

Grupo Herdez, S. A. B. de C. V. and subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 and 2011

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April 5, 2013

To the Stockholders Meeting of
Grupo Herdez, S. A. B. de C. V. and subsidiaries

We have audited the accompanying consolidated financial statements of Grupo Herdez, S. A. B. de C. V. and subsidiaries, which comprise the consolidated statement of financial position at December 31, 2012 and the related consolidated statements of income, of other comprehensive income, of changes in stockholders' equity and of cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

MANAGEMENTS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of the Company and its subsidiaries is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for the internal control structure considered by Management to be necessary to allow for ensuring that the financial statements are free of material misstatement due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Herdez, S. A. B. de C. V. and subsidiaries at December 31, 2012, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

OTHER MATTERS

The consolidated financial statements of Grupo Herdez, S. A. B. de C. V. and subsidiaries at December 31, 2011 and for the year then ended, were audited in accordance with Auditing Standards generally accepted in Mexico, where we issued an unqualified opinion on February 21, 2012.

PricewaterhouseCoopers, S. C.

C.P.C. Guillermo Azcona González
Audit Partner

Grupo Herdez, S. A. B. de C. V. and subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2012, 2011 and at January 1, 2011
Figures stated in thousands of Mexican pesos (Note 2)

ASSETS	DECEMBER 31,		JANUARY 1,	
	2012	2011	DE 2011	
		(corresponding figures)	(corresponding figures)	
CURRENT ASSETS:				
Cash and cash equivalents	Ps 1,064,132 Ps	1,154,709 Ps	805,507	
Trade Receivables - Net (Note 4)	1,032,513	936,136	772,612	
Debtors	40,611	36,056	17,788	
Value added tax recoverable	151,889	155,363	171,113	
Income tax recoverable	61,165	85,484	15,872	
Related parties (Note 5)	1,287,423	1,320,801	983,312	
	2,573,601	2,533,840	1,960,697	
Inventories (Note 6)	1,348,271	1,095,989	963,664	
Derivative financial instruments (Note 13)	63,151	71,213	103,608	
Advanced payments	71,831	89,491	96,741	
TOTAL CURRENT ASSETS	5,120,986	4,945,242	3,930,217	
PROPERTY, MACHINERY AND EQUIPMENT - Net (Note 7)	2,426,997	2,157,610	1,809,970	
INVESTMENT IN SHARES OF ASSOCIATED COMPANIES (Note 8)	150,505	122,752	84,461	
Intangible assets (Note 9)	1,992,490	2,098,630	1,386,205	
Deferred income tax (Note 24)	158,015	158,354	156,078	
Other assets	7,867	20,417	11,358	
TOTAL ASSETS	Ps 9,856,860 Ps	9,503,005 Ps	7,378,289	

		DECEMBER 31,	JANUARY 1,
LIABILITIES AND STOCKHOLDERS' EQUITY	2012	2011	DE 2011
		(corresponding figures)	(corresponding figures)
CURRENT LIABILITIES:			
Bank loans (Note 14)	Ps	4,200 Ps	313,743
Suppliers	Ps 773,628	843,049	596,860
Creditors	241,503	273,967	196,922
Derivative financial instruments (Note 13)	877	43,507	2,354
Income tax payable		26,917	58,078
Employees' statutory profit sharing payable	14,828	13,883	13,517
	1,030,836	1,205,523	1,181,474
LONG-TERM LIABILITIES:			
Notes payable (Note 14)	2,181,441	2,208,851	1,195,860
Long-term debt (Note 14)	530,473	553,174	293,691
Contingent consideration (Note 15)	72,582	76,112	
Derivative financial instruments (Note 13)	37,068	27,384	14,582
Deferred income tax (Note 24)	351,614	434,974	230,306
Taxes under tax consolidation (Note 24)	225,649	205,382	150,765
Employee benefits (Note 16)	74,504	46,491	39,321
	3,473,331	3,552,368	1,924,525
TOTAL LIABILITIES	4,504,167	4,757,891	3,105,999
STOCKHOLDERS' EQUITY (Note 17):			
Capital stock	575,625	575,625	575,625
Reserve for purchase of shares	600,000	321,194	400,000
Retained earnings	2,770,286	2,535,062	2,091,170
Legal reserve	141,861	141,861	141,861
Premium on the subscription of shares	113,110	113,110	113,110
Financial instruments	(37,524)	(43,856)	12,850
Cumulative translation adjustment	(5,425)	39,367	
Capital attributable to control equity	4,157,933	3,682,363	3,334,616
Capital attributable to non-controlling equity	1,194,760	1,062,751	937,674
TOTAL STOCKHOLDERS' EQUITY	5,352,693	4,745,114	4,272,290
CONTINGENCY (Note 27)			
SUBSEQUENT EVENT (Note 28)			
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	Ps 9,856,860 Ps	9,503,005 Ps	7,378,289

The accompanying twenty eight notes are an integral part of these consolidated financial statements, which were authorized for issuance on April 5, 2013 by the undersigned officers.



Lic. Héctor Hernández Pons Torres
Chief Executive Officer



C.P. Ernesto Ramos Ortiz
Administrative and Corporate Practices Director

Grupo Herdez, S. A. B. de C. V. and subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

December 31, 2012 and 2011

Figures stated in thousands of Mexican pesos (Note 2)

	YEAR ENDED DECEMBER 31,	
	2012	2011
	(corresponding figures)	
Net sales (Note 18)	Ps 11,220,343	Ps 9,697,099
Cost of sales (Note 19)	7,263,733	6,152,954
Gross profit	3,956,610	3,544,145
Operating expenses:		
Selling (Note 20)	2,016,073	1,761,658
Administration (Note 21)	328,067	255,162
	2,344,140	2,016,820
Income before other income and expenses	1,612,470	1,527,325
Other income (expenses) - Net (Note 22)	42,533	(14,904)
Operating income	1,655,003	1,512,421
Comprehensive financing income:		
Interest earned and exchange gain	675,719	503,275
Interest paid and exchange loss	(823,556)	(509,845)
	(147,837)	(6,570)
Equity share in earnings of associated companies (Note 8)	23,880	30,277
Income before income tax	1,531,046	1,536,128
Income tax (Note 24)	451,285	480,139
Income before discontinued operations	1,079,761	1,055,989
Discontinued operations - Net (Note 23)		(3,257)
Consolidated net income for the year	Ps 1,079,761	Ps 1,052,732
Net income attributable to non-controlling equity	Ps 289,674	Ps 285,085
Net income attributable to controlling equity	790,087	767,647
Consolidated net income for the year	Ps 1,079,761	Ps 1,052,732
Basic income per common share (Note 25)	1.853	1.787

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CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

December 31, 2012 and 2011

Figures stated in thousands of Mexican pesos (Note 2)

	YEAR ENDED DECEMBER 31,	
	2012	2011
	(corresponding figures)	
Consolidated net income for the year	Ps 1,079,761	Ps 1,052,732
Items not to be reclassified to income:		
Actuarial losses on employee benefit obligations	(16,811)	
Items that may be reclassified subsequently to income:		
Foreign currency translation results	(44,792)	39,367
Change in valuation of derivative financial instruments	(10,541)	(73,714)
Consolidated comprehensive income	Ps 1,007,617	Ps 1,018,385
Comprehensive income attributable to non-controlling equity	Ps 271,009	268,077
Comprehensive income attributable to controlling equity	736,608	750,308
Consolidated comprehensive income	Ps 1,007,617	Ps 1,018,385

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CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2012 and 2011 and at January 1, 2011
Figures stated in thousands of Mexican pesos (Note 2)

		CAPITAL STOCK	RESERVE FOR PURCHASE OF SHARES	RETAINED EARNINGS
Balances at January 1, 2011 (corresponding figures)	Ps	575,625 Ps	400,000 Ps	2,091,170
Purchase of outstanding shares			(266,656)	
Placement of shares			187,850	
Payment of dividends (Note 17)				(323,755)
			(78,806)	(323,755)
Comprehensive income (Note 3s.)				
Net income for the year				767,647
Cumulative effect of translation				
Change in valuation of derivative financial instruments				
Comprehensive income for the year				767,647
Balances at December 31, 2011 (corresponding figures)		575,625	321,194	2,535,062
Purchase of outstanding shares			(450,007)	
Placement of shares			425,515	
Increase in reserve for purchase of shares			178,460	(178,460)
Payment of dividends (Note 17)			124,838	(361,384)
			278,806	(539,844)
Comprehensive income (Note 3s.)				
Net income for the year				790,087
Cumulative effect of translation				
Change in valuation of derivative financial instruments				
Actuarial losses on employee benefit obligations				(15,019)
Comprehensive income for the year				775,068
Balances at December 31, 2012	Ps	575,625 Ps	600,000 Ps	2,770,286

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Chief Executive Officer



C.P. Ernesto Ramos Ortiz
Administrative and Corporate Practices Director

	LEGAL RESERVE	PREMIUM ON SUBSCRIPTION OF SHARES	FINANCIAL INSTRUMENTS	CUMULATIVE TRANSLATION ADJUSTMENT	CONTROLLING EQUITY	NON-CONTROLLING EQUITY	TOTAL STOCKHOLDERS' EQUITY	
Ps	141,861 Ps	113,110 Ps	12,850	Ps	3,334,616 Ps	937,674 Ps	4,272,290	
					(266,656)		(266,656)	
					187,850		187,850	
					(323,755)	(143,000)	(466,755)	
					(402,561)	(143,000)	(545,561)	
					767,647	285,085	1,052,732	
			Ps	39,367	39,367		39,367	
			(56,706)		(56,706)	(17,008)	(73,714)	
			(56,706)	39,367	750,308	268,077	1,018,385	
	141,861	113,110	(43,856)	39,367	3,682,363	1,062,751	4,745,114	
					(450,007)		(450,007)	
					425,515		425,515	
					(236,546)	(139,000)	(375,546)	
					(261,038)	(139,000)	(400,038)	
					790,087	289,674	1,079,761	
				(44,792)	(44,792)		(44,792)	
			6,332		6,332	(16,873)	(10,541)	
					(15,019)	(1,792)	(16,811)	
			6,332	(44,792)	736,608	271,009	1,007,617	
Ps	141,861 Ps	113,110 Ps	37,524) Ps	5,425) Ps	4,157,933 Ps	1,194,760 Ps	5,352,693	

Grupo Herdez, S. A. B. de C. V. and subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

December 31, 2012 and 2011
Figures stated in thousands of Mexican pesos (Note 2)

	YEAR ENDED DECEMBER 31,	
	2012	2011
	(corresponding figures)	
OPERATIONS		
Income before income tax	Ps 1,531,046	Ps 1,536,128
Items related to investment activities:		
Discontinued operations		(3,257)
Depreciation and amortization	194,274	151,970
(Profit) loss on sale of fixed assets	(1,724)	879
Net cost for the period (Note 16)	13,464	15,001
Interest earned	(70,158)	(77,038)
Exchange loss (gain)	34,421	(79,628)
Equity share in earnings of associated companies (Note 8)	(23,880)	(30,277)
Other expenses without cash flow		2,847
Cancellation of provisions	(41,155)	
Employees' statutory profit sharing	13,279	13,428
Items related to financing activities:		
Interest expense	183,574	163,236
Subtotal of items related to investment and financing activities	1,833,141	1,693,289
Increase in accounts receivable	(111,959)	(145,695)
Increase in inventories	(288,009)	(69,434)
Decrease (increase) in accounts receivable from related parties in the appropriate proportion	28,823	(332,824)
Decrease (increase) in advanced payments and taxes recoverable	45,312	(104,657)
(Decrease) increase in suppliers	(60,862)	227,396
(Decrease) increase in other accounts payable and creditors	(63,835)	20,232
Income tax paid	(482,068)	(474,536)
Net cash provided by operating activities	900,543	813,771

	YEAR ENDED DECEMBER 31,	
	2012	2011
	(corresponding figures)	
INVESTMENT ACTIVITIES		
Business acquired (Avomex) - (Note 1)		(531,540)
Business acquired (Aires de Campo) - (Note 1)		(18,522)
Interest collected	69,614	77,038
Acquisition of property, machinery and equipment	(550,008)	(320,450)
Collections on sale of property, machinery and equipment	82,497	26,019
Net cash used in investment activities	(397,897)	(767,455)
Cash surplus to be applied to financing activities	502,646	46,316
FINANCING ACTIVITIES		
Cash inflow from issuance of certificados bursátiles (domestic bonds)		600,000
Long-term bank loans obtained		419,361
Long-term loans obtained from related parties		287,863
Short-term bank loans paid	(4,200)	(313,743)
Other long-term liabilities	27,037	
Purchase of shares	(450,007)	(266,656)
Placement of shares	425,515	187,850
Interest paid	(183,022)	(158,801)
Exchange difference paid	(16,750)	
Dividends paid (Note 17)	(375,546)	(466,755)
Cash (used in) provided by financing activities	(576,973)	289,119
Net (decrease) increase in cash and other cash equivalents	(74,327)	335,435
Cash and cash equivalents at beginning of year	1,154,709	805,507
Difference in changes in cash and cash equivalents	(16,250)	13,767
Cash and cash equivalents at end of year	Ps 1,064,132 Ps	1,154,709

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