.6 million, 14.3% lower than the Ps. 319.2 million in 4Q20 due to the decrease in volume. EBITDA grew 8.5% to Ps. 1,089.5 million in 12M21, compared to the Ps. 1,004.5 million registered in 12M20, derived from the

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improvement in the sales mix as well in the average sales price, and to a lesser extent, to the increase in commercial lots revenues.

- **Net Income** was Ps. (31.0) million in 4Q21, compared to Ps. 44.8 million in 4Q20. In 12M21, a net income of Ps. 145.9 million was recorded, 4.4% higher than the Ps. 139.7 million in 12M20, mainly due to the improvement in revenues, expense control and the decrease in financial expenses.
- **Free cash flow (FCF)** increased 132.9% to Ps. 251.2 million in 4Q21 compared to Ps. 107.9 million in 4Q20 as a result of efficiencies in working capital, which include the increase in suppliers factoring lines and process improvements to streamline collections. During 12M21, a FCF of Ps. 771.1 million was generated, two times higher than the Ps. 374.9 million generated in 12M20, despite having made important investments in land reserves during the period, even though such investment was more than two times higher than the one made in 2020. The growth in EBITDA and efficiencies in working capital propitiated this increase.

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## MESSAGE FROM THE CEO

Mr. René Martínez, Chief Executive Officer of the Company, stated, "The financial and operating results for the fourth quarter and the 12-month period ended better than expected at the beginning of the year and in line with the guidance presented in the third quarter, consolidating growth in EBITDA for the second year in a row and a record year in free cash flow generation with Ps. 771 million, twice the amount generated in 2020.

The good performance was achieved thanks to the great teamwork and the efficiency of our business model, key factors to respond appropriately to certain events and changes that occurred during the year, such as the upward price pressure of the most important inputs of the construction process, a situation that continues for the beginning of the year, the adjustments in the workforce as a result of the Labor Reform, the Reform to the INFONAVIT Law and the new classification of urban consolidation areas, and the implementation of the new scoring scheme of the Institute (T -1000), among others.

In the year, we generated higher revenues given the improvement in the product mix and the 14% growth in the average sales price, despite the 10% contraction in volume that was originated mainly in the affordable-entry-level segment. The aforementioned, in conjunction with the costs and expenses control, resulted in an increase in EBITDA of 8.5% during year, yielding a margin of 14.5%, 70 basis points more than the EBITDA margin generated in 2020.

The digital media channels for the promotion of projects and customer attraction were strengthened during the year, reaching 60% of the total number of units sold. Throughout the year we managed to open 11 new projects, all of them pertaining to the middle-income and residential housing segments, which helped us to continue the operational inertia to reach the optimal product mix.

Regarding the capital structure of the company, there is an improvement in the indicators of gross debt and net debt when compared to the year 2020. The gross debt presents a decrease of 5.2% while net debt decreased 32.5%, which means that the indicator of net debt in relation to EBITDA was in the order of 1.64x, compared to 2.40x from the same period of the previous year.

The good performance of the company in the last 18 months contributed to an upgrade of the company's credit rating on a global scale by Fitch Ratings this past January 18, moving to BB- from B+, maintaining a stable outlook. Likewise, it began the coverage of the national corporate rating by assigning us A- with the same stable outlook.

In search of improving the capital structure and to release the pressure on the debt service, leveraged on the excellent results obtained in the year, we recently announced a prepayment agreed with the lenders of the Company's syndicated debt, in the amount of

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Ps. 500 million, situation that will undoubtedly help us to reach the desired structure in a shorter time.

As previously mentioned, we have concluded the last two years with growth in EBITDA thanks to our strategy of making our product mix more efficient, which has allowed us to migrate to an average sales price that is higher than what we had a couple of years ago. For the year 2022, the Company will continue in the same operating line and expects to maintain the level of units sold based on the end of 2021, with an increase in revenues, which will result in an approximate 3% growth in EBITDA. "

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## UNITS SOLD AND NET REVENUES

Units Sold	4Q21	% of units	4Q20	% of units	Variation	12M21	% of units	12M20	% of units	Variation
Affordable entry-level	62	2.1%	74	1.8%	(16.2%)	308	2.4%	391	2.7%	(21.2%)
Middle-income	2,413	82.3%	3,545	87.4%	(31.9%)	10,919	84.9%	12,478	87.2%	(12.5%)
Residential	456	15.6%	438	10.8%	4.1%	1,638	12.7%	1,433	10.0%	14.3%
<b>TOTAL</b>	<b>2,931</b>	<b>100.0%</b>	<b>4,057</b>	<b>100.0%</b>	<b>(27.8%)</b>	<b>12,865</b>	<b>100.0%</b>	<b>14,302</b>	<b>100.0%</b>	<b>(10.0%)</b>

Net Revenues (Figures in thousands of Mexican pesos)	4Q21	% of revenues	4Q20	% of revenues	Variation	12M21	% of revenues	12M20	% of revenues	Variation
Affordable entry-level	17,692	0.9%	20,098	0.9%	(12.0%)	87,488	1.2%	105,604	1.4%	(17.2%)
Middle-income	1,124,669	59.1%	1,512,480	70.9%	(25.6%)	4,894,829	65.2%	5,274,841	72.3%	(7.2%)
Residential	745,268	39.2%	596,592	28.0%	24.9%	2,483,923	33.1%	1,898,768	26.0%	30.8%
<b>Total Home Sales</b>	<b>1,887,629</b>	<b>99.2%</b>	<b>2,129,171</b>	<b>99.8%</b>	<b>(11.3%)</b>	<b>7,466,240</b>	<b>99.4%</b>	<b>7,279,213</b>	<b>99.8%</b>	<b>2.6%</b>
Commercial Lot Sales	15,629	0.8%	3,401	0.2%	359.5%	43,283	0.6%	14,643	0.2%	195.6%
<b>TOTAL</b>	<b>1,903,258</b>	<b>100.0%</b>	<b>2,132,572</b>	<b>100.0%</b>	<b>(10.8%)</b>	<b>7,509,523</b>	<b>100.0%</b>	<b>7,293,856</b>	<b>100.0%</b>	<b>3.0%</b>

\* Affordable entry-level units have selling prices below Ps. 300,000. Middle-income units have selling prices between Ps. 300,000 and Ps. 850,000. Residential units have selling price above Ps. 850,000.

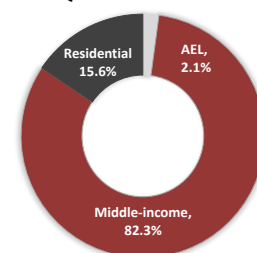
**Units Sold** totaled 2,931 in 4Q21, of which 82.3% corresponded to the middle-income segment, 15.6% to residential and 2.1% to the affordable-entry level segment (AEL). These units represented revenues of Ps. 1,887.6 million, which came mostly from the middle-income segment (59.1%) and residential housing (39.2%), with the AEL segment representing only 0.9% of the total quarter revenue. It should be noted that the residential segment had an increase of 4.1% in units sold and 24.9% in revenues.

In 12M21, 12,865 units were sold; the middle-income segment continues to be the most important element of the product mix with 84.9% of the units, followed by residential with 12.7% and 2.4% of AEL housing. The three segments combined represented revenues of Ps. 7,466.2 million, which are comprised of 65.2% revenues from the middle-income housing, 33.1% residential and 1.2% from the AEL segment. Likewise, the residential segment grew 30.8% in revenues and 14.3% in the number of units sold.

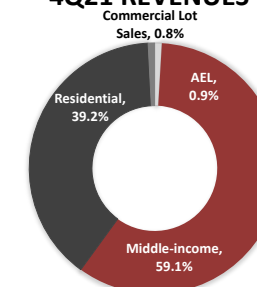
In 4Q21, revenues from sales of **commercial lots** were Ps. 15.6 million and sales totaled Ps. 43.3 million, cumulatively, during 2021. Both periods recorded increases compared to 2020 periods, mainly due to greater availability, derived from the acquisition of land reserves carried out during the year.

The **average sales price** increased 22.7% from Ps. 524.8 thousand in 4Q20 to Ps. 644.0 thousand in 4Q21. In 12M21, the average sales price closed at Ps. 580.4 thousand, 14.0% higher than the Ps. 509.0 thousand registered in 12M20. This increase is due to the improvement in the product mix and the increases in prices achieved throughout the year for each of the prototypes, mainly in the residential segment.

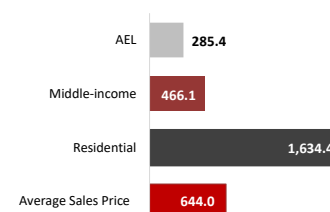
### 4Q21 UNITS SOLD



### 4Q21 REVENUES



### 4Q21 Average Sales Price



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(Figure in thousands of Mexican pesos)	4Q21	4Q20	Variation	12M21	12M20	Variation
AEL	285.4	271.6	5.1%	284.1	270.1	5.2%
Middle-income	466.1	426.7	9.2%	448.3	422.7	6.0%
Residential	1,634.4	1,362.1	20.0%	1,516.4	1,325.0	14.4%
<b>Average Sales Price</b>	<b>644.0</b>	<b>524.8</b>	<b>22.7%</b>	<b>580.4</b>	<b>509.0</b>	<b>14.0%</b>

**Mortgage Provided Mix:** INFONAVIT continues to be the main source of housing mortgages for Javer's customers. During 4Q21, 86.1% of the units sold had financing from INFONAVIT, including its COFINAVIT scheme, which represents a decrease of 5.1 percentage points compared to 91.2% registered in 4Q20. This was mainly a result of the strategy of orienting the product mix towards the middle-income segment and growing in the residential segment, whose clients opt for other financing options such as bank loans.

During 12M21 and 12M20, the INFONAVIT financed 87.4% and 91.7% of the units sold, respectively. This decrease is due to the same effects mentioned above.

Mortgage Provider	4Q21	% of total	4Q20	% of total	Variation	12M21	% of total	12M20	% of total	Variation
INFONAVIT	2,418	82.5%	3,567	87.9%	(32.2%)	10,872	84.5%	12,725	89.0%	(14.6%)
FOVISSSTE	56	1.9%	92	2.3%	(39.1%)	494	3.8%	390	2.7%	26.7%
COFINAVIT	106	3.6%	133	3.3%	(20.3%)	378	2.9%	393	2.7%	(3.8%)
Banks / Sofoles	197	6.7%	153	3.8%	28.8%	630	4.9%	472	3.3%	33.5%
Other	154	5.3%	112	2.8%	37.5%	491	3.8%	322	2.3%	52.5%
<b>TOTAL</b>	<b>2,931</b>	<b>100.0%</b>	<b>4,057</b>	<b>100.0%</b>	<b>(27.8%)</b>	<b>12,865</b>	<b>100.0%</b>	<b>14,302</b>	<b>100.0%</b>	<b>(10.0%)</b>

## GROSS PROFIT / GROSS MARGIN

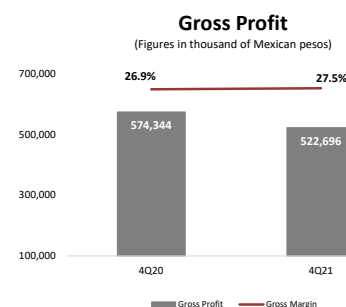
Gross Profit (Figures in thousands of Mexican pesos)	4Q21	4Q20	Variation	12M21	12M20	Variation
Home Sales	508,579	571,582	(11.0%)	2,071,534	1,978,804	4.7%
Commercial Lot Sales	14,117	2,762	411.1%	31,492	13,175	139.0%
<b>TOTAL</b>	<b>522,696</b>	<b>574,344</b>	<b>-9.0%</b>	<b>2,103,026</b>	<b>1,991,979</b>	<b>5.6%</b>

Gross Margin (%)	4Q21	4Q20	Variation	12M21	12M20	Variation
Home Sales	26.9%	26.8%	0.1 pp	27.7%	27.2%	0.6 pp
Commercial Lot Sales	90.3%	81.2%	9.1 pp	72.8%	90.0%	(17.2 pp)
<b>TOTAL</b>	<b>27.5%</b>	<b>26.9%</b>	<b>0.5 pp</b>	<b>28.0%</b>	<b>27.3%</b>	<b>0.7 pp</b>

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**Gross profit** in 4Q21 was Ps. 522.7 million, a decrease of 9.0% compared to Ps. 574.3 million in 4Q20, due to the contraction in units sold in the quarter. For 12M21, gross profit was Ps. 2,103.0 million, an increase of 5.6% compared to the Ps. 1,992.0 million registered in 12M20, mainly due to the improvement in the sales mix, which is oriented towards higher priced homes.

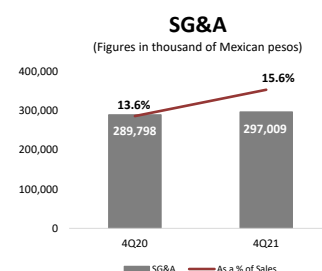


**Gross margin** increased 0.5 percentage points, going from 26.9% in 4Q20 to 27.5% in 4Q21. In 12M21 gross margin was 28.0%, 0.7 percentage points higher than the 27.3% registered in 12M20, as a result of the same effects mentioned above.

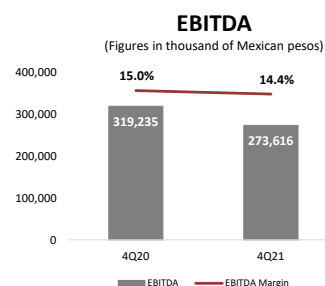
## EBITDA / EBITDA MARGIN

(Figures in thousands of Mexican pesos)	4Q21	4Q20	Variation	12M21	12M20	Variation
SG&A	297,009	289,798	2.5%	1,134,376	1,106,351	2.5%
As a % of Sales	15.6%	13.6%	2.0 pp	15.1%	15.2%	(0.1 pp)
EBITDA	273,616	319,235	(14.3%)	1,089,497	1,004,505	8.5%
EBITDA Margin	14.4%	15.0%	(0.6 pp)	14.5%	13.8%	0.7 pp

**Selling, General and Administrative Expenses (SG&A)** were Ps. 297.0 million in 4Q21, 2.5% higher than the Ps. 289.8 million in 4Q20. In 12M21, expenses were Ps. 1,134.4 million, with the same quarter increase of 2.5% compared to the Ps. 1,106.4 million of 12M20, due to the extraordinary effects of the implementation of the labor reform. However, defined as a percentage of revenues, the 12M21 figure had a slight decrease.



**EBITDA** in 4Q21 was Ps. 273.6 million, 14.3% lower than the Ps. 319.2 million in 4Q20 due to the decrease in volume. EBITDA grew 8.5% to Ps. 1,089.5 million in 12M21, compared to the Ps. 1,004.5 million registered in 12M20, derived from the improvement in the sales mix and in the average sales price and, to a lesser extent, to the increase in commercial lots revenues.



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## COMPREHENSIVE COST OF FINANCING

(Figures in thousands of Mexican pesos)	4Q21	4Q20	Variation	12M21	12M20	Variation
Interest expense	132,291	133,886	(1.2%)	495,096	553,090	(10.5%)
Interest income	(16,219)	(6,985)	132.2%	(47,291)	(20,694)	128.5%
Net FX loss (gain) of the derivative positions	21,180	24,918	(15.0%)	97,212	45,171	115.2%
<b>NCFR</b>	<b>137,252</b>	<b>151,819</b>	<b>(9.6%)</b>	<b>545,017</b>	<b>577,567</b>	<b>(5.6%)</b>
Net gain (loss) on cash flow hedges	35,460	1,860	1806.5%	145,776	(99,989)	245.8%

**Comprehensive Financing Cost** was Ps. 137.3 million in 4Q21, a decrease of 9.6% compared to Ps. 151.8 million in 4Q20. In 12M21, the comprehensive cost of financing was Ps. 545.0 million, 5.6% lower than the \$577.6 million in 12M20. In both periods, the decreases are derived from a financial expenses reduction due to amortizations of the syndicated loan principal made during the year and from higher financial income due to the greater generation of cash that remains in investments.

**Net Income** was Ps. (31.0) million in 4Q21, compared to Ps. 44.8 million in 4Q20. In 12M21, a net income of Ps.145.9 million was recorded, 4.4% higher than the Ps. 139.7 million in 12M20, mainly due to the improvement in revenues, expense control and the decrease in financial expenses.

**Comprehensive (loss) profit** was Ps. (1.3) million in 4Q21 and Ps. 285.9 million in 12M21.

## ASSETS / LIABILITIES

**Cash, cash equivalents and restricted cash** was Ps. 1,427.0 million as of December 31, 2021, as a result of the Company's operating efficiency and the free cash flow generation.

## WORKING CAPITAL

The working capital cycle closed in 292 days as of December 31, 2021, 28 days less than the 320 days recorded at the end of 2020. The main factors for the decrease are the agility in the collection process and the new factoring lines for suppliers.

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(Figures in thousands of Mexican pesos)	December 31, 2021		December 31, 2020	
	Amount	Days	Amount	Days
Accounts Receivable	537,437	26	851,114	42
Inventory (work in progress)	3,877,344	261	3,822,821	262
Inventory (land bank)	1,828,584	123	1,633,382	112
Accounts Payable	1,723,502	116	1,347,536	93
Customer Advances	37,631	3	69,196	5
<b>Working Capital</b>	<b>4,482,232</b>	<b>292</b>	<b>4,890,585</b>	<b>320</b>
LTM Revenues	7,509,523		7,293,856	
LTM Cost of Goods Sold	5,406,497		5,301,877	

## FREE CASH FLOW

**Free cash flow (FCF)** increased 132.9% to Ps. 251.2 million in 4Q21 compared to Ps. 107.9 million in 4Q20 as a result of efficiencies in working capital, which include the increase in suppliers factoring lines and process improvements to streamline collections. During 12M21, a FCF of Ps. 771.1 million was generated, two times higher than the Ps. 374.9 million generated in 12M20, despite having made important investments in land reserves during the period, even though said investments were more than two times higher than the one made in 2020. The growth in EBITDA and efficiencies in working capital propitiated this increase.

(Figures in thousands of Mexican pesos)	4Q21	4Q20	12M21	12M20
EBITDA	273,616	319,235	1,089,497	1,004,505
(+) Land included in COGS	153,334	160,022	560,755	608,590
(+) Changes in Working Capital	146,705	10,554	582,782	(157,984)
Interest Expense	(125,743)	(246,655)	(503,353)	(553,552)
Cash Taxes	(28,342)	(25,929)	(141,167)	(122,200)
Land CAPEX	(161,892)	(109,740)	(808,877)	(401,852)
Equipment CAPEX	(6,476)	364	(8,501)	(2,607)
<b>Free Cash Flow</b>	<b>251,202</b>	<b>107,851</b>	<b>771,136</b>	<b>374,900</b>

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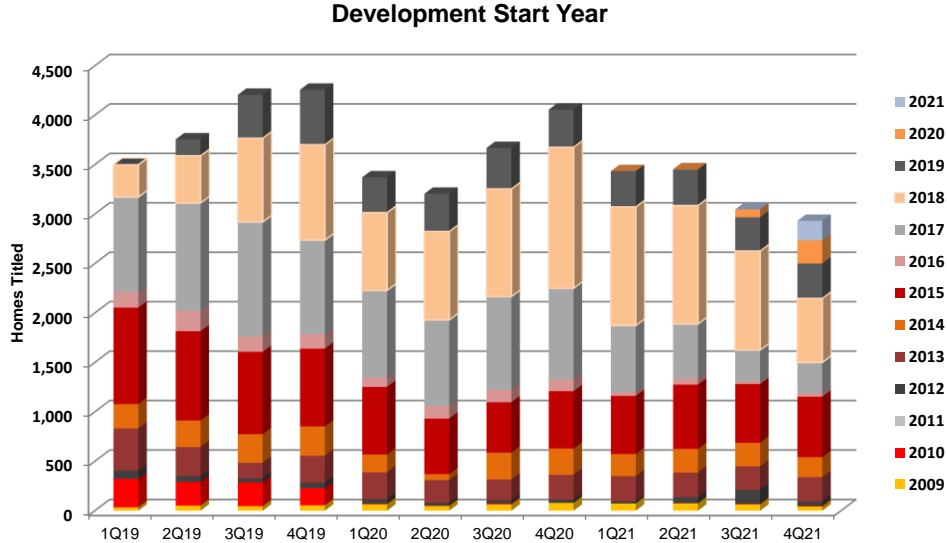
## DEVELOPMENT PIPELINE

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Home Starts	2,761	4,248	4,428	4,181	4,203	1,453	4,213	3,394	3,034	3,435	2,638	3,554
Homes Completions	3,152	3,818	3,947	4,436	3,724	2,230	4,247	4,073	3,157	3,602	3,173	3,165
Homes Titled	3,498	3,755	4,206	4,257	3,372	3,205	3,668	4,057	3,434	3,453	3,047	2,931
Available Finished Home Inventory (AFHI)	1,269	1,332	1,073	1,252	1,604	629	1,264	1,300	1,044	1,184	1,308	1,528
Homes under development (incl. AFHI)	6,293	6,786	7,008	6,932	7,763	6,011	6,556	5,906	5,532	5,513	5,122	5,745
Total Land Bank	96,421	88,789	84,336	76,895	77,330	74,114	71,799	68,247	64,959	67,067	64,978	64,298

**Home Starts** showed an increase of 4.7%, registering 3,554 units in 4Q21, compared to the 3,394 units reported in 4Q20, due to the ramp-up of projects that will start titling during 2022.

**Home Completions** decreased 22.3% to 3,165 units in 4Q21, compared to the 4,073 units completed in 4Q20, mainly due to the depletion of housing inventories of projects that were selling units in 4Q20.

**Finished Home Inventory** as of December 31, 2021, was 1,528, 16.8% more than the 1,308 units as of September 30, 2021.



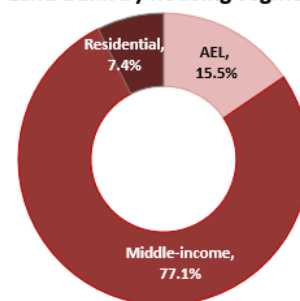
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## LAND BANK

As of December 31, 2021, the Company's land bank reached 64,298 units, of which approximately 68.9% were acquired directly by the Company and the remaining 31.1% are held through land trusts.

Land bank by housing segment



## Land Bank per state as of December 31, 2021

State	Units	Percentage
Aguascalientes	6,205	9.7%
State of Mexico	5,748	8.9%
Jalisco	16,616	25.8%
Nuevo Leon	15,780	24.5%
Queretaro	7,150	11.1%
Quintana Roo	4,776	7.4%
Tamaulipas	8,023	12.5%
<b>Total</b>	<b>64,298</b>	<b>100.0%</b>

## DEBT AND DERIVATIVE POSITION

As of December 31, 2021, Javer continues to have access to Ps. 286.8 million in bridge credit agreements and Ps. 107.4 million in leases. These credit lines can be drawn by the Company as long as it is in compliance with the covenants established in the syndicated loan contract.

Likewise, Javer arranged certain derivative financial instruments to hedge 100% of its FX exposure linked to the portion of the syndicated loan denominated in US dollars, as well as to fix the interest rate in Mexican pesos and US dollars. As of December 31, 2021, Javer had US\$12 million in available credit lines from derivative counterparties to offset any potential negative fair valuation effect on the Company's derivatives.

As of December 31, 2021, Total Debt / LTM EBITDA reached 2.79x, Net Debt to EBITDA was 1.64x, and available cash flow for total debt service was 2.47x. On February 14, 2022, the Company reached an agreement with the lenders of the syndicated loan to make a prepayment of the principal for Ps. 500 million. With this decrease, the ratio of total debt to EBITDA would have been 2.33x as of December 31, 2021.

# FOURTH QUARTER

2021

Short-term Debt (Figures in thousands of Mexican pesos)	Dec-21
Short-term loans	334
Current Portion of Long Term Debt	334,075
<b>TOTAL</b>	<b>334,409</b>

Long-term Debt (Figures in thousands of Mexican pesos)	Dec-21
Syndicated Loan	2,916,975
Financial Leases	148,700
Less Current Portion of long-term debt	334,075
<b>TOTAL</b>	<b>2,731,600</b>

<b>TOTAL DEBT*</b>	<b>3,066,009</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>1,426,977</b>
<b>NET DEBT</b>	<b>1,639,032</b>

Financial Indicators	Dec-21
TOTAL DEBT * / LTM EBITDA	2.79
NET DEBT / LTM EBITDA	1.64
Available Cash Flow to total debt service	2.47
Assets to total debt **	2.52

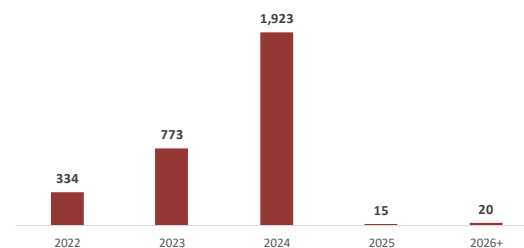
\* Total Debt: The exchange rate used for the conversion of the USD portion of the syndicated loan is 19.17 MXP/USD, which was agreed in the derivatives contract.

\*\* Assets: (Cash, cash equivalents and restricted cash + Short and long-term Accounts Receivable + Inventories + Land Held for future development) / Total Debt.

Derivatives (Figures in thousands)	December 31, 2021	
	FMV (Ps\$)	FMV (US\$)
Cross currency and interest rate swaps	42,195	2,057

## Debt Maturity Profile

(Figures in million pesos)



# FOURTH QUARTER

2021

**SERVICIOS CORPORATIVOS JAVER S.A.B. de C.V.**  
cordially invites you to its  
Fourth Quarter 2021  
Conference Call & Webcast Presentation in Spanish

**Friday, February 18, 2022**  
11:00 a.m. New York Time  
10:00 a.m. Mexico City/Monterrey Time

## PRESENTERS

**René Martínez Martínez**, Chief Executive Officer  
**Felipe Loera Reyna**, Chief Financial Officer  
**Verónica Lozano**, IR, CSR and Planning Director

To access the call, please dial:  
+1(888) 506-0062 from within the U.S.  
001(973) 528-0011 from within Mexico  
**Passcode: JAVER**

To access the live and archived webcast presentation, visit:  
<http://webcast.investorcloud.net/javer/index.html>

### *About Javer:*

**Servicios Corporativos Javer S.A.B. de C.V.** specializes in the development of affordable entry-level, middle-income and residential units. The Company started operations in 1973, and its corporate headquarters are in Monterrey, Nuevo Leon. Javer operates in the states of Aguascalientes, State of Mexico, Jalisco, Nuevo Leon, Quintana Roo, Queretaro and Tamaulipas. Additionally, the Company started a housing project in Guanajuato during 2019 which is managed by the Queretaro branch. In 2021, the Company reported revenues of Ps. 7,509 million and 12,865 units sold.

### *Disclaimer*

This press release may include forward-looking statements. These statements relate to projections, future developments and business strategies and can be identified by the use of terms and phrases such as "anticipates," "believes," "can," "will," "estimates," "expects," "prevents," "intends," "pretends," "may," "plans," "predicts," "projects," "aims," "strategy" and similar terms and phrases, and may include references to assumptions.

The Company cautions investors that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that the Company's actual results of operations, including the Company's financial condition and liquidity and the development of the Mexican mortgage finance industry, may differ materially from the forward-looking statements contained in this press release. In addition, even if the Company's results of operations are consistent with the forward-looking statements contained in this press release, those results or developments may not be indicative of results or developments in subsequent periods.

These forward-looking statements speak only as of the date of this press release and the Company assumes no obligation to revise or update any forward-looking statement, whether as a result of new information or new events or developments obligation.

These forward-looking statements include, without limitation, those regarding the Company's future financial position and results of operations, the Company's strategy, plans, objectives, goals and targets, future developments in the markets in which the Company participates or is seeking to participate or anticipated regulatory changes in the markets in which the Company intends to operate.

# FOURTH QUARTER

2021

## Servicios Corporativos Javer, S. A. B. de C. V. and Subsidiaries

### Consolidated statements of financial position

As of December 31, 2021, and 2020

(In thousands of Mexican pesos)

	Note	2021	2020
<b>Assets</b>			
Current assets:			
Cash, cash equivalents and restricted cash	3	\$ 1,334,109	\$ 706,806
Accounts receivable, net	4	452,187	760,027
Inventories	6	3,877,344	3,822,821
Prepaid expenses		453,092	510,474
Other current assets		227,164	189,146
Total current assets		6,343,896	5,989,274
Long-term restricted cash	3	92,868	99,069
Long-term accounts receivable	4	85,250	91,087
Land held for future development	6	1,828,584	1,633,382
Buildings, molds, machinery and equipment		194,015	228,493
Derivative financial instruments	7	42,195	-
Deferred income taxes	11	357,920	506,634
Other non-current assets		157,729	173,185
Total assets		<u>\$ 9,102,457</u>	<u>\$ 8,721,124</u>
<b>Liabilities and stockholders' equity</b>			
Current liabilities:			
Short-term loans	8	\$ 334	\$ 10,799
Current portion of long-term debt	8	334,075	418,727
Trade and other payables	9	2,123,992	1,743,277
Due to related parties		165	165
Advances from customers		37,631	69,196
Income taxes payable	11	10,700	31,994
Interest payable		46,762	46,568
Total current liabilities		2,553,659	2,320,726
Long-term debt	8	2,731,600	2,805,269
Payables for purchase of land		7,991	3,600
Employee retirement obligations		96,598	76,194
Derivative financial instruments	7	-	178,849
Deferred income taxes	11	1,343,189	1,254,155
Total liabilities		<u>6,733,037</u>	<u>6,638,793</u>
Stockholders' equity:			
Capital stock	12	1,165,701	1,170,131
Premium on issuance of shares		26,131	20,535
Retained earnings		1,172,278	1,026,389
Other comprehensive income (loss) items		5,310	(134,724)
Total stockholders' equity		<u>2,369,420</u>	<u>2,082,331</u>
Total liabilities and stockholders' equity		<u>\$ 9,102,457</u>	<u>\$ 8,721,124</u>

The accompanying notes are part of these consolidated financial statements.

# FOURTH QUARTER

2021

Servicios Corporativos Javer, S. A. B. de C. V. and Subsidiaries

## Consolidated statements of profit or loss and other comprehensive income (loss)

For the periods ended December 31, 2021, and 2020

(In thousands of Mexican pesos, except earnings per share)

	Note	4Q 2021	4Q 2020	12M 2021	12M 2020
Revenues	14	\$ 1,903,258	\$ 2,132,572	\$ 7,509,523	\$ 7,293,856
Cost of sales		<u>1,380,562</u>	<u>1,558,228</u>	<u>5,406,497</u>	<u>5,301,877</u>
Gross profit		522,696	574,344	2,103,026	1,991,979
Administrative expenses		(109,449)	(101,457)	(397,032)	(372,452)
Selling expenses		(128,573)	(131,048)	(504,149)	(500,242)
General expenses		(58,987)	(57,293)	(233,195)	(233,657)
Other income, net		2,533	2,619	10,548	10,744
Interest expense, net		(116,072)	(126,901)	(447,805)	(532,396)
(Loss) gain on foreign currency exchange		(145)	50,942	(11,176)	(10,184)
Loss on valuation of derivative financial instruments	7	<u>(21,035)</u>	<u>(75,860)</u>	<u>(86,036)</u>	<u>(34,987)</u>
Income before income taxes		90,968	135,346	434,181	318,805
Income tax	11	<u>(122,005)</u>	<u>(90,586)</u>	<u>(288,292)</u>	<u>(179,123)</u>
Net (loss) income		(31,037)	44,760	145,889	139,682
Other comprehensive (loss) income:					
Item to be reclassified subsequently to profit or loss – net gain (loss) in cash flow hedges, net of taxes		35,460	1,860	145,776	(99,989)
Item that will not be reclassified subsequently to profit or loss – loss in actuarial remeasurements, net of taxes		<u>(5,742)</u>	<u>(4,127)</u>	<u>(5,742)</u>	<u>(4,127)</u>
Total comprehensive (loss) income		<u>\$ (1,319)</u>	<u>\$ 42,493</u>	<u>\$ 285,923</u>	<u>\$ 35,566</u>
Basic and diluted (loss) earnings per share		<u>\$ (0.11)</u>	<u>\$ 0.16</u>	<u>\$ 0.52</u>	<u>\$ 0.50</u>

The weighted average number of shares to calculate basic earnings per share for the period ended December 31, 2021, and 2020, was 278,725,927 and 278,235,835, respectively; the weighted average number of shares to calculate diluted earnings per share was 282,936,373 and 281,637,083, respectively.

The accompanying notes are part of these consolidated financial statements.

# FOURTH QUARTER

2021

## Servicios Corporativos Javer, S. A. B. de C. V. and Subsidiaries Consolidated statements of changes in stockholders' equity

For the periods ended December 31, 2021, and 2020  
(In thousands of Mexican pesos)

	Capital Stock	Premium on issuance of shares	Retained earnings	Other comprehensive income (loss) items	Total stockholders' equity
Balance as of January 1, 2020	\$1,157,071	\$ 12,452	\$ 886,707	\$ (30,608)	\$ 2,025,622
Issuance of shares associated with share-based payment plans	13,060	8,083	-	-	21,143
Comprehensive income	-	-	139,682	(104,116)	35,566
Balance as of December 31, 2020	1,170,131	20,535	1,026,389	(134,724)	2,082,331
Issuance of shares associated with share-based payment plans	(3,049)	5,596	-	-	2,547
Repurchase of shares	(1,381)	-	-	-	(1,381)
Comprehensive income	-	-	145,889	140,034	285,923
Balance as of December 31, 2021	<u>\$1,165,701</u>	<u>\$ 26,131</u>	<u>\$1,172,278</u>	<u>\$ 5,310</u>	<u>\$ 2,369,420</u>

The accompanying notes are part of these consolidated financial statements.

# FOURTH QUARTER

2021

## Servicios Corporativos Javer, S. A. B. de C. V. and Subsidiaries

### Consolidated statements of cash flows

For the periods ended December 31, 2021, and 2020

(In thousands of Mexican pesos)

	<b>2021</b>	<b>2020</b>
Cash flows from operating activities:		
Income before income taxes	\$ 434,181	\$ 318,805
Adjustment for:		
Interest expense, net	447,805	532,396
Valuation effect of derivative financial instruments	86,036	34,987
Depreciation and amortization	89,807	91,824
Unrealized foreign exchange loss	11,651	21,765
Shares-based payments	2,547	21,143
(Increase) / decrease in:		
Accounts receivable	313,677	(55,739)
Inventories and land held for future development	(241,985)	272,211
Other current assets	(28,702)	(40,523)
Prepaid expenses	51,071	54,111
Increases / (decrease) in:		
Trades payable and other accounts payable	386,202	(229,653)
Advances from customers	(31,565)	32,764
Income taxes paid	(141,167)	(122,200)
Net cash flows from operating activities	<u>1,379,558</u>	<u>931,891</u>
Cash flows from investing activities - Acquisition of buildings, molds, machinery and equipment	<u>(8,501)</u>	<u>(2,607)</u>
Cash flows from financing activities:		
From financial institutions loans	-	9,750
Payment of financial institutions loans	(10,465)	(76,534)
Payment of long-term loans	(149,282)	(40,989)
Interest paid	(503,355)	(553,551)
Repurchase shares	(1,381)	-
Issue of shares	7,416	10,712
Sales of shares	3,689	4,718
Payment of commissions and fees for arranging long-term loans	(96,566)	(833)
Net cash used in financing activities	<u>(749,944)</u>	<u>(646,727)</u>
Net increase in cash, cash equivalents and restricted cash	621,113	282,557
Adjustments to cash flow as a result of foreign exchange fluctuations	(11)	551
Cash, cash equivalents and restricted cash at the beginning of the period	<u>805,875</u>	<u>522,767</u>
Cash, cash equivalents and restricted cash at the end of the period	<u>\$1,426,977</u>	<u>\$ 805,875</u>
Complementary items of non-cash investing activities:		
Accounts payable for acquisition of fixed assets through finance leases	<u>\$ 32,801</u>	<u>\$ 36,888</u>

The accompanying notes are part of these consolidated financial statements.

## Servicios Corporativos Javer, S. A. B. de C. V. and Subsidiaries

### Notes to consolidated statements

For the periods ending December 31, 2021, and 2020

(In thousands of Mexican pesos, except as otherwise indicated)

#### 1. Reporting entity and relevant event

##### 1.1 Reporting entity

Servicios Corporativos Javer, S. A. B. de C. V. and Subsidiaries (the Company or JAVER) is a holding company that, together with its subsidiaries, specializes in the construction and sale of affordable entry-level, middle-income, and residential housing developments in Mexico. Its headquarters are located at Av. Juarez 1102, Piso 34, Colonia Centro, Monterrey, Nuevo León, México, 64000. The Company commenced operations in 1973 and is currently one of the leading housing developers in terms of number of units sold in Mexico.

##### 1.2 JAVER's Subsidiaries

Details of JAVER's wholly owned subsidiaries and their principal activities are as follows:

###### Real estate sales:

- Casas Javer, S. A. de C. V.
- Casas Javer de México, S. A. de C. V.
- Casas Javer de Querétaro, S. A. de C. V.
- Inmuebles para Ti, S. A. de C. V.

###### Urbanization and construction services:

- Urbanizaciones Javer del Noreste, S. A. de C. V. <sup>(1)</sup>

###### Construction services:

- Construcción de Viviendas Javer, S. A. de C. V. <sup>(1)</sup>

###### Administration services:

- Servicios Administrativos Javer, S. A. de C. V. <sup>(1)</sup>

###### Financial services:

- Casas Consentidas Javer, S. A. de C. V., S. O. F. O. M., E. N. R.

<sup>(1)</sup> Subsidiary merged with Casas Javer, S. A. de C. V. from January 1, 2022.

#### 2. Significant accounting policies

##### 2.1 Statement of compliance

The consolidated financial statements (hereafter, the financial statements) have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB).

For purposes of the accompanying consolidated statements, certain information and disclosures, normally included in annual audited consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), have been condensed or omitted from the accompanying consolidated financial statements, in accordance with the provisions of IAS 34; in addition, the operating results of the periods presented are not necessarily indicative of the operating results of the Company as if the results would have been presented on an annual basis. Therefore, for a better understanding, the consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements as of December 31, 2020, which were also prepared in accordance with IFRS.

## *2.2 Application of new and revised International Financial Reporting Standards*

In the current year, the Company has applied the amendments to IFRSs issued by the IASB which are mandatorily effective for fiscal years beginning on or after January 1, 2021.

### *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*

The amendments affect the financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- *Changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities* - The amendments require the Company account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

- *Hedge accounting* - The amendments provide exceptions to the hedge accounting requirements in the following areas:

- a) Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform.
- b) When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- c) When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to subgroups based on the benchmark rates being hedged.
- d) If the Company reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

As of January 1, 2021, the Company has cash flow hedges of sterling LIBOR risk on U.S. dollars. The Company doesn't expect that indexation of the hedged items and hedging instruments to LIBOR will be replaced with some other reference rate, however, there is uncertainty about when and how replacement may occur. When the change occurs to the hedged item or the hedging instrument, the Company will remeasure the cumulative change in fair value of the hedged item or the fair value of the interest rate swap, respectively, based on the new reference rate. Hedging relationships may experience hedge ineffectiveness if there is a timing or other mismatch between the transition of the hedged item and that of the hedging instrument to the new reference rate.

## *2.3 Basis of presentation*

The same accounting and reporting policies and valuation methods were applied in the preparation of these consolidated financial statements as those followed in the Company's annual consolidated financial statements for the year ended December 31, 2020.

### *2.3.1 Presentation of statements of profit or loss and other comprehensive (loss) income*

The Company presents costs and expenses in its statements of profit and loss and other comprehensive income (loss) according to their function, as is the practice of the industry to which the Company belongs.

### *2.3.2 Presentation of statements of cash flows*

The statements of cash flows are presented using the indirect method, at the Company's accounting policy election.

# FOURTH QUARTER

2021

## 2.3.3 Earnings per share

The basic earnings per common share is calculated by dividing the net consolidated income by the weighted average number of outstanding common shares during the period. For the period ended December 31, 2021, and 2020, the Company held shares that could potentially be diluted, however, the difference between these shares and ordinary shares was not material.

## 2.4 Basis of consolidation

The financial statements incorporate the financial statements of JAVER and its Subsidiaries. Control is achieved when JAVER: a) has power over an entity, b) is exposed, or has rights, to variable returns from its interest in that entity, and c) has the ability to use its power to affect its returns.

The results of subsidiaries acquired or sold during the year are included in the statement of profit or loss and other comprehensive income (loss), from the effective date of acquisition and up to the effective date of sale, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to non-controlling interests (to the extent applicable) even if this results in the non-controlling interests having a deficit balance.

All intercompany transactions and balances have been eliminated in the consolidation of financial statements.

Note 1 to the financial statements lists all the subsidiaries in which JAVER has a controlling interest.

## 2.5 Critical accounting judgments and estimates

In the application of the Company's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised, if the revision affects only that period, the current period or future periods.

The Company considers as critical accounting judgments and estimates: the control over joint operations of land trusts, the useful lives of buildings, molds, machinery and equipment, deferred taxes, impairment of long-lived assets and the valuation of derivative financial instruments.

Management of the Company considers that all necessary adjustments (including normal recurring provisions) for a fair presentation have been included in the consolidated financial statements.

## 3. Cash, cash equivalents and restricted cash

For purposes of the consolidated statements of cash flows, cash includes cash in banks, temporary investments and restricted cash. Temporary investments are highly liquid investments held in overnight cash positions. Cash at the end of the reporting period as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	As of December 31,	
	2021	2020
Cash and bank balances	\$ 164,429	\$ 6,974
Temporary investments	1,082,554	627,413
Short-term restricted cash <sup>(1)</sup>	87,126	72,419
Total cash, cash equivalents and short-term restricted cash	1,334,109	706,806
Long-term restricted cash <sup>(1)</sup>	92,868	99,069
Total cash, cash equivalents and restricted cash presented in the statement of cash flows	<u>\$1,426,977</u>	<u>\$ 805,875</u>

<sup>(1)</sup> Restricted cash intended for the payment of the interest and capital amortizations of Syndicated Loan. This cash is mainly comprised of highly liquid investments made with low credit risk institutions.

# FOURTH QUARTER

2021

## 4. Accounts receivable

As of December 31, 2021, the composition of accounts receivable (and its related allowance for doubtful accounts) is similar to that as of December 31, 2020; such accounts are measured at amortized cost.

The average credit period for home sales is approximately 45 days.

Balances with the Mexican National Worker's Housing Fund Institute (Instituto del Fondo Nacional para la Vivienda de los Trabajadores or INFONAVIT for its acronym in Spanish) represent 61.71% and 67.42% of the total of accounts receivable as of December 31, 2021, and 2020, respectively.

INFONAVIT's risk of collection is not significant, as loans are backed by the employer's contributions to the Institute. The collection risk of other credits is also considered to be negligible, given that they are backed by reputable financial institutions. Neither INFONAVIT nor the other credits have any significant history of default on the amounts owed to the Company.

### 4.1 Long-term accounts receivable

As of December 31, 2021, and 2020, long-term accounts receivable corresponds to the sales of commercial lots.

### 4.2 Collection rights

The collection rights of short and long-term accounts receivable as of December 31, 2021, and 2020, were assigned to a guarantee trust which was created in accordance with the Syndicated Loan contract (See Note 8).

## 5. Transactions and balances with related parties

Details of transactions and balances between the Company and other related parties are disclosed below:

### 5.1 Sales transactions

	December 31,	
	2021	2020
Urbanization services expense <sup>(1)</sup>	\$ (1,561)	\$ (2,769)
Administrative services expense <sup>(2,3)</sup>	(22,703)	(172)
Interest expense <sup>(2)</sup>	(7,322)	(7,884)

(1) For the periods ended December 31, 2021, and 2020, the Company carried out transactions with an affiliate company of Casas Javer, S. A. de C. V.

(2) Interest and administrative services expenses are related to the lease's contracts mentioned in the next point 5.2 of these financial statements.

(3) Administrative services expenses correspond to financial advice fees with related parties of the Holding Company Servicios Corporativos Javer, S. A. B. de C. V.

### 5.2 Balances due to related parties:

#### a) Accounts Payable

	As of December 31,	
	2021	2020
Desarrolladora y Urbanizadora Las Láminas, S. A. de C. V. <sup>(1)</sup>	<u>\$ 165</u>	<u>\$ 165</u>

# FOURTH QUARTER

2021

- (1) 99.9% owned by a shareholder of JAVER and its operating activity is to develop land for housing construction.

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2020</b>
Inmobiliaria Torre M, S.A. de C.V. (1)	\$ 61,378	\$ 68,911
Administración de Proyectos y Servicios en Condominio, S.C. (1)	5,494	6,096
	<u>\$ 66,872</u>	<u>\$ 75,007</u>

- (1) Corresponds to the lease liability corresponding to the rights-of-use of the corporate offices and are presented in the long-term debt and its corresponding current portion.

### 5.3 Compensation of key management personnel

The remuneration of executives and directors during the year was as follows:

	<u>2021</u>	<u>2020</u>
Professional fees and salaries	\$ 45,287	\$ 56,711
Shares compensation plan bonus	5,824	7,032
	<u>\$ 51,111</u>	<u>\$ 63,743</u>

## 6. Inventories and land held for future development

	<b>Land under development</b>	<b>Housing units under development</b>	<b>Urbanization and related equipment</b>	<b>Total (1)</b>
Balance as of December 31, 2019	\$ 1,110,828	\$ 1,189,991	\$ 1,918,536	\$ 4,219,355
Additions / Purchases	-	2,759,693	1,586,188	4,345,881
Transfers from land held for future development	231,310	-	-	231,310
Sales	<u>(604,766)</u>	<u>(2,800,748)</u>	<u>(1,568,211)</u>	<u>(4,973,725)</u>
Balance as of December 31, 2020	737,372	1,148,936	1,936,513	3,822,821
Additions / Purchases	-	2,849,995	1,627,158	4,477,153
Transfers from land held for future development	619,259	-	-	619,259
Sales	<u>(559,785)</u>	<u>(2,875,517)</u>	<u>(1,606,587)</u>	<u>(5,041,889)</u>
Balance as of December 31, 2021	<u>\$ 796,846</u>	<u>\$ 1,123,414</u>	<u>\$ 1,957,084</u>	<u>\$ 3,877,344</u>

- (1) As of December 31, 2021, and 2020, the Company's real estate inventory guarantees the Syndicated Loan mentioned in Note 8, and revolving credit lines mentioned in Note 9.

### 6.1 Land held for future development

Refers to land bank to be developed by the Company and is presented as a non-current asset.

No impairment related to such assets was identified by the Company as of December 31, 2021, and 2020.

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As of December 31, 2021, and 2020, the inventory and land held for future development guaranteeing the revolving credit facilities mentioned in Note 9 amounted to \$407,785 and \$363,887, respectively. Furthermore, as of December 31, 2021, and 2020, \$1,153,879 and \$1,269,495, respectively, of the balance of land bank held for future development guarantees the Syndicated Loan mentioned in Note 8.

## 7. Financial instruments

### 7.1 Fair value of financial instruments

The carrying amounts of cash, cash equivalents and restricted cash held by the Company, accounts receivable and payables to third parties and related parties, and the current portion of long-term debt approximate their fair value due to their short-term maturities or because the effects of the time value of money are not significant. The long-term debt is recognized at amortized cost and bears interests at a variable rate.

The carrying amounts of financial instruments as shown in the accompanying statements of financial position as of December 31, 2021, and 2020 (cash, cash equivalents and restricted cash, accounts receivable, short and long-term derivative financial instruments, trade and other payables, payables for purchase of land bank and short-term debt), are similar to their fair values. The fair value of long-term debt for the above-mentioned dates amounts to \$2,899,763 and \$3,267,784, respectively.

### 7.2 Market risk

Foreign exchange risk – The Company's exposure to the volatility of the exchange rate of the Mexican peso against the U.S. dollar is shown as follows (figures in this Note are stated in thousands of U.S. dollars – US\$):

a. The net financial position is:

	As of December 31,	
	2021	2020
Financial assets	US\$ 971	US\$ 481
Financial liabilities	<u>(20,613)</u>	<u>(21,374)</u>
Net financial liability position	<u>US\$ (19,642)</u>	<u>US\$ (20,893)</u>
Equivalent in Mexican pesos	<u>\$ (402,969)</u>	<u>\$ (416,506)</u>

b. Mexican peso exchange rates in effect at the dates of the financial statements are as follows:

	As of December 31,	
	2021	2020
U.S. dollar	\$20.5157	\$19.9352

c. Hedge strategy against market risks

The Company is exposed to exchange rate and interest rate risks, both related to the Syndicated Loan maturing in 2024; with this debt the Company obtained \$2,745 million and US\$ 21 million (See Note 8). Interest is payable on a quarterly basis. The Company has implemented a derivative financial strategy to hedge the principal and interest payments of the aforementioned loan, both in US dollars and Mexican pesos, at an average fixed rate of 14.90% in Mexican pesos.

Management intends to maintain the derivative hedging portfolio as long as the Company remains exposed to foreign exchange rate risks on the payment of principal and interest. As of December 31, 2021, the Company has hedged the principal of its debt in US dollars and the interest payments until the maturity of the Syndicated Loan in 2024. The effects of the hedge are recorded in other comprehensive income items and are reclassified to the comprehensive financing result as accrued; the exposure hedged is the changes derived from variations in the exchange rate and interest rates. The derivative instruments complied with a high percentage of effectiveness.

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As of December 31, 2021, the Company restructured the combined derivative financial instruments, to align with the renegotiation of the Syndicated Loan mentioned in the Note 8, to implement the hedge risk management strategy described in the preceding paragraph (notional amounts in millions), which were designated as cash flow hedges:

Maturity	Notional (Receivable)	Notional (Payable)	Exchange rate (fixed)	Interest rate (Receivable)	Fixed Rate (Payable)	Payment Date (Receivable)	Payment Date (Payable)	Fair value
November 13, 2024	US\$10.5	\$201.3	\$19.17	LIBOR 3M + 7.50%	15.20%	Quarterly	Quarterly	\$ 15,446
November 13, 2024	US\$10.5	\$201.3	\$19.17	LIBOR 3M + 7.50%	15.20%	Quarterly	Quarterly	15,589
November 13, 2024	\$1,372.6	\$1,372.6	-	TIEE 28 + 7.75%	14.94%	Quarterly	Quarterly	3,193
November 13, 2024	\$1,372.6	\$1,372.6	-	TIEE 28 + 7.75%	14.77%	Quarterly	Quarterly	7,967
								<u>\$ 42,195</u>

For the period ended December 31, 2021, the Company recognized an accumulated net income of \$13,395 for the combined derivative financial instruments.

## 7.2.1 Market risk sensitivity analysis

The following disclosure provides a sensitivity analysis of the market risks to which the Company is exposed, regarding foreign exchange rates and interest rates, considering its existing hedging strategy:

- If the exchange rate used to calculate the fair value of the derivative financial instruments (\$20.5157) had decreased 10.00%, the Company's other comprehensive (loss) income would have decreased \$50,924, resulting from the impact associated with the fair value of the Company's derivative financial instruments.
- If the LIBOR 3M and TIEE 28 interest rates had decreased 10.00%, the Company's other comprehensive (loss) income would have decreased \$39,093, resulting from the impact associated with the fair value of the Company's derivative financial instruments.

## 7.3 Liquidity risk

The following table discloses the maturity dates of the Company's short- and long-term financial liabilities as of December 31, 2021. The amounts disclosed represent the contractual cash payments (undiscounted); therefore, they differ from the amounts recognized in the consolidated financial statements. The Company's derivative financial instruments are presented on a net basis (cash payable, net of cash receivable) as it has the capacity and intention to settle them on a net basis:

Type of liability	2022	2023	2024	2025	2026	Total
Short-term loans and related interest	\$ 363	\$ -	\$ -	\$ -	\$ -	\$ 363
Current portion of long-term liabilities and related interest	363,238	-	-	-	-	363,238
Trade and other payables	1,845,060	-	-	-	-	1,845,060
Accounts payable for land purchase	278,932	7,991	-	-	-	286,923
Long-Term debt and interest <sup>(1)</sup>	-	730,569	1,703,453	18,306	10,148	2,462,476
Derivatives <sup>(2)</sup>	484,359	452,000	444,045	-	-	1,380,404
	\$2,	\$1,	\$2,147,			
Total	<u>971,952</u>	<u>190,560</u>	<u>498</u>	<u>\$ 18,306</u>	<u>\$ 10,148</u>	<u>\$6,338,464</u>

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- (1) Interest payments on variable debt are calculated using the interest rate as of December 31, 2021.
- (2) The Company's interest payments associated with the Syndicated Loan are hedged by derivative financial instruments as described above (Note 7.2). Therefore, the contractual interest payments to be made on the Syndicated Loan are presented net of the amounts to be received from the derivatives.

## 7.4 Credit risk

The maximum exposure to credit risk corresponds to the balances of cash, cash equivalents and restricted cash, accounts receivable and assets from derivative financial instruments. Cash balances are held in financial institutions with high credit quality. The Company manages the credit risk related to its derivative portfolio by entering into transactions only with reputable and creditworthy counterparties. As of December 31, 2021, the greatest exposure to credit risk related to the derivative financial instrument assets was \$42,195. The Company does not maintain collateral for such amounts.

## 8. Debt

### a) Long-term debt

<i>At amortized cost</i>	<b>As of December 31,</b>	
	<b>2021</b>	<b>2020</b>
Syndicated Loan \$2,745 <sup>(i)</sup>	\$ 2,521,292	\$ 2,649,753
Syndicated Loan US\$21 million <sup>(i)</sup>	395,683	404,076
Lease liabilities <sup>(ii)</sup>	148,700	170,167
	<u>3,065,675</u>	<u>3,223,996</u>
Current portion	(334,075)	(418,727)
Long-term debt	<u>\$ 2,731,600</u>	<u>\$ 2,805,269</u>

### Significant loan information

- (i) As of December 31, 2020, the Company hold a Syndicated Loan with guarantees for a total amount of \$2,745 million, at an interest rate of TIEE 28 + 7.10%, and an amount of US\$21 million, at an interest rate of LIBOR 3M + 6.85%. The aforementioned Syndicated Loan has a 5-year maturity and it has been guaranteed with several assets of the Company and its subsidiaries by entering into a guarantee, management and source of payment trust, a subsidiary stock pledge agreement and a non-possessory pledge agreement. Obtaining the Syndicated Loan generated additional expenses whose net balance amounted to \$110,060 and are presented net in long-term liabilities in the consolidated statement of financial position as of December 31, 2020.

In June 2021, the Company renegotiated the Syndicated Credit, mainly modifying the amounts of the quarterly maturities, maintaining the maturity in 5 years, as well as an increase of 65 basis points in interest rates. Said renegotiation represented additional expenses they are presented net in short and long-term liabilities. As of December 31, 2021, the balance of the expenses is \$163,822.

The Syndicated loan with maturity in 2024, contains certain restrictions, affirmative and negative covenants and other requirements, which have been substantially fulfilled as of December 31, 2021. Such restrictions, affirmative and negative covenants and requirements limit the Company's and its subsidiaries ability to, among other things and under certain conditions, incur additional debt, pay dividends or redeem, repurchase or withdraw shares of its capital stock or subordinated debt, make certain investments, constitute liens, sell assets, and engage in certain related parties' transactions, mergers and acquisitions.

Maturities per year of the Syndicated Loan as of December 31, 2021, are shown below:

	<b>Thousands of USD</b>	<b>Thousands of Mexican pesos</b>
2022	US\$ 2,310	\$ 301,978
2023	5,250	686,313
2024	12,810	1,674,603

(ii) The Company has contracted financial leases related to right-of-use assets, molds, trucks, vehicles and computer equipment with different maturity terms.

### b) Short-term loans

On August 16, 2018, the Company contracted a credit line with Banco del Bajío S.A. Institución de Banca Múltiple for up to \$160,095, at a TIIE interest rate plus additional basis points according to the date of each drawdown. As of December 31, 2021, and 2020, the Company holds a balance payable of \$334 and \$10,772, respectively, at a TIIE + 3.5 points interest rate and may still drawdown \$24,208.

On September 27, 2019, the Company contracted a credit line with Banco del Bajío S.A. Institución de Banca Múltiple for up to \$352,622, at a TIIE interest rate plus additional basis points according to the date of each drawdown. As of December 31, 2020, the Company has an outstanding balance of \$27, at a TIIE + 3.25 points interest rate and may still drawdown \$262,595.

## 9. Trade and other payables

	<b>As of December 31,</b>	
	<b>2021</b>	<b>2020</b>
Accounts payable to suppliers <sup>(i)</sup>	\$ 509,029	\$ 510,443
Accounts payable for land purchase	278,932	284,048
Revolving credit lines <sup>(ii)</sup>	927,495	549,444
Other current liabilities	408,536	399,342
	<u>\$ 2,123,992</u>	<u>\$ 1,743,277</u>

(i) The Company maintains a warranty fund related to potential defects in housing constructions, which is retained from the constructors and reimbursed once the warranty period expires, which is approximately one year subsequent to the completion of the construction. The liability related to such fund amounts to \$274,123 and \$276,063 as of December 31, 2021, and 2020, respectively.

(ii) The Company established a program that allows its suppliers to obtain financing from various financial institutions. The maximum limit is \$935,000 and \$633,788 as of December 31, 2021, and 2020, respectively. Ordinarily, the Company pays qualifying financial institutions within 90 days following the invoice date, and the supplier is responsible for paying the financial institution a financing fee.

## 10. Share compensation plan bonus

The share compensation plan bonus for executives is based on the compliance of certain metrics established annually by management. The bonus amount is determined based on the executive's level of responsibility, is granted to the eligible employee annually and after the applicable tax withholding, and is payable in shares of Servicios Corporativos Javer, S.A.B. de C.V.

The Company accounts its share compensation plan bonus as a share-based payment settled with the Company's stock, as the Company will finally settle its obligations to its executives by issuing its own shares.

## 11. Income taxes

The Company is subject to income tax (ISR). ISR is calculated considering certain effects of inflation as taxable or deductible. In addition, the Company has the option to deduct land purchases for housing developments in the year of acquisition or when it is sold. Employee statutory profit sharing is also fully deducted.

The income tax rate was 30% for 2021 and 2020 and will remain at 30% thereafter.

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The income taxes registered in the income statements by JAVER and its subsidiaries (as separate legal entities), were comprised of the following:

	December 31,	
	2021	2020
Current ISR	\$ 110,559	\$ 133,061
Deferred ISR	<u>177,733</u>	<u>46,062</u>
	<u>\$ 288,292</u>	<u>\$ 179,123</u>

Income taxes for the periods ended December 31, 2021, and 2020, were calculated on the basis of temporary differences of assets and liabilities at the end of each period. Effective tax rates (unaudited) for the period ended December 31, 2021, and 2020, were 66.4% and 56.2%, respectively.

As of December 31, 2021, JAVER and certain subsidiaries had tax loss carryforwards pending to be amortized of \$754,410 for ISR purposes, which are available to offset future taxable income.

The aforementioned tax losses were adjusted for inflation in accordance with the ISR Law. The Company estimates it will be able to utilize the losses in subsequent years.

## 12. Stockholders' equity

- During the period ended December 31, 2021, the Company repurchased 89,231 shares equivalent to \$1,381.
- As of December 31, 2021, and December 31, 2019, 25.1% of the capital stock, owned by Proyectos del Noreste, S.A. de C.V., is currently held by Scotiabank Inverlat, S.A., de C.V., Institución de Banca Múltiple, Grupo Financiero Scotiabank, División Fiduciaria, as trust (Scotiabank Trust) under an irrevocable management trust entered by and between Proyectos del Noreste, S.A. de C. V. as trustor, the controlling shareholders as trustees, and the Scotiabank Trust. The shares held by the Scotiabank Trust shall be released progressively either to Proyectos del Noreste, S. A. de C. V., or to the controlling shareholders, based on certain release criteria described in the share purchase agreement, corresponding to the payment of compensations and/or price adjustments included, as well as the result of legal actions related to tax contingencies among the shareholders who own the shares that comprise the capital stock of JAVER.
- Proyectos del Noreste, S.A. de C.V., holds special voting rights regarding certain matters identified in the bylaws as reserved matters and important decisions, which must be approved at an Extraordinary General Shareholders Meeting by a majority vote of the controlling shareholders and all of the Series "B" shareholders.

## 13. Commitments and contingencies

- On August 20, 2019, the Mexican Tax Authority (Servicio de Administración Tributaria or "SAT" for its Spanish acronym) notified Casas Javer, S.A. de C.V. ("Casas Javer"), a Company's subsidiary, of its decision, based on the review of Javer's 2014 fiscal results regarding the application of a criteria change used to determine urbanization and infrastructure expenses carried out by Casas Javer. The SAT determined that these expenses will not be recognized as deductible expenses as these are not considered indispensable for the Company; the reason being that urbanization and infrastructure works are granted and donated to the municipalities for their subsequent operation. As a result, the SAT determined a tax claim as a result of the alleged omitted contributions related to the corporate income tax corresponding to fiscal year 2014, for a total of \$120,413 plus updates, surcharges and penalties.

On September 27, 2019, the Company filed an appeal for revocation, which, as of September 30, 2021, SAT is in the process of reviewing the said appeal, as well as the evidence presented. The Company expects that second semester of 2021, SAT will be able to give a resolution to the case.

The Company considers that it has sufficient elements to obtain a favorable resolution.

- Land trust agreements for housing developments (Agreements) – The Company enters into land trusts where land (contributed by a third party) and other assets (inventories) contributed by

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the Company are held in trusts. The Company and the owners of the land act as trustors and trustees, respectively, in such agreements.

The trust vehicle serves as a guarantee to ensure that the agreement between the two parties is executed according to the terms set forth therein.

- c. On April 23, 2021, the Mexican Government issued to reform, add and dissolve diverse provisions of the Federal Labor Law, the Social Security Law and diverse laws on labor and tax matters, in order to limit labor subcontracting ; whose objective is the prohibition of the subcontracting of personnel to carry out activities that are within the corporate purpose of the Company or its preponderant economic activity, allowing only the subcontracting of specialized services or specialized works that are not part of the social activity or of the preponderant economic activity of the beneficiary thereof, the Company continues in the analysis of the potential impacts that this reform will have; at the moment none has been identified some that would represent a materially important effect on the financial statements.
- d. The Company is involved in certain legal procedures on an incidental basis in the development of its ordinary operations and activities. Currently, the Company is not a party to any litigation or any arbitral proceedings involving claims or payment of significant amounts, nor is it aware of any such proceedings that are pending or threatened.
- e. The housing industry in Mexico is subject to many regulations concerning construction and land use practices. The enforcement of these regulations is the responsibility of several federal, state and municipal authorities, and any changes thereto might affect the Company's operations.

## 14. Business segment information

The Company's management and the Board of Directors assess, allocate resources and make operational decisions for the Company based on income by type of housing and geographical zones, respectively.

### a) Products whose reportable segments arise from income by type of housing and geographical zone:

The Company's reportable segments are as follows:

Type of House	Geographical Zone
Affordable entry-level	Nuevo Leon
Middle-income	State of Mexico
Residential	Jalisco
Commercial Lots	Agascalientes
	Queretaro
	Tamaulipas
	Quintana Roo

### b) Revenues and results by segment:

	December 31,			
	Revenues by segment		Income by segment	
	2021	2020	2021	2020
Affordable entry-level	\$ 87,488	\$ 105,604	\$ 19,112	\$ 17,918
Middle-income	4,894,829	5,274,841	1,290,938	1,418,290
Residential	2,483,923	1,898,768	761,484	542,596
Commercial Lots	43,283	14,643	31,492	13,175
Total	<u>\$ 7,509,523</u>	<u>\$ 7,293,856</u>	2,103,026	1,991,979
Administrative corporate costs and directors' salaries			(1,123,828)	(1,095,607)
Interest expense, net			<u>(545,017)</u>	<u>(577,567)</u>
Income before income taxes			<u>\$ 434,181</u>	<u>\$ 318,805</u>

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Income by segment represents the income obtained by each segment without allocating administrative corporate costs and directors' salaries, net interest expense and income tax expenses.

The operation of the Company depends to a large extent on the availability of funds; of the policies, programs and administrative procedures of INFONAVIT, the Federal Mortgage Society (Sociedad Hipotecaria Federal or "SHF" for its acronym in Spanish), Fovissste and the National Housing Commission (Comisión Nacional de Vivienda or Conavi" for its acronym in Spanish); also, on the federal government's housing policies. The Company cannot guarantee that the availability of mortgage loans from Infonavit, SHF, Fovissste, Conavi and any other sources of financing will remain stable, or that the federal government will not restrict the availability of funds due to the economic or political situation or modify the policies and methods applicable to the granting of such credits.

## *c) Geographical information*

The Company operates primarily in seven geographical areas (states) in Mexico, and revenues are as follows:

	December 31,	
	2021	2020
Nuevo Leon	\$ 2,523,696	\$2,396,867
Jalisco	1,119,735	1,122,039
Aguascalientes	740,560	634,911
Queretaro	1,043,563	839,789
State of Mexico	1,249,187	1,618,366
Tamaulipas	93,178	86,659
Quintana Roo	739,604	595,225
	<u>\$ 7,509,523</u>	<u>\$7,293,856</u>

The inventories and land bank held for future development in geographical areas, are as follows:

	As of December 31,	
	2021	2020
Nuevo Leon	\$ 1,823,294	\$ 1,768,861
Jalisco	969,026	805,128
Aguascalientes	535,996	458,194
Queretaro	812,887	766,279
State of Mexico	780,156	809,736
Tamaulipas	246,608	271,982
Quintana Roo	537,961	576,023
	<u>\$ 5,705,928</u>	<u>\$ 5,456,203</u>

## *d) Information on major customers*

As mentioned in Note 4, the Company's main client is INFONAVIT.