

BINA ORMASEL, S.A.P.I. DE CV

2021
ANNUAL REPORT

Bina's Performance vs the S&P500

Year	Annual Percentage Change in Per-Share Book value of Bina	Annual Percentage Change in S&P500 with dividends included	Relative result
2021 -----	3.1	20.8	(17.7)

Note: Bina Ormasel decided to restart operations on March 11, 2021.

Therefore, the S&P 500, including reinvested dividends, is calculated from March 1, 2021. The S&P 500 numbers are shown before taxes, while Bina's numbers are shown after taxes. If a company like Bina simply owned the S&P 500 and applied the necessary taxes, its results would have lagged behind the S&P 500 in years where the index had positive returns. However, in years when the index showed negative returns, Bina's results would have outperformed the S&P 500. Over the years, tax costs would cause the total delay to become substantial.

BINA ORMASEL, S.A.P.I. DE C.V.

To the shareholders of Bina Ormasel, S.A.P.I. de C.V.:

Bina made a net profit of \$1,300 pesos in 2021, according to standard accounting practices. This amount includes two parts: \$27,300 pesos in capital gains and a decrease of \$25,900 pesos in unrealized losses. These figures are after taxes.

Since Bina did not have full business operations in 2021, we don't have operating results to report.

Bina's goal is to grow to a size that allows us to acquire valuable businesses across different industries for the long term. At the same time, we aim to have the book value of our stock exceed the average of the U.S. market.

This year, we didn't achieve this goal: we haven't reached the size needed to acquire any businesses, and at the end of the year, our book value was below the market average. This is the main reason why our results depend on the decisions made to navigate the unpredictable movements of the market.

Our success will also rely on how well we can capitalize on good decisions (in the case of capital gains), and on carefully choosing and patiently waiting for ideas we believe will appreciate in value over time, where we expect to see substantial gains by holding them.

I want to emphasize that increasing the intrinsic value per share has been Bina's main goal since this company was established in 2014. This goal will not change, so, in line with this, I believe that this year I made decisions that will raise the intrinsic value per share by retaining profits.

You have entrusted me with a part of your savings, and I am honored by your trust. So my job is to report to you in the way I would want to be reported to if we switched positions. This process is a challenge that I greatly enjoy, both through this letter and at the annual meeting.

In this letter, I will point out what is important for Bina's present and future, and of course, I have prepared a financial report to the best of my ability. Some owners may be seeing something like this for the first time, others may have had partners before and enjoy examining reports like these, and others may want to learn how to read or study them.

As we grow, the general policy will be not to discuss individual results. However, at this stage, we are in a position where I can take time to explain the report if there are questions, though I would prefer that any questions be asked at the annual meeting.

What Do You Own?

Right now, the "core" of Bina is mainly invested in two opportunities that are often called "contrarian" by value investors. The majority is in an Asian company, with a smaller but still significant part in a U.S. company.

Our goal, however, is to hold large stakes in high-value businesses that have lasting economic advantages, sustained over time by courageous leaders who manage them.

I would also like to emphasize that, while I share Warren Buffett's philosophy and approach at Berkshire Hathaway—where businesses are chosen over "stocks"—this unusual year might make it seem as though

I acted more like a “stock picker” than a “business picker.” In reality, we simply encountered an opportunity that I could not ignore due to its uniqueness. I believe it’s a wonderful business at wonderful prices.

Keep one thing in mind. I am a human being who makes mistakes. Results do not always turn out the way I would have liked, nor do they always appear at the time I would have preferred for you to see them.

At Berkshire Hathaway, Warren Buffett classifies this portion of assets (public company stocks) as “collections of businesses.” This means that we don’t control the operations of these companies. Instead, we simply benefit from the success of these businesses. However, from an accounting standpoint, we record them at the market price, and we only receive dividends when the companies share a portion of their profits.

Still, if these businesses don’t pay dividends, they are usually retaining their profits to grow their business, buy back their shares, or pay off debt. This, in turn, creates a large amount of intrinsic value for Bina over time.

Of course, it’s also important to mention that I don’t have the ability to predict the future. The future will always surprise us with unexpected events, like the ones we are experiencing now. These events may impact short-term results, disappoint market participants, and affect the market values of the places where we’ve invested our capital.

A Bit About Our Environment

Bina is a Mexican corporation, and we are based here. I believe Mexico is a wonderful country with great wealth. In my early career, I had the chance to work with foreign investors who did business here. My impression from talking to them was that they found the range of opportunities in this great country appealing.

In my opinion, the most valuable thing about Mexico is its society. First, because of the warmth of most of its people, which creates support networks, like family networks, that are rare in other parts of the world. But also, because the country is filled with intelligent, creative, cultured, and entrepreneurial people who work every day to improve their lives. I believe this is what keeps the country strong, even as it goes through political changes or challenging periods of social conflict. This, by the way, has allowed us to live in relative peace for nearly a century.

What I mean is that we have much to be thankful for in living and doing business in Mexico. My hope is that, in the coming years, we can take part in opportunities that arise in this great country and be part of its progress.

Our Two Main Positions

- **Alibaba** – When I mentioned in the previous paragraphs a decision to join a wonderful business at wonderful prices, I was referring to this company. Alibaba has grown into one of the world’s leading companies with very strong future prospects.
- **Meta Platforms** – There are several ways I could summarize the case for Meta Platforms, but I think the best way to express my view on this opportunity is to say that Mark Zuckerberg is 37 years old.

Investments

As I mentioned earlier, our capital is currently invested in companies that we do not control. Below is a list of our four main holdings.

<u>Shares</u>	<u>Company</u>	2021-03-23	
		<u>Cost*</u> (000's pesos)	<u>Market</u>
91	Alibaba Group Holding Limited	\$246.3	\$215.6
13	Meta Platforms Inc	76.4	56.1
8	Bank OZK	6.9	7.3
2	Skyworks Solutions Inc.	7.4	5.6
	Other**	2.9	1.3
	Total Market Value of Stock Investments	<u>\$339.90</u>	<u>\$285.9</u>

* This is the purchase price.

** This includes a “pilot” position of 9,000 shares from the previous entity of the current company ICA.

Why Is Our Cash Position So Low Right Now?

The reason is simple. Throughout this year, many of you have shown trust in me by providing funds regularly. This has allowed me to make decisions freely and invest as I see opportunities arise.

The specific situation with Alibaba has been too compelling for me to ignore. As our resources allowed, I did everything possible to make sure we could take advantage of this opportunity.

As the market opportunities stabilize, I plan to make new investment decisions with other prospects that emerged from the market turbulence in early 2022.

Another point I want to emphasize is that Bina’s priority is ownership in valuable businesses, rather than speculation in assets that could lose value due to bubbles or effects like widespread inflation. This doesn’t mean I ignore the importance of government bonds or cash, but I want you to understand that this principle guides my thinking. I believe this approach allows us to enjoy the benefits of growing the intrinsic value of businesses, which, in turn, will increase Bina's purchasing power over time.

Increasing Bina’s Intrinsic Value

There are three main ways to increase the intrinsic value of Bina's shares. The first is by acquiring complete ownership of outstanding businesses. This is beyond our reach right now because of our relative size.

The second way, which we are currently using, involves buying shares of excellent businesses that are traded on the national and international stock markets, as long as they are available at prices we consider reasonable.

In my opinion, 2021 was marked by an excessive optimism driven by declining long-term interest rates. This led to a rise in sophisticated speculation in the financial markets, creating valuations for many assets that I found hard to justify based on our investment philosophy. This significantly limited the opportunities that would typically catch my attention.

At the same time, I want to stress something you all know: my goal is not to "bet" or take risks with the trust you have placed in Bina.

Therefore, I don't aim to make decisions that change month-to-month. Instead, I intend to make choices that maximize the intrinsic value of each share, rather than focusing on apparent short-term accounting results.

The third way to increase value is through stock buybacks, but this option is currently out of our reach. Bina's capital structure hasn't yet grown to a scale where buybacks would be a useful tool for us.

I will keep each of these three avenues in mind, always approaching them with seriousness and intelligence as different opportunities arise.

However, my personal hope is that we rarely need to rely on the third option. I would rather see us with committed partners who recognize the value we'll add through the other two avenues in the coming years and who choose to keep their shares in Bina for the long term.

Thank you

This year, I made an effort to send you three pieces of writing that capture how I see the world from spiritual, emotional, and material perspectives.

I truly enjoy sharing this part of my life, and although I'm sure each of you holds views different from mine in many ways, I have to say I didn't receive a single complaint about sharing this material—nor any questions.

In high school, I had a math teacher, Manuel Uriarte, who would say, "If there are no questions, it's either because everything was explained well, or nothing was understood at all." But there's also the possibility that it seemed like I gave you "too much homework," so the books might just be sitting on your desk as something to get to later.

The reason I shared these documents is simple: when I see you in person, there are so many topics mixed with small talk that we don't always get a chance to discuss these ideas. I also suspect that my speaking style can sometimes be a barrier, so I figured I might be clearer in writing. This also seemed like a practical way to communicate something I believe to be very valuable.

That's why I want to take this moment to tell you what I intended to express when I shared these documents. The book on "principles for capital allocation" represents the philosophy we use here at Bina. The core idea of that book is: "Value is any action that is good for life," and it's around this concept that we make decisions at Bina.

The book "How to Be Happier?" comes from a scientific study I did while preparing my master's thesis. The main lesson is that it's much better to experience happiness than just learn about it. So, it includes exercises to practice and increase your happiness levels, even though I know many of you are already very happy.

Finally, the book "He Is" discusses how I approach theology. Maybe one day you have wondered about eternity. I hope the testimony of a friend helps you whenever your spirit needs a friendly hand.

These are not perfect works, and I don't expect them to be. My hope is that they nourish and enrich different parts of your lives in some way. If you have any feedback on them, I would really value hearing it. Above all, I hope many of you feel inspired to do what you love and share it with your loved ones, just like I shared my writings with you.

I truly appreciate your friendship, your support, your trust, and your faith and hope that Bina will benefit your lives, even if the results this year haven't been as spectacular as I would have liked to present in this report.

Thank you very much for joining me on this journey with your words, trust, and actions.

The Annual Meeting

If you have noticed, I have moved the tax residence to the city of Durango.

Due to our current size and because many of you live in different regions, I have decided that this year, the annual meeting will again be held virtually on May 7, 2022, at 4:00 PM (Central Mexico time).

I will prepare a general presentation. After you read this letter, you may have questions. If you do, please let me know before the meeting, and I will do my best to explain the answers in the materials.

I believe last year's format was unusual but functional. My preference is for in-person meetings, and I hope that in the coming years, we will be able to meet face to face.

March 23, 2022

Guillermo Estefani M.
Chairman of the Board

BINA ORMASEL, S.A.P.I. DE CV

Jalisco

State of incorporation

BOR-141001-QM8

Federal Tax Registration

Tecnológico 309, Olga Margarita, C.P. 34270, Durango, Durango

Main Office Address

2021 ANNUAL REPORT

Number of common shares outstanding as of March 23, 2022:

Series A:	500
Series C:	2,485
Total:	2,985

Part I. Financial Information
Element I. Financial Statements
BINA ORMASEL, SAPI de CV
Consolidated Balance Sheet
(in mexican pesos)

	December 31, 2021	December 31, 2020
ASSETS		
Cash and equivalents – Note 3	1,001	-
Investments in shares – Note 4	240,241	2,820
Taxes receivable	339	
Total Assets	241,581	2,820
LIABILITIES AND EQUITY		
Taxes payable	3,316	-
Total liabilities	3,316	-
Shareholders' Equity:		
Share premium	2,964	
Contributions from partners	247,925	16,824
Retained earnings	27,318	-
Other comprehensive income	(39,942)	(14,004)
Shareholders' Equity	238,123	2,820
Book Value per Share	103	-

BINA ORMASEL, SAPI de CV
Consolidated Income Statement
(in mexican pesos)

	4th Quarter 2021	12 months, 2021
Operating Expenses		
Financial expenses	(1,087)	(1,713)
Financial products	273	325
Earnings Before Taxes and Gains from Sale of Capital Assets	(814)	(1,389)
Gains from Sale of Capital Assets	30,142	32,022
Earnings Before Taxes	29,328	30,633
Taxes on Earnings	(3,110)	(3,316)
Net Income (Loss) for the Year	26,618	27,318
Change in Revaluation of Shares	(33,279)	(25,937)
Comprehensive Income of the Year	(7,061)	1,380
Shares outstanding	2,311	2,311

BINA ORMASEL, SAPI de CV
Consolidated Cash Flow Statement
(in mexican pesos)

	12 months 2021
Cash from Operating Activities:	
Net Income (Loss) for the Year	27,318
Taxes Payable	3,316
Taxes Receivable	(339)
Gains from Sale of Capital Assets	(32,022)
Interest Receivable	325
Net Cash Flows from Operating Activities	(1,403)
Cash from Investing Activities:	
Purchase of Investments in Stocks	(458,714)
Sale of Investments in Stocks	226,443
Dividends Received	610
Net Cash Flows from Investing Activities	(231,661)
Cash from Financing Activities:	
Contribution from Previous Operating Surplus	-
Stock Subscriptions	234,064
Cash Flow from Financing Activities	234,064
Net Change in Cash for the Period	1,001
Cash and Cash Equivalents at the Beginning of the Period	-
Cash and Cash Equivalents at the End of the Period	1,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2021

Note 1. General

The unaudited consolidated financial statements presented in this document include the accounts of Bina Ormasel, SAPI de CV (“Bina” or “Company”) where Bina has a controlling financial interest as of the date of the financial statement. In these notes, the terms “we,” “our,” and “us” refer to Bina and its consolidated subsidiaries.

Bina Ormasel decided to restart operations on March 11, 2021.

Nota 2. Accounting procedures

We are currently evaluating the effects of adopting the accounting standards of International Financial Reporting Standards (IFRS) for our Consolidated Financial Statements.

Nota 3. Immediately Available Fixed Income Instruments

Investments in fixed-income instruments are shown in our Consolidated Balance Sheet in pesos:

	December 31, 2021
Cash	28.86
Immediately available fixed income instruments	971.71

Bina's liquid resources are automatically invested in an instrument where the majority is invested in demand deposits. A portion of the portfolio is invested in AAA-rated debt from high-quality corporate, bank, and government sources.

Nota 4. Investments in shares

The capital stock investments as of December 31, 2021, are summarized below, based on the main industry of the business.

	Cost	Unrealized Gains	Unrealized Losses	Market Value
Banks, Insurance, and Finance	25,622	800	-	26,423
Commercial, Industrial, and Others**	24,428	-	(16,423)	8,005
Consumer Products	233,170	1,819	(29,175)	205,814
Total	283,221	2,619	(45,599)	240,241

**** Note:** This includes a leftover from the "pilot" operation, which consists of 9,000 shares of the previous company ICA acquired at a cost of \$15,316.96, as well as 300 shares of the company Convertidora Industrial acquired at a cost of \$1,507.00.

It is important to mention that Bina believes it has no unrealized losses that are not temporary because of: (a) our ability and intention to hold the shares we bought until they recover, (b) our assessment that the underlying businesses and financial conditions of our investment targets support our decisions, (c) our opinion that the price declines are not significant, and (d) our belief that market prices will increase and exceed our costs.

Our business acquisition strategy is to participate in a business at sensible prices, with consistent purchasing power, good returns on invested capital, and strong management.

Note 5. Common Shares

The changes in the number of issued shares, treasury shares, and shares outstanding during the first nine months of 2021 are shown below:

	Series A, \$100 Par Value (500 authorized shares)			Series C, \$100 Par Value (2,000,000 authorized shares)		
	Issued	Treasury	Outstanding	Issued	Treasury	Outstanding
Balance as of December 31, 2020	500	500	-	2,000,000	2,000,000	-
Shares sent to treasury	-	-	-	-	-	-
Shares issued	-	(500)	500	-	(2,311)	2,311
Balance as of December 31, 2021	500	-	500	2,000,000	1,997,689	2,311

Each Series A common share has one vote per share. Series C shares have dividend and distribution rights equivalent to 1:1 of Series A shares. Series C common shares do not have voting rights in the company's management decisions.

Note 6. Contingencies and Commitments

Currently, there are no situations that affect the normal operations of Bina Ormasel.