GRUPO HERDEZ

LONG-TERM RELATIONSHIPS

ANNUAL REPORT 2011

MORE THAN...

20 BRANDS

60 CATEGORIES

1,000
PRODUCTS

WHICH HAVE GENERATED LOYALTY
AND PERSISTED OVER TIME...

DEZ

13
PLANTS

07 DISTRIBUTION CENTERS

07 TUNA VESSELS

GRUPO HERDEZ IS A LEADING PRODUCER OF SHELF-STABLE FOODS IN MEXICO, AND A FRONTRUNNER IN THE MEXICAN FOOD CATEGORY IN THE UNITED STATES. THE COMPANY IS ENGAGED IN THE PRODUCTION, DISTRIBUTION AND SALE OF A BROAD RANGE OF CATEGORIES INCLUDING KETCHUP, HOMEMADE SAUCES, HONEY, MARMALADE, MAYONNAISE, MOLE, MUSTARD, PASTA, SPICES, TEA, TOMATO PUREE, TUNA AND VEGETABLES, AMONG OTHERS. THESE PRODUCTS ARE COMMERCIALIZED THROUGH AN EXCEPTIONAL BRAND PORTFOLIO, INCLUDING CHI-CHI'S®, DEL FUERTE®, DOÑA MARÍA®, EMBASA®, HERDEZ®, LA VICTORIA®, MCCORMICK® AND YEMINA®. GRUPO HERDEZ HAS 13 PLANTS, 7 DISTRIBUTION CENTERS, 7 TUNNA VESSELS AND MORE THAN 6,000 EMPLOYEES.

NET SALES MIX
BY REGION

Mexico	84%
International	16%

ASSET MIX
BY REGION

Mexico	78%
International	22%

FINANCIAL HIGHLIGHTS

Figures expressed in millions of nominal Mexican pesos (except for share information and financial ratios)

	2011	2010	%VAR
Net Sales	9,697	8,871	9.3%
Mexico	8,174	7,740	5.6%
International	1,523	1,131	34.7%
Cost of Goods Sold	6,147	5,410	13.6%
Gross Income	3,550	3,462	2.5%
General Expenses	2,014	1,830	10.1%
Operating Income	1,536	1,632	-5.9%
Mexico	1,350	1,489	-9.3%
International	186	143	30.1%
Consolidated Net Income	1,050	1,104	-4.9%
Majority Net Income	765	790	-3.2%
EBITDA	1,689	1,758	-3.9%
Total Assets	9,304	7,305	27.4%
Cash	1,155	806	43.3%
Total Liabilities	4,497	2,968	51.5%
Total Debt	2,224	1,518	46.5%
Consolidated Stockholders' Equity	4,807	4,337	10.8%
Majority Stockholders' Equity	3,729	3,384	10.2%
Net Debt / EBITDA (times)	0.63	0.41	
Net Debt / Consolidated Stockholders' Equity (times)	0.22	0.16	
Return On Assets	12.6%	16.6%	
Return On Equity	21.5%	25.1%	
Return On Invested Capital [1]	22.6%	29.4%	
Total Shares Outstanding (millions) [2]	432	432	-
Price per Share as of December 31 [3]	24.89	22.13	12.5%
EPS [2]	1.77	1.83	-3.2%
Ordinary Dividend per Share	0.75	0.50	
Extraordinary Dividend per Share	-	0.50	

[1] Calculation before taxes
[2] Considers the number of shares at the end of the period
[3] Price adjusted for dividend payments


HERDEZ
GRUPO
HERDEZ

We form long-term relationships whose basis resides in a single concept: TRUST

from the Chairman of the Board and Chief Executive Officer

To Our Shareholders,
To speak of Grupo Herdez is to speak of evolution, of accelerated change, steadily and clearly on course. Therefore it is also about dedication, intensity and passion for what we do.

That is something that the dynamics of today's business environment requires of organizations that seek to maintain leadership positions and be relevant to their clients and consumers. We understand these requirements and face them proactively, seeking to stay one step ahead in what differentiates from competitors, ensuring that we retain a prominent place in our markets.

We know that being at the forefront means identifying long-term opportunities. We believe that being an authentic leader requires knowing our consumers better each day, to stay connected with them, and to constantly innovate in order to improve and make our product and service offerings more attractive. It is to back our commitment to responsible corporate citizenship, operating under high standards of conduct. It is also to ensure competitive advantage by developing lasting partnerships based on a common vision and values grounded in each other's strengths.

Thus, we form long-term relationships whose basis resides in a single concept: **trust.**

Mission, vision, shared values, strong ethics, continuous improvement in business practices, knowledge of our markets, total attention to consumers, adaptability and excellent partnerships: on these pillars and across decades, Grupo Herdez has built enduring brands and businesses with growing value and prestige. Our vision has been, and always will be, on the long-term horizon.

2011 Results

In 2011 we faced significant challenges but we also obtained rewards. Net sales for the year reached a new record of $9,697 million, a rise of 9.3%. Half of this increase reflects the integration of two new businesses at our MegaMex partnership in the United States, and the remainder from domestic sales, which rose 5.6%.

The share of total sales coming from business in the United Sates increased three percentage points, from 12.7 to 15.7%. This percentage will again grow three points in 2012.

As anticipated, gross margin declined from 39.0 to 36.6% due to higher raw material costs; as a result, net majority income decreased 3.2%.

The financial position of Grupo Herdez is robust. Debt totaled $2,224 million and the ratio to consolidated EBITDA was 1.3x excluding the $1,155 million in cash on hand.

During 2011 the majority stockholders' equity increased 10.2%, while return on capital was 21.5%.

Two of our plants, Barilla Mexico and Industrias at Herdez Del Fuerte, received the highest international food safety certification, FSSC 22000, issued by the Food Safety Certification System. Both companies are the first in Latin America to receive this important recognition. It also represents another example of our commitment to quality and safety in food manufacturing.

The distribution center began operations in the State of Mexico with advanced technology that allows us to double the dispatch capacity for trucks in half of the space.

In terms of capital expenditures at our partnerships, the following are of particular note:

- Herdez Del Fuerte acquired the Conquista tuna vessel with the aim of being self-sufficient in this key input.
- Herdez Del Fuerte acquired 50% of Aires de Campo®, a leading marketer of organic products.
- MegaMex added Wholly Guacamole®, the leading marketer of processed avocado and guacamole.

In the United States, through MegaMex, our multi-brand, –category and -channel strategy is delivering results. Thus, Wholly Guacamole® significantly complements our portfolio that brings the Mexican spirit to every table in the country.

It is a strategic priority for Grupo Herdez to identify attractive long-term opportunities. The investment in Aires de Campo® follows this strategy. It is a highly recognized brand, a leader in the marketing and distribution of organic products, and one that contributes to the development of more than 120 rural farmers throughout Mexico, which is consistent with our commitment to the community. I am confident that this category has great potential for growth in the coming years.

Any company today that does not adopt sustainable principles and practices in every aspect of their operation risks losing relevance, and eventually losing sales and its position in the market.

For Grupo Herdez, sustainability is fundamental. In the last five years we have reduced malnutrition in impoverished communities across the country through *Herdez Nutre*, and beyond that we now contribute to nutritional education in urban and rural schools under the *Saber Nutrir* program.

In addition, we promote in the organization various activities related to health care, environmental conservation, promotion of recycling and the development of alternative energy, among other initiatives of the Herdez Foundation.

These activities earned us the Sustainable Business seal sponsored by the Mexican Stock Exchange.

I invite you to learn more about our sustainability activities in the Social Responsibility Report which is part of this document.

In 2011 we marked twenty years of being listed on the Mexican Stock Exchange and celebrated the first Herdez Day in the new Mexico distribution center, where analysts and investors had the opportunity to learn more about the strategies of the company and speak with members of the Grupo Herdez management team. This supports our commitment to maintaining ongoing dialogue with the financial community.

Outlook for 2012

Overall, we see a favorable horizon for the Company, which will continue to evolve with the determination and energy that we have dedicated thus far.

I can highlight, that MegaMex will continue to contribute significantly to our growth while on the domestic front we will launch a series of new products towards the second half of the year that will generate new avenues of development and keep us connected to our consumers.

I want to acknowledge the preference of our customers, the commitment of our partners, your confidence as shareholders and, above all, the daily efforts of all the employees of Grupo Herdez.

We will continue to build long-term relationships.

Sincerely,

Héctor Hernández-Pons Torres
Chairman of the Board and
Chief Executive Officer

We offer consumers the brands they trust for every day and every meal. Our commitment to quality and value has positioned us as the leader in shelf-stable foods in Mexico and a frontrunner in Mexican foods in the United States

LEADING BRAN

#1 OR #2

MARKET POSITION FOR MOST OF OUR BRANDS IN MEXICO

For almost a century, we have satisfied the appetites of consumers with the brands they trust, flavors they love, and nutrition they want


Doña Maria


YEMINA


Embasa


Doña Maria
Mole

With a robust portfolio of brands and products, Grupo Herdez has secured a leadership position across multiple categories and segments.

Our experience in building and cultivating brands is based on connecting with consumers, understanding their needs and preferences, and striving to provide them with a differentiated offering, as well as understanding market trends to anticipate future growth. That long-term relationship with consumers has resulted in remarkably consistent top-of-mind associations with our brands: "Trust", "Quality", "Pure", "Mexican", "Flavor", "Enjoyment", "Tradition", "Freshness" and "Variety".

In Mexico, the large majority of our brand portfolio enjoys the #1 or #2 market positions in the more than 30 categories in which we compete. In fact, within our core product groups of: i) processed food, ii) sauces and condiments, iii) dressings, and iv) food packaging we hold more than 30% overall market share. Some of our biggest brand and category leaders include McCormick® mayonnaise, marmalade and tea; Barilla® and Yemina® pasta; Del Fuerte® tomato puree; Herdez® canned vegetables and 8 Vegetables juice; and Doña Maria® mole. We keep our brands and products dynamic, even in mature categories, innovating with new flavors, packages and sizes, as well as line extensions.

Our strategy is to keep our products relevant to consumers by acknowledging their needs and preferences. In that regard we fine-tuned our consumer campaigns and promotions this year and entered the organic foods category through a 50% investment in Aires de Campo®, the leading marketer of organic foods in Mexico. While the organic category is still relatively small, it shows good potential from growing consumer interest, and enhances the range of products in our portfolio.

In the United States, our mission is to bring the Mexican spirit to every table; we compete across the full spectrum of Mexican foods through a matrix strategy that combines products, brands, categories and channels. We consider Mexican food in the US our "emerging market," with consumption growing rapidly. In fact, nearly one third* of all American households now consume at least one MegaMex product, and our business strategy is aimed at owning the Mexican food experience by rapidly scaling our market position and profile in order to capitalize on and meet the growth potential.

Our US portfolio includes the full spectrum of Mexican foods, from those with high household penetration to niche products, and we enjoy regional leadership in many of our categories. Some of our brand and category successes include Wholly Guacamole® refrigerated guacamole; Chi-Chi's®, Herdez® and la Victoria® salsas; and Don Miguel® frozen entrees. Our commercial strategy leverages on our innovative portfolio of strong brands and differentiated offerings. We can customize product and brand portfolios for clients to provide them with complete solutions in meeting consumer preferences.

*Source: AC Nielsen


Barilla


ST

RAT
EGY

Our world-class partnerships are built upon shared visions and values; leveraging each other's capabilities, we are stronger together

Growth is supported by the successful relationships we have built with top leaders in their fields

15.9%

SALES VOLUME GROWTH

2008-2011

Thanks to our unique and successful business model, we have evolved from a small local company into a growing cross-border enterprise with compelling opportunities ahead.

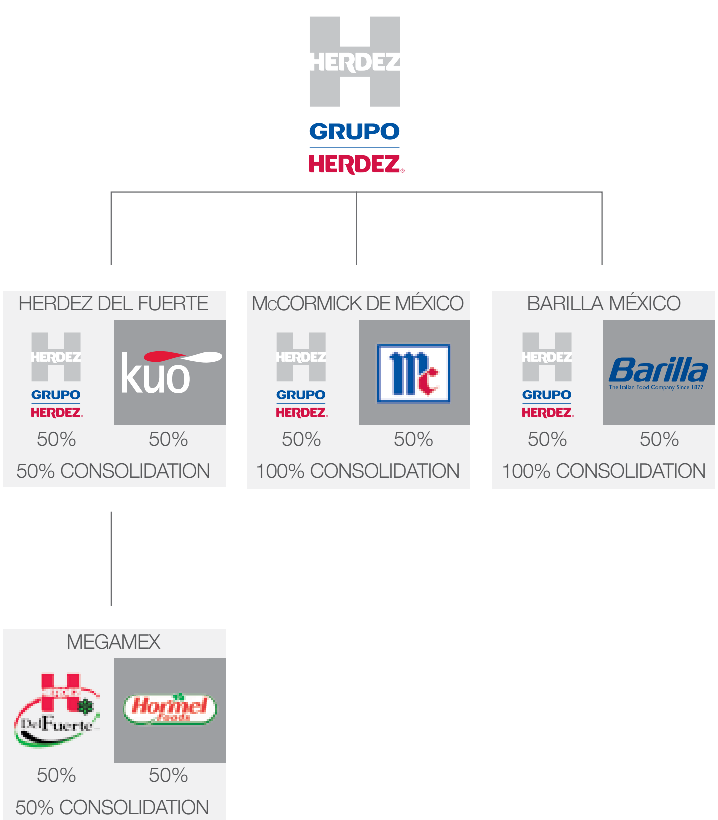
Our business model leverages partnerships and joint ventures to add scale, reach, industry know-how and best practices, utilizing the expertise and insight of each partner to support long-term growth.

Our partnerships are particularly notable for their longevity: we formed our first joint venture more than 60 years ago with McCormick (1947), have since partnered with Hormel (1994), Barilla (2002) and Grupo Kuo (2007), and have established relationships with Kikkoman® (1999), Ocean Spray® (2006) and Reynolds® (2010).

This corporate structure supports our operational expertise, which comes from almost a century of developing relationships and focusing on execution and excellence in procurement, production, sales and distribution. Our commitment to innovation, scale and best practices is built on extensive know-how of the local market, clients and consumer dynamics.

In the United States, we are bringing our expertise in authentic Mexican foods, as well as brand building, product innovation and channel expansion capabilities to a broad and very efficient distribution network.

We continue to strengthen our operations with better planning, a streamlined supply chain, enhanced segmentation and category management, and continued investments in distribution. These initiatives allow us to better respond and adapt to the dynamics of a ceaselessly evolving market and to optimally position our portfolio for long-term growth.




DON MIGUEL


NAIR

Strategic investments in expansion are coupled with a disciplined focus on operational execution and return on invested capital

24.9%

AVERAGE RETURN ON INVESTED CAPITAL

2008-2011
Calculation before taxes

Our strategy for long-term growth encompasses brands, products, customers, markets and processes. We continue to invest in growth and efficiency while seeking to maintain above average industry returns

OB
JEC
VES


Blasón


Búfalo

Our focus on pursuing expansion and a successful operation remains always true to our core mission: providing consumers with quality food and beverages through brands of growing prestige and value.

We are currently focused on five strategic initiatives to drive profitable growth:

1. **Grow organically through existing business lines**
   We are strengthening performance by improving channel segmentation, integrating category know-how into client teams, creating highly targeted advertising campaigns and promotions, and enhancing point-of-sale execution. In 2011 for example, we focused on enhancing consumers' connection with the Herdez® brand through the "Amor y Selección Superior" (Love and Superior Selection) campaign that emphasized our commitment to families, while internally we worked on cost, quality and formulation improvements. We also continue to add new flavors, line extensions and packaging in support of growth, which keeps our products and categories dynamic and enhances consumer engagement.

2. **Strengthen the innovation and development processes for new product launches**
   Our R&D facilities and test kitchens are staffed by food experts and technicians who leverage our deep understanding of consumers to develop new offerings and better formulations, as well as to revise and improve current products. We also catalyze innovation by sharing our partners' insights on trends and concepts from our respective markets. In 2011 we restructured the innovation process to accelerate the introduction of new products and segments going forward, and to increase their probability of success in the market.

3. **Develop the operational infrastructure and distribution strength to ensure quality and service**
   As we evolve from a product supplier to a 360° business solution provider, our platform is accommodating volume growth and portfolio expansion, increased production capacity, enhanced distribution capabilities and new processing technology and infrastructure. In 2011 we commissioned the new Mexico Distribution Center following a three-year investment. In addition, we obtained FSSC 22000 certification at two of our plants in 2011, demonstrating our commitment to the most stringent international food safety requirements.

4. **Generate efficiency savings that reduce costs and expenses**
   Growth in sales volume helps leverage our asset base, and we continue to identify additional operational improvements that strengthen our margin performance, such as optimizing and streamlining our supply chain, increasing automation and identifying strategic collaborations. In 2011, for example, we acquired a new tuna vessel that increased our self-sufficiency for this key input, and began converting our tomato-processing technology to increase efficiency and standardize quality.

5. **Be the Mexican food leader in the United States**
   The MegaMex joint venture continues to be an exciting growth platform as we seek to "bring the spirit of Mexico to every table." Our unique portfolio of brands and products delivers a total Mexican food solution to our clients and a robust range of options for every consumer taste. We are focused on gaining share in core categories, driving branded innovation and penetrating new channels and markets to increase our share of the US$6+ billion market* for Mexican foods. We expect to continue outpacing industry and market growth following the integration of Don Miguel Foods (acquired in 2010) and Fresherized Foods (2011).

*Source: AC Nielsen


Saber
nutrir

SOCIETY

Direct support and in-kind contributions have benefited millions of children and families across Mexico

As a corporate citizen, Grupo Herdez integrates responsible business practices into its operations and contributes to society's progress through research and philanthropy

75%
PROGRAM BENEFICIARIES IN CHIAPAS AND
92%
IN SAN LUIS POTOSÍ HAVE RECOVERED FROM ANEMIA

It is vital for Grupo Herdez to promote the ethics and values of the organization, while building long-term relationships with employees, shareholders, consumers, customers, suppliers, community, and authorities.

To achieve this, the company clearly states the standards of conduct to be adopted by partners and programs such as "Compite" (Compete), "Líder Herdez" (Herdez Leader) and "Saber Nutrir" (Know to Nourish) in order to generate a positive impact on society.

Employees

In 2011, Grupo Herdez continued to strengthen its "Compite" program, which aims to create a culture of institutional skills (determination to evolve, teamwork, passion for results, collegiality and integrity) that promote employee development. More than 2,400 employees have been trained to date.

In addition, employees were invited to actively participate in various volunteer activities aimed at improving the quality of life in the communities where the company operates, including donating grocery products, blankets and shoes; reforestation; painting schools and participating in sporting events, among others.

Society

Grupo Herdez has focused its community outreach strategy on nutritional education through two major initiatives: the "Saber Nutrir" program and the Herdez Foundation.

Saber Nutrir

The recent launch of *Saber Nutrir* represented a significant achievement for Grupo Herdez in 2011. The results of "Herdez Nutre" in recent years served as motivation for other brands to join in the project, creating a need to evolve the program. *Saber Nutrir* was founded to combat the high rates of malnutrition in rural communities and to reduce the high rates of obesity in the country, with school children, parents and teachers as beneficiaries in the major urban areas of the country. The first goal for this program is to provide 1 million hours of nutritional education in the states of Chiapas, Guadalajara, Oaxaca and San Luis Potosí.

Herdez Foundation

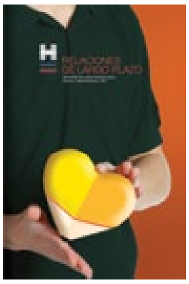
The Herdez Foundation, dedicated to promoting food research and development as well as to disseminating knowledge about nutrition, welcomed a total of 15,242 visitors to the "Duque de Herdez Kitchen" Gallery located in Mexico City.

Guided tours were provided to 1,115 students and the Library of Mexican Cuisine received more than 3,000 visitors. Additionally, we continued to strengthen the donations program, providing a total of 166,738 boxes of food this year to victims of mudslides and flooding in Oaxaca and Tabasco, as well as to the Mexican Food Bank Association, which provides support to 80 organizations that help various vulnerable sectors of society.

Environment

Activities to promote environmental care and conservation were aimed at improving waste management and recovery, training employees and strengthening environmental awareness focused on optimizing natural resources, enhancing the water treatment program, and improving the processes for measuring environmental indicators.

Furthermore, the proposed wind co-generation project, which began two years ago, is in the construction phase of a wind farm on the Tehuantepec Isthmus in Oaxaca. This initiative aims to reduce Grupo Herdez's energy consumption from the national utility, and it is expected that in 2013, the Company will start using renewable energy.



FOR MORE INFORMATION, PLEASE SEE THE 2011 CORPORATE SOCIAL RESPONSIBILITY REPORT


HERDEZ
Del Fuerte
TERESA LOPEZ
HERDEZ
HERDEZ


Mayonesa


Del Fuerte
HERDEZ

Management's Discussion and Analysis of Results

Unless otherwise stated, all figures herein are expressed in millions of nominal Mexican pesos and are prepared in accordance with Mexican Financial Reporting Standards.

Overview

Grupo Herdez generated record sales in 2011, while profit levels returned to normalized levels after the extraordinary performance of 2010. Net sales totaled Ps. 9,697, while operating and net majority income totaled Ps. 1,536 and Ps. 765, respectively. This performance primarily reflected a sequential quarterly recovery in domestic consumption levels, continued growth in the international operations, higher average input costs and stable operating expenses.

Factors Affecting Performance

The key factors and trends that impacted the Company's operating and financial execution results in 2011 included:

- A continuous recovery in consumption and volumes over the course of the year in Mexico, coupled with a mid-single digit price increase implemented mid-year; and strong growth in the United States reflecting the Company's market expansion and penetration strategy, as well entry into new segments such as the fresh and frozen categories.

- The acquisition of Fresherized Foods, Inc., the world leader in processed avocado and guacamole based in Texas.

- Expected pressures from input costs, particularly given the extraordinary low base of comparison from 2010, as well as volatile exchange rates throughout the year.

Net Sales

Net sales totaled Ps. 9,697 in 2011, a 9.3% increase over the previous year. In Mexico, net sales rose 5.6% to Ps. 8,174, reflecting: i) sequential volume growth during the year, with outperformance in the mayonnaise, pasta and marmalade categories, and ii) mid-single digit price increases implemented in the first half of the year. In the United States, net sales rose 34.7% to Ps. 1,523, as a result of: i) solid organic growth, both in core segments and newer categories, reflecting the Company's market penetration efforts; ii) the incorporation of Fresherized Foods in the fourth quarter; and iii) in the final months of the year, the effect of the devaluation of the Mexican peso on dollar-denominated sales. In both regions sales performance was supported by targeted marketing spend and better execution at the point of sale. It should also be noted that US sales for the year included only 11 months of results at MegaMex following an accounting adoption whereby results of MegaMex and its subsidiaries are now consolidated with a one month lag.

Cost of Goods Sold

Cost of goods sold as a percentage of net sales was 63.4% in the year, a 2.5 percentage point increase when compared to 2010, due to higher input costs during the second half of the year, particularly in soybean oil, and the effect of the devaluation of the Mexican peso on dollar-denominated inputs towards the end of the year.

Operating Expenses

Operating expenses remained nearly unchanged from the previous year, representing 20.8% of net sales in 2011 compared to 20.6% in 2010. This reflects expense control initiatives over the course of the year and greater absorption of fixed expenses, which combined helped offset start-up expenses related to the new distribution center in the State of Mexico.

Operating Income

Operating income totaled Ps. 1,536, compared to Ps. 1,632 in the year ago period. The 5.9% decline largely reflects the impact at the gross margin level and represents a return to normalized levels after the performance in 2010 driven by beneficial input costs derived from the Company's hedging strategy and favorable exchange rates registered in that period.

Comprehensive Financial Result

Comprehensive financial result represented a cost of Ps. 7, compared to a Ps. 95 cost registered in 2010. This is largely explained by non-cash FX gains registered in the second half of the year reflecting dollar denominated loans between affiliated companies at Herdez Del Fuerte. The Company expects these gains to be partially reversed in 2012.

Net Majority Income

Net majority income totaled Ps. 765, a 3.2% decline from the previous year, while the margin contracted 1.0 percentage point to 7.9%, in both cases reflecting gross margin pressure that was partially offset by the aforementioned foreign exchange gains.

Earnings Before Interests, Taxes, Depreciation and Amortization (EBITDA)

EBITDA largely mirrored performance at the operating level, totaling Ps. 1,689, a 3.9% reduction compared to 2010. EBITDA margin was 17.4% or 2.4 percentage points less than in the year ago period, mainly due to the aforementioned gross margin pressure.

Capital Expenditures

Net capex in the year, excluding acquisitions, totaled Ps. 320 and was primarily allocated to the final construction and startup of operations of the new distribution center located in the State of Mexico, which was formally inaugurated in May 2011. In addition, capex included the initial stages of transferring McCormick®'s marmalade capacity from Mexico City to San Luis Potosi, Mexico, as part of the relocation of McCormick's plant in Mexico City.

Financial Structure

As of December 31, 2011, the Company's cash position totaled Ps. 1,155, a 43.3% increase over 2010. Total debt at the end of the year was Ps. 2,224, 46.5% higher than at the end of the previous year as a result of: i) an issuance of Ps. 600 in domestic bonds in February, as part of an authorized program of Ps. 1,500, to refinance the loan secured in 2010 for the acquisition of Don Miguel Foods, and ii) a loan of Ps. 420 used for the acquisition of Fresherized Foods in August 2011. As a result, consolidated net debt, which excludes loans from holding companies to its associates, was Ps. 1,069, 50.0% higher than in the year ago period.

At the end of 2011, average maturity of the Company's debt is 4.8 years. The currency mix is 67% peso-denominated and 60% at a floating rate. Leverage ratios remain solid, with net debt to EBITDA at 0.6x in 2011 compared to 0.4x in 2010, while net debt to equity was unchanged at 0.2x.

Board of Directors and Key Executives

Board of Directors

Patrimonial, Related Directors
Héctor Hernández-Pons Torres
Chairman
Enrique Hernández-Pons Torres
Vice-Chairman
Flora Hernández-Pons de Merino

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

Secretary of the Board
Ernesto Ramos Ortiz
(non-member)

Audit Committee
José Roberto Danel Díaz
President
Carlos Autrey Maza
Eduardo Ortiz Tirado Serrano
José Manuel Rincón Gallardo

Corporate Practices Committee
José Roberto Danel Díaz
President
Enrique Hernández-Pons Torres
Héctor Hernández-Pons Torres
Luis Rebollar Corona
José Manuel Rincón Gallardo

Key Executives

Chief Executive Officer
Héctor Hernández-Pons Torres

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

Chief Financial Officer and Planning Director
Gerardo F. Canavati Miguel

Marketing Director
Héctor J. Castillo Guerrero

Sales Director
Andrea del Rizzo

Supply Chain Director
Alberto Garza Cabañas

Human Resources Director
Pedro G. Gracia-Medrano Murrieta

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

Administrative and Corporate Practices Director
Ernesto Ramos Ortiz

Food Service Director
José J. Rodríguez del Collado

Audit Committee Report

March 16, 2012

Mr. Héctor Hernández-Pons Torres
Chairman of the Board of Directors
Grupo Herdez, S.A.B. de C.V.
Monte Pelvoux 215, 5 th Floor
Lomas de Chapultepec
Mexico, D.F. 11000

Dear Mr. Hernández-Pons:

I am herein presenting the Annual Report on the activities of the Board of Directors' Audit Committee for the 2011 fiscal year, in accordance to the provisions of Article 43, Section II of the Securities Market Law.

In 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, the Audit Committee Rules and the Annual Program with the issues to be treated during the year.

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

A report was presented to the Board of Directors with the issues treated in every meeting of the Committee.

The relevant issues discussed and favorably recommended for approval of the Board of Directors, as appropriate, were as follows:

1. The Reported Consolidated Financial Statements for the year ended on December 31, 2010, and their respective Notes were duly analyzed.

   Considering its relative significance, the information of the subsidiary Herdez Del Fuerte, S.A. de C.V. which includes the operation of MegaMex Foods, LLC in the United States were also analyzed.

2. We have learned about the Letter of Observations from the company's external auditor for the year 2010 and due follow up has been given to its implementation during the year.

3. The internal control survey and assessment performed by the company's external auditor during the normal course of its revision for the 2010 audit was analyzed.

   The report indicates that the applied audit procedures over the internal control design and operation, in which a high level of trust has been deposited during the audit development, confirm that it is working in an effective manner, with none of the detected and reported remarks submitted to the management be considered as a significant material weakness or shortcoming. We have learned about improvement areas and follow up has been given to their implementation.

4. We have learned about the 2011 Quarterly Financial Statements that have been approved by the Board of Directors and submitted to the Mexican Stock Exchange.

5. We have approved the work plan of the internal audit area for the year 2011, and due follow up has been done to the development of its work, and to the implementation of its observations.

6. The new financial information standards used during the 2011 fiscal year, as well as those already in force were consistently applied with no significant effects.

7. We have followed up the Plan prepared by the company for converging with the international financial reporting standards (IFRS) starting in 2012.

8. The performance of the external audit firm PricewaterhouseCoopers has been assessed, having been considered as satisfactory and in accordance with the criteria established in the services contract. Likewise, work carried out by the partner in charge of the audit, who has in due time confirmed his professional and economic independence, has been acknowledged.

   Consequently, confirmation of the firm PricewaterhouseCoopers as the external audit firm for the 2011 fiscal year has been recommended, as well as for the subsidiary Herdez Del Fuerte, S.A. de C.V. and its companies in the United States of America.

9. In addition to the external audit other services provided by the company's external auditors firm have included fiscal advisory, transfer pricing survey; report on IMSS, and advisory on different matters, for a total amount of $5.6 million pesos.

10. We have learned and assessed the mechanisms implemented by the Chief Executive Office for the identification, analysis, management and control of the main risks to which the company is subject to, as well as the established criteria for their adequate disclosure.

11. We have learned about and follow up has been given to the outstanding fiscal and legal matters, as well as to the appropriate implementation of the Securities Market Law provisions, and the Shareholders' and the Board of Directors' meetings resolutions.

12. Complementary, at the Committee's meeting held on February 16, 2012, the Reported Consolidated Financial Statements for the year ended on December 31, 2011 were analyzed, as well as their respective Notes, and the Letter of Observations of the company's external auditor.

Attentively,

C.P. Roberto Danel Díaz
Chairman of the Audit Committee

Corporate Practices Committee Report

March 16, 2012

Mr. Héctor Hernández-Pons Torres
Chairman of the Board of Directors
Grupo Herdez, S.A.B. de C.V.
Monte Pelvoux 215, 5 th Floor
Mexico, D.F. 11000

Dear Mr. Hernández-Pons:

I am herein presenting the Annual Report of the activities of the Board of Directors' Corporate Practices Committee, carried out during the 2011 fiscal year, referred to in Article 43, Section I of the Securities Market Law.

In the development of our work, we have considered the Securities Market Law regulations, the General Rules Applicable to Securities Issuers and Other Participants of the Securities Market, the Corporate Best Practices Code's recommendations, the Corporate Practices Committee Rules and the Annual Program with the issues to be treated during the year.

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

A report was presented to the Board of Directors with the issues treated in every meeting of the Committee.

The relevant issues discussed and recommended for approval to the Board of Directors, as appropriate, were as follows:

1. We have learned the policies for designation and comprehensive compensation of the Chief Executive Officer and other relevant executive officers

2. The performance of the relevant executive officers was considered to be adequate, having been determined on the basis of the established policies.

3. We analyzed the comprehensive remuneration package of the Chief Executive Officer and other relevant executive officers.

4. The external auditor report on operations with related parties was analyzed, having revealed that the transactions correspond to the normal business purposes, that they were carried out at market value, and that they have been adequately recorded.

   Such transactions have included sales services, selling of materials, royalties, real estate and transportation equipment leasing, finished product imports, personnel services, interests, freights and others for a total amount of $4,196 million pesos.

5. No exemption was granted by the Board of Directors to allow a director, a relevant executive officer or an individual with decision-making power, to take advantage for his own benefit or in favor of any third party, from business opportunities corresponding to the company or to a legal entity under their control, or over which they have significant influence.

6. Management of derivative instruments, which has been mainly focused on certain raw materials coverage, is carried out by following the established policies that have been approved by the Board of Directors.

7. During the second semester of the year, following the Business Strategy Model, the acquisition of Fresherized Foods through the associated company MegaMex Foods in the United States of America, and Aires de Campo in Mexico, has been approved.

Attentively,

C.P. Roberto Danel
Chairman of the Corporate Practices Committee

Consolidated Financial Statements

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

December 31, 2011 and 2010

Report of Independent Auditors

Tlalnepantla, Mex., February 21, 2012

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

1. We have examined the consolidated balance sheets of Grupo Herdez, S. A. B. de C. V. and subsidiaries at December 31, 2011 and 2010 and the corresponding consolidated statements of income, of changes in stockholders' equity and of cash flows for the years then ended. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on those financial statements based on our audits.

2. We conducted our examinations 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 consolidated financial statements are free of material misstatement and that they were prepared in accordance with Mexican Financial Reporting Standards (MFRS). An audit includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the consolidated financial statements. An audit also includes assessing the financial reporting standards used and significant estimates made by Management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

3. As described in Note 2 to the financial statements, as from January 1, 2012, the Company adopted the accounting framework established in the International Financial Reporting Standards (IFRS), in order to comply with the provisions established by the National Banking and Securities Commission and the provisions of Interpretation to the MFRS 19 "Changes resulting from adoption of International Financial Reporting Standards".

4. In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grupo Herdez, S. A. B. de C. V. and subsidiaries at December 31, 2011 and 2010, and the consolidated results of its operations, the changes in its stockholders' equity and its cash flows for the years then ended, in accordance with MFRS.

PricewaterhouseCoopers, S. C.

C.P.C. José Ignacio Toussaint Purón
Audit Partner

Consolidated Balance Sheets

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

December 31, 2011 and 2010
(amounts stated in thousands of Mexican pesos)

December 31,		2011		2010
Assets				
CURRENT ASSETS:				
Cash and cash equivalents	Ps	1,154,709	Ps	805,507
Trade accounts receivable, net of allowance for doubtful accounts and discounts of Ps39,916 in 2011 and Ps42,770 in 2010		936,136		772,612
Other accounts receivable		36,056		17,788
Value added tax and income tax recoverable		240,847		186,985
Related parties (Note 6)		1,320,801		983,312
		2,533,840		1,960,697
Inventories (Note 7)		1,095,989		963,664
Other current assets (Note 5)		160,703		200,348
Total current assets		**4,945,241**		**3,930,216**
PROPERTY, MACHINERY AND EQUIPMENT - Net (Note 8)		2,172,063		1,826,233
PERMANENT INVESTMENTS IN ASSOCIATED COMPANIES (Note 10)		122,752		84,461
INTANGIBLE ASSETS (Note 9)		2,064,220		1,463,975
Total assets	**Ps**	**9,304,276**	**Ps**	**7,304,885**

Liabilities and Stockholders' Equity		2011		2010
CURRENT LIABILITIES:				
Notes payable	Ps	4,200	Ps	313,743
Suppliers		843,049		596,860
Other accounts payable and accrued expenses		344,855		213,858
Income tax payable		26,917		58,078
Employees' statutory profit sharing payable		13,883		13,517
Total current liabilities		**1,232,904**		**1,196,056**
LONG-TERM LIABILITIES:				
Notes payable (Note 11)		2,219,361		1,204,200
Long-term debt (Note 11)		584,519		293,691
Deferred taxes (Note 15)		429,352		252,117
Employee benefits (Note 13)		30,961		21,443
Total long-term liabilities		**3,264,193**		**1,771,451**
Total liabilities		**4,497,097**		**2,967,507**
STOCKHOLDERS' EQUITY (Note 14):				
Capital stock		965,541		965,541
Reserve for purchase of shares		321,194		400,000
Retained earnings		2,220,413		1,779,221
Premium on the subscription of shares		220,959		220,959
Financial instruments		(43,856)		12,850
Cumulative translation adjustment		44,907		5,540
Majority stockholders' investment in controlling equity		3,729,158		3,384,111
Non-controlling equity		1,078,021		953,267
		4,807,179		4,337,378
Total liabilities and stockholders' equity	**Ps**	**9,304,276**	**Ps**	**7,304,885**

The accompanying eighteen notes are an integral part of these consolidated financial statements, which were authorized for issuance on February 21, 2012 by the undersigned officers.

Lic. Héctor Hernández-Pons Torres
Chief Executive Officer

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

Consolidated Statements of Income

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

December 31, 2011 and 2010
(amounts stated in thousands of Mexican pesos)

Year ended December 31,		2011		2010
Net sales	Ps	9,697,099	Ps	8,871,260
Cost of sales		6,147,480		5,409,699
Gross profit		3,549,619		3,461,561
Operating expenses:				
Selling		1,351,541		1,205,292
Management		254,481		221,082
Advertising		408,074		403,174
		2,014,096		1,829,548
Operating income		1,535,523		1,632,013
Other expenses - Net (Note 16)		(27,258)		(20,799)
Comprehensive financing result:				
Interest paid - Net		86,198		76,116
Exchange (gain) loss - Net		(79,628)		18,915
		6,570		95,031
Equity share in earnings of associated companies (Note 10)		30,277		24,452
Earnings before income tax		1,531,972		1,540,635
Income tax (Note 15)		479,006		424,897
Earnings before discontinued operations		1,052,966		1,115,738
Net discontinued operations (Note 17)		(3,257)		(12,024)
Consolidated net income for the year	Ps	1,049,709	Ps	1,103,714
Net income corresponding to non controlling equity	Ps	284,762	Ps	313,493
Net income corresponding to holding company stockholders	Ps	764,947	Ps	790,221
Basic income per common share (Note 3s.)	Ps	1.780	Ps	1.854

The accompanying eighteen notes are an integral part of these consolidated financial statements, which were authorized for issuance on February 21, 2012 by the undersigned officers.

Lic. Héctor Hernández-Pons Torres
Chief Executive Officer

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

Statement of Changes in Stockholders' Equity

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

December 31, 2011 and 2010
(amounts stated in thousands of Mexican pesos)

		Capital stock		Reserve for purchase of shares		Retained earnings
Balances at January 1, 2010	Ps	961,048	Ps	219,504	Ps	1,501,510 (1)
Capital decrease from purchase of shares		(14,136)		14,136		
Purchase of outstanding shares				(253,512)		
Capital increase from placement of shares		18,629		(18,629)		
Placement of shares				350,683		
Changes to reserve for purchase of shares				87,818		(87,818)
Payment of dividends						(424,692)
Comprehensive income (Note 3p.)						790,221
Balances at December 31, 2010		965,541		400,000		1,779,221 (1)
Purchase of outstanding shares				(266,656)		
Placement of shares				187,850		
Payment of dividends						(323,755)
Comprehensive income (Note 3p.)						764,947
Balances at December 31, 2011	Ps	965,541	Ps	321,194	Ps	2,220,413 (1)

(1) Includes Ps141,861 of legal reserve in both years.

The accompanying eighteen notes are an integral part of these consolidated financial statements, which were authorized for issuance on February 21, 2012 by the undersigned officers.

Lic. Héctor Hernández-Pons Torres
Chief Executive Officer

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

Premium on subscription of shares	Financial instruments	Cumulative translation adjustment	Controlling equity	Non-controlling equity	Total stockholders' equity
Ps 220,959		Ps 18,195	Ps 2,921,216	Ps 807,643	Ps 3,728,859
			(253,512)		(253,512)
			350,683		350,683
			(424,692)	(190,000)	(614,692)
	Ps 12,850	(12,655)	790,416	335,624	1,126,040
220,959	12,850	5,540	3,384,111	953,267	4,337,378
			(266,656)		(266,656)
			187,850		187,850
			(323,755)	(143,000)	(466,755)
	(56,706)	39,367	747,608	267,754	1,015,362
Ps 220,959	(Ps 43,856)	Ps 44,907	Ps 3,729,158	Ps 1,078,021	Ps 4,807,179

Consolidated Statements of Cash Flows

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

December 31, 2011 and 2010
(amounts stated in thousands of Mexican pesos)

Year ended December 31,	2011	2010
Operations		
Earnings before income tax	Ps 1,531,972	Ps 1,540,635
Items related to investment activities:		
Discontinued operations	(3,257)	(12,024)
Depreciation	153,778	125,668
Loss on sale of fixed assets	879	17,431
Net cost for the period of employee benefits	17,348	16,872
Interest earned	(77,038)	(54,099)
Equity share in earnings of associated companies	(30,277)	(24,452)
Other (expenses) income without cash flow	(1,064)	4,987
Items related to financing activities:		
Interest expense	163,236	130,215
Subtotal of items related to investment and financing activities	1,755,577	1,745,233
Increase in accounts receivable	(515,266)	(135,094)
(Increase) decrease in inventories	(96,407)	8,124
Decrease in other assets	(218,674)	(96,943)
Increase in suppliers	233,529	105,491
Increase in other accounts payable	128,027	95,392
Income tax paid	(462,213)	(511,005)
Net cash flows provided by operating activities	824,573	1,211,198
Investment activities		
Business acquired (Note 1)	(550,062)	(541,227)
Disposition of investments		5,000
Interest collected	77,038	55,409
Dividends collected		18,750
Acquisitions of property, machinery and equipment	(320,450)	(286,356)
Collections on sale of property, machinery and equipment	26,019	47,858
Net cash flows provided by investment activities	(767,455)	(700,566)
Cash surplus to be used in financing activities	57,118	510,632
Financing activities		
Cash inflow from issuance of certificados bursátiles (domestic bonds)	600,000	600,000
Long-term bank loans obtained	419,361	
Long-term bank loans paid	(313,743)	(264,102)
Long-term loans obtained from associated companies	290,828	154,771
Other long-term liabilities		13,920
(Purchase) placement of own shares - Net	(78,806)	97,171
Interest paid	(158,801)	(116,390)
Dividends paid	(466,755)	(614,692)
Net cash flows provided by financing activities	292,084	(129,322)
Net increase in cash and other cash equivalents	349,202	381,310
Cash and cash equivalents at beginning of year	805,507	424,197
Cash and cash equivalents at end of year	Ps 1,154,709	Ps 805,507

The accompanying eighteen notes are an integral part of these consolidated financial statements, which were authorized for issuance on February 21, 2012 by the undersigned officers.

Lic. Héctor Hernández-Pons Torres
Chief Executive Officer

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

Notes to the Consolidated Financial Statements

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

December 31, 2011 and 2010
Amounts stated in thousands of Mexican pesos, except exchange rates

Note 1 - Company activities and bases for presentation:

Grupo Herdez, S. A. B. de C. V. and its subsidiaries (HERDEZ) are mainly engaged in the manufacture, purchase, distribution and commercialization of canned and bottled food products in Mexico as well as food products for the Mexican food segment in the United States of America (U.S.). The Company produces and sells products pertaining to the following brands: Aires de Campo, Barilla, Chi-Chi's, Del Fuerte, Don Miguel, Doña María, Embasa, Herdez, La Victoria, McCormick, Wholly Guacamole and Yemina among others. For these purposes, HERDEZ and subsidiaries has forged alliances with leading companies worldwide, such as: McCormick and Company Inc. (McCormick), Hormel Foods Corp. (Hormel), Barilla GeR Fratelli S.p.A. (Barilla) and Grupo KUO, S. A. B. de C. V. (Grupo KUO) for the creation of Herdez Del Fuerte S. A. de C. V. (HDF).

a. Basis of preparation

The accompanying consolidated financial statements at December 31, 2011 and 2010 have been prepared in compliance with the provisions of Mexican Financial Reporting Standards (MFRS), to ensure fair presentation of the Company's financial position. The Company presents its costs and expenses in its statements of income under the functional classification criteria, based on the nature of the items thereof, whose main characteristic is that it separates the cost of sales from all other costs and expenses. Additionally, for better analysis of the financial situation, the Company has considered it necessary to show the operating profit separately in the statement of income, which is a common disclosure practice in the sector to which the company belongs.

In accordance with the guidelines of MFRS B-10 "Effects of inflation", the Mexican economy is currently in a non-inflationary environment, maintaining, over the past three years, a cumulative inflation below 26% (threshold 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, the figures in the financial statements at December 31, 2011 and 2010 are stated in historical Mexican pesos, modified by the effects of inflation on the financial information recognized up to December 31, 2007.

The inflation rates are as show below:

December 31,	2011	2010
Year's inflation	3.81%	4.40%
Cumulative inflation of the past three years	11.79%	15.19%

b. Relevant transactions

Creation of MegaMex Foods LLC (MegaMex)

Through a number of agreements entered into on October 26, 2009, HDF and Hormel formalized their association in a joint venture, thus creating MegaMex, to be engaged in the production, marketing, sale and distribution of food products (prepared food and Mexican style salsa, tortillas and vegetables) in the U.S. Said company was incorporated in the state of California in the U.S.

Acquisition of Don Miguel Foods (Don Miguel)

On October 6, 2010, HDF acquired, through its associated company, MegaMex, the company denominated Don Miguel, which is engaged in the production, marketing, distribution and sale of frozen and refrigerated food through premium brands in the U.S. This acquisition includes a production plant located in Dallas, Texas, as well as the Don Miguel, Gourmet Olé and other brands. The effective amount of the acquisition of Don Miguel corresponding to HERDEZ, share, totaled Ps541,227. See Note 9.

Acquisition of Avomex, Inc. (Avomex)

On August 22, 2011, HDF acquired, through its associated company, MegaMex, the company denominated Avomex, which is engaged in the production, marketing, distribution and sale of processed avocadoes and guacamole through premium brands in the U.S. This acquisition includes a production plant located in Texas, as well as Wholly Guacamole, Wholly Salsa, Wholly Queso and other brands. The effective amount of the acquisition of Avomex corresponding to HERDEZ, share, totaled Ps531,540. See Note 9.

Acquisition of Aires de Campo, S. A. de C. V. (Aires de Campo)

On September 6, 2011, HDF entered into a definitive agreement for the acquisition of 50% of Aires de Campo, which is mainly engaged in the distribution of a wide range of natural organic products, free of artificial additives, sweeteners, colors or preservatives in the following categories: refrigerated, processed, frozen and fruits and vegetables. The effective amount of the acquisition of Aires de Campo corresponding to HERDEZ, share, totaled Ps18,522. See Note 9.

c. Basis for consolidation

The consolidated financial statements at December 31, 2011 and 2010 include those pertaining to Grupo Herdez, S. A. B. de C. V. and subsidiaries mentioned below. All balances and transactions between them have been eliminated in consolidation.

The subsidiaries are consolidated at 100%, except for HDF, which is consolidated in proportion to its interest, as control is exercised jointly.

Company	Percentage of shareholding 2011	2010	Activity
Food:			
Herdez Del Fuerte and subsidiaries (HDF)	50%	50%	Gathering, manufacturing, commercialization and distribution of food products.
McCormick de México, S. A. de C. V. (McCormick)	50%	50%	Preparation and packing of food products.
Barilla México, S. A. de C. V. (Barilla México)	50%	50%	Purchase, importation, sale and distribution of all types of pasta.
Hormel Alimentos, S. A. de C. V. (Hormel Alimentos)	50%	50%	Purchase, sale, production, distribution, importation and exportation of all types of food products.
Services:			
Herport, S. A. de C. V. (Herport)	50%	50%	Shipping company engaged in the exploitation of fishing vessels.
Herdez Europa	97%	97%	Distributor.
Litoplas, S. A. de C. V. (Litoplas)	100%	100%	Purchase-sale of all types of plastic articles, sale and contract manufacturing of lithography products and plastic arts.
Seramano, S. A. de C. V. (Seramano)	100%	100%	Rendering of personnel services in the technical, administrative and accounting areas.
Herdez Capital, S. A. de C. V. SOFOM, E. N. R. (Herdez Capital)	75%	75%	Loan granting, capital lease operations.
Real Estate Group:			
Alimentos HP, S. A. de C. V. (Alimentos)	100%	100%	Leasing of property, machinery and equipment to group companies.
Comercial de Finanzas Netesa, S. A. de C. V. (Netesa)	100%	100%	Real estate company.
Quicolor de México, S. A. de C. V. (Quicolor)	100%	100%	Real estate company.
Promotora Hercal, S. A. de C. V. (Hercal)	100%	100%	Real estate company.
Herpons Continental, S. A. de C. V. (Herpons, Co.)	100%	100%	Leasing of real property and storage services provided to group companies.

MFRS to be applied retrospectively due to accounting changes and MFRS in effect as from January 1, 2011

The following MFRS or improvements thereto, as well as interpretations to said MFRS (IMFRS), issued by the Mexican Financial Reporting Standards Board (CINIF by its Spanish acronym) went into effect in 2011 and have been adopted with no major effects by the Company in preparing its financial statements.

Note 3 discloses the new accounting policies applicable to the Company.

MFRS B-5 "Financial information by segments".
MFRS C-4 "Inventories".
MFRS C-5 "Advance payments".
MFRS C-6 "Property, plant and equipment".
MFRS C-18 "Obligations associated to retirement of property, plant and equipment".
IMFRS 19 "Change arising from adoption of International Financial Reporting Standards".

Improvements to MFRS 2011:
MFRS B-1 "Accounting for changes and correction of errors".
MFRS B-2 "Statement of cash flows".
Statement C-3 "Accounts receivable".
Statement C-10 "Derivative financial instruments and hedging operations".
MFRS C-13 "Related parties".
Statement D-5 "Leasing".

Authorization of the financial statements

The accompanying financial statements and notes thereto were authorized for issuance on February 21, 2012 by Héctor Hernández-Pons Torres (Chief Executive Officer) and Ernesto Ramos Ortiz (Administrative and Corporate Practices Director).

Note 2 - Adoption of International Financial Reporting Standards (IFRS):

On January 1, 2012 for preparing its financial statements, the Company adopted the accounting framework established in IFRS, in order to comply with the provisions established by the National Banking and Securities Commission. In addition, and in compliance with IMFRS 19 “Change arising from adoption of International Financial Reporting Standards”, following is a summary of the amounts corresponding to the most significant cumulative changes in the main items of the consolidated financial statements at January 1, 2012:

Item	Amount of change
Decrease in property, plant and equipment	(Ps 35,366)
Increase in assets available for sale	20,913
Decrease in intangible assets	(51,814)
Increase in employee benefits	17,329
Decrease in bank loans	(8,340)
Decrease in deferred taxes	(22,481)
Decrease in capital stock	(389,916)
Decrease in premium on subscription of shares	(107,849)
Decrease in translation adjustment	(5,540)
Increase in retained earnings	450,529

The aforementioned significant changes represent Management’s best estimate at the date of issuance of these financial statements; due to which, the information presented is preliminary and subject to possible amendments arising from changes in certain accounting alternatives set forth in the current IFRS or from issuance of new IFRS.

Note 3 contains a description of the changes, if any, in the main accounting policies.

Note 3 - Summary of significant accounting policies:

Following is a summary of the most significant accounting policies, which have been applied consistently during the years presented, unless otherwise specified:

MFRS require the use of certain accounting estimates in preparing the financial statements. They also require that Management exercise its judgment in determining the Company’s accounting policies.

a. Consolidation -
   All significant balances and transactions carried out between consolidating companies have been eliminated in the consolidation. Consolidation was carried out on the basis of the subsidiaries’ financial statements.

b. Cash and cash equivalents -
   Cash and cash equivalents include cash balances, bank deposits and other highly liquid investments, with immaterial risks arising from changes in value.

c. Derivative financial instruments -
   All derivative financial instruments, classified as for 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 an active 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 stockholders’ equity, when said instruments are contracted to hedge against risks and meet all hedging requirements, including the documentation supporting their designation 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, when these requirements are not met, said changes are included in the Comprehensive Financing Result (CFR).

   In fair value hedging, both the derivative instrument and the item hedged are valued at fair value and fluctuations in valuation are applied to income in the same line item of the position they cover. In cash flow hedges, the effective portion is temporarily 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.

d. Inventories -
At December 31, 2011 and 2010, inventories and the cost of sales are stated at the first in first out method. Values so determined do not exceed their net realization value. See Note 7.

The allowance for obsolete and/or slow-moving inventories is determined based on studies conducted by Company Management and is sufficient to absorb any related loss.

In each accounting period, inventories are tested for impairment to identify obsolescence, damages in articles or impairment in the market value thereof. In the event future economic benefits of inventories are below their book value, an impairment loss is recognized and applied to the cost of sales for the period in which it arises.

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.

e. Permanent investments in associated companies -
Permanent investments in subsidiaries and associated companies are initially recognized on the basis of the invested amount, contributed or of acquisition. Subsequently, said investments are valued by the equity method, which consists of adjusting the value of the investment, contribution of acquisition of the shares, the latter denominated by the purchase method, by the proportional part of comprehensive profits or losses and the distribution of earnings from capital reimbursements subsequent to the date of acquisition. Losses in associated companies, due to reductions in the shareholding percentage, are recognized in the corresponding proportion, as follows: a) in the permanent investments, until it reaches zero; b) if there is a surplus after applying the matters described in prior point a), it is recognized in asset accounts until they reach zero; c) any surplus is recognized as a liability arising from legal obligations or assumed on behalf of the associated company, and d) loss surpluses, if any, not recognized in accordance with the above, must not be recognized by the holding company.

The Company's equity in the result of associated companies is shown separately in the statement of income.

Investments in associated companies recognize impairment losses, if any, by applying the equity method to the values recognized.

f. Investments in joint ventures -
Investments in joint ventures are recognized when there are contractual agreements with other entities in which there is shared control over the entity. Said investments are recorded by the proportional consolidation method, which consists of recognizing, in the venturer's financial statements, the proportional part of assets, liabilities, capital, income and/or expenses of the controlled entity in the aggregate.

Proportional consolidation of joint ventures is recognized in the financial statements as from the date on which common control commences and up to the date on which it ends.

On May 11, 2011, the International Accounting Standards Board (IASB) issued accounting standard IFRS 11 "Joint ventures", which eliminates the option to use proportional consolidation, leaving only the equity method option. The Company is currently in the process of reviewing the possible effects of this standard.

g. Property, machinery and equipment -
Property, machinery and equipment, including acquisitions due to capital leasing, are stated as follows: i) acquisitions conducted as from January 1, 2008 at their acquisition cost, and ii) acquisitions up to December 31, 2007 at their restated values, determined applying factors derived from the National Consumer Price Index (NCPI) to their acquisition costs up to December 31, 2007.

The acquisition cost of property, machinery and equipment, reduced by its residual value, is depreciated systematically by the straight line method, based on the useful lives of the assets, applied to the values of property, machinery and equipment, including those acquired under capital leasing. See Note 8.

Property, machinery and equipment are subject to annual impairment testing, only when signs of impairment are identified. Consequently, said items are stated at their modified historical cost, less accumulated depreciation and, if applicable, impairment losses. See Note 8.

Property, machinery and equipment intended for sale are valued at the lesser of their book value or at their estimated realization value. Said long-lived assets are not subject to depreciation.

h. Intangible assets -
Intangible assets are recognized when they meet the following criteria: are identifiable and provide future economic benefits and when there is control over those benefits. Intangible assets are classified as follows: i) definite life, are those for which the expectation to generate future economic benefits is limited by legal or economic conditions and are amortized by the straight-line method based on their estimated useful life, and are subject to annual impairment testing when signs of impairment are identified, and ii) those with an indefinite useful life are not amortized and are subject to annual impairment testing. See Note 9.

Intangible assets acquired or developed are stated as follows: i) as from January 1, 2008 at their historical cost, and ii) up until December 31, 2007 at their restated values, determined by applying factors derived from the NCPI to their acquisition or development cost up until that date. Consequently, said expenses are stated at their modified historical cost, less the corresponding accumulated amortization and impairment losses, if any.

i. Goodwill -
On the basis of MFRS B-7 “Business acquisitions”, the Company applies the following accounting guidelines to business acquisitions: i) the purchase method is used as the sole valuation rule, which requires that the purchase price be allocated to assets acquired and liabilities assumed, based on their fair values at the date of acquisition; ii) intangible assets acquired are identified, valued and recognized, and iii) the unassigned portion of the purchase price represents goodwill.

Goodwill is considered as having indefinite life and represents the excess of the cost of subsidiary shares over the fair value of net assets acquired and its value is subject to annual impairment testing; which is stated in a similar manner as intangible assets, as described in the paragraph above, reduced by impairment losses, if any.

j. Provisions -
Liability provisions represent current obligations for past events whose settlement will probably require the use of economic resources. Those provisions have been recorded on the basis of Management’s best estimate.

k. Deferred Income Tax (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, at the rates established in the tax provisions in effect at the date of the financial statements. The Company recognized deferred IT, as its financial and tax projections indicate that the Company will essentially pay IT in the future. See Note 15.

l. Deferred Employees’ Statutory Profit-Sharing (ESPS) -
Deferred ESPS is recognized 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, in which payment or recovery thereof is likely.

At December 31, 2011 and 2010, the Company has recorded no effect of deferred ESPS, which is debtor in nature and the amount thereof is not considered to be material in the context of the accompanying consolidated financial statements.

ESPS currently payable is shown in the statement of income under other expenses. See Note 16.

m. Employee benefits -
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 (NCP) 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).

Items still unamortized at December 31, 2007, known as transition liabilities, which include the workforce 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’ estimated working lifetime (12 years) up to 2007.

Actuarial studies of employee benefits incorporate the expected career salary increase hypothesis.

See breakdown of employee benefit plans in Note 13.

n. Financial instruments with liability-like features -
The financial instruments with liability-like features issued by the Company are recorded as liabilities as from their issuance, depending on the components thereof. Initial costs incurred in issuing said instruments are assigned to liabilities in the same proportion as the amounts of their components. Gains and losses related to financial instrument components classified as liabilities are recorded in the CFR.

o. Stockholders’ equity -
Capital stock, the reserve for the purchase of shares, the legal reserve, the premium on the subscription of shares and retained earnings are stated as follows: i) movements made as from January 1, 2008 at their historical values, and ii) movements made prior to January 1, 2008, at their restated values determined by applying factors derived from the NCPI to their historical costs at December 31, 2007. Consequently, the different stockholders’ equity items are stated at their modified historical cost.

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

p. Comprehensive income -
Comprehensive income is comprised of net income, financial instruments and the effects of conversion, which are reflected in stockholders' equity and do not constitute capital contributions, reductions and/or distributions. Comprehensive income for 2011 and 2010 is stated in historical pesos.

q. Revenue recognition -
Income from the sale of goods is applied to income when all of the following criteria is met: a) the risks and benefits of the goods have been transferred to the buyer and no significant control thereon is retained; b) income, costs incurred or to be incurred are determined on a reliable basis, and c) the Company is likely to receive economic benefits from the sale.

r. Other income allowances -
The allowance for doubtful accounts, rebates and discounts is recognized based on studies conducted by Company Management and is considered sufficient to absorb losses, rebates, discounts and reimbursements as per Company policies.

s. Earnings per share -
Earnings per basic ordinary share are stated in pesos and are the result of dividing net income for the year by the weighted average of shares outstanding, which was 429,656,527 and 426,231,201, during 2011 and 2010, respectively, resulting as follows:

Year ended December 31,		2011		2010
Basic income per ordinary share in controlling equity before discontinued operations	Ps	1.787	Ps	1.882
Effect of discontinued operations		(0.007)		(0.028)
Basic income per common share	Ps	1.780	Ps	1.854

t. 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 CFR, except for exchange differences that are capitalized along with other CFR components as part of the cost of ratable assets.

u. Foreign currency transactions -
The financial statements of foreign subsidiaries, considered as 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, 2011 and 2010 were translated at the closing exchange rates of Ps13.97 and Ps12.38 to the US dollar, respectively.
- Stockholders' equity at December 31, 2007 was converted applying the exchange rate in effect on that date and 2011 movements were converted at the historical exchange rates.
- Income, costs and expenses for the 2011 and 2010 periods were converted at the historical exchange rates, which averaged Ps12.30 and Ps12.63 to the US dollar, respectively.

Therefore, a translation effect was produced that was recognized under comprehensive income in stockholders' equity.

v. Segment information -
MFRS B-5 "Financial information per segments" requires the Company to analyze 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, as the markets they serve are different. Their activities are conducted through several subsidiaries. Transactions between operating segments are recorded at market value.

Revenue per segment and operating income are shown in Note 12, consistent with the manner in which Management analyzes, manages and controls the business. See Note 12.

Note 4 - Foreign currency position:

a. At December 31, 2011 and 2010, the Company had the following foreign currency assets and liabilities. The information is stated in thousands of US dollars (Dls.), which is the prevailing foreign currency.

		2011		2010
Assets	Dls.	34,002	Dls.	27,237
Liabilities		(63,836)		(49,849)
Net short position	(Dls.	29,834)	(Dls.	22,612)

At December 31, 2011 and 2010, the exchange rate was Ps13.97 and Ps12.38 to the US dollar, respectively. At February 21, 2012, date of issuance of the financial statements, the exchange rates had shown no significant variations.

At December 31, 2011 and 2010, the Company and its subsidiaries held certain instruments to protect against exchange risks as described in Note 5.

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

Year ended December 31,		2011		2010
Exports, including overseas sales	Dls.	122,549	Dls.	89,532
Imports, including foreign purchases		(26,089)		(52,014)
Royalties and technical service expenses		(13,748)		(13,892)
Net	Dls.	82,712	Dls.	23,626

Note 5 - Other current assets:

At December 31, 2011 and 2010, other current assets are comprised as shown below:

Balance at December 31,		2011		2010
Financial instruments	Ps	70,185	Ps	103,609
Prepaid advertising		90,518		96,739
	Ps	160,703	Ps	200,348

The Company's activities expose it to a number of financial risks: market risk (which includes foreign exchange risk, the risk of interest rates of cash flows and fair value, interest rate risk and price risk), the credit risk and liquidity risk. The general risk-management program considers the unpredictability of financial markets and seeks to minimize the potential negative effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is handled through the Finance Department, as per the policies approved by the Board of Directors. The entity identifies, evaluates and hedges financial risk in close coordination with its subsidiaries. The Board has approved written general policies with respect to financial risk management, such as the prices of certain raw materials and exchange rate.

As part of the raw materials hedging strategy during 2011 and 2010, the Company used derivative financial instruments to decrease the risk of price fluctuations. At December 31, 2011 and 2010, the balances forming part of other current assets are as follows:

		2011		2010
Investments in financial instruments	Ps	52,613	Ps	35,638
Fair value of derivative financial instruments		17,572		67,971
Net value of financial instruments	Ps	70,185	Ps	103,609

Raw materials

The total amounts of hedge agreements for the purchase of raw materials in effect at December 31, 2011 and 2010 are as follows:

		Notional amount (Dls.)		Notional amount pesos	Dates Starting	Dates Maturity	Position		Fair value (US$)		Pesos
2011	Dls.	45,282	Ps	632,984	Various	Various	Long	Dls.	1,015	Ps	14,194
2010	Dls.	27,217	Ps	336,995	Various	Various	Long	Dls.	5,490	Ps	67,971

Exchange rate

In its purchases of raw materials, the Company is exposed to fluctuations in the exchange rate of the Mexican peso to the US dollar, due to which, the risk management strategy has been approved by the Board, in order to minimize the foreign exchange risk in this type of transactions.

At December 31, 2011 and 2010, the characteristics of contracts designated as hedging are as follows:

		Notional amount (Dls.)		Notional amount pesos	Beginning date	Expiration date	Type of underlying asset		Fair value pesos
2011	Dls.	6,000	Ps	83,872	Various	Various	US dollar	Ps	3,378
2010	Dls.	20,000	Ps	247,634	Various	Various	US dollar	(Ps	2,355)

Interest rate

To reduce the risk of adverse movements attributable to the interest rate profile contracted with Financial Institutions in long-term debt subject to interest recognized in the balance sheet, to be paid as from July 2017 and up to December 2019, Company Management entered into the following interest rate swap agreement:

Year	Notional amount (thousands of pesos)		Beginning date	Expiration date	Interest rate: fixed - variable		Fair value (thousands of pesos)		
2011	Ps	300,000	July 5, 2010	December 5, 2019	7.79%	TIIE 91 days	(Ps	27,384)	*
2011	Ps	304,150	March 18, 2011	September 28, 2012		TIIE 28 plus 0.60	(Ps	43,506)	(1)
2010	Ps	300,000	July 5, 2010	December 5, 2019	7.79%	Libor 3 m plus 146 TIIE 91 days	(Ps	14,582)	*

* These derivative financial instruments were designated from the outset as cash flow hedges and effectiveness thereof is measured periodically.

(1) Interest rates and the exchange rate swaps.

At December 31, 2011 and 2010, Company Management has evaluated the effectiveness of its hedge accounting and considers its hedges to be highly effective.

The net effect recorded in stockholders' equity with deferred IT at December 31, 2011 and 2010 of financial instrument hedging and interest rate swaps totaled (Ps56,706) and Ps12,850, respectively. The amount included in comprehensive income, under stockholders' equity, is to be recycled simultaneously to income, when the affected by the hedged item is. Said amount is subject to changes arising from market conditions.

Note 6 - Analysis of balances and transactions with related parties:

The main net balances with related parties at December 31, 2011 and 2010 are follows:

Accounts receivable (payable):		2011		2010
Hechos con Amor, S. A. de C. V.	Ps	541	Ps	541
Herdez Del Fuerte - proportional consolidated (1)		1,222,505		884,717
McCormick and Company, Inc.		(33,873)		(15,757)
Herflot, S. A. de C. V.		(1,483)		(253)
Barilla Alimentare		(12,641)		(14,807)
Duque Jet, S. A. de C. V.		83		(287)
Desc Corporativo, S. A. de C. V.		(2,722)		(2,882)
Stafford de México, S. A. de C. V.		42,130		34,266
Fábrica de Envases del Pacífico, S. A. de C. V.		100,322		100,138
Other - Net		5,939		(2,364)
Net receivable	Ps	1,320,801	Ps	983,312

(1) Corresponding to net balances receivable from HDF subsidiaries, in the 50% that corresponds to the non-consolidated proportion. See Note 11.

During the year ended December 31, 2011 and 2010, the Company carried out the following transactions with related parties, using prices equivalent to those used in similar operations with independent parties:

Year ended December 31,		2011		2010
Transactions:				
Interest earned	Ps	11,196	Ps	11,237
Interest paid		(42,449)		(27,190)
Service income		6,375		6,439
Corporate expenses		(46,200)		(51,388)
Leasing expenses		(62,585)		(60,664)
Administrative services		(27,249)		(37,188)
Freight services		(15,491)		(15,102)
Commissions on sales		(300,817)		(326,842)
Purchase of labels and other materials		(393,808)		(318,720)
Other		(6,931)		(8,304)
	(Ps	877,959)	(Ps	827,722)

The total amount of the benefits granted to key managerial personnel or relevant directors is equivalent to that of similar operations conducted with other independent parties, as shown in Note 13k.

Note 3 - Analysis of inventories:

Year ended December 31,		2011		2010
Finished products	Ps	716,562	Ps	608,946
Semi-finished and in-progress agricultural products		5,828		6,495
Raw materials and packaging materials		269,602		250,715
Inventories held by contract manufacturers (maquiladores) and agents		49,510		46,515
Spare-parts warehouse		54,487		50,993
	Ps	1,095,989	Ps	963,664

Note 8 - Analysis of property, machinery and equipment:

Year ended December 31,		2011		2010	Annual depreciation rate
Components subject to depreciation:					%
Buildings	Ps	1,114,576	Ps	890,763	3 and 5
Machinery and tools		1,819,037		1,660,010	7 and 10
Fishing equipment		503,224		456,189	6
Furniture and office equipment		63,387		60,320	8
Stowing and transportation equipment		174,671		48,563	10 and 25
Electronic data processing equipment		91,115		85,218	25
		3,766,010		3,201,063	
Accumulated depreciation		(1,816,854)		(1,731,652)	
		1,949,156		1,469,411	
Components not subject to depreciation:					
Land		249,590		237,527	
Reserve for impairment		(148,065)		(142,056)	
Construction in progress and machinery in transit		121,382		261,351	
	Ps	2,172,063	Ps	1,826,233	

The allowance for impairment of assets corresponds to possible impairment due to closing of the Veracruz and Mazatlán plants, as mentioned in Note 17, and includes estimations of the realization value of assets and real property available for sale. At December 31, 2011 and 2010, property, machinery and equipment show no indication of impairment that would require additional adjustments to these reserves.

During 2009, construction began on a new distribution center in Cuautitlán, in the State of Mexico, which startup began in May 2011.

At December 31, 2011 and 2010, property, machinery and equipment showed the following movements:

Balances at December 31,	2010	Additions	Disposals	Effect of conversion	Transfers	2011
Buildings	Ps 890,763	Ps 46,894	(Ps 50,482)	Ps 34,544	Ps 192,857	Ps 1,114,576
Machinery and tools	1,660,010	115,288	(15,650)	(2,704)	62,093	1,819,037
Fishing equipment	456,189	47,035				503,224
Furniture and office equipment	60,320	1,968	3,106	(2,039)	32	63,387
Stowing and transportation equipment	48,563	7,151	(78)	616	118,419	174,671
Electronic data processing equipment	85,218	5,647	(4,428)	4,678		91,115
	3,201,063	223,983	(67,532)	35,095	373,401	3,766,010
Accumulated depreciation	(1,731,652)	(141,969)	56,767			(1,816,854)
	1,469,411	82,014	(10,765)	35,095	373,401	1,949,156
Land	237,527	11,409	(2,099)	2,753		249,590
Reserve for impairment	(142,056)	(6,009)				(148,065)
Construction in progress	261,351	247,466	(14,034)		(373,401)	121,382
Total	Ps 1,826,233	Ps 334,880	(Ps 26,898)	Ps 37,848	Ps -	Ps 2,172,063

Balances at December 31,	2009	Additions	Disposals	Effect of conversion	Transfers	2010
Buildings	Ps 854,931	Ps 13,161	(Ps 26,434)	(Ps 18,421)	Ps 67,526	Ps 890,763
Machinery and tools	1,594,741	169,136	(124,697)		20,830	1,660,010
Fishing equipment	456,189					456,189
Furniture and office equipment	62,574	4,018	(8,524)		2,252	60,320
Stowing and transportation equipment	58,161	204	(12,939)	83	3,054	48,563
Electronic data processing equipment	82,916	5,212	(6,256)		3,346	85,218
Other	4,911		(4,911)			
	3,114,423	191,731	(183,761)	(18,338)	97,008	3,201,063
Accumulated depreciation	(1,737,975)	(120,445)	126,768			(1,731,652)
	1,376,448	71,286	(56,993)	(18,338)	97,008	1,469,411
Land	233,290	6,353	1,758		(3,874)	237,527
Reserve for impairment	(156,535)	14,479				(142,056)
Construction in progress	181,373	215,475	(42,363)		(93,134)	261,351
Total	Ps 1,634,576	Ps 307,593	(Ps 97,598)	(Ps 18,338)	Ps -	Ps 1,826,233

Note 9 - Analysis of other intangible assets:

At December 31, 2011 and 2010, intangible assets are comprised as follows:

Balance at December 31,	2011	2010
Trademarks and patents	Ps 218,812	Ps 172,588
Goodwill of subsidiaries:		
Grupo Colibrí	68,671	68,671
HDF	1,674,283[1]	1,131,495
Barilla México	71,523	71,523
	1,814,477	1,271,689
Other	30,931	19,698
	Ps 2,064,220	Ps 1,463,975

(1) Includes Ps329,767 corresponding to final goodwill recorded as a result of the acquisition of Don Miguel in the last quarter of 2010.

As mentioned in Note 1, HDF acquired, through its associated company, MegaMex, the company denominated Avomex, which is engaged in the production, marketing, distribution and sale of processed avocadoes and guacamole through premium brands in the US. The cash amount for the acquisition totaled Dls.158,000, equivalent to Ps1,063,079 of which HERDEZ share was Ps531,540, generating goodwill of Ps164,260. At the period close, recognition of the acquisition in its entirety had not be completed. Once the determination of the fair values of acquired assets and assumed liabilities is completed, goodwill will be reviewed within the terms set out in the MFRS.

Following is a reconciliation of the values of intangible assets at the beginning and end of the period:

		Investment
Balances at beginning of period	Ps	1,463,975
Plus:		
Patents and trademarks		46,224
Goodwill recognized in the period		542,788
Other		11,233
Balances at end of period	Ps	2,064,220

During the year ended December 31, 2011 and 2010, these assets were not subject to amortization, and suffered no impairment adjustments.

Note 10 - Investments in shares of associated companies:

The investment in shares of associated companies at December 31, 2011 and 2010 is comprised of shown below:

	Investment in shares				Equity share in earnings for the period ended December 31,			
		2011		2010		2011		2010
Fábrica de Envases del Pacífico, S. A. de C. V.	Ps	116,394	Ps	84,457	Ps	30,277	Ps	24,452
Aires de Campo, S. A. de C. V.		6,329		4				
Other		29						
Total	Ps	122,752	Ps	84,461	Ps	30,277	Ps	24,452

Note 11 - Notes payable and long-term debt:

Notes payable

On February 18, 2011 and September 30, 2010, HERDEZ placed certificados bursátiles (domestic bonds) of Ps600,000, respectively, whose resources were used to replace short-term bank loans.

Notes payable and short-term debt at December 31, 2011 and 2010 are analyzed as follows:

		2011		2010
Certificados bursátiles (domestic bonds) in pesos, due on September 20, 2017, with interest payable semi-annually at the rate of 7.93%	Ps	600,000	Ps	600,000
Certificados bursátiles (domestic bonds) in pesos, due on February 13, 2015, with interest payable semi-annually at the rate of TIIE 28 days + 0.60%		600,000		
Bank loan in dollars, due on December 26, 2016 with amortizations as from 2014 and interest payable quarterly at the Libor 3M, plus 2.45%		419,361		
Bank loan in pesos, due on December 5, 2019, with amortizations as from 2017 and interest payable quarterly at a variable rate TIIE 91, plus 4.05%		600,000		600,000
Bank loan in dollars, due on March 2, 2011, with interest payable monthly at the variable rate Libor 1m, plus 2.90%				309,543
Bank loan in pesos, due on December 18, 2012, with amortizations and interest payable quarterly at a variable rate TIIE 91, plus 1.40%		4,200		8,400
Total notes payable		2,223,561		1,517,943
Less - short-term maturities		(4,200)		(313,743)
Long-term maturities	Ps	2,219,361	Ps	1,204,200

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

- Not exceeding 3 times leverage (consolidated liabilities with cost/EBITDA).
- Not reduce interest coverage (EBITDA/net financing expenses) to less than 3 times.
- Not to reduce capital stock to under Ps2,800,000.
- 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, 2011 and at the date of this report, there is no default that could modify loan conditions.

Long-term debt

At December 31, 2011 and 2010, the long-term debt is comprised as follows:

		2011		2010
Loans payable [(1)]	Ps	509,414	Ps	279,771
Commercial sale contracts [(2)]		75,105		13,920
Total long-term debt	Ps	584,519	Ps	293,691

(1) Loans payable correspond to the proportional part of HDF, and become due as follows:

	At December 31, 2011				
Company	Acquisition date	Expiration date		Amount contracted	Interest rate
Grupo KUO, S. A. B. de C. V.	May 31, 2011	Dec. 31, 2013	Ps	125,000	TIIE + 4.5%
Grupo KUO, S. A. B. de C. V.	Nov. 30, 2011	Dec. 31, 2014		174,734	Libor + 3.5%
Grupo KUO, S. A. B. de C. V.	Aug. 11, 2011	Aug. 31, 2014		209,680	Libor + 3.5%
			Ps	509,414	

	At December 31, 2010				
Company	Contracting date	Expiration date		Amount contracted	Interest rate
Grupo KUO, S. A. B. de C. V.	Sept. 30, 2009	Dec. 31, 2011	Ps	125,000	TIIE + 4.5%
Grupo KUO, S. A. B. de C. V.	Sept. 28, 2010	Sept. 28, 2012		154,771	Libor + 3.5%
			Ps	279,771	

There is an account receivable, in the same terms and conditions, with HDF, which corresponds to the amounts reflected in the years presented. See Note 6.

(2) Corresponds to commercial transactions due on February 2016.

Note 12 - 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,											
	2011						2010					
		Mexico		U.S.		Total		Mexico		U.S.		Total
Net sales	Ps	8,174	Ps	1,523	Ps	9,697	Ps	7,740	Ps	1,131	Ps	8,871
Operating income		1,350		186		1,536		1,489		143		1,632
Net income		691		74		765		723		67		790
Depreciation and amortization		119		35		154		111		15		126
EBITDA		1,469		220		1,689		1,600		158		1,758
CFR		(22)		29		7		89		6		95
Equity share in earnings of associated companies		30				30		24				24
Income tax		413		66		479		371		54		425
Total assets		7,213		2,091		9,304		5,978		1,327		7,305
Total liabilities		3,116		1,381		4,497		2,254		714		2,968

Note 13 - Employee benefits:

a. Following is a reconciliation between the initial and ending balances of the present value of Defined Benefit Obligations (DBO) for 2011 and 2010:

	Pensions				Other benefits at retirement			
		2011		2010		2011		2010
DBO at January 1	Ps	73,829	Ps	55,339	Ps	40,375	Ps	32,819
Plus (minus):								
Current service cost		4,931		3,146		4,547		4,682
Financial cost		5,451		4,855		2,587		2,768
Benefits paid		(601)		(5,711)		(4,744)		(6,164)
DBO at December 31	Ps	83,610	Ps	57,629	Ps	42,765	Ps	34,105

b. The value of acquired benefit obligations at December 31, 2011 and 2010 amounted to Ps50,195 and Ps32,586, respectively.

c. Reconciliation of fair value of Plan Assets (PA).

Following is a reconciliation between the initial and ending balances for 2011 and 2010, of the fair value of employee benefit PA:

December 31,		2011		2010
PA at January 1	Ps	56,379	Ps	43,452
Plus (minus):				
Interest for the period		1,565		5,583
Company contributions		8,600		9,250
Benefits paid		(915)		(1,906)
PA At December 31	Ps	65,629	Ps	56,379

d. Reconciliation of DBO, PA and Net Projected Liability (NPL).

Following is a reconciliation between the present value of the DBO and the fair value of PA and the Net Projected Asset/ Liability (NPA/L) recognized in the balance sheet:

December 31,		2011		2010
Labor liabilities:				
DBO	(Ps	126,374)	(Ps	83,650)
Less unamortized items:				
Actuarial losses (gains)		24,254		(4,831)
Transition liability		5,530		10,659
Market value of fund		65,629		56,379
NPL	(Ps	30,961)	(Ps	21,443)

e. Net Cost for the Period.

December 31,		2011		2010
Labor cost of current service	Ps	9,301	Ps	7,828
Financial cost		8,215		7,623
Expected return of PA		(4,915)		(3,710)
Net amortization of transition liability and improvements to plan		4,863		4,843
Actuarial gain or loss - Net		(116)		288
Total	Ps	17,348	Ps	16,872

f. Breakdown of PA.

Following is a breakdown of the PA 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.

Following is a breakdown of PA of defined benefits at December 31:

	Pension plan						Other benefits					
		2011	%		2010	%		2011	%		2010	%
Debt instruments	Ps	40,160	64	Ps	41,328	77	Ps	1,899	74	Ps	1,764	73
Capital increase		5,734	10									
Variable rate		17,185	26		12,644	23		651	26		641	27
Fair value of PA	Ps	63,079	100	Ps	53,972	100	Ps	2,550	100	Ps	2,405	100

g. Criteria for determining 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.

h. Main actuarial hypotheses.

The main actuarial hypotheses used, stated in absolute terms, as well as discount rates, PA yields, salary increases and changes in indexes and other referred assumptions at December 31, are as follows:

Item	Pensions		Other benefits	
	2011	2010	2011	2010
Discount rate	7.50%	7.75%	7.50%	7.75%
Expected rate of return on assets	7.75%	7.75%	7.45%	7.75%
Rate of salary increases	5.00%	5.00%	4.50%	5.00%

i. Value of DBO, PA and plan position over the last two periods:

The value of the DBO, the fair value of PA, the plan position, as well as the experience adjustments for the last two years are as follows:

	Pension plan Historical values					
Year		DBO		PA		Plan position
2011	Ps	83,610	Ps	63,079	Ps	20,531
2010		57,629		53,972		3,657
	Other benefits Historical values					
Year		DBO		PA		Plan position
2011	Ps	42,765	Ps	2,550	Ps	40,215
2010		34,105		2,405		31,700

j. Reserve for contributions to the plan for the following period.

It is estimated that for the following year, payments to employee benefit PA will be as follows:

Pensions and retirement	Ps	12,000
Other benefits at retirement		1,000
Total	Ps	13,000

k. 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,		2011		2010
Short and long-term direct benefits	Ps	21,245	Ps	6,100
Termination benefits		3,270		100
Total	Ps	24,515	Ps	6,200

Note 14 - Stockholders' equity:

At December 31, 2011, the Company's subscribed and paid-in capital stock totaled Ps432,275, plus an increase of Ps533,266, to express it in modified historical pesos of December 31, 2011, and is represented by 432,000,000 common nominative shares, with no par value.

At the April 2011 Ordinary General Stockholders' Meeting, the stockholders agreed to decree dividends in cash for its majority stockholders to be paid out from retained earnings in the amount of Ps323,755 (equivalent to 75 cents per share in ordinary dividends), and to its minority shareholders, as agreed at the April 2011 Ordinary General Stockholders Meetings of its subsidiaries, in the amount of Ps143,000.

At the April 2010 Ordinary General Stockholders' Meeting, the stockholders agreed to decree dividends in cash payable to its majority stockholders, with a charge to retained earnings of Ps424,692 (equivalent to 50 cents per share in ordinary dividends and 50 cents per share in extraordinary dividends) and to its minority stockholders, as agreed at the April 2010 Ordinary General Stockholders Meetings of its subsidiaries, in the amount of Ps190,000.

Dividends are free of IT if paid out from the After Tax Earnings Account (CUFIN by 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 by its Spanish acronym). Dividends exceeding the CUFIN and CUFINRE are subject to 42.86% tax if paid in 2012. Tax incurred is payable by the Company and may be credited against IT for the period and for the following two periods or, if applicable, against Flat Tax (FT) for the period. Dividends paid from previously taxed earnings are not subject to any tax withholding or 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.

During 2011 and 2010, the Company decided to take the following measures, which main purpose is to increase the securitization and liquidity of its shares outstanding in the stock market:

a. At the April 2011 and 2010 Stockholders' Meeting, the stockholders agreed on a maximum amount of Ps400,000 that the Company can use to purchase their own shares.

b. As from July 2010, agreements have been signed with financial institutions to act as market developer for its shares.

As a result of said measures, HERDEZ share activities in the stock market have increased as compared to the previous years. The stock repurchase fund, the purpose of which is to promote share liquidity, has increased its activity as shown below:

	December 31, 2011			December 31, 2010		
	Number of shares		Amount	Number of shares		Amount
Purchases	10,998,700	Ps	266,656	14,127,363	Ps	253,512
Sales	(7,702,800)		(187,850)	(18,617,400)		(350,683)
Neto	3,295,900	Ps	78,806	(4,490,037)	(Ps	97,171)

Up until December 31, 2010, the Company reported each movement with a charge to capital stock, reflecting the nominal increases and decreases shown in the statement of changes in stockholders' equity. As a result of the above-mentioned change, as from January 1, 2011, movements are reported with a charge to stockholders' equity, without affecting the nominal capital stock.

At December 31, 2011, the Company had 3,295,900 shares in the treasury. At December 31, 2010, all shares had been placed, thus no shares were held in the Company's treasury.

Note 15 - Income Tax and Flat Tax:

Income tax

HERDEZ has authorization, granted by Ministry of Finance on December 30, 1992, to determine its IT under the tax consolidation regime, together with its direct and indirect subsidiaries in Mexico, as per the provisions of the IT Law.

In 2011, the Company determined a consolidated tax profit of Ps230,590 (consolidated tax profit of Ps190,695 in 2010). Consolidated book and tax results differ mainly due to items taxed or deducted over time, differently for book and tax purposes, due to recognition of the effects of inflation for tax purposes, as well as to items only affecting either book or tax consolidated results.

On December 7, 2009, a decree was published, amending, adding to and repealing a number of provisions of the IT Law for 2011 and 2010, the most significant of which are as follows:

a. The IT rate applicable to 2012 is 30%, 29% for 2013 and 28% in 2014. At December 31, 2011 and 2010, the aforementioned change in rates gave rise to a decrease in the deferred IT balance of Ps5,052 and Ps1,048 at December 31, 2011 and 2010, respectively, with the corresponding effect on income for the year, which was determined based on the expected reversal of temporary items at the rates in effect at the time.

b. The possibility of using credits arising from an excess of deductions on income taxable for FT purposes (credit from tax loss for FT purposes) to reduce IT payable is eliminated, although they can be credited against the FT base.

c. The tax consolidation regime was modified to require that IT related to the tax consolidation benefits obtained as from 1999 be paid in installments during the period from the sixth to the tenth year following that in which said benefits were made use of.

   The aforementioned tax consolidation benefits stem from:

   - Tax losses used in tax consolidation that were not authorized on an individual basis by the controlled company that generated them.
   - Special consolidation items arising from operations conducted between the consolidating entities, and that generated benefits.
   - Losses from the sale of shares not yet deducted individually by the controlled company that generated those losses.
   - Dividends distributed by the consolidating controlled companies not paid out from the CUFIN or CUFINRE.

d. Differences between the consolidated CUFIN and CUFINRE and the balances of these same accounts pertaining to the Group's consolidated companies can give rise to income subject to IT.

   At December 31, 2011 and 2010, the Company recognized an income tax liability related to CUFIN differences of Ps54,617 and Ps88,117, respectively.

e. At December 31, 2010, the Company had unamortized consolidated tax losses of Ps168,295 expiring in 2018. During 2011, the Company amortized its total unamortized tax losses, generating a tax benefit of Ps50,489.

f. Following is a reconciliation of tax-consolidation-related IT balances:

IT liability		**2011**		**2010**
Initial balance at January 1	Ps	150,765	Ps	62,648
Increases:				
IT from differences in CUFIN and CUFINRE		54,617		88,117
Ending balance at December 31	Ps	205,382	Ps	150,765

Estimated deferred taxes in 2011 and 2010 are as follows:

		2011		**2010**
Deferred tax under tax consolidation	Ps	205,382	Ps	150,765
Deferred taxes		223,970		101,352
Total deferred taxes	Ps	429,352	Ps	252,117

The IT provision for 2011 and 2010 is analyzed as follows:

		2011		**2010**
Current IT	Ps	473,050	Ps	434,052
Deferred IT		5,819		5,219
Applied FT credits				(15,337)
FT		137		963
Total IT	Ps	479,006	Ps	424,897

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

Year ended December 31,		2011		2010
Income before taxes and discontinued operations	Ps	1,531,972	Ps	1,540,635
Statutory tax rate		30%		30%
IT at statutory rate		459,592		462,191
Plus (minus) the effect of the following permanent items on IT:				
Nondeductible expenses		2,233		1,809
Annual inflation adjustment and other permanent items		(16,266)		(8,361)
Effect of rate differences		11,766		(1,048)
Tax loss amortization				(57,209)
		457,325		397,382
Tax loss valuation allowance		21,544		41,889
Applied FT credits				(15,337)
FT		137		963
Total IT	Ps	479,006	Ps	424,897
Effective IT rate		31%		28%

The principal temporary differences at December 31, 2011 and 2010, for which deferred IT was recorded, are analyzed as follows:

December 31,		2011		2010
Provisions, allowances and intangible assets	(Ps	472,316)	Ps	7,745
Inventories		(186,349)		(217,547)
Fixed assets - Net		(283,384)		(307,001)
Prepaid expenses		(90,166)		(158,556)
Tax cost of shares		174,888		124,540
Royalties		36,859		13,701
Unamortized tax losses		226,016		359,583
Other		40,791		(32,106)
		(553,661)		(209,641)
IT rate		29.5%		29.5%
		(163,330)		(61,844)
Asset tax recoverable		2,793		2,793
Deferred tax		(160,537)		(59,051)
Tax loss valuation allowance		(63,433)		(41,889)
Deferred tax arising from reinvested tax profit				(412)
Total deferred taxes	(Ps	223,970)	(Ps	101,352)

Flat Tax

FT for 2011 was calculated at the rate of 17.5% on profit determined on a cash flow basis. Said profit is determined by subtracting authorized deductions from total income arising from taxable operations. The so-called FT credits are subtracted from the foregoing result, as established in current legislation.

Under current tax legislation, the Company must pay the higher of IT and FT annually.

On the basis of financial and tax projections, it was determined that the tax to be paid by the Company in the future will essentially be IT rather than FT, and therefore deferred IT was recorded rather than deferred FT.

Note 16 - Analysis of other income/expenses:

Other income and expenses incurred for the years ended December 31, 2011 and 2010 are comprised as follows:

December 31,		2011		2010
Provision cancellation	Ps	16,418	Ps	20,348
Total other income		16,418		20,348
Loss on the sale of fixed assets - Net		879		17,431
ESPS		13,428		13,680
Labor obligations transition liability				3,560
Provision for assets no longer in use		4,740		6,476
Business acquisitions complement		24,629		
Total expenses		43,676		41,147
Other expenses - Net	(Ps	27,258)	(Ps	20,799)

Note 17 - Discontinued operations:

As a result of the steps taken by HERDEZ Management to streamline its operations and future economic results, 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 items net of its tax effects:

		Period 2011		Period 2010
Veracruz plant closing (1)	Ps	448	Ps	555
Mazatlán plant closing (1)		2,682		2,682
Restructuring expenses (2)		1,523		13,095
Total		4,653		16,332
IT on discontinued item		(1,396)		(4,308)
Discontinued operations	Ps	3,257	Ps	12,024

(1) Close down of operations at the Veracruz plant, which is being relocated to the San Luis Potosí (SLP) plant. Operations at the Mazatlán plant are being relocated to the Chiapas plant. These reserves include disposal of assets, dismantling expenses and personnel layoffs.

(2) Expenses related to payment of severance.

Note 18 - New accounting pronouncements:

On January 1, 2012 and for preparing its financial statements, the Company adopted the accounting framework established in IFRS, in order to comply with the provisions established by the National Banking and Securities Commission. Therefore, the new accounting pronouncements in effect as from January 1, 2012 of MFRS will no longer be applicable.

Lic. Héctor Hernández-Pons Torres
Chief Executive Officer

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

Design: www.xdesign.com.mx Print: Earthcolor

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C018101

EMPRESA SOCIALMENTE RESPONSABLE

All efforts are important, and although the press run of this annual report is relatively small, we reiterate our commitment to the environment by using environmentally-safe materials.

The following are savings resulting from the use of recycled fiber.

- **1.76 trees preserved**
- **640 gal less water consumed**
- **304 lbs greenhouse gas prevented**
- **1.23 million BTUs energy not consumed**
- **This report was printed on Earth Aware® paper, FSC® certified, elemental chlorine free**

cotiza en Bolsa Mexicana
Empresa Sustentable
HERDEZ

INVESTOR RELATIONS
Andrea Amozurrutia Casillas
aac@herdez.com
Tel. 5201-5655 ext. 1703

DEPOSITARY BANK
The Bank of New York
Church Street Station
P.O. Box 11258
New York, N.Y. 10286-1258
Tel: 1-800-643-4269
www.stockbny.com

INTERNET WEBSITES
www.grupoherdez.com.mx
www.sabernutrir.com.mx
www.fundacionherdez.com.mx

www.grupoherdez.com.mx