

INDEPENDENT AUDITORS' REPORT

(Translation from Spanish Language Original
To the Board of Directors and Stockholders
Grupo Herdez, S. A. B. de C. V.
(Thousands of Mexican Pesos)

OPINION

We have audited the consolidated financial statements of Grupo Herdez, S. A. B. de C. V. and subsidiaries (“the Group”), which comprise the consolidated statement of financial position as at December 31, 2019 and 2018, the consolidated statements of income and other comprehensive income, changes in equity and cash flows for the years then ended, and notes, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Herdez, S. A. B. de C. V. and subsidiaries as at December 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

GOODWILL

Amount of goodwill \$1,270,788 associated with Grupo Nutrisa. See note 11 to the consolidated financial statements.

Key Audit Matter

Within the frozen segment, there is a risk in the goodwill book value amount of the Cash-Generating Unit (CGU) of Grupo Nutrisa, which is significant due to the budgeted results and financial projections of this CGU have not been historically reached in a way that allows the Group to obtain the recoverable value of the long-lived assets including the goodwill allocated to this cash-generating unit.

Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis to assess the goodwill recoverability of this CGU, entails, it becomes a key audit matter

How the key matter was addressed in our audit

Our audit procedures to address this key audit matter, included the review of historical figures as of December 31, 2019, compared to the projections of previous years, to analyze business performance of the last 7 years; the normalization of 2019 figures and the assumptions of the 2020 budget, as well as the review of the reasonability of the projections of the future periods based on the Group's Management strategy, in particular those related to projected income growth and profit margins, on which the primary assumptions of the discounted cash flow model are based. In this regards with the involvement of our own valuation specialists; we evaluated, among other aspects, those related to assumptions, discount rates and the methodologies used by the Group.

We compared the assumptions of the CGU with external data obtained, as well as our own valuations related to the main elements, such as comparable companies, projected growth, competition, cost growth and discount rates. We compared the sum of discounted cash flows at the valuation date, as well as valuation exit multiples against the book value of the total assets of CGU and the value of goodwill and the brands recognized in the Group's books.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Group annual report of December 31, 2019 which should be filed to the National Banking and Securities Commission and the Mexican Stock Exchange (Annual report) but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

KPMG Cárdenas Dosal, S. C.



Mario J. Carrillo Villalpando

Mexico City, March 24, 2020.