2008 ANNUAL REPORT

TOGETHER | STRENGTHENING YOUR CONFIDENCE

GRUPO HERDEZ

CONTENTS

INTEGRATION

We increase the confidence of our consumers and clients by being close to them, offering the best processed foods and working with passion.

Photograph: Freddy Gómez López, Promoter of the year 2008

MISSION
VISION AND VALUES

MISSION

The purpose of Grupo Herdez is to place within the reach of consumers, particularly in Mexico and in the United States, quality foods and beverages under brands with growing prestige and value.

VISION

Grupo Herdez aims to consolidate, grow and position itself as a leading organization in the food and beverage industry, recognized by the quality of its products and the effectiveness of its efforts to focus on satisfying the consumers' needs and expectations; while ensuring optimal customer attention and service, under strict profitability criteria and strategic potential.

VALUES

HONESTY: We conduct ourselves correctly because we utilize the resources assigned with responsibility and transparency, showing respect towards the possessions of others (material honesty), because we clearly express our thoughts and beliefs (intellectual honesty) and because we behave in accordance with the company's policies and values, always aware of the consequences of our actions (moral honesty).

RESULTS DRIVEN: We fulfill our commitments, and whenever possible we surpass them by searching to improve our performance while keeping in mind that we are responsible for ensuring that the results of our activities add value to the processes in which we participate.

TEAM WORK: We build teams in order to accomplish the shared objectives, while adding talent and commitment and respecting the difference of opinions, knowledge and abilities because teamwork, respect and mutual support are the foundation of our relationships..

TRUST is the outcome of behaving in accordance to the values of Grupo Herdez, it is the consequence of honest behavior, of being focused on results, of working as a team and at the same time it connects these three values and integrates them into a coherent, meaningful set.

The previous is reflected in the quality of the products and services, a result of our work, and is therefore present in the opinion of our clients and customers.

PROFILE
OF THE GROUP

Leader in the processed foods sector in Mexico, with a significant presence in the United States and Canada, Grupo Herdez has positioned itself as a highly prestigious company for the quality and trust its products offer.

Through its partners, Grupo Herdez has a solid portfolio of canned and bottled food and beverages, as well as pastas, under the Herdez, Del Fuerte, McCormick, Doña María, Barilla, Yemina, Vesta, Nair, Embasa, La Victoria, Búfalo, La Gloria, Carlota, Blasón, SoyFrut, Festín, Hormel, Kikkoman and Ocean Spray, among others, which have a high degree of recognition and value in the Mexican market and represent more than 600 different products that are sold in Mexico and abroad through self-service stores, wholesalers, institutional establishments and grocery stores.

In Mexico, the Group's infrastructure is comprised of 11 plants and 8 distribution centers, where more than 5,000 persons work and with a sales force that serves more than 12,000 customers.

BRANDS
AND PRODUCTS

HERDEZ Home-style sauces, mushrooms, vegetables, fruits in syrup, juices and nectars, 8-vegetables juice, tuna, tomato puree and beverages.

DEL FUERTE Tomato puree, vegetables, mushrooms and home-style sauces.

McCORMICK Mayonnaise, dressings, mustards, marmalades, spices, teas and seasonings.

DOÑA MARÍA Mole paste, liquid mole, pipian and adobo sauces, ready to serve meals and sauces for stews.

NAIR Tuna.

EMBASA Ketchup style sauce, home-style sauces, sliced and nachos jalapeno peppers, serrano and chilpotle peppers.

LA VICTORIA Sauces of different peppers and tomatillo.

BARILLA, YEMINA Y VESTA Pasta in different presentations and pasta sauces.

BÚFALO Hot, ketchup and home-style sauces, olives and vinegar.

LA GLORIA Gelatines and light gelatins.

CARLOTA Honey, maple syrup and corn syrup for infants.

BLASÓN Coffee beans, roasted and ground.

FESTÍN Fruit beverages

HORMEL Hormel canned meats, Spam, ready-to-serve meals and Herdez canned meats such as pates, ham and deviled sausages.

SOLO DOÑA MARÍA Y SOLOMATE DOÑA MARÍA Chicken bouillon and chicken bouillon with tomato, both granulated and in cubes..

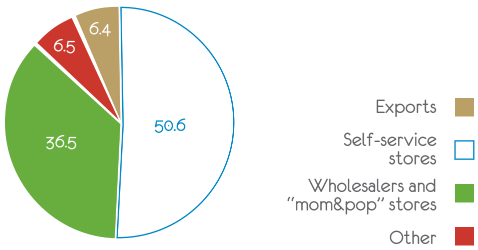
DISTRIBUTIONS

KIKKOMAN Variety of soy and teriyaki sauces.

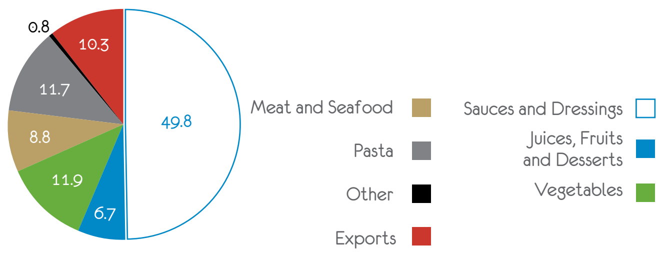
OCEAN SPRAY Cranberry-based products.

FINANCIAL
HIGHLIGHTS

Distribution channels* (%)
*Includes Herdez Del Fuerte's sales at a 100%



Revenues by product segments* (%)
*Includes Herdez Del Fuerte's sales at a 50%



Amounts expressed in nominal million pesos (except per share information and financial ratios)

GRUPO HERDEZ	2008	2007	Change %
Net Sales	7,247.2	6,470.1	12.0%
Domestic Sales	6,503.1	6,018.0	8.1%
Foreign Sales	744.1	452.1	64.6%
Gross Profit	2,423.8	2,340.7	3.6%
Gross Margin	33.4%	36.2%	(2.8)
EBITDA	976.9	1,004.0	(2.7%)
Percent of Sales	13.5%	15.5%	(2.0)
Operating Income	863.2	885.1	(2.5%)
Operating Margin	11.9%	13.7%	(1.8)
Majority Net Income	582.5	305.2	90.9%
Percent of Sales	8.0%	4.7%	3.3
Total Assets	5,471.0	4,628.3	18.2%
Total Liabilities	2,361.5	2,003.9	17.8%
Consolidated Equity	3,109.5	2,624.3	18.5%
Capital Expenditures	48.6	43.4	12.0%
Bank Debt	1,284.1	986.6	30.2%
Bank Debt/EBITDA (times)	1.3	1.0	0.3
Bank Debt/Consolidated Equity (times)	0.41	0.38	0.03
Return on Capital Employed before taxes	21.6%	24.1%	(2.5)
Return on Equity	26.4%	15.5%	10.9
Year end outstanding shares (million)	428.4	428.4	0.0%
Net income per share	1.36	0.71	91.5%
Dividend per share	0.50	0.25	100.0%
Year end stock price	12.5	16.0	(21.9%)

MESSAGE
TO OUR SHAREHOLDERS

In 2008 we faced many challenges and major upheaval in the global financial system. Volatility in the price of raw materials and in real economic variables was present throughout the year, which made the decision-making process difficult in view of a greater uncertainty about the economic performance worldwide.

In this challenging situation, Grupo Herdez managed to achieve outstanding results thanks to the strength of its brands, the capitalization of synergies in Herdez Del Fuerte, and the sound operating and financial management of the organization in face of an ever-changing setting.

In 2008, the sales of the company reached $7,247.2 million, 12 percent more than the sales recorded in 2007. This was a new milestone in the successful history of Grupo Herdez.

In domestic sales, we highlight the performance of mayonnaises, tuna, tomato puree, cranberry beverages, pastas, ketchup and homemade sauces.

The cost of goods sold -which includes an extraordinary charge of $49.4 million from the mark-to-market derivatives position due to raw material hedge instruments- was affected by the pressure in the price of inputs during the period, as well as the strengthening of the US dollar during the last quarter, which caused a growth of only 3.6 percent in gross profits.

Operating income slightly decreased from $885.1 to $863.2, whereas EBITDA fell 2.7 percent, to $976.9 million. Both figures were affected due to the charge related to hedge instruments.

As of the second half of the year, non-recurring expenses recorded due to the Herdez Del Fuerte integration were compensated by an extraordinary gain from the contribution of shares of several companies to the Herdez Del Fuerte joint venture.

The sum of these items translated into a $157.5 million benefit, which favored net income for the year and amounted to $582.5 million, 8.0 percent over net sales, and 91 percent over sales obtained in 2007.

In relation to the financial position of the company, bank debt less available cash as of December 31, 2008 was of $1,072.5 million, representing a little more than one time (1x) the EBITDA obtained throughout the year.

Over 95 percent of bank debt is nominated in pesos, and over 60 percent has maturities that exceed 18 months. The Group has enough credit lines to pay its financial requirements for the following years.

It is particularly important to mention that your return as shareholders -without taking into consideration non-recurring benefits- was of 19.2 percent, compared with 15.5 percent obtained in 2007. Likewise, the return on equity employed before taxes decreased from 24.1 to 21.6 percent, due to a greater capital utilization–mainly allocated to working capital-.

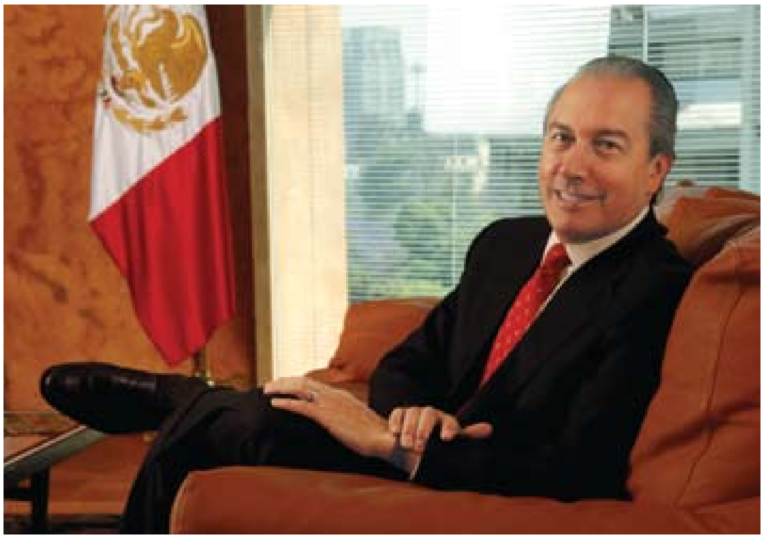
We had stressed three goals for 2008: the successful consolidation of Herdez Del Fuerte, tight risk management in raw materials and an effective pricing policy. I am very satisfied to confirm that we managed to achieve these goals in their entirety.

According to our compromise with society, I am particularly pleased to inform you that through the Herdez Nutre program, implemented in the communities of the coastal and mountain regions of the state of Oaxaca, we managed to decrease serious malnutrition in children to zero percent, whereas moderate malnutrition fell from 7.4 to 3.7 percent.

Likewise, the ideal weight ratios in adults have increased from 53.8 to 61.9 percent, and the low weight and overweight ratios decreased.

In order to achieve self-sustainable communities, we supported five charity companies, we built 80 firewood-saving ovens and

We achieved outstanding results thanks to the strength of our brands, the capitalization of synergies in Herdez Del Fuerte and a sound operating and financial management



given over 15 training courses in both nutrition and health matters, benefitting more than 1,500 persons.

We were also recognized as one of the companies with best practices in the responsible consumption category, awarded by the Mexican Center of Philanthropy (Centro Mexicano para la Filantropía or CEMEFI).

In this same field, at the beginning of this year Grupo Herdez was recognized as a Socially Responsible Company by CEMEFI -award that makes us proud and encourages us to aim our efforts in maintaining a balance in our interaction with people, communities and the environment-.

In the current year we will continue with the operating integration of Herdez Del Fuerte, concentrating our efforts in increasing the efficiency of the supply chain to improve the level of service and reduce the resources demanded by working capital.

In reference to the Herdez Del Fuerte integration; during the last month of March we began the transfer of tuna production lines from Mazatlán, Sinaloa to Puerto Chiapas, Chiapas. Therefore, we will seek greater efficiencies by concentrating the operations of this product category in one single factory.

On the other hand, we will start the construction of a new and modern distribution center in Teoloyucan, State of Mexico.
In 2009, total capital investments for the companies that comprise the Group will amount over $600 million pesos.

The signs we perceive from the economical situation in Mexico and the rest of the world are discouraging to many people. But not to us, or to our associated companies: Herdez Del Fuerte, McCormick de México, Hormel Alimentos, Herdez Corp. and Barilla México. We have formed a team with leading companies worldwide with a clear responsibility about our trade, we are aware of the expectations of our clients and consumers and therefore we look forward to the future with optimism, looking for opportunities to keep their preference and trust while choosing our products on a daily basis.

"Together, strengthening your confidence".
Sincerely,

Héctor Hernández-Pons Torres
Chairman and Chief Executive Officer

ATTAINING

A SUCCESSFUL INTEGRATION

The Herdez Del Fuerte integration enabled us to visualize opportunities to obtain synergies and consolidate our leadership

"El Convento" New Distribution Center located in the State of Mexico

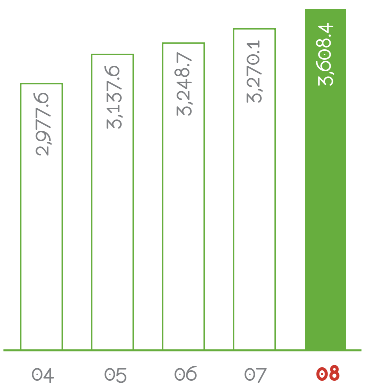
The integration of Herdez and Del Fuerte was the prime project for 2008 for each of the business units that comprise the Group. For this reason, several activities were conducted in order to unify transactions and work as a single company, without losing sight of continuity and efficiency.

Our first steps were aimed to achieve the identification of Herdez Del Fuerte as a single company by our clients and customers; therefore, our first initiatives were channeled to integrate the trading areas and to redefine responsibilities. The new sales structure changed its focus from a geographical approach to a process approach, supervising the process from the purchase order to the point of sale. This resulted in a greater level of customer service.

The integration of the distribution network was a challenge that also concluded successfully. The logistics network was redesigned by analyzing the optimal sites to locate the different distribution centers and, at the same time, the business model changed from a functions approach to a process approach. This resulted in a reduction of working capital requirements, transportation costs and the time between the purchase order and the collection.

The integration of Herdez Del Fuerte to the supply chain enabled us to visualize opportunities to obtain synergies and consolidate our leadership. What is next? Once the first stage of consolidation has successfully concluded, our next goal is to incorporate what we have achieved so far, broadening the assessment of optimal production sites for more product lines and redesigning organizational structures based on new processes.

Net Sales of juices, fruits and desserts
million pesos

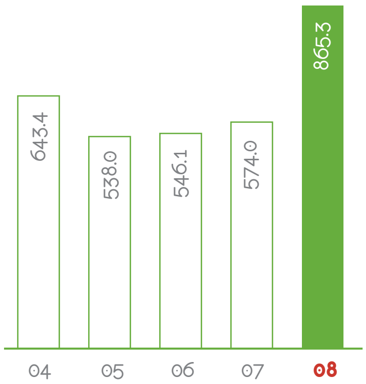


SYNERGIES
THAT STRENGTHEN

The Herdez Del Fuerte association consolidated our leadership by creating a stronger company with a greater performance than the one Herdez and Del Fuerte would have achieved acting as separate companies

When two ore more elements are incorporated in a synergetic way, the outcome takes advantage and maximizes the qualities of each of the components. In the case of Herdez Del Fuerte, a great number of actions were promoted to consolidate operations, redesign processes and improve technological tools in order to make the new association work jointly, visualizing short and long term opportunities for savings without affecting operational continuity.

Net Sales of vegetables
million pesos



The Group obtained significant savings by transferring certain production lines to plants under more competitive costs, the redesign of the logistics chain which led us to streamline certain distribution centers, better negotiations per scale in raw and packaging materials, and the reduction of expenses due to a more efficient structure.

With the improvement of technological tools such as demand and supply planning programs, we had to review and restructure the internal processes of the supply chain in order to have more accurate inventories in warehouses, platform crossroads and with customers. As a result, fill-rate increased, reaching levels from 96 to 98% of sustained growth with strategic supermarket customers, and capital invested in finished product in warehouses was reduced.

The technical area continued working to audit our own distribution centers, as well as the distribution centers of our suppliers and co-packers, assessing the integral quality control system to improve the processes and resources with the purpose of servicing our customers more efficiently and at the lowest cost possible.

Our integration implied both effort and motivation, working together to become part of a whole. The Herdez Del Fuerte association consolidated our leadership by creating a stronger company with a greater performance than the one Herdez and Del Fuerte would have achieved acting as separate companies.

PORTFOLIO

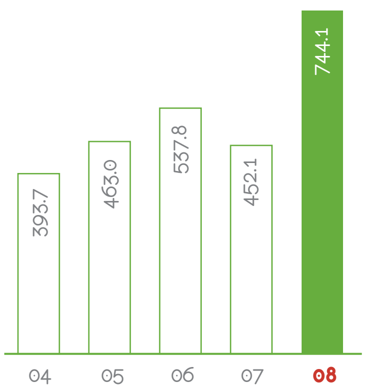
OF DYNAMIC BRANDS

We supplemented the presence of brands that service a complex market with regional demand, such as the United States of America

Derived from the Herdez Del Fuerte joint venture, during 2008 new brands and products of great prestige and tradition were added to the portfolio, such as: Del Fuerte, Nair, Embasa, La Victoria, La Gloria and Blasón.

This incorporation had quite positive effects, mainly in the foreign sales, to such an extent that we supplemented the presence of brands that service a complex market with regional demand, such as the United States.

Export Net Sales
million pesos



In the west and south-central territory, Herdez, Búfalo, Doña María and Embasa focused themselves on the Hispanic population, whereas La Victoria serviced Anglo-Saxon consumers.

With a combined portfolio, Herdez Del Fuerte capitalized part of the sales growth in jalapeño peppers, mole sauce, handmade sauces and tender cactuses (nopalitos); these categories were supported by joint strategies aimed to satisfy customers and face competitors, considering a consolidated sales network in the US.

Regarding the domestic market, the main change was the definition of strategies to position the brands, and the marketing focus shift from a product-line approach to a product-category approach. Market share in Herdez Del Fuerte tuna, tomato puree and vegetables was favored by achieving an improved segmentation per prices, distribution channels, territories and type of consumers. Likewise, we identified synergies as result of an integrated portfolio of brands, such as: scale savings per joint purchases of media, publications in magazines and newspapers, market research and promotional activities.

With Herdez Del Fuerte, McCormick, Barilla and Hormel, Grupo Herdez maintains a dynamic portfolio of brands to launch products, line extensions and packages in a more segmented way, detecting and satisfying new trends and market niches promptly, providing consumers with improved services and being worthy of their trust by offering them a greater variety of products and presentations.

WORKING
TOGETHER IN CORPORATE SOCIAL RESPONSIBILITY

Two years after its creation, the outcome of Herdez Nutre is quite satisfactory: we have improved the quality of life of over 245 families

HERDEZ NUTRE

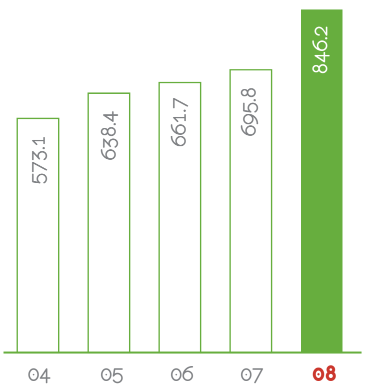
Throughout 2008, Herdez Del Fuerte and the National Institute of Medical Sciences and Nutrition Salvador Zubirán (Instituto Nacional de Ciencias Médicas y Nutrición Salvador Zubirán or INNSZ) supported the fight against malnutrition in indigenous communities of the mountain and coastal regions of Oaxaca by providing training in nutrition subjects, monitoring the nutritional condition of the population and donating food. The results achieved were excellent: reduction to 0% in serious malnutrition in children, and reduction from 7.4% to 3.7% of moderate malnutrition, whereas the ideal weight ratios in adults increased from 53.8% to 61.9%, and the low weight and overweight ratios decreased.

Additionally, the program furthered the creation of social companies amongst marginalized women to improve their quality of life, promoting economic self-sufficiency, improving their self-esteem and contributing to revitalize social coexistence in their communities. During this year, five social companies were supported; over 80 firewood-saving ovens were built and over 15 training courses on nutrition and health were given, and this rendered benefits to more than 1,500 people.

Two years after its creation, the outcome of Herdez Nutre is quite satisfactory: we have improved the quality of life of over 245 families, conducted over 1,200 nutritional diagnoses, promoted the creation of 185 household garden produce and 185 chicken farms, we have built three Nutritional Recovering Centers and inaugurated a Health Home in the community of Jayacaxtepec, Oaxaca.

The actions that make us more proud are those which allow us to contribute to the welfare of Mexican people, therefore, every year Herdez Nutre renews its commitment to improve the nutritional condition and the quality of life of the most vulnerable communities and families of Oaxaca.

Net Sales of pasta
million pesos



CORPORATE SOCIAL RESPONSIBILITY (CSR)

Thanks to the cooperation of all members of the Group, and the efforts performed in the four focal points that govern corporate social responsibility: quality of life in the corporation, ethics and corporate governance, links with the community, and environmental consciousness, we achieved, at the beginning of 2009, the distinction as a Socially Responsible Company (SRC).

Furthermore, we also obtained the recognition as a company with best practices in the classification of responsible consumption, awarded by CEMEFI.

Amongst the projects implemented by the company in the interest of the environment, we find the "Recovery and proper handling of batteries Campaign", the use of biodegradable cleaning products, as well as the participation in the "National Preservation Campaign", promoted by the Semarnat. Likewise, we work to design and construct water-treating plants, observing the rules in force at all times.

As measures to strengthen family ties and promote the personal development of all the collaborators that constitute the company, we maintain policies of flexible working hours for mothers and also support the education of employees who have not concluded their studies of elementary, junior and high school education.

Grupo Herdez considers that social responsibility is an essential value, a basic strategy to support performance on policies and programs to attain the success of the company, but striving to positively influence the communities beyond our obligations, and facing ethically the social implications derived from our behavior.

OUR PEOPLE

2008 was an intense year in matters of Human Resources for Grupo Herdez, integrating the Herdez Del Fuerte joint venture in one single organization without any conflict, maintaining an environment of respect to the rights of all workers, and without any impairment in the continuity of operations. As usual, our sound and respectful relation with the personnel and with the unions that represent them, allowed us to maintain a harmonious labor relation both individually and collectively, favoring the organizational restructure in an environment of trust and communication, in the expected time, and according to the strategic goals of the company.

The department of Human Resources propped the function of Organizational Development, creating a Division to facilitate the development of talent and the consolidation of the culture of Grupo Herdez.

As of December the 31st of 2008, 6,012 people worked for the company who, notwithstanding the additional integration work, kept themselves up to date in their development programs with over 90,000 man-hours of training during the fiscal year of 2008.

The main activities conducted by the Herdez Foundation focused in educational, cultural, social, scientific and technological matters

HERDEZ FOUNDATION

As in previous years, the main activities conducted by the Herdez Foundation concentrated in educational, cultural, social, scientific and technological matters:

One of the most important activities of Grupo Herdez, through its Foundation and the Food Service division, was to support and sponsor the edition of the "Lottery of Some Utensils, Natural Foods and Mexican Dishes". This game, created under the initiative and direction of El Cardenal restaurant, is formed by 54 cards with texts that allow the reader to identify different foods and utensils of Mexican cooking, thus contributing to recover our cultural and gastronomic heritage.

In this same field of education and culture, the Library of Mexican Gastronomy increased its heritage to 3,327 books, of which 88 belong to the reserved collection. Likewise, the gallery "Nuestra Cocina Duque de Herdez" (Our Duke of Herdez Kitchen) received 18,627 persons, and the visit was supplemented with corn, tuna, hot peppers and wheat tastings. Different courses were given at the Interpretation Center, standing out: "Tamales", "México-Francia Fusion Cuisine", "Mexican Sweets" and "From Cocoa to Chocolate", as well as the children's workshop "Colors, Smells and Tastes" within the XXV Mexico City Historical Downtown Festival.

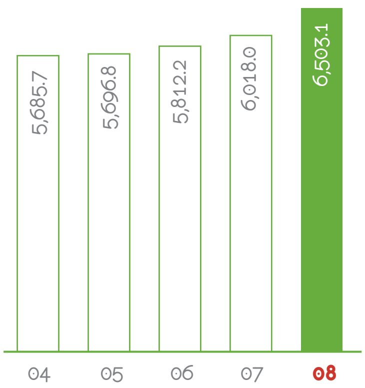
As part of the monthly support offered to charitable institutions, 1,100 tons of food were delivered to the Mexican Association of Food Banks (Asociación Mexicana de Bancos de Alimentos or AMBA), which impacted a population of 294,638 families throughout Mexico. Likewise, 1,975 cases of product were donated to families and locations that had experienced a disaster, such as the victims of San Luis Potosí and Tabasco.

Within the setting of the 48th anniversary of the Cáritas Ciudad de México Foundation, Norberto Rivera Carrera, Cardinal, Primatial Archbishop of Mexico and Chairman of the Trust of such institution, recognized Herdez Foundation due to its humanitarian, charitable and social justice participation in cases of disaster.

Lastly, through the Open University and Distance Education Office of the National Autonomous University of Mexico (UNAM) and its University Food Program, the programs "Access to the World of Nutrition" and "Nutritional Information, Required Reading at the Supermarket" were broadcasted on television, under the sponsorship of McCormick.

SUMMARY
OF ACTIVITIES

Domestic Net Sales
million pesos



HERDEZ DEL FUERTE

Herdez kept active its brand communication with massive media and tactical activities with consumers at the point of sale, such as the "Love that Rewards" tour carried out to encourage vegetable consumption. Sales of tuna in the traditional channel increased, and record sales were achieved in supermarkets, supported by displays and a greater shelf presence.

Regarding the homemade sauces category, during the last quarter of the year, an operating plan was executed at the point of sale comprising a program of special displays, tastings and exchange coupons, generating record sales in the supermarket and wholesale channels in comparison to the previous year.

Investments in open television, billboards and magazines for Del Fuerte were made; a brand preferred and recognized by consumers which celebrated its 75 anniversary during 2008. Likewise, different activities were conducted at the point of sale and in other places, such as schools.

Del Fuerte tomato puree showed record sales in comparison with the year 2007, leading the market with over 65 percent of market share with programs to support consumers' economy such as "Puré Pilón", and the introduction of new presentations in the main supermarket chains nationwide.

We exceeded the sales of 2007 in the category of homemade sauces and achieved record sales in cases derived from gift programs in department stores, as well as tastings and coupon programs in supermarkets.

Doña María continued with its promotional activities to increase the presence of mole sauce in paste, ready-to-serve mole and sauces for stews, including the "Gira Grupera" media campaign and the "Trailer Doña María" in the most important marketplaces for the brand.

As part of its growth plan, Búfalo conducted several trading activities, promos in magazines and sponsorship of events, whereas Embasa arranged offers with different supermarkets and programmed mentions in local television.

Concerning international market sales, mainly in the US, homemade sauces and mole categories continued consolidating their market share with both Hispanic and Anglo-Saxon consumers. New products such as Búfalo hot sauce for snacks were launched, having a great success with consumers.

HORMEL ALIMENTOS

Throughout 2008, one of the most relevant activities of the brand was to introduce in supermarkets the "Hormel Compleats" in its versions: turkey slices, chicken in teriyaki sauce, chicken breast in gravy sauce with mashed potatoes, as well as "Doña María Meals" such as: pork in green sauce, chipotle meatballs and chicken with mole.

The launching of these products meant the entrance to a new category of ready-to-serve food, useful options that do not need refrigeration or extra ingredients and that represent affordable Mexican and international food for consumers to enjoy.

The boost of Hormel meats was supported by saleswomen at the point of sale and through offers assembled with promotional items.

With respect to Solo and Solomate Doña María, the characteristics of the chicken and tomato seasonings were promoted, and also, in 2008 Hormel introduced turkey stock in three presentations: pouch, spice bottle and cubes. For the first time in its history, the Solo Doña María brand launched the television commercial "Mother Hen" as a massive media strategy.

McCORMICK DE MÉXICO

During 2008, McCormick faced significant challenges and held different activities that strengthened the business in the Mexican market. We highlight amongst these activities, the launching of new products mentioned below:

First, aware of the market needs and trends for a healthy diet, McCormick launched in October the new Fat-Reduced Mayonnaise for families who want a healthy and balanced diet without sacrificing flavor. This product has a similar consistency than the original mayonnaise with lemon juice, the same excellent quality and unique flavor, but with 50% less fat and calories.

Additionally, McCormick reinvented the preparation of salads with two new lines of dressings: Classic Line, in four flavors: 1) Ranch, 2) Thousand Island, 3) Cesar and 4) Italian, as well as the Gourmet Line, in three flavors: 1) Mango, honey and spices; 2) Chipotle with parmesan cheese; and 3) Balsamic vinaigrette with raspberry. It is important to highlight that both lines of dressings have been recommended and supported by both McCormick and the famous Mexican Chef Monica Patiño.

Also, to please children, during 2008 McCormick launched a publicity campaign with the new squeezable presentation of strawberry, peach and grapefruit marmalades. This container facilitates the spreading of marmalade and is useful in making decorations. The marketing campaign included television ads, billboards, publicity boards and mobile poster panels, as well as point of sale materials for supermarkets, which depicted an elephant as the most important character of the campaign.

Regarding the line of teas, the family of these products was supplemented and rejuvenated with the launching of 6 new flavors: Lime blossom, 7 Orange Blossoms, Green, Green-Mango, Green-Tangerine and Green-Passion Fruit.

Lastly, in the northern part of the country, the New Grill Mayonnaise was launched, addressing consumers who love smoked flavor and want the Omega 3 and vitamin E benefits, but with 50% less fat and calories than traditional mayonnaise. This launching was supported by a strong media campaign, point of sale activities and a tasting tour, focusing communication in the smoked flavor, supported by the creation of the "Asociación de Parrilleros del Norte". In order to optimize resources and processes, the Integral Quality Management model was successfully implemented, which manages key performance indicators through a control panel.

The Duque de Herdez Plant, which manufactures various McCormick products, received for the second year, a recognition from the government of San Luis Potosí as an including company, since it hires handicapped people.

BARILLA MÉXICO

In 2008, the sales of the "Pasta" segment grew 21.6% in values, whereas in cases decreased 0.5%. This result was mainly driven by price increases carried out during the period, in order to compensate raw materials. It must be mentioned that, in order to diminish the volume of imported wheat, we have continued to work with our domestic semolina suppliers to develop varieties of wheat that satisfy the requirements for quality, color and proteins.

Amongst the most important marketing activities conducted by Barilla Mexico we find the launching of "Barilla Piccolini", the new line of miniature-size pasta which aims to conquer child consumers. Subsequently, a presentation of the three varieties of Barilla Piccolini was made in the Papalote Museum in Mexico City: Mini Penne, Mini Tortiglioni and Mini Fusilli, to catch the interest of children and of their mothers, who will find this product easier to cook than traditional pastas.With respect to support and advertising activities, from April to August of 2008, the brand sponsored the exhibition " Da Vinci and the Atlantic Code" inside this same museum.

Yemina, the leading pasta brand in the north of our country and with over 50 years in the market, launched its new packaging design in order to be more attractive for consumers and easier to locate on the shelves. The new design has a different color stripe that distinguishes the product and individual pasta cuts. Additionally, the implementation of the Integral Quality Management System was completed successfully, model that aligns processes and manages key performance indicators through a control panel, seeking to optimize resources and processes required for the pasta plant. This initiative involves the entire organization through programs such as 5S's, Swift Improvements, Multidisciplinary Working Groups and Unionized Personnel Work Teams.

Similarly, during the year the palletizing robots started operations, resulting in improvements in the stowage quality.

HERDEZ DEL FUERTE TRADING COMPANY

For the trading company, 2008 was a year of changes and evolution. As part of the communication of the new corporate image of Herdez Del Fuerte, the sales areas were the first to consolidate: issuing invoices under a same corporate name, homologating price structures and negotiation terms, as well as strengthening the concept of a new company with clients.

During this year, the customer service department changed its structure from a territorial approach to a distribution-channel approach. Under this change, the trading and customer service focused in the specific needs and requirements of each customer, with specialized staff per channel. This modification included trading, category management, account salespersons and managers. Currently this team supervises the traceability of our products from the moment they are delivered to the clients, until the reception by final customers.

FOOD SERVICE

The key activities of Food Service during the period were performed by the sales area, cataloguing products with renowned restaurant and hotel chains, as well as opening new territories such as Puebla, Guerrero and Veracruz.

Under the publicity concept "Perfection to the Kitchen", the area conducted different promotional activities such as the presence in Expo Alimentaria, where the "Cook of the Year" contest was sponsored. The area also re-launched the foodservice webpage, essential communication tool between chefs and the company that generated approximately 15,000 visits in six months.

The line of institutional products was reinforced with the launching of new products, such as: Herdez pineapple in three kilos, McCormick salad dressings in Ranch, One Thousand Islands and Cesar versions, and McCormick mayonnaise with chipotle in a three-kilo bag.

In order to satisfy the production needs of the plant, a machine was modified to cover solid to liquid requirements.

DISTRIBUTIONS

Ocean Spray conducted different activities to convey the double power of the health benefits of cranberry juice. Amongst the activities conducted in 2008 we find the publicity campaign in the media, the tasting and sampling campaign at the point of sale as well as public relations activities, which were divided in two strategic themes: a) Activities for consumers such as interviews with nutritionists in the media, articles on cranberry, information talks, kitchen classes and development of communication materials, and b) Specific activities for the medical community such as the participation in gynecology congresses and the consolidation of the Advisory Board with works on the benefits of cranberry.

Consistent with the previous year, Kikkoman conducted an aggressive promotional campaign which comprised point of sale supports, magazine ads and television mentions in order to make consumers aware of the use of soy in all kinds of dishes, and not only in the Oriental cuisine.

MANAGEMENT'S
DISCUSSION AND ANALYSIS

NET SALES

Total volume increased 4.4% reaching 46.5 million cases, two million cases more than the same period last year. It is very important to notice that since the first quarter Herdez Del Fuerte has been recorded as a 50% joint venture, therefore sales charts in units and values were not fully comparable.

Domestic sales increased 2.9%, from 40.7 million cases in 2007 to 41.9 million cases in 2008, standing out the following segments:

"Sauces and Dressings" rose 2.7% supported by the introduction of new versions of mayonnaise as well as increased sales of ketchup, home-style sauces and mole sauce in paste. "Vegetables", a segment that includes several Herdez Del Fuerte lines, increased 91.0%. This growth was driven from both the effect of proportional consolidation as well as the good performance of the tomato puree and promotional activities carried out to encourage vegetable consumption.

The creation of Herdez Del Fuerte combined with a strong competitive environment in certain areas of the country affected the performance of the segment "Juices, Fruits and Desserts," which fell 42.8% during the year. To overcome this situation, strategic actions were taken to increase penetration with existing customers and in different distribution channels.

It is important to notice that even though sales of tuna in chunks and flakes of the Herdez and Nair brands increased during the year, the "Meat and Seafood" segment decreased 18.6% due to the proportional consolidation and to unfavorable comparatives caused by the sardine business divestiture.

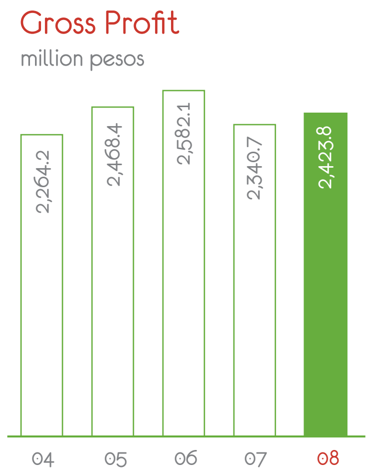
In peso terms, sales showed a 12.0% growth reaching $7,247.2 million during 2008, compared with $6,470.1 million earned during 2007. The creation of Herdez Del Fuerte and the implementation of an effective pricing policy were the main factors that benefited both domestic and foreign sales.

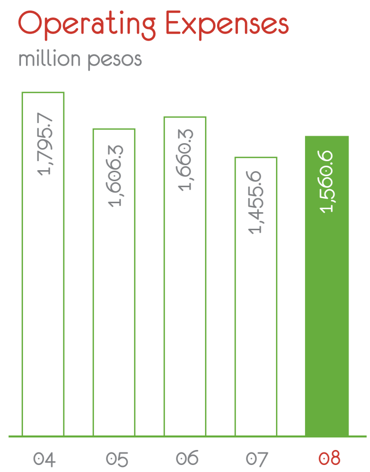
"Vegetables" and "Sauces and Dressings" stood out by growing 50.7% and 10.3% respectively, due to the reasons mentioned earlier, while the price increase accomplished by Barilla improved the results of "Pastas", segment which rose 21.6%.

Foreign sales reflected a substantial growth of 64.6% over the year derived from the incorporation of the "Embasa" and "La Victoria" brands in the United States, as well as from the effect of a stronger dollar.

COST OF SALES

During the year, the cost of sales recorded a 16.8% increase from $4,129.4 to $4,823.4 million, pressured by increases in the prices of tuna, wheat, vegetable oils and packaging materials, and by the recording of a $49.4 million charge in the fourth quarter of 2008 from the mark-to-market derivatives position due to raw material hedge





instruments. Cost as percentage of sales was 66.6%, which represented a 2.8 percentage point increase.

The achievement of synergies in operations and distribution led to lower operating expenses, which fell one percentage point compared to the same period of the prior year, and helped to partially offset higher manufacturing costs.

OPERATING INCOME AND EBITDA

Due exclusively to the derivatives mark-to-market, annual operating income totaled $863.2 million, a decrease of only 2.5%. Likewise, operating margin was 11.9%, 1.8 percentage points lower than the margin reported in 2007.

EBITDA decreased 2.7%, from $1,004.0 million during 2007 to $976.9 million during 2008, representing a two percentage point margin decrease.

COMPREHENSIVE FINANCING RESULT

The annual comprehensive financing result totaled $113.5 million, increasing 18.4% over the same period last year. It is worth mentioning that according to NIF B-10 accounting rule which came into effect in 2008, the recording of inflationary effects was eliminated from the monetary position line item.

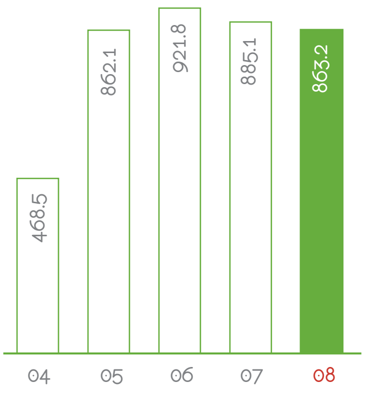
NET INCOME BEFORE DISCONTINUED OPERATIONS AND MINORITY INTEREST

Consolidated net income before discontinued operations reached $753.4 million, a solid growth of 21.1% due to an extraordinary income of $157.5 million, net of other expenses, related to the Herdez Del Fuerte integration as well as to the non-recurring net gain for contributing shares of several companies for the creation of this company.

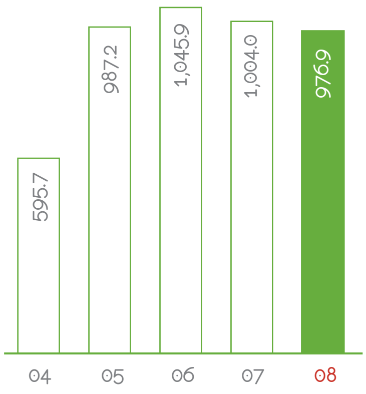
DISCONTINUED OPERATIONS

During the year, $2.8 million were recorded as "Discontinued Operations" which represented $102.3 million less than the amount recorded in 2007, resulting from the transfer of production lines from Veracruz and Ensenada to San Luis Potosi, together with expenses related to the divestiture of "Yavaros Industrial".

Operating Income
million pesos



EBITDA
million pesos



NET INCOME

Consolidated net income reached $750.6 million, representing a 45.2% increase while minority interest totaled $168.2 million, decreasing 20.6%.

Therefore, net income for Grupo Herdez shareholders' was $582.5 million, a robust growth of 90.9% compared to the profit recorded in 2007.

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities at year end 2008 totaled $241.2 million, compared with $593.8 million provided by operation during 2007, representing $352.6 million less due to higher working capital requirements.

Net capital expenditures during 2008 were $48.6 million pesos for storage facilities and the expansion of the production, distribution and logistics capacity in order to increase capacity for Herdez Del Fuerte.

The Company paid $214.2 million in dividends to majority stockholders, while Grupo Herdez' minority shareholders received $110.0 million.

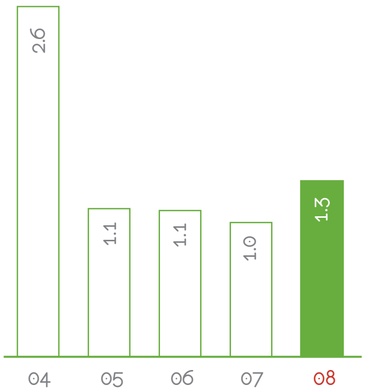
FINANCIAL STRUCTURE

At December 31, 2008 consolidated bank debt was $1,284.1 million, an increase of $297.5 million or 30.1%. The company reported a ratio of interest-bearing liabilities to EBITDA-12m of 1.3 times in comparison with 0.9 times obtained in the previous year.

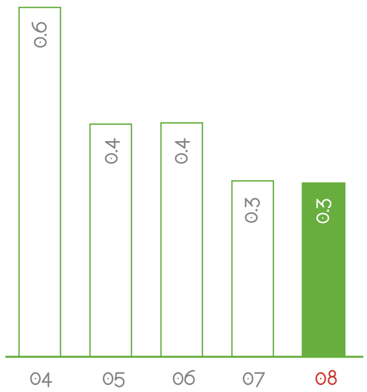
Although there was an increase in cash, higher banking liabilities caused consolidated net debt to increase $211.7 million, totaling $1,072.5 million at December 2008. The company reported a net debt-to stockholder's equity ratio of 0.34 times compared to 0.33 times in the previous year.

It is particularly important to mention that return on equity, excluding non-recurring income, increased from 15.5% in 2007 to 19.2% in 2008, while pre-tax return on capital employed decreased 250 basis points from 24.1% in 2007 to 21.6% in 2008.

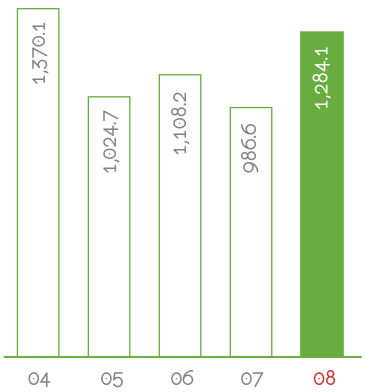
Bank Debt/EBITDA
times



Net Bank Debt/Consolidated Equity
times



Bank Debt
million pesos



BOARD OF DIRECTORS AND MANAGEMENT TEAM

BOARD OF DIRECTORS

Patrimonial, Related Directors

Héctor Hernández-Pons Torres
Chairman of the Board

Enrique Hernández-Pons Torres
Vice-Chairman of the Board

Flora Hernández-Pons de Merino

Independent Directors

Enrique Castillo Sánchez Mejorada
Carlos Autrey Maza
Eduardo Ortíz Tirado Serrano
José Roberto Danel Díaz
José Manuel Rincón Gallardo
Luis Rebollar Corona

Secretary of the Board (not member)

Ernesto Ramos Ortíz

Audit Committee

José Roberto Danel Díaz
President

Eduardo Ortíz Tirado Serrano
Carlos Autrey Maza
José Manuel Rincón Gallardo

Corporate Practices Committee

José Roberto Danel Díaz
President

Héctor Hernández-Pons Torres
Enrique Hernández-Pons Torres
José Manuel Rincón Gallardo
Luis Rebollar Corona

SENIOR MANAGEMENT

Héctor I. Hernández-Pons Torres
President and Chief Executive Officer

Enrique Hernández-Pons Torres
Vice-President, General and International Business Director

Gerardo F. Canavati Miguel
Chief Financial Officer and Planning Director

Alberto Garza Cabañas
Supply Chain Director

Roberto González Rosas
Sales Director

Pedro G. Gracia-Medrano Murrieta
Human Resources Director

Alejandro Martínez-Gallardo y de Pourtales
Associated Companies Business Unit Director

Martín Ernesto Ramos Ortiz
Administrative Director

José Juan Rodríguez del Collado
Food Service Director

Andrés González-Cuevas Sevilla
Market Strategy Director

AUDIT
COMITEE REPORT

March 30, 2009

Mr. Héctor Hernández-Pons Torres
Chairman of the Board of Directors
Grupo Herdez, S.A.B. de C.V.

Monte Pelvoux No. 215 Piso 5
Col. Lomas de Chapultepec
México, D.F. 11000

Dear Mr. Hernández-Pons:

I am herein presenting the Annual Report of the activities of the Board of Director's Audit Committee carried out during the 2008 fiscal year, referred to in Article 43, Section II, of the Securities Market Law.

During the development of our work, we have taken into consideration the Securities Market Law regulations, the General Rules Applicable to Securities Issuers and other Participants of the Securities Market, the Best Corporate Practices Code's recommendations, and the Audit Committee Rules.

The Committee punctually held the meetings as scheduled, an agenda was prepared based on the issues to be discussed in each meeting and the corresponding minutes were also prepared. The meetings were attended by the designated directors and invitees.

Relevant issues discussed and recommended for approval to the Board of Directors, as appropriate, were the following:

1. The Reported Financial Statements for the year ended December 31, 2007, their respective Notes and the Letter of Recommendations issued by the society's external auditor, were duly analyzed.
2. The internal control assessment performed by the external auditor during the development of the usual review was analyzed, as well as the internal audit reports, having been determined that the Group is operating in a healthy control environment, within the framework of the established standards. Areas under improvement process were acknowledged and due follow up has been given to their implementation.
3. The performance of the external audit firm has been determined to be satisfactory and in complying with its contract established criteria, as well as that of the auditor in charge, who has worked in an appropriate manner, having in due time confirmed the required professional and economical independence to perform the assigned tasks.
4. In addition to the external audit services, fiscal advisory services were provided by the external auditors firm in the amount of 3.9 million pesos.
5. We have learned about the Group's financial information standards, which have been consistently applied during the period, as well as the new standards that came into force on January 1, 2008, having had no significant effects.
6. Outstanding fiscal and legal matters have been timely followed up, as well as the adequate implementation of the Securites Market Law provisions, and the Shareholders', and Board of Directors' meetings resolutions.
7. Complementary, at the Committee's meeting held on February 19, 2009, the Reported Financial Statements for the year ended December 31, 2008, their respective Notes and the Letter of Recommendations issued by the society's external auditor, were duly analyzed.

Starting on January 1, 2008, the society initiated a joint business with a 50% share under Herdez Del Fuerte, S.A. de C.V. denomination, by the contributions of some of its subsidiaries as well as those of the other partners' same business line subsidiaries in the joint venture business.

All matters were extensively discussed, with no situations to report out of normal operations of the society.
Complete information related to the aforementioned issues is available upon request.

Sincerely,

Roberto Danel Díaz *Chairman of the Audit Comittee*

CORPORATE PRACTICES REPORT

March 30, 2009

Mr. Héctor Hernández-Pons Torres
Chairman of the Board of Directors
Grupo Herdez, S.A.B. de C.V.

Monte Pelvoux No. 215 Piso 5
Col. Lomas de Chapultepec
México, D.F. 11000

Dear Mr. Hernández-Pons:

I am herein presenting the Annual Report of the activities of the Board of Director's Corporate Practices Committee, carried out during the 2008 fiscal year, referred to in Article 43, Section I of the Securities Market Law.

During the development of our work, we have taken into consideration the Securities Market Law regulations, the Corporate Practices Code's recommendations, and the Corporate Practices Committee Rules.

The Committee punctually held the meetings as scheduled, an agenda was prepared based on the issues to be discussed in each meeting and the corresponding minutes were also prepared. The meetings were attended by the designated directors and invitees.

The relevant issues discussed and recommended for approval to the Board of Directors were the following:

1. We have learned about the performance evaluation of the relevant executive officers, in accordance to the Balanced Scorecard System indicators, as well as to other established policies, having been determined to be lined up with the objectives of each of them.
2. Transactions performed with related parties during the fiscal year included leasing, administrative services, freights, advertising, royalties and product purchasing for a total amount of 452 million pesos.
3. The internal remuneration package of the Chief Executive Officer and other relevant executive officers amounted 69 million pesos.
4. Exemptions by the Board of Directors were not granted to allow a director, a relevant executive officer nor an individual with decision-making power to benefit for his own personal benefit or in favor of any third party, from business opportunities corresponding to the society or a legal entity under their control or in which may have a significant influence.
5. Herdez Del Fuerte's joint venture association has successfully been executed, in accordance with the respective partnership's agreement with Grupo Kuo.

All matters were extensively discussed, with no situations to report out of normal operations of the society.

Complete information related to the aforementioned issues is available upon request.

Sincerely,

Roberto Danel Díaz *Chairman of the Corporate Practices Committee*

CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

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

December 31, 2008 and 2007

REPORT OF INDEPENDENT AUDITORS

Tlalnepantla, Mex., February 20, 2009

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

1. We have examined the consolidated and individual balance sheets of Grupo Herdez, S. A. B. de C. V. and subsidiaries at December 31, 2008 and 2007, and the related consolidated and individual statements of income, of changes in stockholders' equity for the years then ended, as well as the consolidated and individual statements of cash flows and of changes in financial position for the years ended December 31, 2008 and 2007, respectively. These financial statements are the responsibility of company's Management. Our responsibility is to express an opinion on those financial statements based on our audits.

   We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements. An audit also includes assessing the financial reporting standards used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

2. On January 1, 2008, Grupo Hérdez, S. A. B. de C. V. started a 50% joint venture denominated Hérdez del Fuerte S. A. de C. V., through the contribution of some of its subsidiaries, and contribution of companies engaged in the same line of business from the other stockholder of the joint venture. As from that date, the financial statements of Hérdez del Fuerte S. A. de C. V. and subsidiaries have been included in the consolidation of Grupo Hérdez, S. A. B. de C. V. by the proportional consolidation method. This fact should be considered in comparing the Company's financial position and operating results to the previous years, as described in Note 1 to the financial statements.

3. As mentioned in Note 1, five new Mexican Financial Reporting Standards went into effect on January 1, 2008, with the following specifics and prospective effects as from 2008, as described in said note: a) B-10 "Effects of inflation", b) B-2 "Statement of cash flows", c) B-15 "Conversion of foreign currencies", d) D-3 "Employee benefits", and e) D-4 "Income tax".

4. In our opinion, the aforementioned financial statements present fairly, in all material respects, the consolidated and individual financial position of Grupo Herdez, S. A. B. de C. V. and subsidiaries at December 31, 2008 and 2007, and the consolidated and individual results of their operations, the changes in their stockholders' equity for the years then ended; as well as their consolidated and individual statements of cash flows and of changes in financial position for the years ended December 31, 2008 and 2007, respectively, in conformity with Mexican Financial Reporting Standards.

PricewaterhouseCoopers

José Ignacio Toussaint Purón
Audit Partner

CONSOLIDATED BALANCE SHEET

Grupo Herdez, S. A. B. de C. V. and Subsidiaries • December 31, 2008 and 2007
Figures stated in thousands of Mexican pesos

	2008	2007
Assets		
CURRENT ASSETS		
Cash and investments at terms under one year	Ps 211,585	Ps 125,724
Customers, net of the allowance for doubtful accounts and discounts of Ps19,472 in 2008 and Ps14,019 in 2007.	772,744	931,748
Other accounts receivable	79,009	83,131
Value added tax and income tax recoverable	170,502	170,744
Related parties (Note 4)	640,548	
	1,662,803	1,185,623
Inventories (Note 5)	972,624	930,826
Advertising and other prepaid expenses (Note 2a.)	92,163	67,135
Total current assets	2,939,175	2,309,308
PROPERTY, MACHINERY AND EQUIPMENT - Net (Note 6)	1,453,419	1,823,532
INVESTMENT IN ASSOCIATED COMPANIES (Note 8)	124,987	92,700
GOODWILL (Note 8)	21,500	246,427
ACCUMULATED AMORTIZATION		(153,353)
	21,500	93,074
OTHER INTANGIBLE ASSETS (Note 7)	931,811	288,361
	953,311	381,435
RETIREMENT BENEFITS (Note 11)		21,297
	Ps 5,470,892	Ps 4,628,272

		2008		2007
Liabilities and Stockholders' Equity				
CURRENT LIABILITIES:				
Bank loans (Note 9)	Ps	544,695	Ps	318,251
Suppliers		595,610		470,787
Other accounts payable and accrued expenses		150,229		163,385
Income tax payable		95,109		103,892
Related parties (Note 4)				4,343
Employees' statutory profit sharing payable		5,195		12,457
		1,390,838		1,073,115
LONG-TERM LIABILITIES:				
Bank loans (Note 9)		739,444		668,333
Long-term debt (Note 9)		134,261		
Deferred taxes (Note 13)		81,472		211,724
Retirement benefits (Note 11)		15,424		50,755
		970,601		930,812
Total liabilities		2,361,439		2,003,927
STOCKHOLDERS' EQUITY (Note 12):				
Capital stock:				
Par value		428,631		428,646
Restatement		533,266		533,266
		961,897		961,912
Retained earnings		1,198,899		3,482,720
Premium on the subscription of shares		220,959		220,959
Deficit in the restatement of capital				(2,675,160)
Cumulative translation adjustment		25,660		
Accrued effect of deferred income tax				23,217
		1,445,518		1,051,736
Minority interest		702,038		610,697
		3,109,453		2,624,345
Collateral granted (Note 15)				
	Ps	5,470,892	Ps	4,628,272

The accompanying seventeen notes are an integral part of these consolidated financial statements, which were authorized by the undersigned company officers for issuance on February 20, 2009.

Héctor Hernández Pons Torres
General Director

Ernesto Ramos Ortiz
Executive Director of Administration and Corporate Practices

CONSOLIDATED STATEMENT OF INCOME

Grupo Herdez, S. A. B. de C. V. and Subsidiaries • Year ended December 31, 2008 and 2007
Figures stated in thousands of Mexican pesos

		2008		2007
Net sales	Ps	7,247,174	Ps	6,470,084
Costs and expenses:				
Cost of sales		4,823,403		4,129,408
Selling expenses		1,009,975		798,161
Administration expenses		209,732		257,005
Advertising expenses		340,883		400,427
		6,383,993		5,585,001
Operating income		863,181		885,083
Other income (expenses) - Net (Note 14)		157,527		(3,670)
Comprehensive financing income:				
Interest paid - Net		119,310		118,724
Exchange gain - Net		(5,854)		(1,487)
Gain on monetary position				(21,290)
		113,456		95,947
Equity share in earnings of associated companies		24,175		18,481
Income before tax		931,427		803,947
Income tax (Note 13)		177,917		181,934
Income before discontinued operations and minority interest		753,510		622,013
Net discontinued operations (Note 16)		(2,842)		(105,109)
Consolidated net income for the year		750,668		516,904
Income applicable to minority stockholders		168,158		211,778
Net income corresponding to holding company stockholders	Ps	582,510	Ps	305,126
Net income per common shares (Note 20.):				
Before discontinued operations Before discontinued operations	Ps	1.759	Ps	1.452
Of discontinued operations	Ps	(0.0066)	Ps	(0.245)
Net income per share corresponding to holding company stockholders	Ps	1.360	Ps	0.712

The accompanying seventeen notes are an integral part of these consolidated financial statements, which were authorized by the undersigned company officers for issuance on February 20, 2009.

Héctor Hernández Pons Torres
General Director

Ernesto Ramos Ortiz
Executive Director of Administration and Corporate Practices

STATEMENT
OF CHANGES IN STOCKHOLDERS' EQUITY

Grupo Herdez, S. A. B. de C. V. and Subsidiaries • For the two years ended December 31, 2008 (Note 12)
Figures stated in thousands of Mexican pesos

	Capital stock	Retained earnings	Premium on the subscription of shares	Deficit in the restatement of capital	Accumulated effect of deferred income tax	Cumulative translation adjustment	Minority interest
Balances at January 1, 2007	Ps 961,643	Ps 3,284,048	Ps 220,959	Ps (2,573,499)	Ps 23,217		Ps 666,091
Capital decrease from repurchase of shares	(393)	393					
Repurchase of outstanding shares		(5,572)					
Capital increase from placement of shares	662	(662)					
Placement of shares		9,881					
Payment of dividends (Note 12)		(110,494)					(251,000)
Comprehensive income (Note 2n.)		305,126		(101,661)			195,606
Balances at December 31, 2007	961,912	3,482,720 (1)	220,959	(2,675,160)	23,217		610,697
Capital decrease from repurchase of shares	(31)	31					
Repurchase of outstanding shares		(442)					
Capital increase from placement of shares	16	(16)					
Placement of shares		218					
Payment of dividends (Note 12)		(214,179)					(110,000)
Application of inflationary effect (Note 2m.)		(2,675,160)		2,675,160			
Application of initial balance of deferred Income tax (Note 2i.)		23,217			(23,217)		
Changes in minority interest							11,711
Comprehensive income (Note 2n.)		582,510				Ps 25,660	189,630
Balances at December 31, 2008	Ps 961,897	Ps 1,198,899 (1)	Ps 220,959	Ps –	Ps –	Ps 25,660	Ps 702,038

(1) Includes Ps141,861 and Ps130,507 of the legal reserve at December 31, 2008 and 2007.

The accompanying seventeen notes are an integral part of these consolidated financial statements, which were authorized by the undersigned company officers for issuance on February 20, 2009.

Héctor Hernández Pons Torres
General Director

Ernesto Ramos Ortiz
Executive Director of Administration and Corporate Practices

CONSOLIDATED STATEMENT OF CASH FLOWS

Grupo Herdez, S. A. B. de C. V. and Subsidiaries • Year ended December 31, 2008
Figures stated in thousands of Mexican pesos

		2008
Operation activities:		
Income before income tax	Ps	931,427
Items related to investment activities:		
Discontinued operations		(2,842)
Depreciation		113,754
Loss on sale of fixed assets		5,472
Interest earned		(32,749)
Equity share in earnings of associated companies		(24,175)
Other income without cash flow		(192,496)
Items related to financing activities:		
Interest paid		152,059
Subtotal of items related to investment and financing activities		950,450
(Increase) decrease in:		
Accounts receivable		(762,047)
Inventories		(134,993)
Other assets		24,833
Suppliers		209,430
Other accounts payable		154,997
Income tax paid		(201,465)
Net cash flows from operating activities		241,205
Investment activities:		
Business acquired		(44,000)
Interest received		31,439
Acquisitions of property, machinery and equipment		(101,618)
Collections on sale of property, machinery and equipment		47,576
Net cash flows from investment activities		(66,603)
Cash surplus to be used in financing activities		174,602
Financing activities:		
Long-term loans received		377,295
Interest paid		(141,857)
Dividends paid		(324,179)
Net cash flows from financing activities		(88,741)
Net increase of cash and other cash equivalents		85,861
Cash and cash equivalents at beginning of year		125,724
Cash and cash equivalents at end of year	Ps	211,585

The accompanying seventeen notes are an integral part of these consolidated financial statements, which were authorized by the undersigned company officers for issuance on February 20, 2009.

Héctor Hernández Pons Torres
General Director

Ernesto Ramos Ortiz
Executive Director of Administration and Corporate Practices

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Grupo Herdez, S. A. B. de C. V. and Subsidiaries • Year ended December 31,
Figures stated in thousands of Mexican pesos

		2007
Operations:		
Consolidated net income	Ps	516,904
Charges (credits) to income not affecting resources:		
Equity share in earnings of associated companies		(18,481)
Depreciation		118,921
Seniority premiums		7,920
Deferred income tax		(24,439)
Discontinued operations without cash flow		79,554
		680,379
Variation in inventories, other assets, accounts receivable and payable		(86,610)
Resources provided by operations		593,769
Financing:		
Dividends paid to minority interest		(251,000)
Dividends paid to majority stockholders		(110,494)
Decrease in loans - Net		(163,146)
Resources used in financing activities		(524,640)
Investment:		
Sale of equity in associated companies		22,437
Repurchase of shares		(5,572)
Placement of shares		9,881
Acquisition of fixed assets		(43,395)
Resources used in investment activities		(16,649)
Increase in cash and investments at terms under one year		52,480
Cash and investments at terms under one year at beginning of year		73,244
Cash and investments at terms under one year at end of year	Ps	125,724

The accompanying seventeen notes are an integral part of these consolidated financial statements, which were authorized by the undersigned company officers for issuance on February 20, 2008.

Héctor Hernández Pons Torres
General Director

Ernesto Ramos Ortiz
Executive Director of Administration and Corporate Practices

BALANCE SHEET (Note 1)

Grupo Herdez, S. A. B. de C. V. • December 31,
Figures stated in thousands of Mexican pesos

		2008		2007
Assets				
CURRENT ASSETS:				
Cash and investments at terms under one year	Ps	51,034	Ps	4,860
Accounts receivable (Note 2s.)		77,501		61,010
Related parties (Note 4)				479,956
Total current assets		128,535		545,826
MACHINERY AND EQUIPMENT - Net (Note 6)		471		699
INVESTMENT IN SUBSIDIARIES AND ASSOCIATED COMPANIES (Note 8)		3,662,774		1,972,732
GOODWILL (Note 8)		21,500		427,879
ACCUMULATED AMORTIZATION				(153,353)
		21,500		274,526
DEFERRED TAXES (Note 13)		41,798		43,362
	Ps	3,855,078	Ps	2,837,145
Liabilities and Stockholders' Equity				
CURRENT LIABILITIES:				
Bank loans (Note 9)	Ps	138,889	Ps	159,918
Related parties (Note 4)		522,430		
Income tax payable (Note 13):		86,439		88,342
Other accounts payable		10,461		11,324
Total current liabilities		758,219		259,584
LONG-TERM LIABILITIES:				
Bank loans (Note 9)		689,444		560,000
Other reserves				3,914
STOCKHOLDERS' EQUITY (Note 12):				
Capital stock				
Nominal value		428,631		428,646
Restatement		533,266		533,266
		961,897		961,912
Retained earnings		1,198,899		3,482,720
Premium on the subscription of shares		220,959		220,959
Deficit in the restatement of capital				(2,675,161)
Cumulative translation adjustment		25,660		
Accrued effect of deferred income tax				23,217
		1,445,518		1,051,735
Collateral granted (Note 15)				
	Ps	3,855,078	Ps	2,837,145

The accompanying seventeen notes are an integral part of these financial statements, which were authorized by the undersigned company officers for issuance on February 20, 2009.

Héctor Hernández Pons Torres
General Director

Ernesto Ramos Ortiz
Executive Director of Administration and Corporate Practices

STATEMENT OF INCOME

Grupo Herdez, S. A. B. de C. V. • Year ended December 31, 2008 and 2007
Figures stated in thousands of Mexican pesos

		2008		2007
Equity share in earnings of subsidiary companies	Ps	578,487	Ps	287,878
Income from services to affiliates		135,327		115,125
Administration expenses		(8,911)		(13,364)
Operating income		704,903		389,639
Other expenses - Net (Note 14)		(89,568)		(48,472)
Comprehensive financing income:				
Interests paid - Net		48,420		24,039
Exchange rate gain - Net		(17,159)		(1,270)
Loss on monetary position				6,727
		31,261		29,496
Income before tax		584,074		311,671
Income tax (Note 13)		1,564		6,545
Net income for the period	Ps	582,510	Ps	305,126
Net income per common share	Ps	1.360	Ps	0.712

The accompanying seventeen notes are an integral part of these financial statements, which were authorized by the undersigned company officers for issuance on February 20, 2009.

Héctor Hernández Pons Torres
General Director

Ernesto Ramos Ortiz
Executive Director of Administration and Corporate Practices

STATEMENT OF CASH FLOWS

Grupo Herdez, S. A. B. de C. V. • Year ended December 31, 2008
Figures stated in thousands of Mexican pesos

		2008
Operations activities:		
Income before tax	Ps	584,074
Items related to investment activities:		
Depreciation		228
Interest earned		(29,714)
Equity share in the results of subsidiaries		(578,487)
Dividends paid by subsidiaries		110,000
Other income without cash flow		89,568
Interest paid		78,133
Subtotal of items related to investment and financing activities		253,802
(Increase) decrease in:		
Accounts receivable		446,926
Other accounts payable		(439,550)
Net cash flows from operating activities		261,178
Investment activities:		
Investment in subsidiaries		(65,500)
Interest received		26,971
Net cash flows from investment activities		(38,529)
Cash surplus to be used in financing activities		222,649
Financing activities:		
Long-term loans received		108,417
Interest paid		(70,713)
Dividends paid to majority stockholders		(214,179)
Net cash flows from financing activities		(176,475)
Increase net of cash and other cash equivalents		46,174
Cash and cash equivalents at beginning of year		4,860
Cash and cash equivalents at end of year	Ps	51,034

The accompanying seventeen notes are an integral part of these financial statements, which were authorized by the undersigned company officers for issuance on February 20, 2009.

Héctor Hernández Pons Torres
General Director

Ernesto Ramos Ortiz
Executive Director of Administration and Corporate Practices

STATEMENT
OF CHANGES IN FINANCIAL POSITION

Grupo Herdez, S. A. B. de C. V. • Year ended December 31, 2007
Figures stated in thousands of Mexican pesos

		2007
Operations activities:		
Net income for the year	Ps	305,126
Charges (credits) to income not affecting resources:		
Equity share in the results of subsidiaries, net of dividends collected of Ps419,750 in 2007		131,872
Depreciation		1,617
Allowance for doubtful accounts		40,367
Deferred income tax		6,545
		485,527
Variation in accounts receivable and payable		248,229
Resources provided by operations		733,756
Financing:		
Loans received - Net		176,087
Dividends paid to majority stockholders		(110,494)
Resources provided by financing activities		65,593
Investment:		
Net investment in shares		(293,512)
Increase in capital stock of associated companies		(515,651)
Repurchase of shares		(5,572)
Placement of shares		9,881
Resources used in investment activities		(804,854)
Decrease in cash and investments at term under one year		(5,505)
Cash and investments at terms under one year at beginning of year		10,365
Cash and investments at terms under one year at end of year	Ps	4,860

The accompanying seventeen notes are an integral part of these financial statements, which were authorized by the undersigned company officers for issuance on February 20, 2009.

Héctor Hernández Pons Torres
General Director

Ernesto Ramos Ortiz
Executive Director of Administration an Corporate Practices

NOTES TO THE CONSOLIDATED AND INDIVIDUAL FINANCIAL STATEMENTS

Grupo Herdez, S. A. B. de C. V. and Subsidiaries • December 31, 2008 and 2007

Figures stated in thousands of Mexican pesos, except those related to exchange rates

Note 1 - Company Activities and Bases for Presentation:

The company is mainly engaged in establishing, organizing, acquiring and promoting all types of commercial and industrial companies and businesses, as well as in providing manufacturing services through its related parties. Grupo Herdez, S. A. B. de C. V. (Grupher) has no employees.

a. Relevant event - The creation of Herdez del Fuerte -

Through an agreement entered into on December 6, 2007 and its December 21, 2007 amendment, Grupo Herdez, S. A. B. de C. V. (Grupher) and Grupo KUO, S. A. B. de C. V. (KUO) formalized their joint venture denominated Herdez del Fuerte, S. A. de C. V. (Herdez del Fuerte), to which the participants agreed to contribute the following companies:

Grupher

1. Almacenadora Herpons, S. A. de C. V.
2. Campomar, S. A. de C. V.
3. Compañía Comercial Herdez, S. A. de C. V.
4. Corporativo Cinco, S. A. de C. V.
5. Grupo Búfalo, S. A. de C. V.
6. Herdez, S. A. de C. V.
7. Herdez Marcas, S. L. U.
8. Hersail, S. A. de C. V.
9. Hersea, S. A. de C. V.
10. Herventa, S. A. de C. V.
11. Miel Carlota, S. A. de C. V.
12. Alimentos Deshidratados del Bajío, S. A. de C. V.
13. Herdez Corporation (1)

KUO

1. Agropesca del Fuerte, S. A. de C. V.
2. Alimentos del Fuerte, S. A. de C. V. (2)
3. Authentic Acquisition Corporation
4. Authentic Specialty Foods, Inc.
5. Corfuerte, S. A. de C. V.
6. Servicios Corfuerte, S. A. de C. V.
7. Intercafé, S. A. de C. V. (1)

(1) Only 50% of the shares were contributed.
(2) 0.30% of the shares were not contributed.

The participants agreed to incorporate the entity (Herdez del Fuerte) as a subsidiary of KUO, which would make the initial capital stock contribution of $50, as well as contribute their companies prior to December 31, 2007. Subsequently, Grupo Herdez contributed its companies on January 1, 2008, together with capital in the amount of $50 to equal the proportion of capital previously contributed by KUO and to incorporate, as from that date, the joint venture to be controlled by both groups.

On the agreement, the group of businesses contributed by Grupher was assigned a value of Ps2,300,000, corresponding to the fair value of said businesses, determined by independent experts, and which essentially corresponds to the net selling price.

In accordance with Mexican Financial Reporting Standards (MFRS), joint venture accounting is subject, on a supplementary basis, to International Financial Reporting Standards, and especially to International Accounting Standard 31 "Financial Reporting of Interests in Joint Ventures", along with the interpretations applicable thereto, including interpretation SIC-13 "Non-monetary contributions to joint ventures conducted by participants".

Said standards and accessories provide the rules for recording the initial values of the contributed businesses at their fair value, rules for determining goodwill arising from the incorporation of the joint venture, as well as to determine the gains or losses to be recorded by the participants as a result of the contribution to the joint venture and for subsequent recording by the proportional consolidation method.

The difference between the fair value, established in the agreement, and the net book value of the businesses contributed is recognized as a gain, only in the proportion of KUO's interest in the joint venture (50%). In its consolidation, Grupher continues eliminating its own share of the revaluation to fair value.

When they were acquired, the businesses contributed to Herdez del Fuerte generated different goodwill amounts recorded in Grupo Herdez. Together with the recognition of gains from the contribution of said businesses to Herdez del Fuerte, the company has applied to income the remaining goodwill balances.

Therefore, the contribution of said businesses to Herdez del Fuerte gave rise, for Grupo Herdez, to net gain of Ps212,708, analyzed on the following page.

Value consideration of the business (sales price)	Ps 2,300,000
Net book value of contributed businesses	(1,285,741)
Excess over book value	1,014,259
Less:	
Own proportion of excess (50%)	(507,130)
Profit from the sale of 30% of said businesses	507,129
Less:	
Prior goodwill cancelled	(174,421)
Reserve for reorganization and impairment (Note 6)	(120,000)
Net earnings	Ps 212,708

Said earnings are shown in the consolidated statement of income under "Other income". See Note 14.

On the other hand, the incorporation of Herdez del Fuerte represented the indirect acquisition of 50% of the business contributed by KUO, which was also assigned a transaction value of Ps2,300,000, which was considered at its fair value. Said businesses were contributed at a book value of $916,417. The difference between the fair value and the book value was recorded in Herdez del Fuerte as goodwill, and was proportionally included in said caption in the consolidated financial statements of Grupo Herdez. See Note 7.

b. Comparability -

As from January 1, 2008, the financial statements of Herdez del Fuerte are proportionally consolidated at 50%. Although the businesses contributed by KUO and those contributed by Grupher were similar in sales volume, given that as from 2008, the accounting balances correspond to 50% of each of those businesses, there are a number of variations arising from the proportional consolidation that should be taken into consideration in comparing the consolidated information of Grupo Herdez against the prior year.

The following page shows a comparative analysis of the businesses contributed by Grupo Herdez to the joint venture and the related effect on Herdez del Fuerte after said contribution. This analysis is considered necessary to evaluate the comparability of the financial information.

	Companies contributed by Grupher to Herdez del Fuerte	50% of Herdez del Fuerte
	At January 1,	
	2008	2008
Current assets	Ps 1,709,694	Ps 1,267,895
Fixed assets	1,089,791	900,494
Other assets	879,368	810,412
Liabilities	1,487,821	1,080,092

c. Basis for consolidation -

The consolidated financial statements at December 31, 2008 include those pertaining to Grupher and the subsidiaries mentioned below. All balances and transactions between them have been eliminated in consolidation.

The subsidiaries are consolidated at 100%, except for Herdez del Fuerte, which is consolidated in proportion to its interest, as control is exercised jointly. See Note 1a.

Company	Interest (%)	Activity
Herdez del Fuerte S. A. de C. V. and subsidiaries	50%	Gathering, manufacturing, commercialization and distribution of food products.
Hermarcas, S. A. de C. V. (Hermarcas)	100%	Administrative and organizational advisory services.
Herport, S. A. de C. V. (Herport)	50%	Shipping company engaged in the exploitation of fishing vessels.
Yavaros Industrial, S. A. de C. V. (Yavaros)	100%	Up until November 23, 2007, date of sale of its assets and liabilities, this company was mainly engaged in the fishing activities, stockpiling and industrialization of agricultural products, processing and commercialization of sea and agricultural products.
Hormel Alimentos, S. A. de C. V. (Hormel Alimentos)	50%	Purchase, sale, production, distribution, importation and exportation of all types of food products.
McCormick de México, S. A. de C. V. (McCormick)	50%	Preparation and packing of food products.
Barilla México, S. A. de C. V. (Barilla México)	50%	Purchase, importation, sale and distribution of all types of pasta.
Herdez Europa	97%	Distributor.
Sociedad de Desarrollo Agrícola H. P., S. A. de C. V. (SDA)	100%	All types of agricultural, livestock, agroindustrial and forestry activities.
Arpons, S. A. de C. V. (Arpons)	100%	Production and sale of cosmetics and toiletries. (currently idle).
Real Estate group:		
Alimentos HP, S. A. de C. V. (Alimentos)	100%	Leasing of property, machinery and equipment to group companies.
Comercial de Finanzas Netesa, S. A. de C. V. (Netesa)	100%	Real estate company.
Quicolor de México, S. A. de C. V. (Quicolor)	100%	Real estate company.
Inmobiliaria Enna, S. A. de C. V. (Enna)	100%	Real estate company.
Promotora Hercal, S. A. de C. V. (Hercal)	100%	Real estate company.

The accompanying consolidated financial statements at December 31, 2008 and 2007 have been prepared in compliance with the provisions of MFRS, for reasonable presentation of the company's financial position. For these purposes, the company has prepared its statement of income, classifying it as per the function of its items, because grouping their costs and expenses on a general basis allows for determining the different levels of income. Additionally, for better analysis of the financial situation, the company has considered it necessary to show the operating income separately in the statement of income, which is a common disclosure practice in the sector to which the company belongs.

The following MFRS, issued by the Mexican Financial Reporting Standards Board (CINIF of its acronym in Spanish), went into effect on January 1, 2008 and have been adopted by the company in preparing its financial statements. Note 2 set out the new accounting policies and, if applicable, the effects of adoption thereof.

MFRS B-10 "Effects of inflation" (MFRS B-10)

MFRS B-10 defines an economic environment as inflationary and non-inflationary. Accordingly, as from 2008, the Mexican economy is currently in a non-inflationary environment, maintaining, over the past three years, an accumulated inflation of below 26% (maximum limit for an economy to be considered non-inflationary), as a result of which, as from January 1, 2008, recognition of the effects of inflation on the financial information is no longer required (disconnection from inflationary accounting).

Consequently, figures at December 31, 2008 of the accompanying financial statements are presented in thousands of historical Mexican pesos, modified by the effects of inflation on the financial information recognized at December 31, 2007. Figures at December 31, 2007 are stated in Mexican pesos of the purchasing power at that date. (See Note 2m.).

Following are the percentages of inflation in question:

	December 31,	
	2008	2007
For the year	6.53%	3.76%
Accrued over the past three years	15.01%	11.56%

MFRS B-15 "Conversion of foreign currency" (MFRS B-15)

Investments in foreign subsidiary and associated companies, identified as foreign operations under the new MFRS, were converted to the reporting currency as mentioned in Note 2. Up until December 31, 2007, foreign entities were identified in the same manner as integrated foreign operation and/or foreign entity, which were converted as per the guidelines of Bulleting B-15.

MFRS B-2 "Statement of cash flows" (MFRS B-2)

Due to the guidelines of MFRS B-2, the company presented, as a basic financial statement, its consolidated and individual statement of cash flows for the year ended December 31, 2008, which shows the cash inflows and outflows that represent the entity's generation and application of resources during the year, classified as operating, investment and financing. For this purpose, the company used the indirect method, which shows the profit or loss before taxes, adjusted for the purposes of prior years' operations collected on or paid in the current period and, for collection or payment operations for the current period deferred to the future. The guidelines of this MFRS are to be applied on a prospective basis. At December 31, 2007, the statement of changes in financial position was presented, on a consolidated and individual basis, as a basic financial statement, which classifies changes in financial position arising from operating, financing and investment activities, presenting said statement in pesos of the purchasing power at that date.

MFRS D-3 "Employee benefits" (MFRS D-3)

The new provisions of MFRS D-3, applicable on a prospective basis as from January 1, 2008, gave rise to the following:

Reduction to five years in the amortization terms for items corresponding to past services. Up until December 31, 2007, past services were amortized according to the estimated remaining working lifetime of employees (12 years).

Recognition of deferred Employees' Statutory Profit Sharing (ESPS) by the comprehensive method of assets and liabilities, whereby payment or application through recovery of these benefits granted to employees rendering future services is likely. Up to December 31, 2007, ESPS was recognized solely with respect to nonrecurring temporary differences arising from the reconciliation between the net book result and the tax base for the determination of ESPS, based on which it was reasonably determined that a liability of benefit would arise.

At December 31, 2008 and 2007, differences requiring recognition of deferred ESPS were considered to be relatively immaterial, in the context of the accompanying consolidated financial statements, due to which, no effect arising from adoption of this new guideline was recognized.

MFRS D-4 "Tax on income (MFRS D-4)

The changes established in new MFRS D-4 gave rise to, among other matters, the reclassification to accumulated results, of the balance corresponding to the accrued effect of deferred Income Tax (IT) arising from initial recognition thereof. Because it was not practical to identify the amounts of comprehensive items, mainly the gain or loss from holding non-monetary items and corresponding deferred taxes, in realized and unrealized items, it was transferred entirely to accumulated results as per the provisions of MFRS B-10, described above.

The accompanying consolidated and individual financial statements and the notes thereto were authorized for issuance on February 20, 2009 by Héctor Hernández Pons Torres (General Director) and Ernesto Ramos Ortiz (Executive Director of Administration and Corporate Practices).

Note 2 - Summary of Significant Accounting Policies:

On the next page is a summary of the most significant accounting policies, which have been applied consistently during the years presented, unless otherwise specified. As explained in Note 1, the figures contained in the financial statements at December 31, 2008 are stated in thousands of historical Mexican pesos, restated for recognition of the effects of inflation on the financial information at December 31, 2007. The figures at December 31, 2007 are stated in thousands of Mexican pesos of the purchase power at that date.

MFRS require the use of certain critical accounting estimations in preparing the financial statements. MFRS also require that Management exercise its judgment in determining the company's accounting policies.

a. Derivative financial instruments -

All derivative financial instruments contracted and identified, classified as trading or to hedge against market risk, are recognized in the balance sheet as assets and/or liabilities at their fair value.

Fair value is determined based on recognized market prices and when not quoted in the stock market, fair value is determined based on valuation techniques accepted in the financial domain.

Changes in the fair value of said derivative financial instruments are applied to comprehensive financing income, except when said instruments are contracted to hedge against risks and meet all hedging requirements, their designation is documented at the outset of the hedging operation, describing the purpose, primary position, risks to be hedged, type of derivatives and the measure of effectiveness applicable to that operation. The fair value hedging, both the derivative and the item hedged are valued at fair value and fluctuations in valuation are applied to income in the same line of the position they cover. In cash flow hedges, the effective portion is temporary shown in comprehensive income, under stockholders' equity and is reclassified to income when the position hedged affects income, the ineffective portion is immediately applied to income.

As part of the strategy for soy oil price hedging (the main raw materials), during 2008 and 2007, McCormick, a subsidiary, used derivative financial instruments to reduce the risk of price fluctuations. At December 31, 2008 and 2007 the following balances are held within line item "Advertising and other prepaid expenses" in the balance sheet:

	2008	2007
Investments in financial instruments	Ps 85,831	Ps 6,618
Fair value of derivative financial instruments	(49,367)	27,813
Net value of financial instruments	Ps 36,464	Ps 34,431

b. Investments in shares -

The investment in shares of subsidiary and associated companies is valued by the equity method. Under that method, the acquisition cost of the shares is modified proportionately on the basis of changes to the associated companies stockholders' equity accounts occurring subsequent to the date of the purchase. Equity of the company in the result of subsidiary and associated entities is shown separately in the statement of income.

c. Inventories -

In 2008, inventories are stated at their modified historical cost, determined at the cost of the most recent purchase or production. In addition, the cost of sales is recognized at the historical cost of purchases and production of inventories conducted and sold during 2008, plus the restated values (replacement) of 2007 final inventories sold during the year; consequently, at December 31, 2008, the cost of sales is stated at its modified historical cost, as explained above. Values so determined do not exceed market value.

At December 31, 2007, inventories and their cost of sales are stated at their restated value determined through applying, to the acquisition cost, factors derived from the National Consumer Price Index (NCPI) based on the costs of the most recent purchase or production for the period. Values so determined do not exceed market value.

Biological assets and agricultural products are valued at fair value, less point-of-sale costs estimated at harvest. Said fair value is determined based on the market price in place in the region in question.

Agricultural production in process corresponds to expenses incurred during the cultivation to harvest period at their historical costs. Values so determined do not exceed their net realization value.

At December 31, 2008 and 2007, no allowance for obsolete, slow-moving and/or impaired inventories is required.

d. Property, machinery and equipment -

At December 31, 2008, property, machinery and equipment are stated as follows: i) acquisitions conducted as from January 1, 2008 at their historical cost, and ii) acquisitions made up to December 31, 2007 at their restated values, determined applying factors derived from the NCPI to their acquisition costs up to December 31, 2007, up to the limit of their market value. As a result of the matters mentioned in point ii) above, in 2007, a result from holding nonmonetary assets was generated in the amount of Ps71,471. With respect to the businesses contributed to the joint venture, as mentioned in Note 1, values at December 31, 2007 are considered to correspond to their fair value. Consequently, at December 31, 2008, property, machinery and equipment are stated at their modified historical cost.

Depreciation is calculated by the straight - line method, based on the useful lives of the assets, estimated by company Management, and applied to the values of property, machinery and equipment.

e. Intangible assets -

Intangible assets are recognized when they meet the following characteristics: are identifiable, provide future economic benefits and there is control over said benefits. In addition, intangible assets are classified as: i) with an indefinite useful life, which are not amortized and are subject to annual impairment testing, and ii) with a defined life, amortized based on their estimated useful life, determined based on the expected future economic benefits and are subject to impairment testing when signs of impairment are identified.

At December 31, 2008, intangible assets acquired are stated as follows: i) acquisitions conducted as from January 1, 2008, at their historical cost and ii) acquisitions conducted up to December 31, 2007, at their restated value, determined through application to their acquisition or development cost of factors derived from the NCPI up to December 31, 2007. With respect to the companies contributed to the joint venture, as mentioned in Note 1, values at December 31, 2007 are considered to correspond to their fair value. Consequently, at December 31, 2008, intangible assets are stated at their modified historical cost.

At December 31, 2007, intangible assets are expressed at their restated value, determined as mentioned in point ii) above.

f. Goodwill -

Goodwill represents the cost of the shares of subsidiaries in excess of the fair value of net assets acquired, as from January 1, 2003, considered to have an indefinite lifetime, and whose value is subject to annual testing for impairment.

At December 31, 2007, goodwill is stated at their restated values, determined by applying factors derived from the NCPI to the values originally determined, less, if applicable, the corresponding accumulated amortization and/or losses arising from impairment.

g. Long lived assets -

Long lived assets, both tangible and intangible, including goodwill and investments in associated companies are subject to impairment testing. Assets with an indefinite life are subject to annual impairment testing and assets with a definite life are only subject to impairment testing when there are signs of impairment. Impairment of investments in associated companies is tested based on the values recognized by the equity method. At December 31, 2008, Grupher Management decided to cancel its long-lived assets (goodwill) generated in the past, to consider that in the future, said assets will not generate the necessary flows and generate any impairment adjustment. Said cancellation generated a charge to income of Ps174,421 shown in the other expenses caption (see Note 1a.). At December 31, 2007, there were not impairment adjustments.

h. Provisions -

Liabilities and liability provisions represent present obligations arising from past events, likely to require the use of economic resources to settle the obligation. These provisions have been recorded under Management's best estimate.

i. Deferred IT -

Deferred IT is recognized by the comprehensive asset-and-liability method, which consists of calculating deferred taxes for all temporary differences between the book and tax values of assets and liabilities expected to materialize in the future. The company recognized deferred IT, as its financial and tax projections indicate that the company will essentially pay IT in the future. See Note 13.

At January 1, 2008, the company reclassified to retained earnings the balance corresponding to the accumulated effect of deferred IT arising from its initial recognition of Ps23,217.

j. Deferred ESPS -

As from January 1, 2008, deferred ESPS is recorded based on the comprehensive method of assets and liabilities, which consists of recognizing deferred ESPS for all temporary differences between the book and tax values of assets and liabilities, which considers whether or not the payment or application through recovery of these benefits to employees rendering future services is likely, for recording thereof.

Up to December 31, 2007, deferred ESPS was recognized solely with respect to nonrecurring temporary differences arising from the reconciliation between the net book result and the tax base for the determination of ESPS, based on which it was reasonably determined that a liability of benefit would arise.

At December 31, 2008 and 2007, differences requiring recognition of deferred ESPS were considered to be relatively immaterial, in the context of the accompanying consolidated financial statements, due to which, no effect arising from adoption of this new guideline was recognized.

k. Employee benefits -

The benefits granted by the company to its employees, including defined benefit plans (or defined contribution plans) are described as follows:

Direct benefits (salaries, overtime, vacations, holidays and paid leave of absence, among others) are applied to income as they arise and the related liabilities are stated at their nominal value, due to their short-term nature. Absences payable under legal or contractual provisions are noncumulative.

Employee benefits upon termination of employment for reasons other than restructuring (severance, seniority premium, bonuses, special compensation or resignation, etc.), as well as retirement benefits (pensions, seniority premium and indemnities, etc.) are recorded based on actuarial studies conducted by independent experts by the projected unit credit method.

The net cost for the period of each benefit plan is recognized as an operating expense in the year in which it becomes payable, which includes, among other items, amortization of the labor cost of past services and prior years' actuarial gains (losses). See Note 11.

Items still unamortized at December 31, 2007, known as transition liabilities, which include the labor cost of past services and unamortized actuarial gains (losses), are amortized as from January 1, 2008, over a five-year term rather than over the workers' remaining working lifetime (12 years) estimated up to 2007. This change gave rise to an additional charge to income for the 2008 period of Ps4,291.

l. Stockholders' equity -

The company's capital stock, premium on the subscription of shares and retained earnings shown at December 31, 2007 are stated at their restated historical cost, determined by applying factors derived from the NCPI to their historical cost. The movements of these accounts and in the accumulated effect of conversion conducted during 2008 are stated at their historical cost. Transfers to retained earnings are conducted at pesos of December 31, 2007 purchasing power.

The net premium on the placement of shares represents the difference in excess between the payment on the subscription of shares and the par value thereof.

m. Deficit in the restatement of capital -

At December 31, 2007, the deficit in the restatement of capital is comprised by the accumulated gain or loss on the initial monetary position and the gain or loss from holding nonmonetary assets, and was reclassified to retained earnings. Because it was impractical to identify the effects of the nonmonetary assets that gave rise to the deficit in the restatement of capital, as concerns realized and unrealized items, the amount of Ps2,675,160, net of deferred taxes, was transferred to retained earnings, as per the provisions of MFRS B-10.

At December 31, 2007, the gain or loss on monetary position shown in the income statement represents the inflationary gain, measured in terms of the NCPI, on the net monthly monetary assets and liabilities for the year, stated in pesos of purchasing power of that date.

n. Comprehensive income -

Comprehensive income represents net income for the year, as well as items required by specific accounting standards to be reflected in stockholders' equity and which do not constitute capital contributions, reductions or distributions. Comprehensive income for 2008 and 2007 is stated in modified historical pesos and pesos of December 31, 2007 purchasing power, respectively.

o. Income per share -

The income per basic ordinary share, before and after discontinued operation, is the result of dividing net income for the year by the weighted average of shares outstanding during 2008 and 2007 of 428,358,363 and 428,373,763, respectively.

The income per basic ordinary shares for 2008 and 2007 is stated in modified historical pesos and pesos of December 31, 2007 purchasing power, respectively.

p. Exchange differences -

Foreign currency transactions are initially recorded in the recording currency, applying the exchange rate prevailing on the transaction date. Assets and liabilities denominated in said currencies are converted at the rate of exchange in effect on the balance sheet date. Differences arising from fluctuations in the rate of exchange between the date on which transactions are entered into and those on which they are settled, or valued at the period close, are applied to income, as a component of the Comprehensive Financing Result (RIF for its acronym in Spanish), except for exchange differences that are capitalized along with other RIF components as part of the cost of ratable assets.

q. Conversion of financial statements of foreign currency operations -

The financial statements of subsidiary and associated companies abroad (foreign currency operations) maintain the same recording and functional currency. Therefore, said figures served as the basis to convert the financial information of foreign operations to the company's reporting currency, considering a non-inflationary environment, as shown below:

- Assets and liabilities at December 31, 2008 were converted at the closing rate of exchange of Ps13.77.

- Stockholders' equity at December 31, 2008 was converted applying the historical exchange rate.

- Income, costs and expenses for the 2008 period were converted at the historical exchange rate, whose average was Ps11.14.

- In light of the above, a conversion effect was recognized in stockholders' equity.

r. Information per segment -

Statement B-5 "Financial Information per Segments" of MFRS requires that the company analyzes its organizational structure and system for information presentation, in order to identify segments. With respect to the years presented, the company has operated the following business segments: domestic and foreign.

These segments are managed independently, due to the fact that the products they handle and the markets they serve as different. Their activities are conducted through a number of subsidiary companies.

Note 10 shows income per segment in the manner in which Management analyzes, directs and controls the business and operating income, as well as information per geographic area, the latter as per MFRS.

s. Barter transactions -

At December 31, 2008 and 2007, Grupher individual financial statements show an account receivable arising from barter transactions ("Trade Credits"), conducted in foreign currency. These operations are conducted with independent third parties and at the closing of said periods, show a balance of Ps77,501 and Ps60,986, respectively.

Note 3 - Foreign Currency Position:

At December 31, 2008 and 2007, the company and its subsidiaries had the following assets and liabilities in thousands of US dollars:

	Consolidated		Grupher	
	2008	2007	2008	2007
Assets	Dlls. 12,944	Dlls. 9,101	Dlls. 10	Dlls. 21
Liabilities	(23,031)	(9,353)		(6,667)
Net long (short) position	(Dlls. 10,087)	(Dlls. 252)	Dlls. 10	(Dlls. 6,646)

At December 31, 2008 and 2007, the exchange rate was Ps13.77 and PS10.90 to the US dollar, respectively. At February 20, 2009, date of issuance of the audited financial statements, the rate of exchange was Ps14.55 to the US dollar.

In October 2008, the Mexican peso suffered a devaluation against foreign currencies; as regards the US dollar, the exchange rate slipped by approximately 25% with respect to the exchange rate at January 1, 2008. As a result, the company incurred a consolidated exchange loss of Ps845 at December 31, shown in the income statement in the Comprehensive Financing Result (RIF for its acronym in Spanish).

Following is a summary of the main operations conducted by the subsidiaries (excluding the acquisition or sale of machinery and equipment for own use), along with income and expenses in thousands of dollars:

	Year ended December 31,	
	2008	2007
Exported merchandise	Dlls. 67,507	Dlls. 40,814
Importations of finished products	(33,453)	(30,571)
Royalty and technical service expenses	(12,569)	(10,721)
Royalty income		30
Net	Dlls. 21,485	(Dlls. 448)

Note 4 - Analysis of Balances and Transactions with Related Parties:

The principle net balances at December 31, 2008 and 2007 with subsidiaries and affiliates are shown below:

	Consolidated		Grupher	
	2008	2007	2008	2007
Accounts receivable (payable):				
Hechos con Amor, S. A. de C. V.	Ps (3,394)	Ps 18,178	–	–
Compañía Comercial Herdez	–	–	–	Ps 170,213
Herdez del Fuerte - Proportional	–	–	–	–
consolidation (1)	670,557	–	Ps 253,235	–
Herdez Corporation	365	365	–	–
Herimex Corporation	3,118	2,558	3,118	
Yavaros	–	–	68,160	120,960
Herdez	–	–	–	15,835
McCormick de México, S. A. de C. V.	–	–	65,948	26,669
McCormick and Company, Inc.	(30,538)	(22,363)	–	–
Herflot, S. A. de C. V.	(837)	(3,349)	–	(2,085)
Herflot Tijuana, S. A. de C. V.	182	(431)	–	–
Barilla Alimentare	(3,505)	(6,133)	–	–
Hermarcas, S. A. de C. V.	–	–	(956,240)	–
Grupo KUO, S. A. B. de C. V.	7,003	–	–	–
SDA	–	–	19,529	18,409
Litoplas, S. A. de C. V.	286	–	–	–
Duque Jet, S. A. de C. V.	242	–	–	–
Herpons Continental, S. A. de C. V.	(848)	–	–	–
Barilla México, S. A. de C. V.	–	–	–	43,000
Comercial de Finanzas Netesa	–	–	–	51,602
Promotora Hercal, S. A. de C. V.	–	–	12,576	10,856
Desc Corporativo, S. A. de C. V.	(2,986)	–	–	–
Other - Net	903	6,832	11,244	24,497
Net receivable (payable)	Ps 640,548	Ps (4,343)	Ps (522,430)	Ps 479,956

(1) Corresponding to net balances receivable from Herdez del Fuerte subsidiaries, in the 50% that corresponds to the non-consolidated proportion.

In the years ended on December 31, 2008 2007, the company carried out the following operations with related parties at market value:

	Year ended December 31,			
	Consolidated		Grupher	
Transactions:	2008	2007	2008	2007
Purchase of assets		Ps (5,729)		
Sale of assets		10,759		
Interest charged	Ps 2,439	1,326	Ps 27,135	Ps 27,160
Interest paid	(25,079)	(135)		
Service income	6,929	3,280	275	108
Corporate expenses	(53,183)			
Leasing expenses	(61,525)	(32,430)		
Contract manufacturing (maquila) income			326,683	286,408
Administrative services	(33,277)	(11,866)		
Freight services	(11,425)	(14,582)		
Purchase of labels and other materials	(71,606)	(62,882)		
	Ps (246,727)	Ps (112,259)	Ps 354,093	Ps 313,676

Benefits granted to key managing personnel or relevant directors.

The benefits granted to key managing personnel or relevant directors, as a whole, is comprised as follows:

	December 31,	
	2008	2007
Short and long-term direct benefits	Ps 11,500	Ps 12,600
Termination benefits	10,000	1,020
Total	Ps 21,500	Ps 13,620

The conditions of past compensation are equivalent to those of similar operations conducted with other independent parties.

Note 5 - Analysis of Inventories:

	Consolidated December 31,	
	2008	2007
Finished products	Ps 607,157	Ps 518,825
Semi-finished and in-process products	21,101	2,751
Raw materials and packaging materials	224,958	208,589
Inventories held by contract manufacturers (maquiladores) and agents	90,546	149,563
Spare-parts warehouse	28,862	51,098
	Ps 972,624	Ps 930,826

Note 6 - Property, Machinery and Equipment:

	December 31,			
	Consolidated		Grupher	
	2008	2007	2008	2007
Buildings	Ps 836,133	Ps 740,744	-	-
Machinery and tools	1,563,047	1,659,573	Ps 20,508	Ps 20,508
Fishing equipment	449,483	181,294	-	-
Furniture and office equipment	66,013	81,693	-	-
Stowing and transportation equipment	58,129	84,628	-	-
Electronic data processing equipment	79,155	78,769	6,996	6,996
Biological assets	4,911	5,012	-	-
	3,056,871	2,831,713	27,504	27,504
Accumulated depreciation	(1,716,165)	(1,293,571)	(27,033)	(26,805)
	1,340,706	1,538,142	471	699
Land	220,118	284,470	-	-
Reserve for asset disposal (1)	(188,203)	(60,968)	-	-
Construction in process, machinery in transit and advances to suppliers	80,798	85,180	-	-
Impairment loss	-	(23,292)	-	-
	Ps 1,453,419	Ps 1,823,532	Ps 471	Ps 699

(1) The reserve for asset disposals is comprised as follows:

	Total	Proportional consolidation
Herdez (50%)	Ps 60,968	Ps 30,484
Alimentos del Fuerte (50%)	75,438	37,719
Grupher (100%)		120,000
Total	Ps 136,406	Ps 188,203

The $60,968 reserve pertaining to Herdez (a subsidiary of Herdez del Fuerte) corresponds to possible impairment arising from closing the Veracruz and Ensenada plants, as mentioned in Note 16.

Alimentos del Fuerte (a subsidiary of Herdez del Fuerte) is currently in the process of evaluating the comprehensive cost of transferring its Mazatlán plant's operations to one of its related parties' Chiapas plant. In addition, it has been decided to, as from 2009, conduct a comprehensive review of its fixed assets, including physical identification and reconciliation against the accounting records, due to which, Alimentos de Fuerte considers it advisable to keep the fixed asset reserve recorded as from December 31, 2007 of Ps75,438, while the definitive impairment amount is determined.

In addition, Grupher recognized a reorganization and impairment reserve of Ps120,000 in its consolidated financial statements, in anticipation of the risk of the comprehensive reorganization resulting in higher impairment than that expected by each subsidiary, based on their particular circumstances.

Said reserve will be reviewed during 2009 as the reorganization and integration process develops, and adjusted to the definitive value of the assets. During 2008, this amount was applied, reducing the profits from the creation of the joint venture.

At December 31, 2008 and 2007, the results of the study of the value in use conducted by the company shows no signs of asset impairment in addition to that already recorded.

At December 31, 2007, impairment losses recorded in prior periods are comprised as shown on the following page.

	Remaining balance of impairment loss
Buildings	Ps 482
Machinery and tools	29,855
Land	2,013
	32,350
IT	(9,058)
Net effect of IT	Ps 23,292

Note 7 - Analysis of Other Intangible Assets:

At December 31, 2008 and 2007, other assets are comprised as follows:

	Consolidated Balance at December 31, 2008	2007
Trademarks and patents	Ps 173,050	Ps 185,251
Goodwill of subsidiaries:		
Herdez del Fuerte	691,792	
Barilla	50,024	50,024
	741,816	50,024
Other	16,945	53,086
	Ps 931,811	Ps 288,361

Note 8 - Investment in Shares of Subsidiary and Associated Companies:

As a result of the company's participation in the joint venture started on January 1, 2008, as described in Note 1, the investment in shares of subsidiary and associated companies at December 31, 2008 and 2007 is comprised shown below:

Company	Portion of Investment in capital of issuer 2008	2007	Value at December 31, 2008	2007	Goodwill 2008	2007
Consolidated subsidiaries:						
Herdez		100%		Ps 627,982		Ps 14,063
Compañía Comercial Herdez		100%		66,190		
Herdez del Fuerte	50%		Ps 2,252,763			
McCormick	50%	50%	357,892	342,415		
Yavaros	100%	100%	(57,895)	(59,743)		
Grupo Búfalo		100%		88,178		130,401
ADB		100%		76,116		17,303
Almacenadora Herpons		100%		35,109		25,803
Miel Carlota		100%		4,559		22,361
Hormel Alimentos	50%	50%	57,343	60,889		593
Hersea		100%		205,790		
SDA	100%	100%	(7,803)	5,172		
Barilla México	50%	50%	276,383	209,273	Ps 21,500	
Hermarcas	100%	100%	540,784	37,003		
Herdez Marcas		100%		47,724		
Alimentos HP	100%	100%	27,389	30,034		
Arpons	100%	100%	(2,905)	(2,904)		2,967
Campomar		100%		2,677		
Netesa	100%	100%	136,344	99,725		112,681
Corporativo Cinco		100%		5,652		6,894
Herdez Europa	97%	97%	(42,803)	(41,752)		40,278
Subtotal			Ps 3,537,492	Ps 1,840,089	Ps 21,500	373,344

(continued)

Company	Portion of Investment in capital of issuer 2008	2007	Value at December 31, 2008	2007	Goodwill 2008	2007
Hersail		100%		Ps 2,217		Ps 5,528
Herventa		100%		4,333		
Enna	100%	100%	Ps (2,352)	1,822		
Hercal	100%	100%	17,642	18,381		2,074
Quicolor	100%	100%	14,461	13,865		16,184
Herport	50%	50%	(656)	(588)		590
Subtotal			3,566,587	1,880,119	Ps 21,500	397,720
Associated companies of Grupher			96,187	92,613		30,159
Subtotal			3,662,774	1,972,732	21,500	427,879
Associated companies of subsidiaries			28,800	87		
Total			Ps 3,691,574	Ps 1,972,819	Ps 21,500	Ps 427,879

(concluded)

Note 9 - Analysis of Bank Loans and Long-term Debt:

Bank loans

Bank loans at December 31, 2008 are analyzed as follows:

Expiration	Average rate	Consolidation	Grupher
2009			
Mexican pesos	11.25%	Ps 487,222	Ps 138,889
Dollars	3.67%	57,473	
Current liabilities		544,695	138,889
2010			
Mexican pesos	9.51%	739,444	689,444
Long-term liabilities		739,444	689,444
Total		Ps 1,284,139	Ps 828,333

The main obligations to do and not to do are listed as follows:

- Not exceeding 2.75 times leverage (liabilities with cost/EBITDA).
- Reduce interest hedge (EBITDA/financing expenses) at less than 3.25 times.
- Not to reduce capital stock to under Ps2,300,000.
- Grant any kind of loan or credit, secured or unsecured, except for those entered into with the borrower's subsidiaries and/or affiliates.

At December 31, 2008 and at the date of this report, there is no default that could modify loan conditions.

Long-term liabilities

At December 31, 2008, Herdez del Fuerte has a loan payable to Grupo KUO in the amount of Ps268,522 maturing on December 31, 2010, at the average interbank compensation interest rate (TIIE) plus four percentage points, generating no obligations to do and not to do. As a result of the proportional consolidation mentioned in Note 1, the Grupher balance sheet at December 31, 2008 shows a balance of Ps134,26, corresponding to 50% of said liability.

Note 10 - Financial Information per Segment:

The company manages and evaluates its operations through fundamental economic operating segments, which are segmented geographically. These economic segments are managed and controlled independently.

Following is condensed financial information on the geographic segments to be reported on:

Figures in thousands of pesos

	December 31, 2008 Mexico	2008 The U. S.	2007 Mexico	2007 The U. S.
Net sales	Ps 6,503	Ps 744	Ps 6,017	Ps 453
Operating income	774	89	824	61
Net profit	523	60	284	21
Accumulated depreciation	102	12	111	8
EBITDA	877	100	935	69
Total assets	4,909	562	4,312	316
Total liabilities	2,119	242	1,868	136

Nota 11 - Employee Benefits:

a. The following page shows a summary of the main financial data of employee benefit plans at December 31, 2008 and 2007.

	December 31, 2008	2007
Assets and liabilities of seniority premium plan, pension plan upon termination of employment		
Projected benefit obligation		Ps (142,327)
Defined benefit obligation	Ps (83,620)	
Plan assets at market value		66,564
Unamortized prior services		47,231
Market value of fund	33,774	
Transition liability	19,385	
Actuarial gains or losses	15,037	
Variations in assumptions and unamortized adjustments		(926)
Net projected liability	Ps (15,424)	(29,458)
Additional liabilities		(21,297)
Net current liability		Ps (50,755)
Current benefit obligation		Ps (117,319)
Amortized transition liability		Ps (94,715)
Net cost for the period	Ps 15,978	Ps 18,182

b. Reconciliation between the initial and final balances of the present value of Defined Benefit Obligations (DBO) for the 2008 period:

	Pensions	Other benefits at retirement
OBD at January l, 2008	Ps 45,985	Ps 31,815
Plus (less):		
Labor cost of current service	2,613	3,851
Financial cost	3,665	2,417
Benefits paid	(2,574)	(4,152)
DBO at December 31, 2008	Ps 49,689	Ps 33,931

c. The value of benefit obligations acquired at December 31, 2008 totaled Ps55,770.

d. Reconciliation of fair values of Plan Assets (PA).

Following is a reconciliation between the initial and final balances for 2008, over the fair value of employee benefit PA:

	Consolidation December 31, 2008
PA at January 1, 2008	Ps 33,282
Plus (less):	
Interest for the period	(351)
Company contributions	4,500
Benefits paid	(3,657)
PA at December 31, 2008	Ps 33,774

e. Reconciliation of DBO and the Net Projected Liability (NPL).

Following is a reconciliation between the present value of the DBO and the fair value of the NPL recognized in the balance sheet.

	Consolidation December 31, 2008
Labor liabilities:	
DBO	Ps (83,620)
Less unamortized	
Items:	
Actuarial (gains) losses	15,037
Transition liability	19,385
Market value of fund	33,774
NPL	Ps (15,424)

f. Net Cost for the Period (CNP from its Spanish acronym).

Following is an analysis of the CNP:

	Consolidation December 31, 2008
CNP:	
Labor cost of current service	Ps 6,473
Financial cost	6,083
Expected yield of plan assets	(2,896)
Net amortization of transition liability and improvements to plan	4,885
Actuarial gain or loss - Net	1,433
Total	Ps 15,978

g. Breakdown of plan assets.

Following is a breakdown of the PA valued at their fair value, their percentage with respect to the total PA, as well as the value of the assets used by the entity included in PA.

At December 31, 2008, the breakdown of the assets of the defined benefit plans is as shown below:

	Seniority premium		Retirement plan	
	Value	%	Value	%
Debt instruments	Ps 1,666	89	Ps 25,255	79
Variable rate	216	11	6,637	21
Fair value of PA	Ps 1,882		Ps 31,892	

h. Criteria to determine the rate of return on PA.

The expected rate of return per type of PA is based on projections on historical market rates. The difference with respect to real rates is shown in the actuarial gains (losses) for the year caption.

i. Main actuarial hypotheses.

The main actuarial hypotheses used, stated in absolute terms, as well as discount rates, plan asset yields, salary increase referred at December 31, 2008, are as shown below:

Item	Persons	Other benefits
Discount rate	8.75%	8.20%
Expected rate of return on assets	9.75%	9.75%
Rate of salary increases	4.25%	4.25%

j. Reserve for plan contributions for the following period.

For 2009, contributions to employee benefit PA are expected to be made as follows:

Pensions and retirement	Ps 4,500
Other benefits at retirement	500
Total	Ps 5,000

Note 12 - Stockholders' Equity:

During 2008 and 2007, the company repurchased 31,400 and 392,400 shares, respectively, that were outstanding at the Mexican Stock Exchange in the amount of Ps442 and Ps5,572, respectively, generating a capital stock reduction at December 31, 2008 and 2007 of Ps31 and Ps393, respectively.

In addition, during 2008 and 2007, the company placed 16,000 and 661,400 shares, respectively, which had been repurchased in prior years. These placements amounted to Ps218 and Ps9,881, respectively, generating a capital stock increase of Ps16 and Ps662, respectively.

The company's subscribed and paid-in capital stock totaled Ps428,631, plus an increase of Ps533,266, to express it in modified historical pesos of December 31, 2008, and is represented by 428,358,363 common nominative shares, with no par value.

The nominal values of the components of stockholders' investment other than capital stock are as shown on the following page.

	Par value
Retained earnings	Ps 1,198,899
Premium on the subscription of shares	Ps 220,959
Accumulated effect of conversion	Ps 25,660

At the April 2008 Ordinary General Stockholders' Meeting, the stockholders agreed to decree dividends to the majority and minority stockholders to be paid out from retained earnings in the amount of Ps214,179 and Ps110,000, respectively.

At the April 2007 Ordinary General Stockholders' Meeting, the stockholders agreed to decree dividends to the majority stockholders to be paid out from retained earnings in the amount of Ps110,494 (Ps107,120 nominal value), and to the minority stockholders in the amount of Ps8,000, Ps200,000 and Ps43,000, decreed at the March, April and October Ordinary General Stockholders Meeting.

Dividends are free of IT if paid out from the Net Tax Profit Account (CUFIN from its Spanish acronym). Any excess over the CUFIN is taxable at a rate fluctuating between 4.62% and 7.69%, if paid out from the reinvested CUFIN (CUFINRE). Dividends exceeding the CUFIN are subject to 38.89% tax if paid in 2009. Tax incurred is payable by the company and may be credited against IT for the period and for the following two periods. Dividends paid from earnings on which IT has previously been paid are subject to no tax withholding and to no additional tax.

In the event of a capital reduction, the excess of stockholders' equity over capital contributions is accorded the same tax treatment as dividends, in accordance with the procedures established in the IT Law.

Note 13 - Income Tax (IT), Asset Tax (AT) And Flat Tax (IETU by ITS Acronym in Spanish):

The company and its 100% subsidiaries are authorized by the Ministry of Finance to determine their tax result on a consolidated basis.

The IT provision in 2008 and 2007 is analyzed as follows:

	2008	2007
IT currently payable	Ps 199,085	Ps 181,847
Deferred IT	(21,168)	87
Total provision	Ps 177,917	Ps 181,934

a. IT

In 2008, the company determined an individual tax profit of Ps163,708, which was amortized in the amount of Ps101,945 against prior years' unamortized tax losses, whereas in 2007, the company determined a tax profit of Ps64,584, which was entirely amortized against prior years' unamortized tax losses, respectively. Based on its financial and tax projections, the company determined that the tax it will essentially be paying in the future on both individual and consolidated bases is IT, due to which, the deferred tax has been recorded on the basis of said tax. Book and tax results differ mainly due to temporary differences, arising from the comparison of the accounting balances and tax values of each of the asset and liability accounts of the balance sheet, as well as those items only affecting the book or tax result for the year.

Deferred IT is recognized by the comprehensive asset-and-liability method, which consists of calculating deferred taxes for all temporary differences between the book and tax values of assets and liabilities expected to materialize in the future.

At December 31, 2008 and 2007, the main temporary differences on which deferred IT was recorded were as follows:

	2008		2007	
	Consolidated	Grupher	Consolidated	Grupher
Estimation and provisions for assets and liabilities	Ps 16,354	Ps (26,037)	Ps (32,637)	Ps (18,666)
Inventories	(294,850)		(611,471)	
Fixed assets - Net	(289,998)	(72)	(414,465)	(67)
Prepaid expenses	3,467		(64,752)	
Surplus in cost of shares	148,852	174,888	153,353	153,353
Royalties payable abroad	5,516		24,296	
Unamortized tax losses	68,591		73,111	20,244
Other	27,833	500	105,354	
	(314,235)	149,279	(767,211)	154,864
IT rate	28%	28%	28%	28%
	(87,986)	41,798	(214,819)	43,362
AT recoverable	6,926		4,452	
Deferred tax	(81,060)	41,798	(210,367)	43,362
Deferred tax arising from reinvested tax profit	(412)		(1,357)	
Total deferred taxes	Ps (81,472)	Ps 41,798	Ps (211,724)	Ps 43,362

The reconciliation between the legal rate and the effective IT rate is as follows:

	Year ended December 31, 2008	2007
Income before the following provisions	Ps 931,427	Ps 803,947
Legal IT rate	28%	28%
IT at legal rate	260,800	225,105
Plus (less) tax effect of the following permanent items:		
Nondeductible expenses	2,008	2,838
Effect on reserves	363	
Annual inflation adjustment	(20,919)	5,912
Inflationary effects	(21,073)	(11,907)
Other permanent items	(43,262)	(40,014)
IT at real rate	Ps 177,917	Ps 181,934
Effective IT rate	19%	23%

b. AT

Up until December 31, 2007 (when this tax was repealed), AT was determined at the rate of 1.25% on the amount of certain assets, only when AT exceeded IT payable (see point c. below).

At December 31, 2007, the company incurred no AT liability.

c. FT

The new FT Law, published on October 1, 2007, went into effect on January 1, 2008. Entities and individuals resident in Mexico, as well as residents abroad with a permanent establishment in Mexico are subject to payment of this new tax.

FT for the period is calculated applying the 17.5% rate (16.5% and 17% for 2008 and 2009, respectively) to a profit determined on a cash flow basis. Said profit is determined by decreasing authorized deductions from total income received from taxed activities, only when said profit exceeds IT payable. The so-called FT credits are subtracted from the foregoing result, as established in current legislation.

At December 31, 2008, the company conducted financial and tax projections, determining that the tax it would essentially pay in the future, on both individual and consolidated bases, was IT.

Note 14 - Analysis of Other Income/expenses:

Other income/expenses incurred on both consolidated and individual bases for the years ended December 31, 2008 and 2007 were as follows:

	Consolidated		Grupher	
	2008	2007	2008	2007
Profit on the sale of fixed assets - Net				Ps 374
Net gain on contribution to joint venture (Note 1a.)	Ps 212,708			
Sale of waste materials	2,245			
Recovery of claims		Ps 205		
Trademark sale		5,922		
Other income	10,467	63,700	Ps 1,337	330
Total other income	225,420	69,827	1,337	704
Individual loss on contribution to joint venture			65,984	
Allowance for doubtful accounts	14,958	40,367	14,958	40,367
Loss on sale of shares		1,317		163
ESPS	788	13,118		
Restructuring expenses	24,290			
Labor obligations transition liability	4,291			
Loss on the sale of fixed assets - Net	5,472	14,573		
Other expenses	18,094	4,122	9,963	8,646
Total expenses	67,893	73,497	90,905	49,176
Other income (expenses) - Net	Ps 157,527	Ps (3,670)	Ps (89,568)	Ps (48,472)

Note 15 - Collateral Granted:

At December 31, 2008 and 2007, Grupher and some of its subsidiaries have granted collateral on loans obtained by other subsidiaries and affiliates of Ps326,667 and $461,584, respectively.

Note 16 - Discontinued Operations:

As a result of the steps taken by Grupher management to streamline its operations and future economic results, during 2008 and 2007, certain operations were identified that were determined, after in-depth analysis, not to generate the results originally expected, as a result of which, management decided to cancel said operations. The operations in question are shown in the statement of income as discontinued operations. Following are the net IT items:

	Period 2008	Period 2007
Veracruz plant closing	Ps 1,348 (1)	Ps 9,279 (1)
Severance paid to Ensenada personnel		12,000 (2)
Ensenada plant closing	2,599 (2)	23,295 (2)
Yavaros plant closing		73,016 (3)
Total	3,947	117,590
IT on discontinued item	(1,105)	(32,925)
Valuation reserve		20,444 (4)
Discontinued operations	Ps 2,842	Ps 105,109

(1) Closing down of operations at the Veracruz plant. This plant's operations are being relocated to the San Luis Potosí Plant (SLP) and the reserve set up includes asset disposals and dismantling expenses.

(2) Closing down of operations at the Ensenada Plant. This plant's operations are being relocated to the SLP Plant. The reserve set up includes asset disposals, dismantling expenses and personnel severance.

(3) On November 23, 2007, Yavaros sold its assets and liabilities. This amount includes the loss on the sale of the Yavaros and Sonora plants' assets.

(4) IT effect from closing of the Yavaros Plant, which is not to be recovered, as the level of operations in subsequent periods is not expected to generate the use of said deferred IT.

Note 17 - New Accounting Pronouncements:

During the last months of 2008, the CINIF by its Spanish acronym issued a series of MFRS and two of their interpretations (IMFRS), whose validity will be as from January 1, 2009, and January 1, 2010 for IMFRS 14. It is considered that such MFRS and their interpretations will not have a significant affectation in the financial information to be presented by the Company.

MFRS B-7 "Business acquisitions" - Establishes the general standards for valuation and disclosure in the initial recognition of the net assets acquired in a business acquisition at acquisition date, as well as the non controlling involvement and other items that may arise in them, such as goodwill and purchase gain. These standards supersede Statement B-7 "Business acquisitions" effective up to December 31, 2008.

MFRS B-8 "Consolidated and combined financial statements" - Establishes the general standards for the preparation and presentation of the consolidated and combined financial statements; as well as for the disclosures accompanying such financial statements. This MFRS supersedes Statement B-8 "Consolidated and combined financial statements and valuation of permanent share investments" effective up to December 31, 2008.

MFRS C-7 "Investment in associates and other permanent investments" - Establishes the standards for the accounting recognition of the investments in associates, as well as other permanent investments on which there are no control, joint control or significant influence.

MFRS C-8 "Intangible assets" - Establishes the valuation, presentation and disclosure rules for the recognition both initial and subsequent of the intangible assets acquired individually or through a business acquisition, or internally generated during the normal course of the entity's operations. This MFRS supersedes Statement C-8 "Intangible assets" effective up to December 31, 2008.

MFRS D-8 "Shared based payments" - Establishes the standards that should be observed in the recognition of the shared based payments in the financial information. This MFRS supersedes supplemental application in Mexico of the IFRS 2 "Shared based payments" issued by the Consejo Internacional de Normas de Información Financiera.

Also the CINIF has issued the following MFRS:

IMFRS 14 "Contracts on construction, sale and rendering of services related to real estate" which contemplates the regulation in the Bulletin D-7 Contracts on construction and manufacturing of some capital goods. This interpretation will became effective as from January 1, 2010 for all the entities celebrating contracts on construction, sale and rendering of services related to real estate. Its early adoption is allowed.

Héctor Hernández Pons Torres
General Director

Ernesto Ramos Ortiz
Executive Director of Administration and Corporate Practices

ADDITIONAL INFORMATION

BMV Ticker Symbol: Herdez*

ADR Nivel 1 25:1

Market: OTC

Symbol: GUZBY

Cusip: 40050P109

COTIZA EN BOLSA MEXICANA DE VALORES

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