



Letter to Shareholders

TO THE SHAREHOLDERS OF GRUPO HERDEZ:

In what seems to be the final stage of a long and difficult pandemic, and in the middle of a complex geopolitical scenario, we have successfully put our years of experience to navigate these challenging situations that are difficult to foresee.

We continue to face supply chain shortages, sky-high inflation, phenomena that are increasingly damaging the environment, new needs of consumers who, just like us, are adapting to an uncertain global order, and disruptive social movements that are necessary to achieve universal human wellbeing.

Thus, while we head with optimism to global economic and social recovery, I am proud that we continue **creating value for Mexico**.

Our flexibility and ability to solve problems have allowed us, among many other things, to achieve encouraging financial results, celebrate traditional brands, seek out innovative ways to measure impact, strengthen corporate reputation, and act consciously on efforts for the wellbeing of the planet, the communities, and our collaborators.

From all fronts, we are the ally that the country needs for its growth.

FINANCIAL VALUE

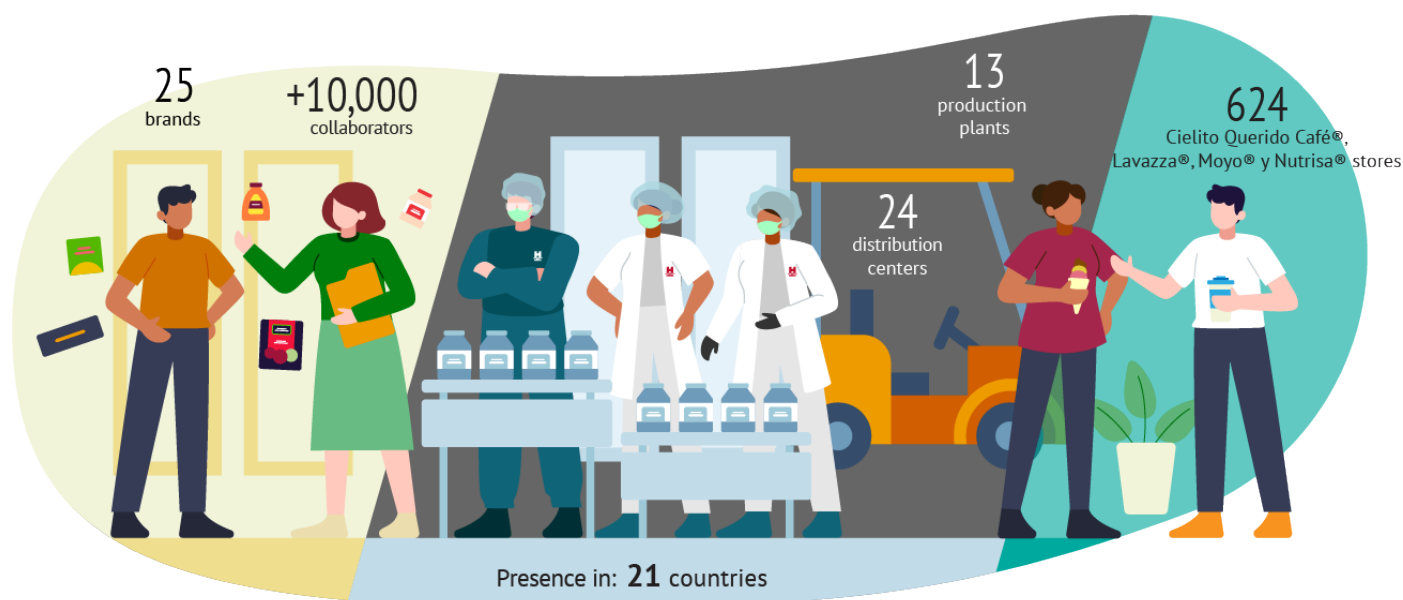
As we do every year, we set a new record in **consolidated net sales**, with an increase of 8.8% to exceed \$26 billion pesos.

The **Preserves segment** grew 8.0% —\$20,977 million pesos in sales— driven by increases in prices in the last twelve months and volume flat with the previous year. The categories with the best performance in the year were mayonnaise, ketchup, teas, and tomato puree. We were also able to increase our market share by 70% in the main categories in which we participate.

The **Impulse segment** —in which we now integrate our ice cream and retail businesses— grew 25.5%, reaching \$3,273 million pesos, due to the return of traffic in stores and the inclusion of new businesses, as well as to increases in prices like in Preserves. More than growth, we are facing an incredibly important recovery for the segment, which was affected by the social restrictions of the pandemic in 2020.

Moreover, **Helados Nestlé** maintained the sales volume in the supermarket channels and price clubs, with an increase in the second half of the year in the traditional and convenience store channel.

Sales of the **Export segment** decreased by 5.1% to \$1,904 million pesos, mainly affected by the appreciation of the peso against the US dollar, but still 16.8% above 2019.



While the **consolidated gross margin** was 36.9%, a decrease of 0.5 percentage points compared to the previous year, figures obtained in each segment are encouraging considering that the country closed 2021 with the highest inflation rate in 21 years.

This inflationary scenario was mostly due to the impact of the pandemic on supply chains and, therefore, a sustained increase in prices of raw materials and packaging materials, to mention a few.

Operating income before other income and expenses increased by 8.3% compared to 2020, reaching another record figure above \$3 billion pesos. This is the effect of a recovery of \$293 million pesos in the Impulse segment and an increase of 3.6% in the Preserves segment.

Earnings before interest, taxes, depreciation, amortization, and other non-cash items (EBITDA) amounted to \$3,944 million pesos, 6.0% less than in 2020, with a margin contraction of 2.4 percentage points. These are favorable numbers considering that we had extraordinary income in 2020 due to the divestment of our tuna business and settlement of an investment in a capital equity fund.

In fact, without considering this income, EBITDA increased by 4.0% with a slight margin contraction of 0.7 percentage points.

In relation to equity investment in associated companies in the Income Statement, net sales of **MegaMex** remained in line with the previous year, for a total of \$14,665 million pesos. Although demand for avocado grew, thus increasing its price, we achieved an operating margin of 11.3%, 0.7 percentage points above 2020. The net income of this business unit was \$1,521 million pesos.

Consolidated net income was \$2,078 million pesos, 12.3% below the previous year, with a margin of 7.9%. In comparable terms, without including extraordinary income, we are not far from 2020 with a margin contraction of 0.7 percentage points.

Finally, I am pleased to share with you that 2021 was the 30-year anniversary of the listing of the company on the **Mexican Stock Exchange**, adding to a history of success in the market with a consolidated portfolio and admirable financial support.

In 2021, we distributed total returns to shareholders of 7.2%, including the repurchase of shares and dividends paid.

As a company, we are still finding **balance in uncertainty**, but the results achieved, the unwavering trust of Mexicans and the support of our customers, partners, and suppliers guarantees us that we are on the right path.

**26,153**millones de pesos
en ventas netas**+8.8%**crecimiento en ventas
netas en comparación
con 2020**+8.3%**incremento en la
utilidad antes de
ingresos y gastos**7.2%**rendimiento a los
accionistas

COMMERCIAL VALUE

The pandemic encouraged brands to secure their position in the digital scene even more.

Our brands, besides exceeding key reach and interaction indicators, were also recognized: **Barilla®**, **Cielito Querido Café®**, **McCormick®**, and **Nutrisa®** were included in Merca 2.0's ranking of **500 digital brands**, the leading marketing magazine in Mexico, for showing innovation and transcendence in social media.

Similarly, our corporate brand was also consolidated, positioning us as one of the companies with the most followers on **LinkedIn Mexico**, the main network of professionals in the country. Additionally, **we went up 31 positions in MERCO's ranking of 100 companies with the best reputation in Mexico**, ranking 17 in one of the most recognized corporate reputation monitors in Latin America and Spain.

We extended the variety of solutions that we offer to our consumers, and we signed an agreement in April with the American company **General Mills®** to distribute its products in Mexico. Thus, we enriched the portfolio of the Impulse segment with the inclusion of the Häagen-Dazs™ ice cream brand, and entered new categories like cereal bars—with Nature Valley™, Fiber One™, and Lärabar™—and flour for desserts—with Betty Crocker™ and Pillsbury™—.

Of the 7 categories in which we increased our market share, it stands out the launches of functional food—one of the most relevant trends of the year—with **Barilla® Whole Wheat** and **McCormick® Matcha**; the launch of **McCormick® Mayodips**, to continue innovating in the mayonnaise category, where we are undeniable leaders; and **Cielito Querido Café®** ice creams and ready-to-drink beverages, to bring the most popular flavors of our coffee shops to new sales channels like self-service, convenience stores, and price clubs.

While all our brands operate under the same purpose, their different personalities and business proposals provide a range of possibilities to connect increasingly with consumers.

We commemorated the 80th anniversary of **Doña María®** mole sauce with the inauguration of Casa Doña María Pons in San Luis Potosí, as this is the city where aunt María was born—creator of our traditional mole recipe—and the location of one of the most important work centers of Grupo Herdez in Mexico, with 3 plants and 1 distribution center.

This cultural space will serve as an extension of the **Herdez Foundation**, headquartered in Mexico City, contributing to the purpose of promoting, preserving, and disseminating the richness of Mexican cuisine within and without the country.

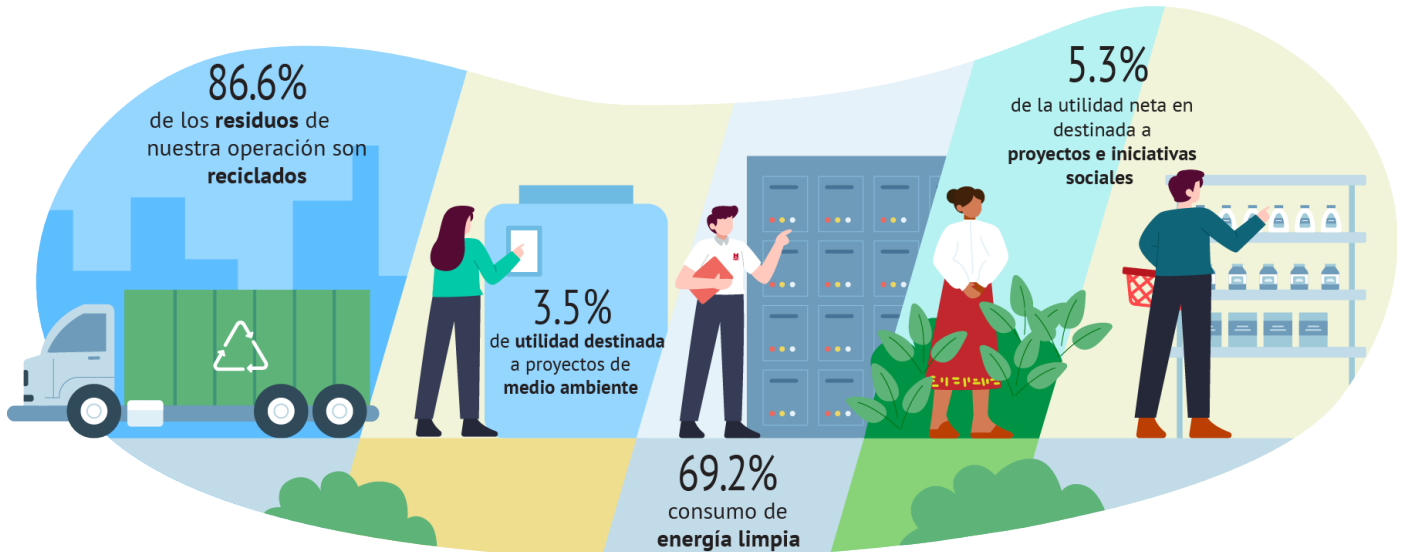
We close the 80-year celebration of the Doña María's legacy with the publication of the book titled "*Una empresaria pionera en San Luis Potosí: María Pons Nicoux*," a historical research that relates the origin and unparalleled contribution of one of the most important women in the history of Grupo Herdez.

We also celebrate the 10th anniversary of **Cielito Querido Café®**, exalting our 100% Mexican origin on the "Talento Caído del Cielo" (Talent from Heaven) platform, where 10 local artists painted 10 murals in our most iconic coffee shops in Mexico City.

SUSTAINABLE VALUE

Grupo Herdez ranked 9th in **MERCO's 100 companies with the best Environmental, Social, and Governance (ESG) responsibility in the country**. This recognition significantly supports our sustainability strategy since we now have—in addition to the impact achieved—a positive perception of experts in the field, analysts, and the general public. **Our reputation is the most valuable intangible asset.**

In 2021, we invested 5.3% of our profits in programs for the communities in which we operate, with an increase of 66% of the budget thanks to the activities of the **Herdez Foundation**, the **Saber Nutrir®** program, and other initiatives, including the investment for the construction of **Casa Doña María Pons**.



Driven by our mission to make food available to everyone, we donated 26% more products to the **Mexican Food Bank (BAMX)** network, one of our most important allies since 2006. This in-kind donation benefited 42 thousand persons of the 52 food banks that compose the BAMX network in the country, 80 Civil Society Organizations, and the Unidos Hacemos Más campaign.

The **Unidos Hacemos Más** campaign was carried out in alliance with Stewart Investors and BAMX, REINSERTA A.C. and Fundación para la Dignificación de la Mujer I.A.P., supporting women and families affected by covid-19 with food packages.

We implemented 125 **food security and marketing** programs in the State of Mexico with Fundación Pro Mazahua and our Saber Nutrir® program, and for the first time in Yucatán, after the severe floods of 2020.

In total, 482 families in 23 communities have benefited from the installation of vegetable gardens, farms, and greenhouses, in addition to safe water system projects that we have executed since 2017.

We are always looking to expand our reach through alliances with other creators of change that share the same interest in improving the nutrition of vulnerable persons in Mexico.

Fifteen years of efforts of the Saber Nutrir® program resulted in the company being included in the Global Compact "Mexican Companies for the 2030 Agenda in the Decade of Action" report, for being an example of best corporate practices toward achieving Zero Hunger, one of the 17 Sustainable Development Goals of the United Nations.

And as stellar proof that our actions are being noted globally, we received an invitation to form part of the **international engagement group on "Climate and Health"** of the Organization for Economic Cooperation and Development (OECD), being one of the 13 exclusive members to co-create solutions and share best practices in the fields of global supply, healthy and sustainable food.

Together with other companies and NGOs, we will be working very closely for the next 2 years to promote good public policy.

This drives us to continue facing the social and environmental challenges that have arisen around the world as a result of the pandemic.

Lastly, our **Del Fuerte®** brand received its first international award at the Forest Stewardship Council's **FSC Leadership Awards**, the world's most trusted forest certification system. **Del Fuerte®** received this recognition for being the first sponsor that implements the FSC Ecosystem Service Procedure to ensure the forested watershed supplying water for their tomatoes is protected.

FORWARD-LOOKING VALUE

The year 2020 established the basis for our **digital transformation**, the key to keeping us in contact with our consumers. The alliance with one of the biggest global technological leaders sped up the initiatives that today open the door to new sales channels and more efficient operations with the use of artificial intelligence.

RECONOCIMIENTOS

17º lugar

Las 100 Empresas con
Mejor Reputación
Corporativa de Merco

9º lugar

Las Empresas Mexicanas
Más Seguidas en LinkedIn

9º lugar

Las 100 Empresas con
Mayor Responsabilidad
ESG de MercoMejor práctica en
Hambre CeroLas Empresas Mexicanas
por la Agenda 2030 del
Pacto Mundial

13 años

Empresa Socialmente
Responsable del CEMEFI

In 2021, we increased our e-commerce **sales volume** by 32.8% thanks to the initiative of our sales team to offer our portfolio on the digital channels of our customers and enter new online commerce platforms.

We also created an **artificial neural network** that predicts our sales in certain categories and customers with 98% assertiveness, which will allow us to optimize inventories and increase the effectiveness of our operations and investments in points of sale.

We continue reinforcing our goal of being a reference for innovation in sustainability with the development of the **Circular Graphic Guide** for our labels and packaging to align all Group brands under one single environmental communication strategy.

We expect to implement this communication on our labels by the end of 2022, with which our consumers will be able to know more about the materials used, recyclability, and reuse of each of our packages, to encourage them into taking action and reduce our environmental footprint together.

Committed to improving our environmental performance, we started implementing our **Energy Management System** 4 years ago—which seeks continuous and systematic improvement in energy use, consumption, and efficiency—; this year, we started implementing the **Environmental Management System** in accordance with ISO 14001.

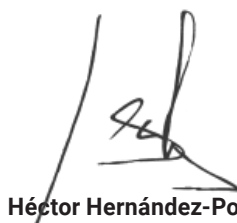
I would like to acknowledge the **Helados Plant** team in Jalisco as it is the first location to achieve ISO 50001 and ISO 14001 certifications. Our goal is for 7 more plants to obtain these certifications by 2024 and 2026.

VALUE THAT RESISTS

As a company, we have overcome extremely demanding chapters in history, and what is even more remarkable is that, in each of our 108 years in operation, **none have prevented us from creating value for and by Mexico: our persistence, resilience, and determination** have become an infinite source of **optimism**.

I thank our shareholders, collaborators, customers, partners, and suppliers for what we have achieved in this and all previous annual reports. Thank you for exalting the name of Grupo Herdez with each idea, product, innovation, program, and alliance. Thanks —**all of you who form part of Group Herdez** and all Mexicans — for your trust in that we will always prevail.

Let's continue putting into practice our values, working for our mission, and materializing our purpose every day, because **this is how we demonstrate that a better world is possible—we are making this a reality**. This is how we make progress. **This is how we create value**.



Héctor Hernández-Pons Torres

Presidente del Consejo y Director General