GRUPO HERDEZ

We set things on the table

2012 ANNUAL REPORT


Barilla
Blasón
AIRES DE CAMPO
Búfalo
CHI-CHI'S
Del Fuerte
CARLOTA
Doña María
DON MIGUEL
Embasa
HERDEZ
Hormel
8
NAIR
La Victoria
McCORMICK
YEMINA
VESTA
WHOLLY GUACAMOLE
WHOLLY SALSA

GRUPO HERDEZ

GRUPO HERDEZ IS A LEADING PRODUCER OF SHELF-STABLE FOODS IN MEXICO, AND A LEADER IN THE MEXICAN FOOD CATEGORY IN
HOMEMADE SAUCES, HONEY, KETCHUP, MARMALADE, MAYONNAISE, MINI TACOS, MOLE, MUSTARD, PASTA, SPICES, TEA, TOMA
EXCEPTIONAL PORTFOLIO OF BRANDS, INCLUDING AIRES DE CAMPO, BARILLA, CHI-CHI'S, DEL FUERTE, DON MIGUEL, DOÑA MARÍA, E
CENTERS, 7 TUNA VESSELS AND A WORKFORCE OF MORE THAN 6,000 EMPLOYEES. THE COMPANY´S PRODUCTS ARE SOLD IN MEXIC
AND FOOD SERVICE CHANNELS.

» MISSION: TO PLACE WITHIN THE REACH OF CONSUMERS, PARTICULARLY IN MEXICO AND IN THE UNITED STATES, QUALITY FOODS
AND POSITION ITSELF AS A LEADING ORGANIZATION IN THE FOOD AND BEVERAGE INDUSTRY, RECOGNIZED BY THE QUALITY OF ITS PR
WITHIN A FRAMEWORK OF OPTIMAL CUSTOMER CARE AND SERVICE, UNDER STRICT PROFITABILITY CRITERIA, STRATEGIC POTENTI

CORPORATE STRUCTURE

BARILLA MÉXICO	50%	50%
McCORMICK DE MÉXICO	50%	50%
HORMEL ALIMENTOS	50%	50%
HERDEZ DEL FUERTE	50%	50%

50%
50%

PRODUCTION PLANTS

(CHIAPAS) CHIAPAS
(COAHUILA) SABINAS
(GUANAJUATO) ALIMENTOS
(MEXICO CITY) MEXICO
(OAXACA) INTERCAFÉ
(SAN LUIS POTOSÍ) EL DUQUE, INDUSTRIAS, BARILLA, DESHIDRATADOS DEL BAJÍO
(SINALOA) SANTA ROSA, LA CORONA, REVOLUCIÓN
(TEXAS, USA) DALLAS
(QUILLOTA, CHILE) AVOMEX

GRI: 2.1, 2.2, 2.3, 2.5, 2.6, 2.7, 2.9

THE UNITED STATES. THE COMPANY PARTICIPATES IN A WIDE RANGE OF CATEGORIES INCLUDING BURRITOS, COFFEE, GUACAMOLE, ATO PUREE, TUNA VEGETABLES AND ORGANIC FOODS, AMONG OTHERS. THESE PRODUCTS ARE COMMERCIALIZED THROUGH AN EMBASA, HERDEZ, LA VICTORIA, MCCORMICK, WHOLLY GUACAMOLE AND YEMINA. GRUPO HERDEZ HAS 13 PLANTS, 8 DISTRIBUTION CO, UNITED STATES, CANADA, COSTA RICA, EL SALVADOR, HONDURAS, NICARAGUA AND SPAIN THROUGH RETAILERS, WHOLESALERS

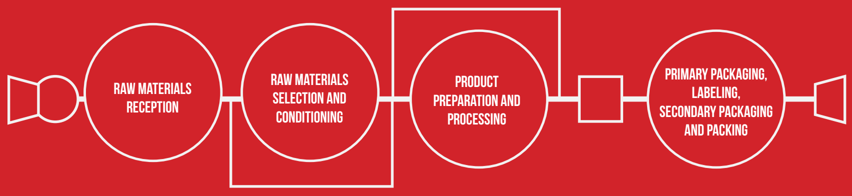
AND BEVERAGES UNDER BRANDS WITH GROWING PRESTIGE AND VALUE. » VISION: GRUPO HERDEZ AIMS TO CONSOLIDATE, GROW RODUCTS AND THE EFFECTIVENESS OF ITS EFFORTS DIRECTED TOWARDS SATISFYING THE CONSUMER'S NEEDS AND EXPECTATIONS; AL AND CORPORATE SOCIAL RESPONSIBILITY. » VALUES: HONESTY, RESULTS-ORIENTED, TEAM WORK AND TRUST.

DISTRIBUTION CENTERS

(BAJA CALIFORNIA) TIJUANA
(STATE OF MEXICO) CUAUTITLÁN
(JALISCO) GUADALAJARA
(NUEVO LEÓN) MONTERREY
(SAN LUIS POTOSÍ) SAN LUIS POTOSÍ
(SINALOA) LOS MOCHIS
(YUCATÁN) MÉRIDA
(TEXAS, USA) SAGINAW

THE PRODUCTION PROCESS

Our food production process consists of:



We provide our products to every family in Mexico and authentic Mexican flavor to homes in the United States.

WITH MORE THAN...

25	40	1,000
BRANDS	CATEGORIES	PRODUCTS

AND WITH...

13	8	7
PRODUCTION PLANTS	DISTRIBUTION CENTERS	TUNNA VESSELS

FINANCIAL HIGHLIGHTS 03 • LETTER FROM THE CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER 18 • IN LINE WITH OUR STRATEGY 22
SOCIAL DEVELOPMENT 28 • ENVIRONMENTAL DEVELOPMENT 34 • ECONOMIC DEVELOPMENT 40 • MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS 48
AUDIT COMMITTEE REPORT 50 • CORPORATE PRACTICES COMMITTEE REPORT 52• BOARD OF DIRECTORS AND MANAGEMENT TEAM 53 • CONSOLIDATED
FINANCIAL STATEMENTS 54 • GRI INDEX 109

Net Sales Mix

80%
DOMESTIC

20%
INTERNATIONAL

Operating Income Mix

82%
DOMESTIC

18%
INTERNATIONAL

Total Assets Mix

78%
DOMESTIC

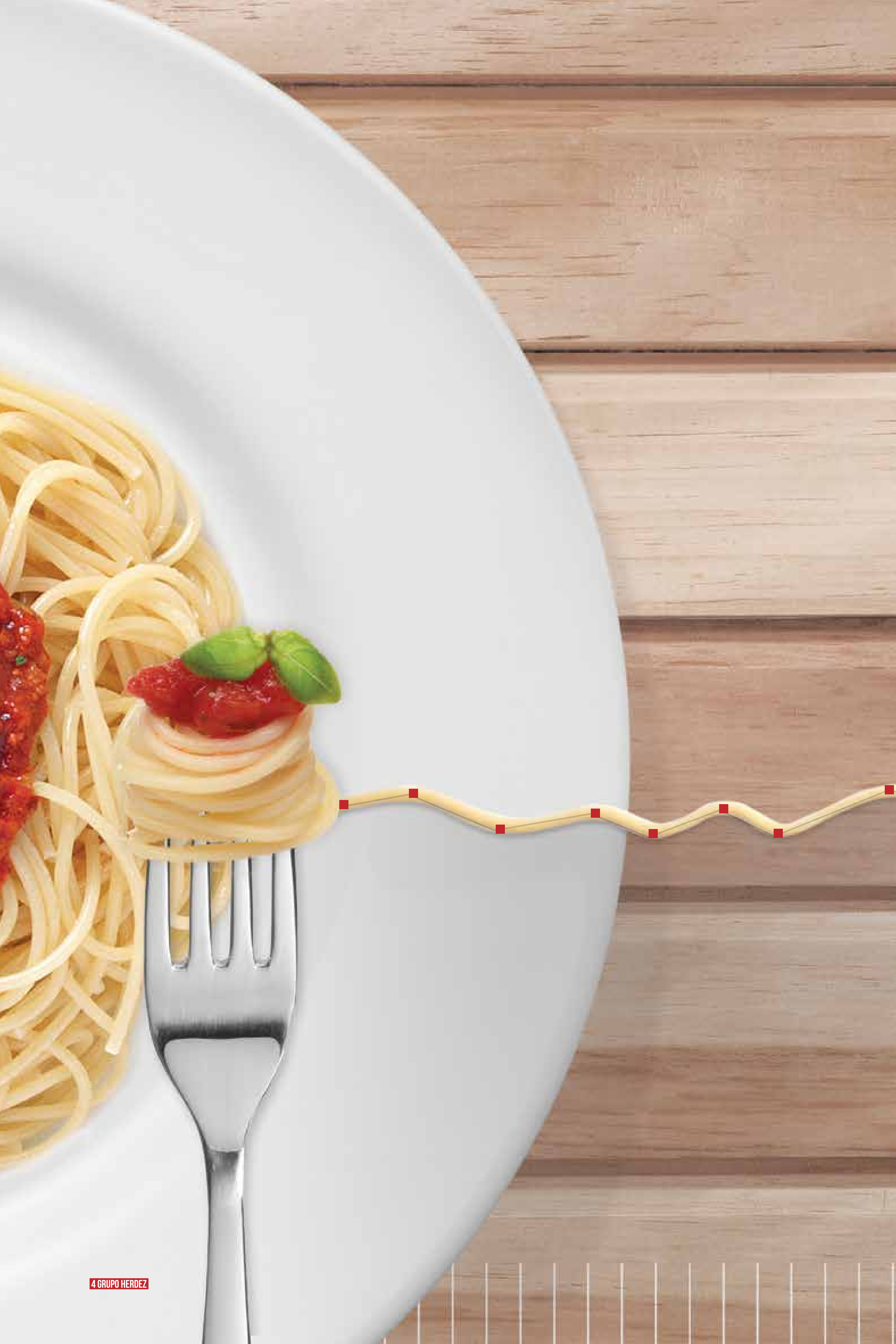
22%
INTERNATIONAL

Financial highlights

All figures are expressed in millions of nominal Mexican pesos (except for per share information and financial ratios) and are prepared in accordance with the International Financial Reporting Standards (IFRS).

	2012	2011	Var.
Net Sales	11,220	9,697	15.7%
Domestic	8,970	8,174	9.7%
International	2,251	1,523	47.8%
Cost of Goods Sold	7,264	6,153	18.1%
Gross Profit	3,957	3,544	11.6%
Operating Expenses	2,344	2,017	16.2%
Income Before Other Expenses (Income)	1,612	1,527	5.6%
Other Expenses (Income)	-43	15	
Operating Income	1,655	1,512	9.4%
Domestic	1,349	1,344	0.4%
International	306	169	81.5%
Consolidated Net Income	1,080	1,053	2.6%
Majority Net Income	790	768	2.9%
Domestic	643	693	-7.2%
International	147	74	97.7%
EBITDA	1,849	1,664	11.1%
Domestic	1,476	1,461	1.0%
International	374	203	83.7%
Total Assets	9,857	9,503	3.7%
Total Liabilities	4,504	4,758	-5.3%
Total Debt [1]	2,190	2,224	-1.5%
Consolidated Stockholders' Equity	5,353	4,745	12.8%
Majority Stockholders' Equity	4,158	3,682	12.9%
Net Debt / EBITDA (times)	0.61	0.64	
Net Debt / Consolidated Stockholders' Equity (times)	0.21	0.23	
Return On Assets	11.2%	12.5%	
Return On Equity	20.2%	21.7%	
Return On Invested Capital [2]	22.9%	22.4%	
Total Shares Outstanding as of Year End (Millions)	432	432	
EPS [3]	1.83	1.78	
Ordinary Dividend per Share [3]	0.85	0.75	
Bookvalue per Share [3]	12.39	10.98	
Price per Share as of Year End	39.70	24.89	

[1] Total Debt excludes the loans from holding companies to its associates
[2] Pre-Tax Calculation
[3] Considers the number of shares as of Year End



In a slowly recovering consumption environment...

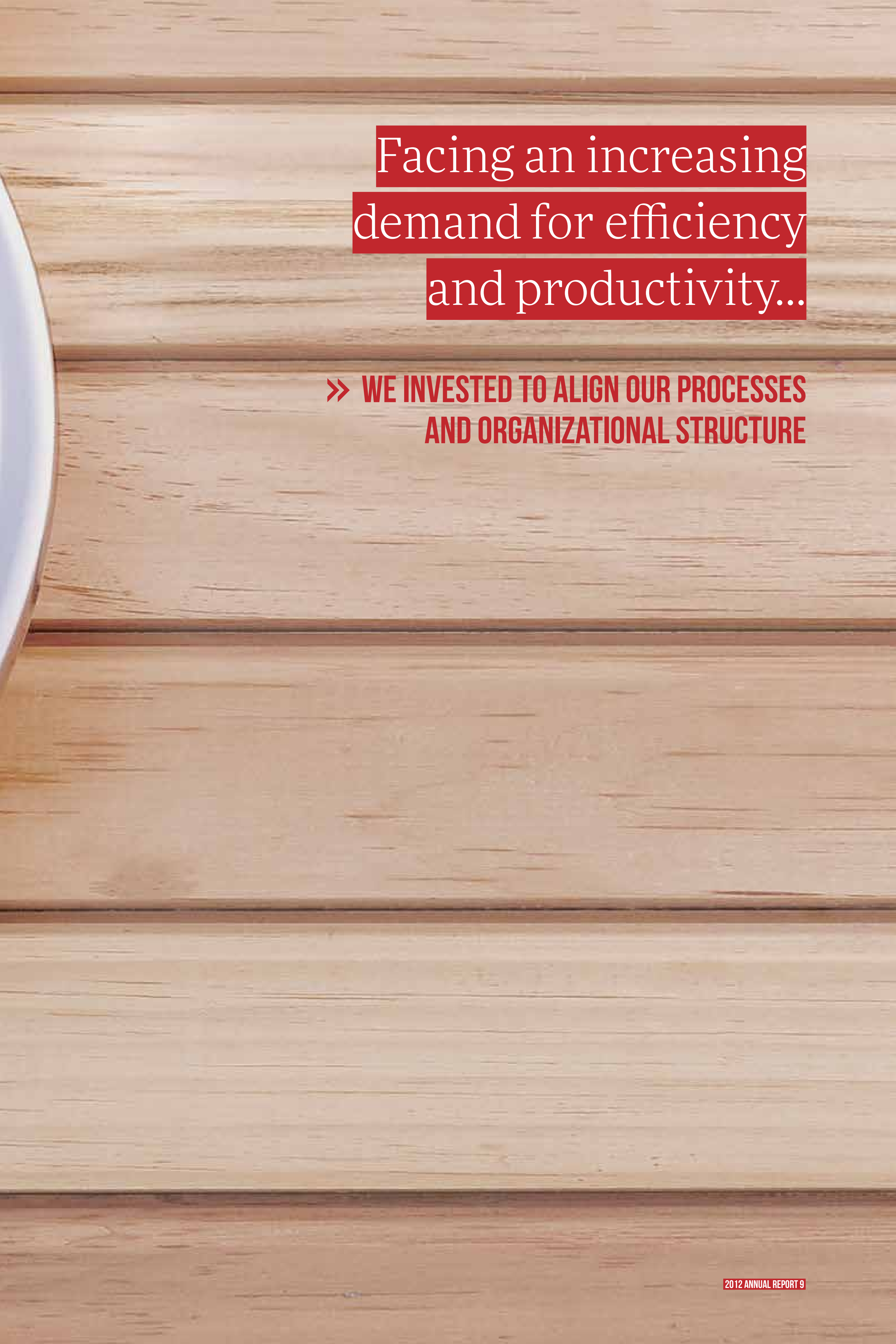
» WE KEPT OUR FOCUS ON THE MARKET

Given the increase in raw materials costs...

» WE ANTICIPATED OUR NEEDS TO MEET DEMAND

*PRICE INCREASES IN MEXICAN PESOS

*OPERATING INCOME/ (AVERAGE MAJORITY STOCKHOLDER'S EQUITY + DEBT)



Facing an increasing demand for efficiency and productivity...

» WE INVESTED TO ALIGN OUR PROCESSES AND ORGANIZATIONAL STRUCTURE

Due to the high levels of malnutrition and obesity in the country...

» WE DELIVERED OVER A MILLION HOURS OF NUTRITION EDUCATION

Backed by our brands' experience...

» WE OFFER THE HIGHEST QUALITY PRODUCTS

50 YEARS

OF "CON TODA CONFIANZA... ES HERDEZ ®"

65 YEARS

OF "PÓNGALE LO SABROSO" OF McCORMICK® TO MEXICO

We set the results on the table

9.4%

OPERATING INCOME

11.1%

EBITDA


15.7%
NET SALES
9.7%
DOMESTIC
47.8%
INTERNATIONAL

Our flexibility to address gives us the strength to the changing environment continue growing.

»

Dear shareholders,

IN 2012, GRUPO HERDEZ CONTINUED TO EVOLVE AS A RESULT OF HAVING VENTURED INTO CATEGORIES WITH STRONG POTENTIAL AND HIGH PROFITABILITY.

TODAY, OUR COMPANY IS VERY DIFFERENT FROM WHAT IT WAS FIVE YEARS AGO.

Driven by our strategy, we modified the structure of our product portfolio to participate in new market segments in which we foresee great dynamism in the years to come.

We maintain our industry leadership through innovation and segmentation, with special emphasis placed on sales execution.

The capacity Grupo Herdez has to quickly address the changing environment and responsibly take advantage of new opportunities has made it possible to stay relevant for our consumers and customers.

The Company's net sales reached a new record of $11,220 million pesos, while back in 2007 they were only $6,600 million pesos, translating into compounded annual growth of 11.2%. Over these five years, net income has increased from $305 to $790 million pesos, equivalent to compounded annual growth of 21%. In addition, international operations accounted for 20% percent of net sales in 2012, compared to only 7% in 2007.

Managing growth is not an easy task, as the long term must take precedence over immediate results, and investments should be made across the entire value chain to ensure that resources are sufficient, properly aligned and being used efficiently.

In 2012 we allocated resources to the redesign of organizational processes and structures throughout the company, to ensure continuous and effective execution of our strategy.

2012 PERFORMANCE

It is not common to face so many different pressures on raw material costs in a single year. In 2012, we faced one of the most severe droughts in the United States, which affected grain crops. Moreover, a bird flu impacted the price of eggs, in addition to unfavorable fish catches for tuna and significant volatility in the exchange rate.

Despite these challenges, our results in 2012 were satisfactory. Net sales for Grupo Herdez rose 15.7% compared to 2011. Half of this increase was due to the acquisition of Wholly Guacamole ® in the United States, and the other half was due to solid 9.7% organic growth in the domestic market.

Operating income totaled $1,655 million pesos, a 9.4% increase in comparison with the previous year, while EBITDA was $1,849 million pesos, a rise of 11.4% over the previous period. As of year-end, Majority net income totaled $790 million pesos.

The ratio of consolidated debt to EBITDA was 1.2 times, excluding the $1,064 million pesos in cash on hand. This healthy financial structure allowed us to continue growing and venturing into new businesses.

Majority stockholders' equity rose 12.9% excluding dividends declared. Taking dividends into account, stockholders' equity grew 22.8%.

Returns on invested capital before tax and on majority equity were 22.8% and 20.2%, respectively, in line with results obtained in recent years.

2012 marked 65 years of adding extra flavor to Mexico with McCormick®. We celebrated the anniversary by fully entering the gelatin segment, in which we gained a 5% market share in just four months.

We also made a creative tribute to Mexican families, who with total confidence have opened the door to the Herdez ® brand for 50 years. We broke a Guinness record together with families by obtaining more than 15,000 digital photos.

We reached an agreement with Cargill, a world leader in food ingredients, to commercialize Truvia® in Mexico. Truvia® is a natural sweetener with zero calories originated from stevia that has been widely accepted in the global market, which is why we are confident that our agreement with Cargill, a Company we have had a relationship with for many years, will also be a success in our country.

Turning to MegaMex, Don Miguel® received several awards for the increased market penetration of the mini tacos in the convenience channel.

Notable capital expenditures included:

» Construction of the McCormick® mayonnaise plant in the State of Mexico.
» Relocation of the McCormick® marmalade plant to San Luis Potosi.
» Increase in capacity for long Barilla® pastas.
» Renovation of the entire line of sterile packaging for Del Fuerte®.

The ongoing commitment of Grupo Herdez to social responsibility and sustainability yielded results again in 2012. Among the various activities carried out during the year, the Saber Nutrir® program stands out, through which we provided more than one million hours of nutrition education, benefiting more than 500 primary schools in 68 marginalized communities in seven states in Mexico. The program was so successful that in 2013 we are aiming to double the number of hours of education.

The wellbeing of our colleagues is also a priority. With the purpose of encouraging them to adopt healthier lifestyles, in 2012 we launched a program for healthy diets and another for physical activity in two of our locations. We achieved excellent results with a high level of acceptance.

2013 OUTLOOK

We share the favorable environment foreseen for Mexico, which will undoubtedly be reflected in personal consumption.

In the particular case of Grupo Herdez, we expect greater stability in raw material costs and exchange rates, stable growth in domestic sales supported by more and better investments in the market and timely sales execution.

We will continue to allocate resources to the organization's processes and begin to consolidate the three facilities located in Los Mochis, Sinaloa.

Throughout the year all of our brands will reinforce their presence by introducing new products.

In the coming weeks, we expect to complete the tender offer for a 100% stake in Grupo Nutrisa, S.A.B. de C.V., a leading brand in the frozen yogurt and natural products segment, with a network of over 360 stores and franchised locations throughout Mexico.

For Grupo Herdez, acquiring this fascinating business represents the entry to a market with great potential through a new sales channel, allowing us to be more connected with consumers.

I would like to take this opportunity to thank you, our shareholders, for your trust; our consumers for their preference; our partners for their commitment; and in particular, to all my colleagues of Grupo Herdez for their tireless efforts and invaluable contribution to achieving our 2012 results.

We set things on the table.

Sincerely,

Héctor Hernández-Pons Torres
Chairman and Chief Executive Officer

IT'S VERY STRAIGHTFORWARD

IN 2012 WE ACHIEVED RECORD RESULTS AND INVESTED IN OUR FUTURE GROWTH. OUR STRATEGY HAS LED US ON A DYNAMIC PATH OF INNOVATION, DIFFERENTIATION AND SCALE.

19.0%
RETURN ON EQUITY*

In the past five years we have diversified our product and brand portfolio, either through own development, or via acquisitions or strategic partnerships. In addition, we entered the United States market with some of the fastest growing and highest potential brands and product categories, strengthened our profile in the capital markets, and leveraged our corporate values and capabilities to deliver benefits to a broad range of stakeholders across the communities where we operate.

RECORD RESULTS BACKED BY STEADY EXECUTION

Sales and operating profits reached record levels in 2012 despite a broadly stable consumption environment.

Among the main commercial developments in Mexico, the successful launch of the McCormick® gelatins in the final quarter of the year is noteworthy, since it captured 5% market share in four months. This product introduction was the result of our consumer studies that indicated a desire for McCormick® branded desserts, and of our continuous search for relevant and differentiated products to offer to our consumers.

*NET MAJORITY INCOME / MAJORITY STOCKHOLDER'S EQUITY

In the hot sauces category, the Bufalo® brand innovated through new flavors, while Doña Maria® extended its product line with new ready-to-serve presentations and new flavors. In 2012 we also reinforced the Aires de Campo® brand, a leader in organic products, delivering more than 40% sales growth for the year. In 2013, we will focus on consolidating and restructuring that supply chain. Lastly, we revised our approach for the tuna category by adapting presentation sizes to market needs.

It should be noted that the entire portfolio benefited from a broad realignment and segmentation process, aimed at maximizing the value and market position of each brand. The commercialization, market positioning and product redesign are ongoing processes that are already showing promising results.

We also continue to enhance our distribution and production capabilities. The new distribution center completed its first year of full operation in 2012, allowing us to be more synchronized with our clients. In order to meet market demand, we are investing in expanding production capacity at the Barilla plant, the first expansion since the alliance was formed in 2002.

In the United States, sales benefited from the integration of the guacamole products and the launch of new refrigerated salsa flavors. The Wholly Guacamole® products significantly strengthened the MegaMex multi-brand, –category and –channel strategy, allowing us to grow our food service client base and to enter new aisles within existing points of sale.

Today, HERDEZ® is the fastest-growing salsa brand in the United States, with sales rising at a consistent double-digit rate. We are introducing line extensions such as enchilada and cooking sauces, and foresee additional growth potential as we expand our scope into other categories such as tortillas and chips.

The authenticity of this brand makes it unique in the US market. In 2012, the American Advertising Federation recognized the HERDEZ® "Authentic Stories" advertising campaign with three ADDY® awards; the campaign features five real people cooking their own recipes using HERDEZ® products.

As planned, we completed the order-to-cash integration process of Don Miguel into MegaMex in 2012, as well as food service sales. We also completed the modernization of the Don Miguel plant to ensure quality remains on par with MegaMex standards.

At the corporate level, we maintained our focus on flexibility through risk management strategies, which allowed us to offset the pressure on raw materials costs and register record high operating income. The most notable pressure came from soybean oil, which remained at historically high levels; tuna, which faced supply scarcities due to a reduction in the catch; and eggs, which were impacted mid-year by bird flu. Many of the Company's other raw materials are priced and purchased on international commodity markets in US dollars, thus the strengthening of the dollar during the first nine months of the year compounded the effect of higher unit costs.

PREPARING FOR FUTURE GROWTH

Since 2005, Grupo Herdez has tripled its top line in terms of the total sales it's subsidiaries generate. However, structures, processes and systems have not been upgraded at the same pace. Therefore, in 2012, we initiated a comprehensive restructure and modernization of the systems across the Company.

Investments have been allocated with a focus on strengthening and aligning processes in sales, supply chain, human resources, finance and administrative functions, among others.

The objective is to optimize our structure and align processes between the different areas, and thus continue transforming the Company from a product supplier into a solutions provider.

The new structures being put into place ensure the ongoing evaluation and improvement of people and operating methodologies.

This comprehensive restructure will translate into a better focused commercial strategy, with an emphasis on the point of sale, leading to greater segmentation which is vital to continue consolidating our position in the market. At present, segmentation is taking place across the product portfolio and distribution channels, as well as amongst our clients.

In 2013 we will continue to review, align and invest in our people, systems and processes to guarantee the sustainable and profitable growth of Grupo Herdez.

Committed to sustainability, promote the values that we work together to characterize us

»

Social Development

SABER NUTRIR EXCEEDED THE TARGET OF 1 MILLION HOURS OF NUTRITION EDUCATION, THANKS TO YOU AND THE 21 PARTICIPATING BRANDS, THOUSANDS OF CHILDREN AND FAMILIES WHO RECEIVED DIETARY GUIDANCE WILL ACHIEVE A GOOD DEVELOPMENT AND A BETTER FUTURE

Internal Social Scope

OUR PEOPLE

WE HAVE 6,370 EMPLOYEES

TYPE OF LABOR REGIMEN			TYPE OF CONTRACT	TYPES OF EMPLOYEES*
Unionized	Men	1,435	100% Fulltime permanent jobs	53% Administrative (employees)
	Women	1,617		
Non Unionized	Men	2,477	Temporary jobs for a given period of time	47% Operational (workers)
	Women	841		

*We have no outsourced employees

» 47% of our employees are covered by a collective bargaining agreement. When significant organizational changes occurred, we notified between 15 to 30 days in advance.

48% OF OUR EMPLOYEES ARE WOMEN
WITH SALARIES EQUAL TO THOSE EARNED BY MALE EMPLOYEES
26% HOLD MANAGEMENT POSITION
2% HOLD AN EXECUTIVE POSITION

GRI: 2.8, S01, LA1, LA4, LA5, LA13, LA14

We offer compensation and benefits above to those established by Mexican law.
» All employees have life insurance coverage (based on wages and seniority).
» Non-union workers are covered by a third party retirement, death and disability benefit plan.
» The Company offers maternity and paternity leaves, with a 98% back to work rate.
» The Company also offers flexible schedules for mothers and students, technical training, personal development and sports promotion plans.

We work every day to maintain a safe working environment.
» Our safety committees guarantee compliance with the occupational health and safety aspects included in the collective bargaining agreements.
» Between 1% and 4% of all of our employees sit on a health and safety committee.
» Our job accident rate was reduced in 5% and disability permits in 22%.

	RATE
Accidents	208 accidents
Occupational diseases	0
Days lost	2,607 days
Disability permits	2.34% rate
Deaths	0

Due to the nature of our operation, which is subject to market conditions, in 2012 we created 814 temporary jobs (326 women, 488 men). Turnover employee rate: 12%.

The Company offers different options to the employees to adopt healthier lifestyles:

- During the year, 150 employees participated in the Healthy Diet Plan and 70 in the Physical Activation Plan. We also provided:
  - Medical exams, blood donation and vaccinations campaigns, diabetes, breast cancer and high blood pressure detection tests.
  - Talks on first aids, chronic acoustic trauma, smoking, high blood pressure and obesity.

PROFESSIONAL DEVELOPMENT

- The Company invested over $4,000,000 pesos to provide more than 93,000 hours of training courses.
- 50% of our employees received job performance evaluations.

Convinced of the valuable professional contributions of our employees, Grupo Herdez offers professional growth and development through a variety of training programs.

The Skills and Performance Division determine the model based on skills and abilities for each position, finding the careers paths to secure growth within the organization. They also apply organizational climate surveys every three or four years.

Average training per employee is 14.72 hours per year with 93,794 hours of training courses provided.

- "Compite" (Compete) was designed to develop institutional employee skills. This year, the program achieves to train our entire workforce.
- "Lider Herdez" (Herdez Leader) with 19 workshops accomplished the participation of 439 employees from five plants, located in Mexico City, San Luis Potosí, Guanajuato, Los Mochis, Tapachula and the headquarters also located in Mexico City. This workshop included employees in a supervisory position to help them exercise effective leadership on all work teams with an emphasis on the proper and fair treatment that helps consolidate the company's values.

HUMAN RESOURCES DEVELOPMENT PROJECT

The HR model features the following processes: four strategic, seven operational, three support and one management/ improvement.

The Division's operational model includes three key roles executed in each process.

1. Human Resources Manager is responsible for managing all HR client relations.
2. Excellence Center provides specialized consulting services. Resolves complex service requirements. Provides guidelines and services through the HR Manager.
3. The Service Center provides centralized transactional HR services to all Group companies.

GRI: LA2, LA8, LA10, LA11, LA12

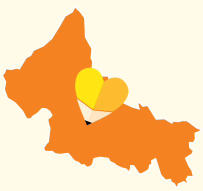
External Social Scope

"SABER NUTRIR" PROGRAM

WE SURPASSED OUR GOAL OF ONE MILLION HOURS OF NUTRITION EDUCATION RECEIVED

The program is currently running in seven states across the nation including Chiapas, Jalisco, Mexico City, Nuevo León, Oaxaca, San Luis Potosí and Sinaloa.

- We taught 1,023 million hours on food-related education to 500 elementary schools and 68 rural communities, contacting over 500,000 teachers, parents and students.
- In rural communities, we taught 3,000 hours of courses on nutrition orientation, health and hygiene, chronic diseases and management of productive projects, among other subject matters.
  - We delivered over 24,000 nutrition packs.
  - 3,000 individuals are currently subject to nutrition monitoring processes, while 64% of the beneficiaries have won the war against malnutrition achieving a healthy weight for their age.
- There are seven social projects operating on the coast of Oaxaca, and we also built 150 ecological stoves, 70 ecological bathrooms and 111 poultry farms.

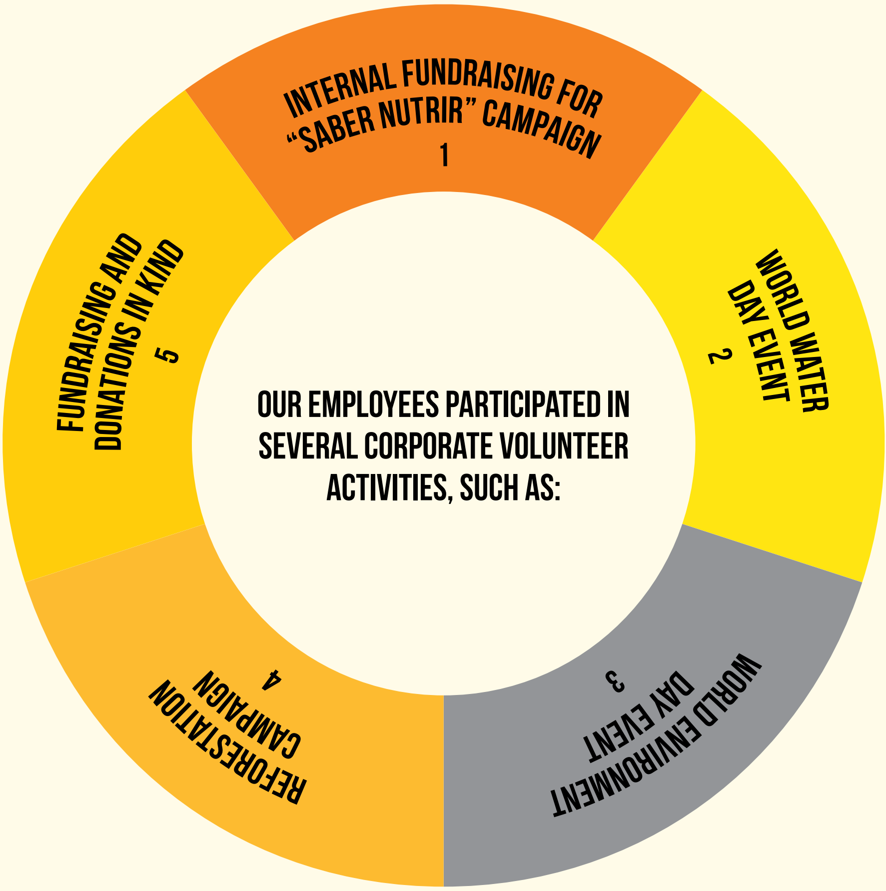


SAN LUIS POTOSÍ - XILITLA	OAXACA - OAXACA	CHIAPAS - TAPACHULA
1,980 INDIVIDUALS DIRECTLY BENEFITED	**720** INDIVIDUALS DIRECTLY BENEFITED	**580** INDIVIDUALS DIRECTLY BENEFITED
46 COMMUNITIES BENEFITED	**7** COMMUNITIES BENEFITED	**15** COMMUNITIES BENEFITED

Organizations we support:

- UN KILO DE AYUDA, A.C.
- INSTITUTO NACIONAL DE CIENCIAS MÉDICAS Y NUTRICIÓN SALVADOR ZUBIRÁN
- ASOCIACIÓN MEXICANA DE BANCOS DE ALIMENTOS, A.C.
- CÁRITAS EMERGENCIAS, A.C.
- CRUZ ROJA MEXICANA

VOLUNTEER WORK



1	**130 EMPLOYEES** SIGNED UP TO HELP
2	**200 EMPLOYEES** SIGNED UP TO HELP
3	**386 EMPLOYEES** SIGNED UP TO HELP
4	**145 TREES** PLANTED
5	**1,050 PRODUCTS DONATED** TO THE SAN NICOLAS TOLENTINO SENIOR CITIZEN'S HOME (SLP). **1,356 PRODUCTS DONATED** TO AGRICULTURAL COOPERATIVES ON THE GLOBAL FOOD DAY. **21 LIFESAVER WATER FILTERS** AND **100 BLANKETS** BOTH DONATED IN SAN LUIS POTOSÍ. TOYS DONATED TO CELEBRATE CHILDREN'S DAY IN PUERTO CHIAPAS AND SAN BENITO.

HERDEZ FOUNDATION

PROMOTES AND SPREADS FOOD AND NUTRITION KNOWLEDGE AMONG DIFFERENT POPULATION GROUPS

Fundación HERDEZ

	PROGRAM	RELEVANT ASPECTS
1	THE MEXICAN GASTRONOMY LIBRARY	» Received 3,768 users. » Participation in the "Private Archives in Mexico; Rescuing Old Recipe Books" seminar cycle and in the "Documentary research" exhibition as part of the World Book Day.
2	GUIDED TOURS	» The museum received 15,139 visitors and 40 guided tours. » Participation in the National Summer Culture Promotion program.
3	ACADEMIC PROGRAM	» Organization of 12 academic events with the assistance of 618 people. » Support six students and three volunteers through the "Professional Internship Program". » "Fundación Herdez visits your plant" program in San Luis Potosí, achieves the attendance of 500 employees. » Book publication of "El frijol, un regalo de México al Mundo" with 1000 copies and donation to 78 institutions including 18 organizations abroad. » Book donation of "El Chile, protagonista de la Independencia y la Revolución", 112 copies to libraries and Colleges. » Participation in the Guadalajara 2012 International Book Fair. » FH renewed the enrollment with the National Registry of Scientific and Technological Institutions and Enterprises (RENIECYT), an instrument supported by the National Council of Science and Technology (CONACYT). This certifies the fact that our institution continues to engage in R&D food activities.
4	DONATIONS PROGRAM	» Donation of 3,654 cases of food for natural disasters victims in the states of Chihuahua and Durango through Cáritas Emergencias and Cáritas Guadiana. » With the support of the Mexican Food Banks Association (AMBA) we donated 147,455 cases of food and 18,438 items to 81 institutions. » Award from Universidad del Claustro de Sor Juana (UCSJ) for our contribution to the professional internship program for over the last ten years.

Fundación Herdez is associated with different institutions in the education sector such as:

» Red de Museos Circuito Centro Histórico.
» International Committee for Regional Museums (ICRM).
» Fomento de Nutrición y Salud. Cuadernos de Nutrición.
» Asociación Mexicana de Archivos y Bibliotecas Privadas (AMABPAC).

Environmental Development

GRUPO HERDEZ ENGAGES IN ACTIONS TO PRESERVE AND CARE FOR THE ENVIRONMENT, CREATING AN INTERNAL CULTURE OF CONTINUOUS IMPROVEMENT THAT LEADS TO SUSTAINABLE DEVELOPMENT

The Risk Management Institutionalization process allows us to generate the means and mechanisms, resources, roles, responsibilities, goals and objectives to prevent and reduce the identified risks.

» Five plants currently have Clean Industry Certificates (Industria Limpia), and two more are undergoing the certification process.

OUR COMMITMENTS:

» Produce high quality food products by preventing environmental damage.
» Comply with our corresponding environmental and biodiversity regulations.
» Efficient use of energy resources placing a priority on the use of fuels that produce lower environmental impacts.
» Prioritize the use of agricultural products as well as inputs and raw materials from suppliers committed to sustainability.
» Use natural resources and biodiversity in a sustainable manner.

In 2012, KPMG audited our environmental impact to identify risks and areas for improvement. We also work internally on self-assessment processes and risk rating by identifying and describing risk management processes, sub-processes, objectives, procedures and resources.

Environmental impact on:

» Energy usage.
» Emissions.
» Employee transportation systems (suppliers are not included under this item).

GRI: 1.2, EC2, EN26

Water

Our goal for 2015 is to reduce our drinking water consumption by at least 20% compared to 2009.

» In 2012 we reduced our water consumption by 5.8%, which represents a 13.5% accrued reduction over the last three years.

WATER USAGE (m³)

INDICATOR	2009	2010	2011	2012
River	609,453	640,898	468,084	458,544
Underground (wells)	621,482	645,690	646,565	600,653
Municipal network	8,104	20,230	22,472	9,532.20
Total	1,239,040	1,306,818	1,135,062	1,068,729

Water saving, efficient use programs and the process optimization projects, allowed us to secure significant reductions in wastewater generation in 2011 and 2012 compared to 2010.

WATER DISCHARGE (m³)

INDICATOR	2010	2011	2012
Discharge to the federal sewer system	536,119	383,979	362,614
Discharge to the municipal sewer system	471,317	406,698	447,079
Discharge to subsoil (reused for irrigation)	11,611	14,513	6,483
Total wastewater generated	1,019,047	800,774	812,918
Reclaimed (reuse in toilets)	4,981	13,338	8,144
Total wastewater reused	16,592	27,851	14,987

Energy

ELECTRICAL POWER

Our objectives for 2015:
Reduce consumption by 10% (Kw/h per ton produced in plants).
100% of consumption must come from clean energy or alternative generation sources.

ELECTRIC ENERGY CONSUMPTION (KW/H)*

	2009	2010	2011	2012
Electrical power	61,224,774	65,051,843	60,066,247	56,495,362
Annual production (boxes)	53,399,667	47,983,417	55,308,751	53,291,867
Kwh/box produced	1.15	1.36	1.08	1.06

* All the electricity consumed comes from indirect sources (Mexican Federal Electricity Commission network).

FUELS

DIRECT ENERGY CONSUMPTION*

	2009	2010	2011	2012
Natural gas	4,170,334	5,935,253	4,731,720	3,922,269
Fuel oil	11,050	16,110	9,404	6,707
Diesel (marine + industrial)	10,761	9,044	12,761	10,416
LP gas	841	1,921	1,444	4,649
Gasoline	341	253	217	197
Aviation fuel	233	264	265	251
Total	4,193,560	5,962,845	4,755,811	3,944,489

*Grupo Herdez does not use bio-fuels.

PROJECTS WITH A SUSTAINABLE FOCUS

In order to reduce the impact of carbon emissions from indirect sources, our power generation project through renewable sources (wind energy) has grown 90% and we expect to begin harnessing that energy in March 2013.

January 2013 will also mark the beginning of a co-generation project at the Duque de Herdez Industrial Complex, aimed at generating electricity and heat consumption, which will reduce the use of electricity from indirect sources.

GRI: EN3, EN4, EN5, EN6, EN7, EN30

NONE OF THE GRUPO HERDEZ OPERATIONS PRODUCE EMISSIONS THAT COULD DESTROY THE OZONE LAYER

We are currently working on a refrigeration replacement program with an 80% progress report. The additional 20% will be completed in the coming years.

While we started to calculate CO_2 emissions in 2009, we present our first report through the Mexico GHG Program in 2011 with official information on the emissions generated in 2010. Estimates for 2012 include emissions from 10 plants, 6 distribution centers, the tuna vessels and land fleets.

Initiatives implemented to reduce emissions:

- We implemented the conversion and installation of fuel economizers in boilers to use natural gas instead of fuel oil, diesel and LP gas in the San Luis Potosí and Sinaloa plants.
  - This action prevented the generation of approximately 1,669 tons of CO_2.
  - We reduced fuel oil consumption by approximately 500 m^3.
- In November 2012 we signed a contract to install a co-generation plant to heat and light our San Luis Potosí facilities by using natural gas. This action intends to reduce consumption and supply hot water for the different processes, while generating sufficient power for our San Luis Potosí facilities.

DIRECT EMISSIONS OF CO_2 EQUIV FOR STATIONARY FUEL BURNING SOURCES

SOURCE	FUELS	2009	2010	2011	2012
Primary	Natural gas	8,055.65	11,113.35	9,140.05	7,576.47
Secondary	Fuel oil	32,605.54	47,595.31	27,747.05	19,791.39
Secondary	Industrial diesel	1,792.03	1,373.41	3,500.92	837.84
Secondary	LP gas	1,471.86	2,805.23	2,527.76	8,137.92
Secondary	Gasoline	1.15	0.29	0.37	0.29
	Total	43,926.22	62,887.60	42,916.16	36,344.04

DIRECT EMISSIONS OF CO_2 EQUIV FOR MOBILE FUEL BURNING SOURCES

SOURCE	FUELS	2009	2010	2011	2012
Secondary	Marine diesel	31,818.76	15,032.53	36,119.17	31,861.54
Secondary	Conventional diesel	18.13	19.68	23.60	21.57
Secondary	Gasoline	1.95	1.79	2.28	2.12
Secondary	Aviation fuel	2.88	3.27	3.28	3.10
	Total	31,841.72	15,057.27	36,148.33	31,888.34

INDIRECT EMISSIONS OF CO_2 EQUIV FOR ELECTRICITY CONSUMPTION (TONS OF CO_2 EQ)

2009	2010	2011	2012
28,655.82	31,112.31	28,219.12	26,541.52

TOTAL EMISSIONS OF CO_2EQUIV (DIRECT+INDIRECT) (TONS OF CO_2EQ)*

		2009	2010	2011	2012
Direct	Fuels (stationary sources)	43,926	62,887	42,916	36,344
	Fuels (mobile sources)	31,841	15,057	36,148	31,888
Indirect	Electrical energy	28,655	31,112	28,219	26,541
		104,423	109,057	107,283	94,773.90
	Annual production (boxes)	53,399,667	47,983,417	55,308,752	53,291,867
	Co_2eq/per box produced	0.0020	0.0023	0.0019	0.0018

* Greenhouse gas and other air emissions were calculated using the emission factors published by the EPA and the IPCC (Green House Gas Protocol Initiave -WRI-), as recommended by international standards.

TOTAL EMISSIONS FROM OTHER SOURCES (TONS)*

	STATIONARY SOURCES				MOBILE SOURCES				TOTAL (STATIONARY AND MOBILE)			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
CO	14.93	19.70	14.71	14.03	19.26	10.26	21.96	19.51	34.18	29.96	36.67	33.54
PS	2.68	3.84	2.61	2.13	0.03	0.03	0.04	0.03	2.71	3.87	2.61	2.13
COT	2.56	3.71	2.50	2.27	0.01	0.01	0.01	0.01	2.57	3.72	2.50	2.27
COV	0.37	0.51	0.42	0.35	0.00	0.00	0.00	0.00	0.37	0.51	0.42	0.35
SO_3	1.41	2.00	1.28	0.84	0.02	0.02	0.03	0.03	1.43	2.02	1.28	0.84
SO_2	115.42	164.94	107.08	78.29	4,058.45	1,918.36	4,607.23	4,064.14	4,173.87	2,083.30	4,714.31	4,142.44
NO_X	87.29	120.95	76.85	60.23	772.86	368.87	877.66	774.62	860.16	489.81	954.50	834.84
PS FILTERABLE	10.55	15.20	9.11	6.44	0.04	0.05	0.06	0.05	10.59	15.25	9.11	6.44
NMCOVs	0.33	0.08	0.07	0.08	0.56	0.52	0.66	0.61	0.89	0.60	0.73	0.70
Total	235.53	330.93	214.62	164.66	4,851.24	2,298.11	5,507.64	4,858.99	5,086.77	2,629.05	5,722.32	5,023.65

*These emission calculations are based on the emission factors published by the EPA and IPCC (Green House Gas Protocol Initiative -WRI-).

Waste

Total waste in 2012 was reported at .00047 tons of waste generated per case produced.

Our objective for 2015:

» Reduce the volume of waste sent to final disposal by 20%.
» Increase the recycling of recoverable waste by 5% annually.
» Make sure that 30% of the product line is bottled, packaged, or stowed with recycled or biodegradable materials or with the lowest amount of virgin material possible.

Although we have not yet fully implemented our plan to increase waste separation and recovery, in 2012 we managed to increase the volume of waste sent for recycling, which allowed a high percentage of recoverable or recycled waste.

Regarding to the volume of materials used from the different types of recycled materials, we used 10,442 tons of cardboard, 90% of which was manufactured under recycling methods.

WASTE GENERATED (TON)*

	2009	2010	2011	2012
Hazardous waste (HW)	792	912	2,341	3,357
Special waste management (SWM)	609	2,066	7,855	2,715
Urban solid waste (USW)	7,232	7,043	10,039	19,003
Total waste generated (HW+SWM+USW)	8,634	10,023	20,236	25,076
USW recoverable	1,364	1,413	1,576	11,589
USW sent to landfill	5,867	5,630	8463	7,413
Recovery % compared with total waste (USW+HW+SWM)	15.81	14.10	7.79	46.22

*The rate of recovery was estimated considering the total tons of waste generated (HW + SWM + USW) at Group level. The recovered waste volume (RV) was divided by the total volume generated by multiplying the result by 100 to get the percentage of waste recovered (RV/RTG x100, where RTG equals HW + SWM + USW).

Hazardous and special wastes are sent to a final controlled disposal. Some solid waste was recovered for recycling, while other waste was sent to landfills.

GRI: EN1, EN2, EN16, EN17, EN22, EC2

During 2012, Grupo Herdez had no administrative and/or court proceedings for breach of environmental regulations resulting from the verification, compliance and control system currently in place.

So far there has been no transportation, import or export of hazardous waste. Moreover, no accidental spills were reported, and there are no indications that our operations have affected biodiversity.

Biodiversity

The only species the Company takes directly from biodiversity is the yellow fin tuna. Grupo Herdez strictly complies with the corresponding legal requirements and we abide by the guidelines and resolutions adopted at the IATTC (Inter American Tropical Tuna Commission) and the AIDCP (International Agreement on the Conservation of Dolphins) guidelines.

In order to avoid the over exploitation of this species, we provide financial resources to the IATTC and AIDCP for scientific R&D for its preservation. We also provide regular training for crew members working on tuna vessels about the importance of complying with the guidelines established by national and international organizations.

Our distribution center is located within the boundaries of the protected Zumpango Lagoon Sanctuary area, which is about 0.62 miles away.

Migratory birds landing on the site are never affected by our operations at any time, as we have contaminating emission controls in place. For example, we have a wastewater treatment plant and proper waste management and recycling controls in place, plus methods to reuse treated wastewater and a rainwater collection method.

We are in the process for determine additional impacts of those that we currently have identified.

AWARENESS COURSES

We promote training and awareness campaigns to suppliers focused on:

- » The efficient use of irrigation water.
- » Proper waste management.
- » Elimination of the practice of burning agricultural waste under an open sky.
- » Responsible use of insecticides, pesticides, hazardous chemicals and fertilizers.

Awareness activities created for our employees:

- » Efficient use of water and energy (electricity and fuels).
- » Environmental protection and conservation.

Economic Development

OUR NET SALES TOTALED $11, 220 BILLION, REPRESENTING A 15.7% GROWTH

After our considerable increase in the 2011 results, we focused on more efficient internal processes, following our five strategic initiatives to promote profitable growth:

1. Growing organically through existing business lines. Our behavior in most of our product lines is similar to others in the market.
2. Strengthening innovation and development processes for new product launches. The most successful was the re-launch of the McCormick gelatin brand.
3. Develop operational infrastructure and distribution strength to guarantee our quality and service. We consolidated the operation of our new distribution center in Estado de Mexico and implemented several re-engineering processes.
4. Generate efficiency savings to reduce costs and expenses. We begin with the strategic sourcing project.
5. Being Mexican food leaders in the United States. We consolidated the two most recent acquisitions in the U.S., achieving growth above industry levels.

In 2012, our net sales grew at a double digit rate. The gross margin fell by more than one percentage point, mainly due to increases in the prices of our main raw materials, as well as the depreciation of the Mexican peso against the U.S. dollar, which affected our costs in U.S. dollars. Meanwhile, net income was virtually unchanged compared with the previous year.
Our bank and stock market liabilities remained virtually unchanged, and the ratio of net debt to consolidated EBITDA was stable.

GRI: EC2, EC3

FINANCIAL RESULTS
DIRECT CREATED ECONOMIC VALUE

		2011		2012
Net sales	$	9,697	$	11,220
Product revenue	$	1,527	$	1,612
Net majority income	$	768	$	790
EBITDA [1]	$	1,664	$	1,849
Direct economic value [2]	$	9,800	$	11,978
Distributed economic value [3]	$	7,487	$	11,216*
Retained economic value [4]	$	2,313	$	762

[1] EBITDA = Net income + depreciation and amortization
[2] DEV = Sales + financial income + asset sale
[3] DiEV = Cost of sales + wages + social benefit for employees + other expenses+ tax payment + dividends + interest payment + community investments
[4] REV = Direct economic value – distributed economic value

* Considers all the expenses.

Ethics, Corporate Governance and Citizenship

ETHICS CODE

HONESTY, TEAMWORK AND OUR DRIVE TO PRODUCE RESULTS, ARE THE VALUES THAT HAVE CAUSED PEOPLE TO TRUST THE COMPANY AND ITS EMPLOYEES

Our Code of Ethics includes several topics such as discrimination, health and safety, corruption, confidential information and environmental responsibility. It is released every year through several initiatives, such as the project implemented in 2012 under the name "Our Code says, our people think" in which employees provided feedback on how they live out each topic in the code.

The Code of Ethics is reviewed at least once every two years by the ethics committee comprised by six members from different divisions within the organization. Compliance and related policy breaches are reported through systems that allow us to monitor them, such as:

» Trust toll free phone line 01 (800) 2663 42692.
» Complaints and feedback mailbox in each facilities.
» Trust e-mail address: confianza@herdez.com.
» Supervisors and employees.

A total of 12 complaints and 7 reports were served through these systems in 2012, out of which 18 were investigated and cleared, and only one is still under analysis.

Furthermore, in order to strengthen our Code, we have disseminated "human rights" and "illegal payments and bribery" policies.

Corporate Governance and Citizenship

Our Board of Directors has 9 members, 6 of which are independent. The President also serves as Group Chief Executive Officer.

The Board meets quarterly. It has intermediate bodies responsible for tracking management and the implementation of the Company's objectives:

BOARD OF DIRECTORS	
INTERMEDIATE BODIES	INTERNAL OPERATING ENTITIES
AUDIT COMMITTEE	RISK COMMITTEE
4 INDEPENDENT MEMBERS	7 MEMBERS
CORPORATE PRACTICES	ETHICS SUBCOMMITTEE
5 MEMBERS (3 INDEPENDENT MEMBERS)	6 MEMBERS

Shareholders are responsible for evaluating the performance of the board.

According to the company's bylaws, compensation for the board members consists of two coins $50 pesos gold coins (centenarios) or their equivalent, tax free, for attending board meetings. This compensation does not depend on the Group's results.

Each committee is governed by rules that regulate and define their functions, which include a validation process of the company's senior management wages, including the CEO.

The Audit Committee is responsible for reviewing complaints and reports received from employees, suppliers or third parties who send their feedback through the communication lines established to this end. The Auditing Committee also presents the incidents it receives to the highest level of governance.

GRI: 4.1, 4.2, 4.3, 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10, 4.17, SO2, SO4, HR1

RISK MANAGEMENT

Aware of the impact our operations produce, Grupo Herdez have focused on identifying and analyzing the risks inherent in the supply chain, sales, marketing and production plants, while maintaining a direct and truthful relationship with our Stakeholders.

Annually, Price Waterhouse Coopers issues a letter addressed to the Chairman of the Auditing Committee on its findings related to the Group's internal control system, followed by a year-end letter with recommendations for improvement.

Hence, the Risk Management Manual was approved in December and will be implemented in 2013.

Trade associations

We are involved in several chambers and associations linked to our operation, including:

» Cámara Nacional de la Industria de Conservas Alimenticias, CANAINCA (National Chamber for the Canned Food Industry).
» Consejo Mexicano de la Industria de Productos de Consumo, CONMEXICO (Mexican Council for Consumer Products Industry).
» Consejo Nacional Agropecuario , CNA (National Agriculture Board).
» Cámara Nacional de Fabricantes de Envases Metálicos, CANAFEM (Metal Can Manufacturers National Chamber).
» ECOCE.
» Iniciativa GEMI.
» Confederación de Cámaras Industriales, CONCAMIN (Industrial Chambers Confederation).
» Federación Internacional de Movimientos en Agricultura Orgánica, IFOAM (International Federation of Organic Agriculture Movements).
» Consejo Nacional de Producción Orgánica (National Council on Organic Production).
» Asociación Mexicana de Estándares para el Comercio Electrónico, AMECE (Mexican Association of Electronic Commerce Standards).
» Asociación Mexicana de la Cadena Productiva del Café, AMECAFE (Mexican Association for the Coffee Productive Chain).
» Overseas chambers of commerce: Canadian, British, Spanish and American.
» Movimiento Orgánico Mexicano (Mexican Organic Movement).
» Comisión de Estudios del Sector Privado para el Desarrollo Sustentable, CESPEDES (Private Sector Studies Commission for Sustainable Development).
» Consejo Coordinador Empresarial (Business Coordinating Council).
» Compromiso Empresarial para el Manejo Integral de Residuos Sólidos. (Business Commitment for Integrated Solid Waste Management).
» Secretaría de Medio Ambiente y Recursos Naturales, SEMARNAT (Ministry of Environment and Natural Resources).
» Consejos de Cuenca, CONAGUA (Basin Councils of the National Water Commission).
» Secretaria del Medio Ambiente del Gobierno del Distrito Federal (Mexico City Ministry of Environment).

Value chain

98% OF OUR SUPPLIERS ARE LOCAL

To ensure compliance with the quality parameters set for our value chain, we annually audit our suppliers on the following topics:

TYPE OF SUPPLIER	PERCENTAGE EVALUATED
PACKAGING MATERIALS	71.4%
NONPERISHABLE RAW MATERIALS	85%
AGRICULTURAL FEEDSTOCK	87.5%

We diagnosed 154 suppliers through our Aires de Campo brand to reaffirm our commitment and to:

» Identify their progress made in terms of sustainability.
» Set the parameters to create Green Air Award, which will become a continuous improvement mechanism on the performance of the organic products sold.

Stakeholders

We have established dialogue channels to facilitate ongoing communication of concerns from the different groups we work with:

STAKEHOLDERS	COMMUNICATION CHANNELS	FREQUENCY OF CONTACT	EXPECTATIONS	ACTIONS TAKEN
Employees	» Internal releases, printed and digital » Activations in facilities » Sustainability Report » Toll free phone line » Suggestions and complaints email address	Permanent	» Belong to a solid company in constant growth and evolution. » Promote personal and professional development.	» Promotion of gender equity through equitable pay with benefits and compensation superior to those established by law. » More than 93,000 hours of training courses. » Implementation of the healthy diet and physical activation program.
Shareholders	» Meetings » Performance reports » Website » Sustainability Report	Quarterly and annually	» Continuous and sustainable performance and stock improvement.	» Delivery of annual reports.
Consumers	» Mass media campaigns » Activations of "Saber Nutrir" program » Websites » Sustainability Report » Toll free phone line	Permanent	» Provide quality products at competitive prices. » Help improve nutrition conditions in Mexico.	» Expanded coverage of the nutrition education program "Saber Nutrir": over 1 million hours received.
Community	» Website » Sustainability Report	Permanent	» Improve nutrition conditions and the quality of life of the communities we serve.	» Participation in workshops and working groups at a union level. » Produced an impact on 500 schools and 68 communities in Mexico through our social programs.
Suppliers	» Press releases » Audits » Website » Sustainability Report » Toll free phone line	Permanent	» Maintain commercial relations with Herdez. » Timely compliance with the Herdez guidelines and requirements.	» Compliance on health, quality and food safety. » Evaluation to 85% of our suppliers on CSR actions. » Participation in awareness campaigns and training programs.
Government	» Press releases » Forum participation » Sustainability Report	Permanent	» Maintain economic activity. » Fulfill legal and tax obligations, and established regulations.	» Participation in forums, presentations and working groups involved in the creation of new regulations in several government agencies in Mexico. » Punctual compliance of the obligations and regulations governing our business.

GRI: 4.11, 4.14, 4.15, 4.16, 4.17, SO5

Product Responsibility

QUALITY

ALL OF OUR PRODUCTS MEET THE LEGAL REQUIREMENTS ESTABLISHED BY THE COUNTRIES IN WHICH THEY ARE SOLD

We have a Corporate Safety and Quality Policy that applies to all of the previous stages before commercialization (development, procurement, supply, production, distribution, transportation, consumer and customer service).

Our Quality Assurance System includes matters related to health, quality and food safety. This system is used to establish training processes and to verify compliance through annual audits.

Following the guidelines established by our business partner Barilla GeR Fratelli, S.p.A., we guarantee that we don´t use genetically modified ingredients in Barilla, Vesta and Yemina products.

HEALTH AND CONSUMER SAFETY

» 85% of our products are subject to evaluation procedures.
» In 2012 we didn´t have any non-compliance incidents with the regulations and voluntary codes related to this topic.
» We currently have a customer and consumer satisfaction rating of 75%.

Through the quality assurance department, we consider the impact approximately in 98% of our products produce on consumer health and safety, at different stages, such as:

» Research and development.
» Certification.
» Manufacturing and production.
» Storage, distribution and supply.
» Use and service.

To guarantee customer and consumer satisfaction, we maintain a toll free line open to feedback and suggestions evaluated on a monthly basis.

MARKETING COMMUNICATIONS

In 2012, we had no incidents of breach of regulatory or voluntary codes concerning product information and labeling.

Our policy establishes that the information presented in advertising and communication releases must:

» Be truthful, verifiable and free of information that could lead to confusion.
» Confirm statements related to the benefits produced by purchasing, using or consuming our products.
» Refrain from comparing goods, products or services.

Through the toll free 01 (800) 522-2832 number, we monitor our products to make sure they comply with the organoleptic attributes parameters established by the Quality Assurance Division and surpass our customers taste and quality expectations. We also monitor the perception of our brands on social networks and digital media.

AWARDS AND RECOGNITIONS

» Corporate Social Responsibility merit from the Centro Mexicano para la Filantropia (Mexican Center for Philanthropy- CEMEFI), for the fifth year running.
» Listed on the Sustainable CPI on the Mexican Stock Exchange.
» We support and adhere to the UN Global Compact.
» Five of our plants are certified as "Industria Limpia" (Clean Industrial Plants), while two more are involved in the certification process.
    » The Barilla Plant in San Luis Potosí received a merit for its contribution to the activities of the Procuraduría Federal de Protección al Ambiente (Federal Environmental Protection Agency).
    » Participation in the Mexico GHG annual report and the implementation of actions on how to reduce greenhouse gas emissions.

About this report

THIS DOCUMENT ADDRESSES THE RESULTS, PROGRAMS AND ACTIONS CARRIED OUT IN MEXICO BY GRUPO HERDEZ DURING 2012

The information included corresponds to 2012 itself, based on the methodology presented in the Global Reporting Initiative (GRI) 3.1 version. The data presented includes Grupo Herdez corporate offices, eleven plants and seven distribution centers in Mexico.

The report is published on an annual basis and shall continue to be presented in this way in the future.

The content of this report corresponds to strategic areas of Grupo Herdez in the social, economic and environmental sectors. The information was gathered through the OPTIMUM CSR system, as well as interviews with senior management and CSR committees. Regarding the materiality, research, analysis, methodology and writing of this report, Grupo Herdez received support and assistance from the McBride SustainAbility firm.

Through ongoing dialogue with our Stakeholders we strive to make sure that this report is an effective communication tool. This year we prioritized their main concerns and expectations to maintain the cordial relations that characterize our company and improve on the issues detected as opportunities for improvement.

Furthermore, Grupo Herdez 2012 Sustainability Report has a B level GRI applications Check, foregoing external verification.

This Annual Report contains comments on expectations that reflect the current views of Grupo Herdez Management regarding future events. These statements are subject to risks, uncertainties and changes in different circumstances.

Actual results may differ materially from current expectations due to factors beyond the control of Grupo Herdez, S.A.B. de C.V. and its Subsidiaries.

PLANTS

(D.F.)
MÉXICO

PLANTA CHIAPAS

(OAXACA)
INTERCAFÉ

(SINALOA)
SANTA ROSA
LA CORONA
REVOLUCIÓN

(SAN LUIS POTOSÍ)
EL DUQUE
PLANTA INDUSTRIAS
PLANTA BARILLA

(GUANAJUATO)
ALIMENTOS DESHIDRATADOS DEL BAJÍO

(COAHUILA)
SABINAS

DISTRIBUTION CENTERS

- BAJA CALIFORNIA
- NUEVO LEÓN
- SAN LUIS POTOSÍ
- JALISCO
- YUCATÁN
- SINALOA
- ESTADO DE MÉXICO

GRI: 3.1, 3.2, 3.3, 3.5, 3.6, 3.7, 3.9, 3.13

Global Compact Index

PRINCIPLES	GRI	PAG.
HUMAN RIGHTS		
1. Businesses should support and respect the protection of internationally proclaimed human rights.	HR1-9	42, 43
2. Make sure that they are not complicit in human rights abuses.	HR1-2, HR8	43
LABOUR		
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	HR5, LA4, LA5	28
4. Elimination of all forms of forced and compulsory labour.	HR7	-
5. Effective abolition of child labour.	HR6	-
6. Elimination of discrimination in respect of employment and occupation.	HR4, LA2, LA13, LA14	28, 30
ENVIROMENT		
7. Businesses should support a precautionary approach to environmental challenges.	4.11, EC2, EN26, SO5	34, 38,40, 43, 44
8. Undertake initiatives to promote greater environmental responsibility.	EN2, EN5, EN10, EN22, EN26	34, 35, 36, 38
9. Encourage the development and diffusion of environmentally friendly technologies.	EN2, EN5, EN10, EN26	34 , 35, 36, 38,
ANTI-CORRUPTION		
10. Businesses should work against corruption in all its forms, including extortion and bribery.	SO2, SO6	42

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Grupo Herdez S.A.B de C.V.** has presented its report "A Positive Year" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level B.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 18 February 2013

B
GRI REPORT
GRI CHECKED

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: *Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 18 February 2013. GRI explicitly excludes the statement being applied to any later changes to such material.*

Management's Discussion and Analysis of Results

All figures contained in this section are expressed in millions of Mexican pesos and prepared in accordance with International Financial Reporting Standards (IFRS), adopted by the Company on January 1, 2012. The figures corresponding to previous periods were restated accordingly.

OVERVIEW

Grupo Herdez had record performance in 2012, with healthy growth in sales and profits. Net sales totaled Ps. 11,220, while operating and net majority income totaled Ps. 1,655 and Ps. 790, respectively.

Amongst the key factors and trends that influenced the Company's operating and financial results in 2012, the following are of particular note:

» In Mexico, a slight recovery of the economy that led to steady volume performance, and a 4% to 6% price increase implemented during the year; and in the United States, solid organic growth and the integration of Fresherized Foods, Inc., acquired in late 2011.

» A challenging raw materials environment caused by one of the most severe droughts in the United States that impacted numerous crops; a bird flu in Mexico that impacted egg prices; and declining fish catches, among other factors. This was coupled with the effect of a stronger US dollar on dollar denominated costs for most of the year.

» Ongoing expenses allocated to restructuring, aligning and upgrading processes, structures and systems across the Company.

NET SALES

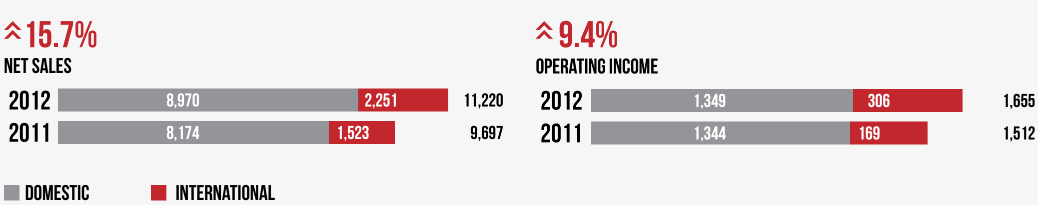
Net sales totaled Ps. 11,220 in 2012, a 15.7% increase from the 2011 figure. In Mexico, net sales rose 9.7% to Ps. 8,970, reflecting sequential volume recovery in the first three quarters of the year, as well as a 4% to 6% price increase over the same period. The mayonnaise, tuna and gelatins categories outperformed. In the United States, net sales rose 47.8% to Ps. 2,251 primarily as a result of the incorporation of Fresherized Foods at the end of 2011, as well as organic growth in mainstream categories of the portfolio. Results in Mexican pesos for this operation benefited from a stronger dollar for most of the year.

GROSS PROFIT

Cost of goods sold as a percentage of net sales was 64.7% in the year, a 1.2 percentage point increase when compared to 2011, due largely to the FX impact of a stronger US dollar for dollar-denominated inputs, combined with higher input prices, such as wheat, tuna and egg yolk among others. As a result, gross margin in 2012 was 35.3% compared to 36.5% in 2011.

OPERATING EXPENSES

Operating expenses were nearly unchanged as a percentage of net sales when compared to the previous year, comprising 20.9% in 2012 versus 20.8% in 2011. This reflects a greater absorption of fixed expenses, which helped offset the investment made in restructuring and aligning certain processes throughout the year, mainly in the administrative, commercial, finance and HR areas.



OPERATING INCOME BEFORE OTHER INCOME/EXPENSES

Income before other income/expenses rose 5.6% to Ps. 1,612, versus Ps. 1,527 in 2011. However, as a percentage of net sales, this represented a margin of 14.4%, a 1.4 percentage point decline from the 15.8% registered in 2011, due to the aforementioned gross margin pressure.

OTHER INCOME/EXPENSES

The Company registered Ps. 43 in other income, derived mainly from a one-time, non-cash gain related to IFRS adoption as of January 1, 2012, which resulted in the cancellation of provisions that were not used for certain fixed asset values.

OPERATING INCOME

Operating income totaled Ps. 1,655, a rise of 9.4% from the Ps. 1,512 registered in the year ago period. Pressure at the gross margin level was offset by the aforementioned extraordinary income item. Operating margin for the year was 14.8%, 80 basis points lower than the 15.6% margin in 2011.

COMPREHENSIVE FINANCIAL RESULT

The Company registered a Ps. 148 cost in 2012, compared to a Ps. 7 cost in 2011. This mainly reflects the expected reversal of the non-cash FX gain registered in 2011 that was derived from dollar-denominated loans between affiliated companies.

NET MAJORITY INCOME

Net majority income totaled Ps. 790, a 2.9% increase from the previous year, while the margin contracted 90 basis points to 7.0%. This was primarily due to higher costs and the above-mentioned reversal of FX gains.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION (EBITDA)

As a result of performance at the operating level, EBITDA rose 11.1% to Ps. 1,849. EBITDA margin was 16.5% or 70 basis points less than in the year ago period, mainly due to the aforementioned gross margin pressure.

CAPITAL EXPENDITURES

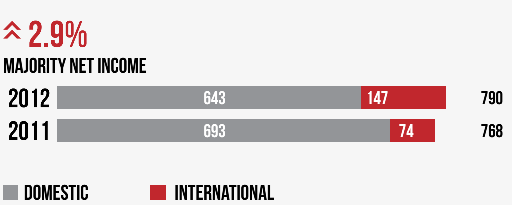
Net capex in the year, excluding acquisitions, totaled Ps. 469 and was primarily allocated to the transfer of McCormick's marmalade capacity from Mexico City to San Luis Potosi, Mexico, and to the construction of a new mayonnaise plant in the State of Mexico, a project that began in 2011 and will conclude in 2013.

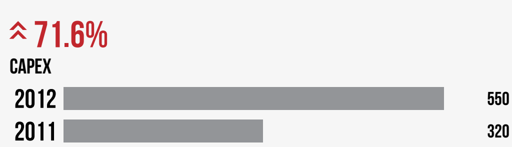
FINANCIAL STRUCTURE

As of December 31, 2012, the Company's cash position totaled Ps. 1,064, a 7.8% decrease over 2011 due primarily to capital expenditures allocated to the new mayonnaise plant. Consolidated debt at year-end was Ps. 2,190, compared to Ps. 2,224 registered in 2011. As a result, consolidated net debt, excluding loans from holding companies to associates, was Ps. 1,126, 5.3% higher than the Ps. 1,069 registered in 2011.

At the end of 2012, average maturity of the Company's debt was 4.5 years. The currency mix was 82% peso-denominated, and of the total, 59% was at a floating rate.

Leverage ratios remain solid and unchanged year over year, with net debt to consolidated EBITDA at 0.6 times and net debt to consolidated shareholders' equity at 0.2 times.





Audit Committee Report

March 8, 2013

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

Dear Mr. Hernández-Pons:

I am pleased to present the Annual Report on the activities of the Board of Directors' Audit Committee for the 2012 fiscal year, in accordance with the 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 dealt with 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 discussed 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 at December 31, 2011, with consolidated figures 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 and its subsidiaries in the United States were also analyzed.

2. We have learned about the Letter of Observations from the society's external auditor for the year 2011 and due follow up has been given to its implementation during the year.

3. We have analyzed the Report on the internal control survey and assessment performed by the society's external auditor during the normal course of its revision for the 2011 audit.

   The report indicates that the applied audit procedures over the internal control design and operation, over 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 that may 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 2012 Quarterly Financial Statements, and we have issued our recommendation for their approval to the Board of Directors and presentation to the Mexican Stock Exchange.

5. We have approved the work plan of the internal audit area for the year 2012, and due follow up has been done to the development of its works, and to the implementation of its observations.

6. The new Financial Information Standards utilized during the 2012 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), which started to be used in 2012.

8. The performance of the external audit firm PricewaterhouseCoopers has been assessed, having been considered as satisfactory and in accordance to 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.

In this manner, confirmation of the firm PricewaterhouseCoopers as the external audit firm for the 2012 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 society's external auditors firm have included fiscal advisory, transfer pricing survey; report on IMSS, and advisory on different matters, for a total amount of Ps4.4 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 society is subject to, as well as the established criteria for their adequate disclosure.

11. During each and every meeting we have been informed about the complaints received due to penalties to the Ethics Code, as well as about the follow up and protection given to the informants.

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

13. Complementary, at the Committee's meeting held on February 14, 2013, the Reported Consolidated Financial Statements for the year ended at December 31, 2012 were analyzed, as well as their respective Notes, and the Letter of Observations of the society's external auditor.

    The financial information was prepared and submitted in agreement with the International Financial Reporting Standards, and the audit has been performed in accordance with the International Auditing Standards.

Sincerely,

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

Corporate Practices Committee Report

March 8, 2013

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

Dear Mr. Hernández-Pons:

I am pleased to present the Annual Report of the activities of the Board of Directors' Corporate Practices Committee performed during the 2012 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 Committee Rules and the Annual Program with the issues to be dealt with during the year.

During the reported period, the Committee punctually held the called 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 discussed in every meeting of the Committee.

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

1. We have learned the policies for designation and integral 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 integral 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 other services for a total amount of Ps4,094 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/her own benefit, or in favor of any third party, from business opportunities corresponding to the society 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, has been carried out in accordance with the established policies that have been set and approved by the Board of Directors.

7. As an additional information, and following the Business Strategy Model, the Board of Directors approved the acquisition of Nutrisa, S.A.B. de C.V. in January 2013.

Sincerely,

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

Board of Directors and Management Team

Board of Directors

PROPIETARY 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

Management Team

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 Canavati Miguel

MARKETING DIRECTOR
Héctor Castillo Guerrero

SALES DIRECTOR
Andrea del Rizzo

SUPPLY CHAIN DIRECTOR
Alberto Garza Cabañas

HUMAN RESOURCES DIRECTOR
Pedro 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 Rodríguez del Collado

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

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 and 2011

INDEPENDENT AUDITORS' REPORT	55
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	56
CONSOLIDATED STATEMENTS OF INCOME	58
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME	59
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY	60
CONSOLIDATED STATEMENTS OF CASH FLOWS	62
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	64

Independent Auditors' Report

April 5, 2013

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

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

MANAGEMENTS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

OPINION

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

OTHER MATTERS

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

PricewaterhouseCoopers, S. C.

C.P.C. Guillermo Azcona González
Audit Partner

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

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

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

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

Lic. Héctor Hernández Pons Torres
Chief Executive Officer

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

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

CONSOLIDATED STATEMENTS OF INCOME

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

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

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

Lic. Héctor Hernández Pons Torres
Chief Executive Officer

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

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

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

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

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

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

Lic. Héctor Hernández Pons Torres
Chief Executive Officer

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

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

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

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

Lic. Héctor Hernández Pons Torres
Chief Executive Officer

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

Legal Reserve	Premium on Subscription of Shares	Financial Instruments	Cumulative Translation Adjustment	Controlling Equity	Non-Controlling Equity	Total Stockholders' Equity
Ps 141,861	Ps 113,110	Ps 12,850		Ps 3,334,616	Ps 937,674	Ps 4,272,290
				(266,656)		(266,656)
				187,850		187,850
				(323,755)	(143,000)	(466,755)
				(402,561)	(143,000)	(545,561)
				767,647	285,085	1,052,732
			Ps 39,367	39,367		39,367
		(56,706)		(56,706)	(17,008)	(73,714)
		(56,706)	39,367	750,308	268,077	1,018,385
141,861	113,110	(43,856)	39,367	3,682,363	1,062,751	4,745,114
				(450,007)		(450,007)
				425,515		425,515
				(236,546)	(139,000)	(375,546)
				(261,038)	(139,000)	(400,038)
				790,087	289,674	1,079,761
			(44,792)	(44,792)		(44,792)
		6,332		6,332	(16,873)	(10,541)
				(15,019)	(1,792)	(16,811)
		6,332	(44,792)	736,608	271,009	1,007,617
Ps 141,861	Ps 113,110	(Ps 37,524)	(Ps 5,425)	Ps 4,157,933	Ps 1,194,760	Ps 5,352,693

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

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

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

Lic. Héctor Hernández Pons Torres
Chief Executive Officer

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011 and at January 1, 2011
Monetary figures stated in thousands of Mexican pesos, except exchange rates

NOTE 1 - GENERAL INFORMATION:

Grupo Herdez, S. A. B. de C. V. (the Company), domiciled in Calzada San Bartolo Naucalpan No. 360, Col. Argentina Poniente, México, D. F., C.P. 11230, is a company incorporated in Mexico and listed in the Mexican Stock Exchange. The Company is a 51.0% subsidiary of Hechos con Amor, S. A. de C. V., which is empowered to run its operations as per its own criteria.

Grupo Herdez, S. A. B. de C. V. and subsidiaries are mainly engaged in the manufacture, purchase, distribution and marketing of canned and bottled food products in Mexico, as well as of food products aimed at the Mexican food segment in the United States of America (U.S.). Grupo Herdez, S. A. B. de C. V. and subsidiaries produce and market products under the following brands: Aires de Campo, Barilla, Búfalo, Carlota, ChiChi's, Del Fuerte, Don Miguel, Doña María, Embasa, Herdez, La Victoria, McCormick, Wholly Guacamole and Yemina, among others. For these purposes, Grupo Herdez, S. A. B. de C. V. and subsidiaries have forged alliances with leading companies worldwide, such as: McCormick and Company Inc., Hormel Foods Corp., Barilla GeR Fratelli S.p.A. and Grupo Kuo, S. A. B. de C. V. (Grupo Kuo).

The Company's consolidated financial statements at December 31, 2012 and 2011 and for the years then ended, and at January 1, 2011 are comprised of those pertaining to the Company and those of its subsidiaries (HERDEZ and Group entities individually).

RELEVANT TRANSACTIONS

On August 22, 2011, through its joint venture denominated Herdez Del Fuerte, S. A. de C. V. (HDF) acquired, through another joint venture denominated Megamex Foods LLC (Megamex), 100% of Avomex, Inc. (Avomex) shares. Avomex is engaged in the production, marketing, distribution and sale of processed avocadoes and guacamole through premium brands in the U.S. This acquisition included 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, in the corresponding proportion, totaled Ps531,540.

On September 6, 2011, HDF entered into a definitive agreement for the acquisition of 50% of Aires de Campo, S. A. de C. V. (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 del Campo corresponding to HERDEZ, in the corresponding proportion, totaled Ps18,522.

NOTE 2 - BASIS FOR PREPARATION:

A. REPORTING ON COMPLIANCE

The accompanying consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and respective IFRS interpretations issued by the International Accounting Standards Board (IASB) adopted by public entities in Mexico in accordance with the amendments to the General Provisions Applicable to Issuers of Securities and Other Securities-Market Participants, established by the National Banking and Securities Commission on January 27, 2009, under which HERDEZ is required to prepare its financial statements in conformity with IFRS as from January 1, 2012.

These are HERDEZ's first consolidated financial statements prepared in accordance with IFRS, applying IFRS 1 "First-time adoption of International Financial Reporting Standards".

The consolidated financial statements have been prepared in accordance with IFRS issued by the IASB, subject to certain transition exemptions and exceptions disclosed in Note 26. The Company has consistently applied the accounting policies used in preparing its opening statement of financial position under IFRS at January 1, 2011 throughout all of the periods presented, as if these policies had always been in effect. Note 26 discloses the impact of transition to IFRS on the Company's financial position and statement of income, including the nature and the effect of significant changes in the accounting policies used in the Company's consolidated financial statements for the year ended December 31, 2011 prepared under Mexican Financial Reporting Standards (MFRS).

On February 21, 2013, the Board of Directors authorized issuance of the accompanying financial statements and notes thereto.

In accordance with the Mexican Corporations Law (LGSM by its Spanish acronym) and the Company's bylaws, the stockholders are empowered to modify the financial statements after issuance thereof. The accompanying consolidated financial statements are to be presented at the following Stockholders' Meeting for their approval.

B. MEASUREMENT BASIS

The consolidated financial statements have been prepared on the historical cost basis, except for the exemptions applied by the Company as disclosed in Note 26 and except for the following significant items of the statement of financial position:

» The defined benefit plan asset, recognized as the net total of plan assets at fair value.
» The components of property, machinery and equipment recorded at their assumed cost at the date of the transition to IFRS, which corresponds to the carrying values recognized in accordance with MFRS, which include the effects of accumulated inflation at December 31, 2007, determined using factors derived from the National Consumer Price Index (NCPI) issued by the Banco de México (Central Bank). The assumed cost of machinery pertaining to the Chiapas plant and the land of the Mexico distribution center corresponds to fair values as per appraisals conducted at the date of transition to IFRS.
» Derivative financial instruments recognized at fair value with effects applied to income for the period or to comprehensive income.

C. FUNCTIONAL AND REPORTING CURRENCY

The accompanying consolidated financial statements are presented in Mexican pesos (Ps), Mexico's national currency and HERDEZ's functional currency, as well as the currency in which said consolidated financial statements are presented. Unless otherwise specified, all of the financial information presented in pesos has been rounded off to the nearest thousandth.

The foreign subsidiaries of the joint venture in the U.S. translate their financial statements from the local currency to their functional currency, which is the U.S. dollar (US$).

The subsidiary in Spain translates its financial statements from the local currency to its functional currency, which is the Mexican peso.

The Spain subsidiary's activity is considered an extension of that of the reporting entity, in light of the fact that it is only engaged in collecting royalties generated by Mexican companies, using the Mexican peso as the basis for determining said royalties.

D. USE OF CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN PREPARING FINANCIAL STATEMENTS

Preparation of consolidated financial statements in accordance with IFRS requires that HERDEZ Management makes certain judgments, estimates and assumptions that affect application of accounting policies and the amounts reported for assets, liabilities, income and expenses. Actual results can differ from those estimates.

The corresponding estimates and assumptions are reviewed on an on-going basis. The changes arising from the review of accounting estimates are recognized in the period in which they were reviewed and in future periods on which they have an effect.

Following is included the information on the estimates involving a certain level of uncertainty and the use of critical judgments considered in applying accounting policies that have an effect on the amounts recognized in the consolidated financial statements:

» Consolidation of entities, which do not have a majority shareholding

HERDEZ analyzes the existence of control over those entities in which do not have a majority shareholding, for which it evaluates whether or not it has the power to govern its financial and operating policies, it can designate or remove the majority of the members of the governing bodies, said entities' activities are conducted in the name of HERDEZ, the Company has the decision-making powers to obtain the majority of the benefits derived from those entities' activities and retains most of the risks inherent thereto. If as a result of the analysis, HERDEZ determines that it exercises control of these entities, said entities are consolidated in their entirety as part of HERDEZ's financial consolidation. In the event evidence is obtained of joint control over said entities, those entities are recognized through proportionate consolidation and if there are no signs of the existence of control over said entities, the investment in those associated companies is recognized by the equity method.

- Fair value of derivative financial instruments

  In those cases in which there is a market value, the Company evaluates whether or not said market value satisfies the conditions agreed between interested and willing parties, in a free competition transaction, which allows for considering the market value as proper reference of fair value. In those cases in which there is no market value, the fair value of the financial instruments is estimated on the basis of technical valuation models recognized in the financial arena, mainly using that relating to expected future cash flows discounted at present value and based on market information available at the valuation date.

  In determining the fair values, conditions and assumptions are used, mainly based on interest rate swap discount curves, credit risk rating curves, Treasury Certificate (CETES by its Spanish acronym) curves and the Mexican Average Interbank Interest Rate (TIIE by its Spanish acronym) available at the valuation date.

  The Company has conducted the effectiveness tests required to comply with hedge accounting, which fall within the ranges allowed under IFRS.

- Useful lives and fair value of property, machinery and equipment

  HERDEZ determines the useful lives of its assets based on Management's best estimate of the periods during which economic benefits are expected to be obtained from said assets. For assets measured at fair value, when there is a market value, only for IFRS adoption purposes, the Company evaluated whether or not said market value meets the requirement of conditions agreed between interested and willing parties in a free competition transaction, which will allow for considering the market value as a proper reference of fair value; otherwise, the fair value of the assets is estimated on the basis of technical valuation models recognized in the financial arena.

- Impairment of goodwill and other indefinite life assets

  Goodwill and intangible assets with an indefinite life are tested for impairment annually on the same dates. In evaluating the value in use, estimated future cash flows are discounted at their present value, using a discount rate before taxes that reflects the market evaluations of the value of the money over time, taking into account the specific risks inherent to the asset. For impairment testing purposes, assets that can not be tested individually are integrated in smaller groups of assets that generate cash inflows from on-going use and that are, for the most part, independent from the cash inflows of other assets or groups of assets (the "cash generating unit"). For impairment testing purposes, goodwill is distributed to the group of cash generating units expected to benefit from the synergies of the combination. This distribution is subject to operating segment ceiling testing and reflects the lowest level at which goodwill is monitored for internal reporting purposes. Impairment losses are applied to income. Impairment losses recorded with respect to the cash generating units are distributed first to reduce the carrying value of any goodwill distributed to the units and subsequently to reduce the carrying value of other assets in the unit (group of units) on a prorate basis. No goodwill-related impairment loss is reverted.

- Useful lives of intangible assets

  HERDEZ determines the useful lives of its intangible assets on the basis of its best estimate of the periods during which it expects to obtain economic benefits from said assets, taking into account the period of control over the asset, including legal or other limits, obsolescence, stability of the industry in which the asset operates, changes in demand and actions expected of current or potential competitors.

- Determination of employee benefits

  Direct benefits are applied to income as they arise and the related liabilities are stated at their nominal value, due to their short-term nature. HERDEZ's net obligations with respect to defined benefit pension plans are calculated separately for each plan, estimating the amount of the future benefit earned by employees in return for their services in the current and past periods. This benefit is discounted to determine its present value, and costs for prior services not yet recognized and the fair value of plan assets are deducted. The discount rate is calculated on the basis of zero coupon government bonds with maturity term resembling those of HERDEZ's obligations and that are determined in the same currency in which the benefits are expected to be paid. The calculation is analyzed annually by a qualified actuary, using the projected unit credit method.

» Impairment in accounts receivable

On each reporting date, HERDEZ evaluates whether or not there is objective evidence that its accounts receivable are impaired, which includes defaulting or late payment by a debtor, or the restructuring of a proper amount. The Company considers evidence of impairment of accounts receivable at both the specific asset level and collectively. All accounts receivable considered significant individually are evaluated for possible specific impairment. All accounts receivable evaluated that are not specifically impaired are subsequently evaluated collectively to identify impairment, if any, that has not yet been identified. Accounts receivable not significant individually are evaluated collectively for possible impairment, by grouping the accounts showing similar risk factors. In evaluating collective impairment, HERDEZ uses the historical trends of the likelihood of default, timing of recoveries and losses incurred, adjusted as a result of the analysis conducted by Management to determine whether or not current economic and credit conditions are such, that actual losses are likely to be higher or lower than those the historical trends suggest.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The following accounting policies set out have been applied consistently in the periods presented in these consolidated financial statements and in preparing the initial consolidated statement of financial position under IFRS at January 1, 2011 for the purposes of the transition to IFRS, unless otherwise specified.

A. CONSOLIDATION BASIS -

BUSINESS ACQUISITIONS

The business acquisitions conducted are recorded by the purchase method. The cost of an acquisition is measured at the date of acquisition and shows the sum of the consideration transferred at fair value and any non-controlling equity in the entity acquired. For each business acquisition, the buyer values the non-controlling equity in the acquired entity, either at fair value or as per the proportional share of the acquired entity's identifiable net assets.

When HERDEZ acquired a business, it evaluates the financial assets acquired and financial liabilities assumed for due classification and designation thereof, as per the contractual terms, economic circumstances and pertinent conditions at the acquisition date. This includes a separation of derivatives instruments embedded in the acquired entity's main contracts.

Goodwill is initially valued at cost and represents the excess of the consideration transferred over the net assets acquired and liabilities assumed. When goodwill is negative, a bargain purchase price is immediately applied to income for the period.

Any contingent consideration to be transferred by the buyer is recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration considered as an asset or liability are applied to income in accordance with International Accounting Standard (IAS) 39 "Financial instruments: recognition and measurement", or as a change in other components of comprehensive income. If the contingent consideration is classified in stockholders' equity, it must not be revalued recognizing the effects of the settlement in stockholders' equity.

Transition costs, other than those related to issuance of debt or capital instruments incurred by the Company relating to the acquisition of businesses are applied to income as they are incurred.

ACQUISITION OF NON CONTROLLING EQUITY

Acquisitions of non-controlling equity are recorded as transactions with shareholders at fair value. Therefore, no goodwill is recognized as a result of said transactions and no profit or loss is applied to income for the period.

SUBSIDIARY COMPANIES

The subsidiaries are entities controlled by the Company, including entities in which do not have a majority shareholding, but there is evidence that there is control thereon. The subsidiaries' financial statements are included in the consolidated financial statements from the date on which control is initially exercised to the date on which said control ends. The subsidiary companies' accounting policies have been adjusted, when necessary, to conform to those adopted by HERDEZ.

Following is a breakdown of HERDEZ's most significant subsidiaries and joint ventures, as well as the interest in each:

	COUNTRY IN WHICH IT WAS INCORPORATED	SHAREHOLDING % DECEMBER 2012	DECEMBER 2011	JANUARY 1, 2011
FOODSTUFF:				
Herdez Del Fuerte and subsidiaries (HDF) - Joint venture	Mexico	50%	50%	50%
McCormick de México, S. A. de C. V. (McCormick) - Subsidiary	Mexico	50%	50%	50%
Barilla México, S. A. de C. V. (Barilla México) - Subsidiary	Mexico	50%	50%	50%
Hormel Alimentos, S. A. de C. V. (Hormel Alimentos) - Subsidiary	Mexico	50%	50%	50%
SERVICES:				
Herport, S. A. de C. V. (Herport) - Subsidiary	Mexico	50%	50%	50%
Herdez Europa [1] - Subsidiary	Spain	-	97%	97%
Litoplas, S. A. de C. V. (Litoplas) - Subsidiary	Mexico	100%	100%	100%
Seramano, S. A. de C. V. (Seramano) - Subsidiary	Mexico	100%	100%	100%
Herdez Capital, S. A. de C. V. SOFOM, E.N.R. (Herdez Capital) - Subsidiary	Mexico	75%	75%	75%
REAL ESTATE GROUP:				
Alimentos HP, S. A. de C. V. (Alimentos) - Subsidiary	Mexico	100%	100%	100%
Comercial de Finanzas Netesa, S. A. de C. V. (Netesa) - Subsidiary	Mexico	100%	100%	100%
Quicolor de México, S. A. de C. V. (Quicolor) - Subsidiary	Mexico	100%	100%	100%
Promotora Hercal, S. A. de C. V. (Hercal) - Subsidiary	Mexico	100%	100%	100%
Herpons Continental, S. A. de C. V. (Herpons Co.) - Subsidiary	Mexico	100%	100%	100%

[1] This subsidiary had no operations since December 31, 2010; however, it was not dissolved until 2012.

INVESTMENTS IN ASSOCIATED COMPANIES

The associated companies are those in which HERDEZ exercises significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when HERDEZ holds 20% to 50% of the voting shares of another entity, without exercising control.

Investments in associated companies are valued by the equity method and initially recognized at their acquisition cost. HERDEZ's investment includes the goodwill related to the acquisition, net of accumulated impairment losses. The consolidated financial statements include HERDEZ's share in the income, expenses and movements in the stockholders' equity of investments recognized by the equity method, after adjustments, to conform those companies' accounting policies to HERDEZ's, from the date on which the Company has significant influence to the date on which said significant influence ends. When HERDEZ's equity in losses exceeds its investment in entities recognized by the equity method, the carrying value of said equity (including any long-term investment) is reduced to zero and no additional losses are recognized, unless HERDEZ has assumed a liability or has made payments on behalf of the associated company. (See Note 8).

JOINTLY CONTROLLED BUSINESSES

Jointly controlled businesses are recognized at the date of the financial statements by the proportionate consolidation method.

The Group combines its equity in the individual income and expenses of these joint ventures, assets and liabilities and cash flows, line by line, with similar items in the Group's financial statements. The Group recognizes its equity in the profits and losses on the sale of the Group's assets to the joint venture that corresponds to the other participants of the joint venture. The Group does not recognize its equity in the profits and losses of the joint venture, resulting from the Group's purchases of the joint venture's assets until such time as the Group sells said assets to a third party. However, a loss on said transactions is immediately recognized if the loss provides evidence of a reduction in the net realizable value of current assets or of an impairment loss.

TRANSACTIONS ELIMINATED IN CONSOLIDATION

The most important balances and operations between Grupo entities, as well as unrealized income and expenses, have been eliminated in preparing the consolidated financial statements.

Unrealized profits arising from transactions between Group entities in which involving investments recognized by the equity method are eliminated against the investment in the proportion of the Company's equity in said entity. Unrealized losses are eliminated in the same manner as unrealized profits, but only in to the extent there is no evidence of impairment.

B. FOREIGN CURRENCY -

OPERATIONS AND BALANCES

Foreign currency operations are converted to the functional currency using the exchange rates prevailing on the date on which the transaction was entered into or the exchange rate in effect on the valuation date when the items are revalued.

Exchange gains or losses arising in settling said operations or from conversion of monetary assets and liabilities denominated in foreign currency at the year-end close exchange rates are recognized in the statement of income, except when they must be included in other comprehensive income, as in the case of transactions qualifying as cash flow hedges.

FOREIGN OPERATIONS

The results and financial position of all of the Group entities (none of which handle a currency that corresponds to a hyperinflationary economy) with a functional currency other than the reporting currency are converted to the reporting currency as follows:

» The assets and liabilities recognized in the statement of financial position are converted at the exchange rate prevailing on the closing date of said statement of financial position.
» Income and expenses recognized in the statement of income are converted at each year's average exchange rate.
» Resulting exchange differences are recognized as other components of comprehensive income.

Goodwill and the adjustments to the assets and liabilities arising on the date of acquisition of a foreign operation for measurement thereof at the fair value are recognized as assets and liabilities pertaining to the foreign entity and converted at the exchange rate prevailing on the closing date.

The average exchange rate showed no significant change during the year ended at December 31, 2012 and 2011, and at January 1, 2011.

C. CASH AND CASH EQUIVALENTS -

This item comprises the cash balances and demand deposits originally maturing at three months or less. Bank overdrafts payable upon demand and that form part of HERDEZ's cash management are included as a component of cash and cash equivalents in the statement of cash flows.

D. FINANCIAL INSTRUMENTS -

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments include trade accounts receivable and other accounts receivable, loans and suppliers and other accounts payable.

Initially, HERDEZ recognizes loans, accounts receivable and deposits on the date on which they arise. Other financial assets (including assets designated at fair value through income) are initially recognized on the contracting date on which HERDEZ becomes a party to the instrument's contractual provisions.

HERDEZ eliminates a financial asset when the contractual rights to cash flows provided by the asset expire, or when it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which all risks and benefits from ownership of the financial asset are substantially transferred. Any share in the financial assets transferred created or conserved by HERDEZ is recognized separately as an asset or liability.

HERDEZ has the following non-derivative financial assets: loans and accounts receivable.

» Loans and accounts receivable
Loans and accounts receivable are financial assets with fixed or determinable payments that are not traded in a deep market. Said assets are initially recognized at fair value, plus costs directly attributable to the transaction. After their initial recognition, loans and accounts receivable are measured at their amortized cost using the effective interest method, less impairment losses. Loans and accounts receivable include trade accounts receivable and other accounts receivable.

NON-DERIVATIVE FINANCIAL LIABILITIES

Initially, HERDEZ recognizes the debt securities issued at the date on which they are created. All other financial liabilities are initially recognized on the contracting date on which HERDEZ becomes a party to the instrument's contractual provisions.

HERDEZ eliminates a financial liability when its contractual obligations are satisfied or cancelled, or expire.

HERDEZ has the following non-derivative financial liabilities: notes payable, suppliers and other accounts payable and domestic bonds.

Said financial liabilities are initially recognized at fair value, plus costs directly attributable to the transaction. Following the initial recognition, these financial liabilities are valued at their amortized cost using the effective interest method.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

HERDEZ has derivative financial instruments to hedge against its exposure to the risk of fluctuations in the prices of raw materials, exchange rates and interest rates resulting from its operating, financing and investment activities. As per its treasury policy, HERDEZ does not keep or issue derivative financial instruments for trading purposes. However, some of the derivatives contracted do not meet the requirements in accordance to the hedge accounting treatment and are recognized as other derivatives financial instruments not held for trading purposes.

In the initial designation of the hedge, HERDEZ formally documents the relationship between the hedging instruments and the items covered, including the risk management objectives and strategies for conducting the hedging transactions, as well as the methods used in assessing the effectiveness of the hedge operation. HERDEZ conducts an evaluation at the outset of the hedge operation and subsequent on-going evaluations, if the hedging instruments are expected to be "highly effective" to offset the changes in fair value or in cash flows of the respective hedge items during the period for which the hedge is designated, and if each hedge's actual results fall within a range of 80-125 percent.

Derivative financial instruments are initially recognized at fair value. Costs attributable to the transaction are applied to income as they arise. Following their initial recognition, derivative financial instruments are measured at fair value and changes in said value are recognized as follows (see Note 13):

» Cash flow hedges

When a derivative is designated as a hedging instrument in the variety of cash flows attributable to a particular risk, relating to a recognized asset or liability that could affect income for the period, the effective portion of the changes in the fair value of the derivative are recognized in the comprehensive income account and shown as a component of stockholders' equity. The amount recognized in the comprehensive income account is eliminated and applied to income in the same period in which the hedged cash flows are applied to income under the same line item of the statement of comprehensive income as the hedged item. Any ineffective portion of the changes in fair value of the derivative are immediately applied to income.

If the hedging instrument no longer satisfies the criteria for the hedge accounting treatment, expires, is sold, is terminated, is exercised, or its designation is revoked, the hedge accounting treatment is revoked on a prospective basis. The accumulated gain or loss previously recognized in the comprehensive income account and presented in stockholders' equity remains there until the transaction is applied to income. When the hedged item is a non-financial asset, the amount recognized in the comprehensive income account is transferred to the book value of the asset, when the asset is recognized. If the transaction is no longer expected to take place, the balance of other comprehensive income items is immediately applied to income. In other cases, the amount recorded in other comprehensive income is transferred to income in the same period in which the hedged item is applied to income.

» Other derivative financial instruments not held for trading purposes

When a derivative financial instrument is not held for trading purposes, and is not designated in a hedging relationship meeting the requirements, all changes in fair value are immediately applied to income.

CAPITAL STOCK

» Ordinary shares

Ordinary shares are classified in stockholders' equity. Incremental costs directly attributable to issuance of ordinary shares and stock options are recognized as a deduction of stockholders' equity, net of tax effects.

» Purchase of shares

When capital stock recognized as stockholders' equity is purchased, the consideration paid, which includes directly attributable costs, net of tax effects, are recognized as a stockholders' equity reduction. Purchased shares are classified as treasury shares and are shown a stockholders' equity deduction. When treasury shares are sold or subsequently issued, the amount received is recognized as an increase in 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, 1998 at their historical cost, and ii) movements made prior to January 1, 1998 at their restated values, restated applying factors derived from the NCPI to their historical values up to December 31, 1997.

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

E. PROPERTY, MACHINERY AND EQUIPMENT -

RECOGNITION AND MEASUREMENT

Property, machinery and equipment are valued at cost, less accumulated depreciation and accumulated impairment losses.

HERDEZ opted to apply the optional exemption provided by IFRS 1, to use the book value as per MFRS as the assumed cost at January 1, 2011, date of transition to IFRS, except as concerns the Chiapas plant machinery and the land pertaining to the Mexico distribution center, whose assumed cost was determined at fair value on the basis of appraisals conducted at the date of transition to IFRS. (See Note 26).

The cost includes expenses directly attributable to acquisition of the asset. The cost of assets constructed for own use include the cost of materials and labor, and other directly attributable costs required for the asset to be in proper working conditions, including the financing costs of ratable assets whose initial capitalization date is January 1, 2011 or after. At December 31, 2012 and 2011, there are no ratable assets with capitalizable financing costs. The software and hardware programs acquired that are a comprehensive part of the functionality of the corresponding fixed asset are capitalized as part of that equipment.

Gains or losses on the sale of a component of property, machinery and equipment are determined comparing the resources arising from the sale with the book value of property, machinery and equipment, and are recognized net under "other income" in income for the period.

SUBSEQUENT COSTS

The replacement cost of a property, machinery and equipment item is recognized in the book value, if the future economic benefits comprised in said portion are likely to be for HERDEZ and its cost can be reliably determined. The book value of the replaced item is eliminated. Routine maintenance costs are applied to income as they are incurred. Major maintenance that extends the useful life, if any, is capitalized as an independent component of said asset.

DEPRECIATION

Depreciation is calculated on the amount subject to depreciation, which corresponds to the cost of an asset, or another amount replacing the cost, less its residual value.

Depreciation is applied to income by the straight-line method according to the estimated useful life of each component of property, machinery and equipment, as this better reflects the expected consumption pattern of future economic benefits comprised in the asset. Land is not depreciated.

The estimated useful lives of the components of property, plant and equipment are summarized as follows:

Buildings	33 - 20 years
Machinery and tools	14 - 10 years
Fishing equipment	17 years
Furniture and office equipment	12 years
Stowing and transportation equipment	10 - 4 years
Electronic data processing equipment	4 years

The depreciation method, useful lives and residual values are reviewed at the year-end close and adjusted, if necessary. (See Note 7).

F. INTANGIBLE ASSETS -

GOODWILL

Goodwill resulting from the acquisition of subsidiaries is included in intangible assets. With respect to the valuation of goodwill in the initial recognition. With respect to acquisitions prior to January 1, 2011, goodwill is included on the basis of its assumed cost, which represents the amount recorded under MFRS. (See Note 9).

» Subsequent valuation
Goodwill is valued at cost, less accumulated impairment losses. With respect to the investment in companies recognized by the equity method, the book value of goodwill is included in the book value of the investment, and impairment losses on said investment are not distributed to any asset, including the goodwill that forms part of the book value of the investment recognized by the equity method.

DEFINED LIFE INTANGIBLE ASSETS
Intangible assets acquired by HERDEZ, that consist of noncompetition agreements, technology developed and customer relations that have a finite useful live are recorded at cost, less accumulated amortization and accumulated impairment losses. The above do not refer to intangible assets developed internally, which arise from acquisitions made.

INDEFINITE LIFE INTANGIBLE ASSETS
Intangible assets with an indefinite life correspond to patents and trademarks, involving no legal, regulatory, contractual, economic or other factors that might limit their lifetime, and which are expected to generate future cash flows, which are not conditioned to a limited period of time, and are thus subject to annual impairment testing under IFRS.

SUBSEQUENT DISBURSEMENTS
Subsequent disbursements are capitalized solely when they increase the future benefits comprised in the corresponding asset. All other disbursements, including those corresponding to brands and goodwill generated internally are applied to income as they are incurred.

AMORTIZATION
Amortization is calculated on the cost of the asset, or other amount replacing cost, less its residual value.

Amortization is applied to income by the straight-line method based on the estimated useful life of the intangible assets, other than goodwill and trademarks, from the date on which they become available for use, as this best reflects the pattern of expected consumption of future economic benefits comprised in the asset. The estimated useful lives for current and comparative periods are as follows:

Noncompetition agreements	2 - 3 years
Technology developed	8 - 20 years
Customer relations	13 - 20 years

The amortization method, useful lives and the residual values of intangible assets are reviewed at the year-end close and adjusted, if necessary.

G. LEASED ASSETS -
Leases whereby HERDEZ does not substantially assume all of the risks and benefits inherent to ownership are classified as operating leases, and the leased assets are not recognized in HERDEZ's statement of financial position. Rent paid by HERDEZ under operating lease agreements is applied to income for the period by the straight-line method according to the term of the lease agreement.

Operating leases are for property and equipment used for the Company's operations.

Leasehold improvements are depreciated over the lesser of the term of the lease and the useful life of the property.

H. INVENTORIES -
Inventory stock is valued at the lesser of its cost or its net realization value. Cost is determined by the first-in-first-out method and includes disbursements incurred for the acquisition of inventories, production or manufacturing costs and other costs incurred to transport them to their site and current conditions. In the case of manufactured inventory stock and inventory in progress, the cost includes an adjusted portion of production overhead based on the normal operating capacity. (See Note 6).

The net realization value is the selling price estimated in the normal course of operations, less estimated completion costs and selling costs.

I. IMPAIRMENT -

FINANCIAL ASSETS

A financial asset not recognized at fair value through income is evaluated on each reporting date to determine whether or not there is objective evidence of impairment thereof. A financial asset is impaired if there is objective evidence that indicates that a loss event has occurred after initial recognition of the asset, and that said event had a negative effect on that asset's estimated future cash flows and that it can be reliably estimated.

Objective evidence that financial assets are impaired includes a debtor's default or late payment, restructuring of an amount owed to HERDEZ in terms that otherwise, HERDEZ does not detect signs that said debtor will become bankrupt and disappearance of a deep market of a security.

HERDEZ considers evidence of impairment of accounts receivable at both the specific asset level and collectively. All accounts receivable considered significant individually are evaluated for possible specific impairment. All accounts receivable evaluated that are not specifically impaired are subsequently evaluated collectively to identify impairment, if any, that has not yet been identified. Accounts receivable not significant individually are evaluated collectively for possible impairment, by grouping the accounts showing similar risk factors.

In evaluating collective impairment, HERDEZ uses the historical trends of the likelihood of default, timing of recoveries and losses incurred, adjusted as a result of the analysis conducted by Management to determine whether or not current economic and credit conditions are such, that actual losses are likely to be higher or lower than those the historical trends suggest.

An impairment loss relating to a financial asset valued at its amortized cost is calculated as the difference between the book value and the present value of expected future cash flows, discounted at the asset's original effective interest rate. Losses are applied to income and presented as an allowance for doubtful accounts. Interest on the impaired asset continues to be recognized through the effect of the discount from the passing of time. When a subsequent event causes a reduction in the impairment loss, the reduction effect on the impairment loss is applied to income.

NON-FINANCIAL ASSETS

The book value of HERDEZ's non-financial assets, other than assets arising from employee benefits, inventories and deferred tax assets, is tested for impairment on each reporting date. If signs of impairment are identified, the recovery value of the asset is estimated. The recovery value of goodwill and intangible assets with indefinite life spans or that are not yet available for use is estimated yearly on the same dates.

The recovery value of an asset or cash-generating unit is the greater of its value in use and its fair value, less costs incurred for its sale. In evaluating the value in use, estimated future cash flows are discounted at their present value, using a discount rate before taxes that reflects the market evaluations of the value of the money over time, taking into account the specific risks inherent to the asset. For impairment testing purposes, assets that can not be tested individually are integrated in smaller groups of assets that generate cash inflows from on-going use and that are, for the most part, independent from the cash inflows of other assets or groups of assets (the "cash generating unit"). For the purposes of impairment testing of goodwill, goodwill acquired in a business acquisition is distributed to the group of cash generating units expected to benefit from the synergies of the combination. This distribution is subject to operating segment ceiling testing and reflects the lowest level at which goodwill is monitored for internal reporting purposes.

HERDEZ's corporate assets do not generate cash inflows separately. If there is any indication that a corporate asset may be impaired, the recovery value of the cash-generated unit to which the corporate asset pertains is then determined.

An impairment loss is recognized if the book value of an asset or cash-generating unit exceeds the recovery value. Impairment losses are applied to income. Impairment losses recorded with respect to the cash generating units are distributed first to reduce the carrying value of any goodwill distributed to the units and subsequently to reduce the carrying value of other assets in the unit (group of units) on a prorate basis.

No goodwill-related impairment loss is reverted. With respect to other assets, impairment losses recognized in prior periods are valued at the reporting date to identify signs that the loss has been reduced or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recovery value. An impairment loss is only reversed to the extent the book value of the asset does not exceed the book value that would have been determined net of depreciation or amortization, if no impairment loss had been previously recognized.

Goodwill that forms part of the book value of an investment recognized by the equity method is not recognized separately and therefore, is not tested separately for impairment. Instead, the total amount of the investment recognized by the equity method is tested for possible impairment as a single asset, when there is objective evidence that said investment recognized by the equity method may be impaired.

J. EMPLOYEE BENEFITS -

The benefits granted by the Company to its employees, including defined benefit 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. Compensated absences payable under legal or contractual provisions are noncumulative. (See Note 16).

DEFINED BENEFIT PLANS

A defined benefit plan is a benefit plan upon termination of employment other than a defined contributions plan. HERDEZ's net obligations with respect to defined benefit pension plans are calculated separately for each plan, estimating the amount of the future benefit earned by employees in return for their services in the current and past periods. This benefit is discounted to determine its present value, and costs for prior services not yet recognized and the fair value of plan assets are deducted. The discount rate is calculated on the basis of zero-coupon government bonds with maturity term resembling those of HERDEZ's obligations and that are determined in the same currency in which the benefits are expected to be paid. The calculation is analyzed annually by a qualified actuary, using the projected unit credit method. When the result of the calculation is a benefit for HERDEZ, the asset recognized is limited to the net total of prior-service costs not yet recognized and the present value of the economic benefits available, in the form of future reimbursements of the plan or reductions in future contributions to the plan. In calculating the present value of the economic benefits, the minimum funding requirements applied to any HERDEZ plan are taken into account. An economic benefit is available to HERDEZ, if it can be realized during the lifetime of the plan, or upon settling the plan obligations.

When the benefits of a plan are improved, the portion of the improved benefits relating to prior services on the part of employees is applied to income by the straight-line method over the average period until such time as the right to the benefits is acquired. To the extent the right to the benefits is realized immediately, the expense is immediately applied to income.

HERDEZ recognizes the actuarial gains and losses arising from defined benefit plans in the comprehensive income account, in the period in which they occur.

SHORT-TERM EMPLOYEE BENEFITS

Obligations arising from short-term employee benefits are valued on a basis without discount and are charged to income as the respective services are rendered.

A liability is recognized on the amount expected to be paid under short-term cash bond and profit-sharing plans, if HERDEZ has a legal or assumed obligation to pay said amounts as a result of prior services rendered by employees, and the obligation can be reliably estimated.

K. PROVISIONS -

A provision is recognized if, as a result of a past event, HERDEZ has a present legal or assumed obligation that can be reliably estimated, and will probably require the use of economic resources to settle the obligation and the amount in question can be reliable estimated. Provisions are determined, when applicable, discounting discounted future cash flows at a pretax rate that reflects current market evaluations of the book value attributable to the time factor and risks specific to the liability. The effect of the discount arising from the passage of time is recognized as a financial cost.

L. REVENUE RECOGNITION -

PRODUCTS SOLD

Income from the sale of products during the normal course of operations is recognized at the fair value of the consideration received or receivable, net of returns, commercial and volume discounts. Income is recorded when there is conclusive evidence, generally in the form of a signed sales agreement, that the risks and benefits inherent to ownership of the product have been transferred to the buyer, recovery of the consideration is probable, related costs and the possible return of the products can be reliably estimated, HERDEZ Management has no on-going participation in the handling of the merchandise and the revenue can be reliably determined. If discounts are likely to be granted and the amount can be determined reliably, the discount is then recognized as a reduction of income.

The moment of the transfer of risks and benefits varies according to the individual terms of the sales agreement. Generally, the transfer takes place when the product is received at the customer's warehouse.

M. DONATIONS -

To the extent HERDEZ donations to social programs benefit the community in general and are not limited to HERDEZ employees, they are applied to income as they are made.

N. FINANCIAL INCOME AND COSTS -

Financial income includes interest income on invested funds, dividend income and changes in the fair value of financial assets at fair value through income, as well as exchange gains. Interest income is applied to income as it is earned, using the effective interest method. Dividend income is applied to income on the date HERDEZ's right to receive the payment is established.

Financial costs comprise the interest expense on loans, exchange losses, changes in the fair value of financial liabilities at fair value through income and impairment losses recognized on financial assets. Costs of loans that are not directly attributable to the acquisition, construction or production of a ratable asset are applied to income by the effective interest method.

Exchange gains and losses are reported on a net basis and are applied to income for the period.

O. INCOME TAX (IT) AND FLAT TAX (FT) -

Income taxes comprise currently-payable and deferred taxes. The tax incurred and the deferred tax are applied to income, unless it corresponds to a business combination or items directly recognized in stockholders' equity or in the comprehensive income account.

The IT incurred is the tax expected to be paid or received. The IT liability for the period is determined on the basis of the legal and tax requirements for companies in Mexico and abroad, applying the tax rates enacted or substantially enacted at the date of the report, and any adjustment to the tax payable with respect to prior years.

Deferred IT is recorded by the asset and liability method, which compares the book and tax values of HERDEZ's assets and liabilities and deferred taxes are recognized (assets or liabilities) with respect to the temporary differences between said values. No taxes are recognized for the following temporary differences: initial recognition of assets and liabilities in a transaction that is not a business acquisition and that affects neither accounting nor taxable profit or loss.

Additionally, deferred taxes are recognized on taxable temporary differences arising from the initial recognition of goodwill, as a result of business acquisitions. Deferred taxes are calculated using the rates expected to be applied to temporary differences when they are reversed, as per the laws enacted or substantially enacted at the date of the report.

A deferred asset is recognized on unamortized tax losses, tax debts and deductible temporary differences, to the extent there are taxable profits in the future against which they can be applied. Deferred assets are reviewed at the date of the report and are reduced to the extent the corresponding tax benefit is no likely to be realized. (See Note 24).

Deferred IT related to investments in joint ventures is recognized, except when the possibility of reversal of temporary differences is under the Company's control and it is probable the temporary difference will not reverse in the foreseeable future.

Deferred IT assets are offset if there is a legally enforceable right to offset current tax liabilities, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis.

P. DISCONTINUED OPERATIONS-

A discontinued operation is a component of the HERDEZ business that represents an important line of business that has been sold or is available for sale, or is a subsidiary acquired exclusively with a view to resell. Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restructured as if the operation had been discontinued from the start of the comparative year. (See Note 23).

Q. EARNINGS PER SHARE -

HERDEZ presents information on basic Earnings per Share (EPS) corresponding to its ordinary shares. Basic EPS are calculated by dividing the profit or loss attributable to the holders of ordinary shares by a weighted average number of shares outstanding during the period, adjusted by own shares held. (See Note 25).

R. SEGMENT REPORTING -

An operating segment is a component of HERDEZ engaged in business activities from which it can obtain income and incur expenses, which includes income and expenses relating to transactions with any of HERDEZ's other components. Segment results are periodically reviewed by the CEO for decision making in respect to the resources to be allocated to the segment and to evaluate the performance thereof.

Transactions between segments are determined on the basis of prices that would be used with or between independent parties in comparable operations. (See Note 10).

S. COMPREHENSIVE INCOME -

Comprehensive income is comprised of net income, the valuation of derivative financial instruments, the effects of translation and the results from actuarial losses on employee benefit obligations, which are reflected in stockholders' equity, but which do not constitute capital contributions, reductions and/or distributions.

T. NEW REGULATORY PRONOUNCEMENTS -

A series of new standards, amendments to or interpretations of standards are effective for periods beginning on or after January 1, 2013 and have not been applied in the preparation of consolidated financial statements. HERDEZ plans to adopt these pronouncements when they go into effect and is still in the process of analyzing the possible effect of the new standards on its financial position or performance; however, they are not expected to have a significant effect on its consolidated financial statements, except in respect of IFRS 11 "Joint ventures", which is compulsory for 2013 consolidated financial statements and which is expected to have an effect on recognition of the joint ventures being consolidated on a proportional basis at December 31, 2012. In light of the above, HERDEZ's statement of financial position and statement of income will be affected by the elimination of proportionate consolidation in each one of the corresponding line items, and by the consequent incorporation of equity in the results of the joint ventures by the equity method.

NEW PRONOUNCEMENTS:

IAS 19 "Employee benefits", effective for annual periods beginning on or after January 1, 2013, eliminates the use of the corridor method, instead requiring all re-measurements of defined benefit liabilities (asset) to be recognized immediately, including gains and losses in comprehensive income.

IFRS 10 "Consolidated financial statements", effective for annual periods beginning on or after January 1, 2013, replaces IAS 27 on control and consolidation and the Interpretation Committee (SIC) 12 on consolidation of special purpose entities. The basic principle of an consolidated entity presenting and controlling company and its subsidiaries as a single entity remains unchanged, as well as the mechanics of consolidation.

IFRS 12 "Disclosure of interests in other entities", effective for annual periods beginning on or after January 1, 2013. The changes require disclosure of the nature, risk and possible financial effects relating to HERDEZ's interest in its subsidiaries, associates, joint ventures and unconsolidated structured entities.

IFRS 13 "Fair value measurement", effective for annual periods beginning on or after January 1, 2013. This standard sets out disclosure requirements related to assets and liabilities measured at fair value, with a view to providing extensive fair value disclosures. The standard does not change fair value measurement, but rather, codifies this item in a single place.

IFRS 11 "Joint ventures". IFRS 11 is a more realistic reflection of joint arrangements, centering on the rights and obligations of the parties to the agreements rather than on its legal form. There are two types of joint arrangements: joint operations and joint ventures. A joint operation is an arrangement in which the parties have rights to the assets and obligations for the liabilities, thus representing their interest in those assets, liabilities, income and expenses. A joint venture is an arrangement in which the parties have rights to the arrangement's net assets and therefore, to the equity accounts related to their interests. Proportionate consolidation of joint ventures is no longer permitted. Effective as from January 1, 2013.

IAS 27 (revised 2011) "Separate financial statements". IAS 27 (revised in 2011) sets out the requirements relating to individual financial statements. Effective as from January 1, 2013.

IAS 28 (revised in 2011) "Investments in associates and joint ventures". IAS 28 (revised in 2011) sets out the requirements for associates and joint ventures to which the equity method of accounting must be applied following issuance of IFRS 11. Effective as from January 1, 2013.

IFRIC 20 "Stripping costs in the production phase of a surface mine". This interpretation establishes accounting for costs of removing mine waste materials (extraction) in the production phase of an open mine. The interpretation may require that mining entities report under IFRS to eliminate existing stripping assets and record retained earnings to the extent there remains an identifiable component of the ore body to which it can be associated.

Amendment to IFRS 1 "First-time adoption of IFRS". With respect to government loans, this amendment outlines the manner in which first-time adopters must record a government loan with a below-market interest rate when transitioning to IFRS. Effective as from January 1, 2013.

Amendment to IFRS 7 "Financial instruments: disclosure of information in relation to offsetting of financial assets and financial liabilities". This amendment includes new disclosures to facilitate the comparison between entities preparing financial statements under IFRS with respect to those preparing financial statements under US GAAP. Effective as from January 1, 2013.

Amendment to IAS 32 "Financial instruments: presentation of information in relation to offsetting of financial assets and financial liabilities". These amendments are the application guidelines of IAS 32 "Financial instruments: presentation and clarification of certain requirements for offsetting financial assets and financial liabilities in the balance sheet". Effective as from January 1, 2014.

IFRS 9 "Financial instruments". IFRS 9 is the first standard issued as part of a broad project to replace IAS 39. IFRS 9 maintains but simplifies the mixed measurement model and establishes two main categories for measuring financial assets: amortized cost and fair value. The classification basis depends on the entity's business model and the characteristics of the financial assets' cash flows. The guidelines of IAS 39 for impairment of financial assets and hedge operations remain applicable. Effective as from January 1, 2015.

NOTE 4 - FINANCIAL RISK MANAGEMENT:

HERDEZ is exposed to the following risks:

» Credit risk
» Liquidity risk
» Market risk
» Exchange risk
» Interest rate risk
» Capital management

This notes presents information on HERDEZ's exposure to each of the above-mentioned risks, its objectives, policies and processes for measuring and managing risks, as well as for managing its capital. More quantitative disclosures are included in the different sections of these consolidated financial statements.

RISK MANAGEMENT FRAMEWORK

The Board of Directors is responsible for establishing and supervising HERDEZ's risk management framework. The Board of Directors has established the Risk Management Committee for each subsidiary, which is responsible for developing and monitoring HERDEZ's risk management policies and reports its activities to the Board of Directors periodically.

HERDEZ's risk management policies were established to identify and analyze the risks to which HERDEZ is exposed, establish the proper limits and controls, and monitor risks and enforce restrictions. The risk management policies and systems are reviewed periodically to reflect the changes in market conditions and in the Group's activities. Through training, its standards and administrative procedures, HERDEZ intends to develop a disciplined and constructive control environment that will allow for all employees to understand their duties and obligations.

HERDEZ's Audit Committee supervises the manner in which management monitors compliance with risk management policies and procedures and reviews it is in line with the risk management framework, in terms of the risks the Company is exposed to. HERDEZ's Audit Committee receives supervision support from the internal audit area. Internal audit conducts both routine and special reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

CREDIT RISK

ACCOUNTS RECEIVABLE

The credit risk represents the risk of financial loss for HERDEZ, if a customer or counterparty of a financial instruments defaults on its contractual obligations, and arises in relation to accounts receivable from the customer.

HERDEZ's exposure to credit risk is mainly affected by each customer's individual characteristics. However, Management also considers the demographics of HERDEZ's customer base, which includes the risk of default on the part of the industry and the country in which the customers operate, as these factors can have an effect on the credit risk, particularly under deteriorating economic circumstances.

The Risk Management Committee has implemented a credit policy under which each new customer is analyzed individually in terms of solvency before being offered HERDEZ's standard terms and conditions for payment and delivery. HERDEZ's review includes external opinions, when available, and in some cases, bank references. For each customer, purchase-order limits are established, that represent the maximum open amount that does not require approval from the Risk Management Committee. These limits are reviewed quarterly. Customers failing to meet the Company's credit reference requirements can only conduct operations with HERDEZ through prepayments.

In monitoring customers' credit risks, customers are grouped according to their credit characteristics, which include whether the customer is an individual or an entity, a wholesaler or retailer or final user, the geographic location, industry, time as a customer, maturity and existence of prior financial difficulties. Trade receivables and other accounts receivable correspond mainly to HERDEZ's wholesale customers. Customers classified as "high risk" are included in a list of restricted customers and monitored by the Risk Management Committee.

The Company creates a provision for impairment losses, representing its best estimate of losses incurred in respect to trade receivables and other accounts receivable. The main factors of this provision are a component of specific losses that corresponds to important exposures individually, and a component of collective loss established for groups of similar asset with respect to losses incurred but which have not been identified. The provision for collective losses is determined on the basis of historical information of payment statistics corresponding to similar financial assets.

The balances of trade receivables at December 31, 2012 and 2011 and at January 1, 2011, according to their expiration dates, are as follows:

			DECEMBER 31,	JANUARY 1,
		2012	2011	2011
			(corresponding figures)	(corresponding figures)
Current portfolio	Ps	700,575 Ps	659,114 Ps	574,892
Past-due portfolio 1-30 days		224,661	211,612	175,006
Past-due portfolio 31-60 days		47,954	39,395	10,450
Past-due portfolio 61-90 days		8,454	11,306	1,877
Past-due portfolio +90 days		49,668	13,950	10,387
Legal portfolio		5,332	2,786	7,956
Total portfolio		1,036,644	938,163	780,568
Estimated portfolio of doubtful accounts		(4,131)	(2,027)	(7,956)
Trade receivables - Net	Ps	1,032,513 Ps	936,136 Ps	772,612

Movement of the allowance for doubtful accounts for the years ended December 31, 2012 and 2011 is as follows:

			DECEMBER 31,
		2012	2011
			(corresponding figures)
Allowance at January 1	Ps	2,027 Ps	7,956
Additions		2,104	833
Applications			6,762
Allowance at December 31	Ps	4,131 Ps	2,027

At December 31, 2012 and 2011, the Company has certain accounts receivable that were not past due or impaired. The credit quality of said accounts receivable shows no signs of impairment, as income is obtained from a broad variety of customers ranging from supermarkets, marketers and stores. The Company's customer portfolio is mainly comprised of wholesalers and self-service stores, which entails similar credit risk conditions and account for 74% and 77% of the overall portfolio in 2012 and 2011, respectively. At December 31, 2012 and 2011, none of the aforementioned accounts receivable showed default; however, Company Management has recognized an allowance for doubtful accounts for accounts past due and in legal process, that could represent impairment.

CASH AND INVESTMENTS IN SECURITIES

Cash and cash equivalents include cash balances, bank deposits and other highly liquid investments maturing at terms of under three months, with immaterial risks arising from changes in value. These losses are recorded at their historical cost that do not significantly differ from their fair value.

LIQUIDITY RISK

The liquidity risk represents the possibility of HERDEZ facing difficulties in complying with its obligations related to financial liabilities settled through delivery of cash or other financial assets. HERDEZ's approach to managing its liquidity consists of ensuring, to the extent possible, that it will have sufficient liquidity to settle its liabilities at the date of maturity and will have access to credit lines, under both normal and extraordinary conditions, without incurring unacceptable losses or jeopardizing the Company's reputation.

HERDEZ uses costing based on activities for the allocation of costs to its products and services, which helps to monitor cash flow requirements and optimize the cash return on its investments. Normally, HERDEZ ensures it has sufficient available cash to cover expected operating expenses for a 60-day period, which includes payment of its financial obligations. This includes the possible impact of extreme circumstances that are not reasonably predictable, as natural disasters are.

The following table summarizes the balances of financial liabilities pending payment, including interest payable at each future maturity date, at December 31, 2012 and 2011:

	PERCENTAGE OF EFFECTIVE WEIGHTED-AVERAGE INTEREST RATE	LESS THAN 1 MONTH	1 - 3 MONTHS	3 MONTHS TO 1 YEAR	1 - 5 YEARS	MORE THAN 5 YEARS	TOTAL
AT DECEMBER 31, 2012							
Fixed rate bank loans:							
Domestic bond Herdez 10					Ps 597,671		Ps 597,671
Fixed rate interest (Cert. Bursa. Herdez 10)	7.93%		Ps 24,054	24,054	192,435		240,543
Variable rate bank loans:							
Banco Inbursa, S. A. de C. V.						Ps 600,000	600,000
Variable rate interest (Banco Inbursa)	91-days TIIE + 4.05%		13,912	40,661	215,241	55,985	325,799
Domestic bond Herdez 11					594,130		594,130
Variable rate interest (Cert. Bursa. Herdez 11)	28-days TIIE + 0.60%	Ps 2,539	5,073	25,238	37,857		70,707
BBVA Bancomer, S. A.					389,640		389,640
Variable rate interest (BBVA Bancomer)	91-day LIBOR + 2.45%			10,980	17,854		28,834
Suppliers			773,628				773,628
AT DECEMBER 31, 2011							
Fixed rate bank loans:							
Domestic bond Herdez 10						Ps 592,895	Ps 592,895
Fixed rate interest (Cert. Bursa. Herdez 10)	7.93%		Ps 24,054	24,054	Ps 192,435	48,109	288,652
Variable rate bank loans:							
Banco Inbursa, S. A. de C. V.						600,000	600,000
Variable rate interest (Banco Inbursa)	91-day TIIE + 4.05%	Ps 13,583		40,347	217,681	108,118	379,729
Banco Inbursa, S. A. de C. V.				Ps 4,200			4,200
Variable interest rate	91-day TIIE + 1.40%		66	98			164
Domestic bond Herdez 11					596,595		596,595
Variable rate interest (Cert. Bursa. Herdez 11)	28-day TIIE + 0.60%	2,515	5,021	25,144	70,706		103,386
BBVA Bancomer, S. A.					419,361		419,361
Variable rate interest (BBVA Bancomer)	91-day LIBOR + 2.45%			12,541	31,033		43,574
Suppliers			843,049				843,049

MARKET RISK

Market risk is the risk of changes in market prices, such as exchange rates, interest rates and materials costs that can affect HERDEZ's income or the value of its financial instruments. The purpose of risk management is to manage and control exposure to market risks within acceptable parameters, while at the same time, optimizing yields.

EXCHANGE RISK

HERDEZ is exposed to exchange risk on sales, purchases and loans denominated in a currency other than its functional currency, which is the Mexican peso. The foreign currency in which said transactions are mainly denominated is the U.S. dollar (US$).

Through hedging, HERDEZ protects 50% - 85% of its estimated exposure to variations in exchange rates with respect to purchases projected for the following six months with suppliers, denominated in foreign currency. HERDEZ uses exchange rate forwards to hedge against the exchange risk, most with maturities of under one year as from the reporting date.

With respect to other monetary assets and liabilities denominated in foreign currency, HERDEZ ensures its net exposure is kept at an acceptable level through the purchase and sale of foreign currencies at exchange rates of spot operations to cover incidentals in the short term.

During the year, the following significant exchange rates were applied:

		AVERAGE EXCHANGE RATE		EXCHANGE RATE AT THE DATE OF PRESENTATION		
		DECEMBER 31,			DECEMBER 31,	JANUARY 1,
		2012	2011	2012	2011	2011
Mexican peso	Ps	13.1742 Ps	12.4286 Ps	12.9880 Ps	13.9787 Ps	12.3496

At December 31, 2012 and 2011 and January 1, 2011, the Company had the following foreign currency assets and liabilities. The information is stated in thousands of US dollars, which is the prevailing foreign currency:

		DECEMBER 31,		JANUARY 1,
		2012	2011	2011
			(corresponding figures)	(corresponding figures)
Short-term assets	US	77,957	US 34,002	US 27,237
Short-term liabilities		(92,132)	(63,836)	(49,849)
Net short liability position	(US	14,175)	(US 29,834)	(US 22,612)

A sensitivity analysis of assets and liabilities denominated in foreign currency, if the peso should depreciate or appreciate by 10%, taking into account that fluctuation over a year could approach this percentage, is as follows:

	BALANCES IN THOUSANDS OF DOLLARS AT DECEMBER 31, 2012	BALANCES IN THOUSANDS OF PESOS AT THE EXCHANGE RATE OF PS12.9880 OF DECEMBER 31, 2012	BALANCES IN THOUSANDS OF PESOS ESTIMATED IF THE EXCHANGE RATE DEPRECIATES BY 10%	BALANCES IN THOUSANDS OF PESOS ESTIMATED IF THE EXCHANGE RATE APPRECIATES BY 10%
MONETARY ASSETS:				
Cash and cash equivalents	US 27,003	Ps 350,715	Ps 315,643	Ps 385,786
Derivative financial instruments	7,232	93,929	84,536	103,322
Trade receivables	43,722	567,861	511,075	624,647
MONETARY LIABILITIES:				
Accounts payable	92,132	1,196,610	1,076,949	1,316,271
Net monetary liability position	(US 14,175)	(Ps 184,105)	(Ps 165,695)	(Ps 202,516)

INTEREST RATE RISK

It is HERDEZ policy to ensure that 30% to 50% of its exposure to interest rate fluctuations on loans is at a fixed rate. This is through a concentration of interest rate hedge operations (swaps).

Following is a sensitivity analysis of interest rates, taking into account a one-percentage-point increase in the TIIE:

Loan	Ps600,000
Swap	Ps300,000 (50% of the loan)
Assumption	1 percentage point increase in the TIIE

	NORMAL CONDITIONS			TIIE + 1 PB		
2011 Interest Ps300,000 loan	TIIE + 4.05	8.8406% Ps	26,965	TIIE + 4.05	9.7247% Ps	30,015
2011 Interest Ps300,000 swap	Swap + 4.05	11.8400%	(45,090)	Swap + 4.05	11.8400%	(45,090)
Difference			(18,125)			(15,075)
Therefore, an increase in the TIIE of the difference between fixed rate and the variable rate would represent an additional charge to income for the period of:					Ps	3,050

CAPITAL MANAGEMENT

The Board of Directors' policy is to maintain a solid capital gain to retain the investors', creditors' and market's trust in the Company and to sustain the business's future development. The Board of Directors monitors return on capital that HERDEZ defines as the result of the operating activities, divided by total stockholders' equity, excluding the preferred stock not subject to purchase, or interests or controlling companies. The Board of Directors also monitors the dividends distributed to the stockholders of ordinary shares.

During the periods reported on, there were no changes in the approach to HERDEZ policies on capital management.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

Periodically, HERDEZ purchases its own shares in the market; the timing of said purchases depends on the market prices. The decisions to buy or sell are made by Management. HERDEZ has no specific plan to purchase shares.

Company Management has established the following rules for management of financial and capital risks:

» The debt with cost must not exceed 100% of consolidated stockholders' equity.
» Not to reduce capital stock to under Ps2,800,000.
» Debt with a cost must not exceed three times the EBITDA. (See definition in Note 10).
» Not reduce interest hedge (EBITDA/net financing expenses) at less than 3 times.

All of these rules were duly complied with at December 31, 2012 and 2011.

NOTE 5 - RELATED PARTY BALANCES AND TRANSACTIONS:

As mentioned in Note 1, HERDEZ is a subsidiary of Hechos con Amor, S. A. de C. V., which pertains to a group of investors that exercises control over it and with which there is a relationship, as it is the main holding company with 51% of HERDEZ shares. The remaining 49% of the shares is held by numerous stockholders.

The main balances of accounts receivable from and payable to related parties are shown below:

				DECEMBER 31,	JANUARY 1,
		2012		2011	2011
				(corresponding figures)	(corresponding figures)
HOLDING COMPANY:					
Hechos Con Amor, S. A. de C. V.	(Ps	20)	Ps	541 Ps	541
JOINT VENTURE:					
Herdez del Fuerte Consolidado (proportionate) [1]		1,215,658		1,222,505	884,717
ASSOCIATE COMPANY:					
Fábricas de Envases del Pacífico, S. A. de C. V.		100,000		100,322	100,138
OTHER RELATED PARTIES:					
McCormick and Company, Inc.		(52,103)		(33,873)	(15,757)
Herflot, S. A. de C. V.		(326)		(1,483)	(253)
Barilla Alimentare		(13,581)		(12,641)	(14,807)
Duque Jet, S. A. de C. V.				83	(287)
Desc Corporativo, S. A. de C. V.		(3,435)		(2,722)	(2,882)
Stafford de México, S. A. de C. V.		47,317		42,130	34,266
Other - Net		(6,087)		5,939	(2,364)
	Ps	1,287,423	Ps	1,320,801 Ps	983,312

[1] Corresponding to net balances receivable from Herdez Del Fuerte subsidiaries, in the 50% that corresponds to the non-consolidated proportion.

During the year ended December 31, 2012 and 2011, the operations shown on the following page were conducted with related parties as if the compensation agreed for operations conducted with related parties were equivalent to that used in similar operations with independent parties.

		2012		2011
				(corresponding figures)
HOLDING COMPANY:				
Leasing expenses	(Ps	33,255)	(Ps	26,913)
JOINT VENTURE:				
Interest collected [1]		26,803		21,459
Interest paid		(2,736)		(1,825)
Service income		1,720		2,481
Lease income		39,052		26,592
Administrative services		(3,339)		(1,216)
Freight services		(71,822)		(64,740)
Commissions on sales		(467,412)		(414,106)
Purchase of labels and other materials		(2,264)		(311)
Trademark purchase				(6,103)
Contract manufacturing (maquila) services		(165,062)		(147,914)
Purchase of shares				(28,176)
Other		(18,618)		(15,583)
Total	(Ps	663,678)	(Ps	629,442)
ASSOCIATES:				
Interest collected	Ps	10,238	Ps	9,825
Purchase of packaging material		(331,678)		(344,352)
Leasing expenses - Net		1,500		1,500
Other		764		799
Total	(Ps	319,176)	(Ps	332,228)
OTHER RELATED PARTIES:				
Interest collected [1]	Ps	1,347	Ps	1,371
Interest paid		(52,665)		(42,449)
Service income		6,800		6,375
Corporate expenses		(72,109)		(46,200)
Leasing expenses		(40,235)		(37,172)
Administrative services		(23,080)		(27,249)
Freight services		(15,447)		(15,491)
Commissions on sales		(390,944)		(300,817)
Income from sale of other materials		257		642
Fuel		(110,940)		(50,097)
Royalties		(212,783)		(189,007)
Importation of finished products		(69,129)		(46,723)
Other		(22,351)		(7,730)
Total	(Ps	1,001,279)	(Ps	754,547)

[1] Interest collected were generated by current account balances.

The members of the Board of Directors received the following compensation during the period, which is included in personnel costs under overhead expenses in the statement of income:

		2012		2011
				(corresponding figures)
Short and long-term direct benefits	Ps	23,274	Ps	21,245
Termination benefits		3,264		3,270
	Ps	26,538	Ps	24,515

NOTE 6 - INVENTORIES:

Inventory is analyzed as follows:

				DECEMBER 31,		JANUARY 1,
		2012		2011		2011
				(corresponding figures)		(corresponding figures)
Finished products	Ps	859,231	Ps	716,562	Ps	608,946
Semi-finished products		1,299		5,828		6,495
Raw materials and packaging materials		349,174		269,602		250,715
Materials held by contract manufacturers (maquiladores) or consignees		85,554		49,510		46,515
Spare-parts warehouse		53,013		54,487		50,993
Total	Ps	1,348,271	Ps	1,095,989	Ps	963,664

Turnover of spare-parts inventory is under 365 days (average 188 days), due to which, application thereof is handled based on consumption.

NOTE 7 - PROPERTY, MACHINERY AND EQUIPMENT:

At December 31, 2012 and 2011, property, machinery and equipment are comprised as shown below:

	Balance at December 31, 2011 (corresponding figures)	Additions	Disposal	Effect of translation	Transfers	Balance at December 31, 2012
Building	Ps 992,673	Ps 9,166	(Ps 57,466)	(Ps 1,321)	Ps 35,417	Ps 978,469
Machinery and tools	1,705,961	129,199	(61,105)	(9,699)	37,988	1,802,344
Fishing equipment	503,224				19,954	523,178
Office furniture and equipment	63,387	4,499	(12,216)		436	56,106
Stowing and transportation equipment	174,671	113	(5,753)	(96)	172	169,107
Electronic data processing equipment	91,114	5,416	(18,649)		7,499	85,380
Original investment	3,531,030	148,393	(155,189)	(11,116)	101,466	3,614,584
Accumulated depreciation	(1,747,049)	(173,442)	84,567			(1,835,924)
	1,783,981	(25,049)	(70,622)	(11,116)	101,466	1,778,660
Land	252,247	4,702	(5,277)	(4,492)	(388)	246,792
Construction in process	121,382	381,241			(101,078)	401,545
Total fixed assets	Ps 2,157,610	Ps 360,894	(Ps 75,899)	(Ps 15,608)	Ps -	Ps 2,426,997

	Balance at January 1, 2011 (corresponding figures)	Additions	Disposals	Effect of translation	Transfers	Balance at December 31, 2011 (corresponding figures)
Building	Ps 755,381	Ps 46,894	(Ps 50,482)	Ps 33,648	Ps 207,232	Ps 992,673
Machinery and tools	1,558,289	115,288	(21,658)		54,042	1,705,961
Fishing equipment	456,189	47,035				503,224
Office furniture and equipment	60,318	1,968		1,069	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)	4,677		91,114
Original investment	2,963,958	223,983	(76,646)	40,010	379,725	3,531,030
Accumulated depreciation	(1,661,847)	(132,570)	47,368			(1,747,049)
	1,302,111	91,413	(29,278)	40,010	379,725	1,783,981
Land	246,508	11,409	(2,099)	2,753	(6,324)	252,247
Construction in process	261,351	233,432			(373,401)	121,382
Total fixed assets	Ps 1,809,970	Ps 336,254	(Ps 31,377)	Ps 42,763	Ps -	Ps 2,157,610

At December 31, 2012, the depreciation expense of Ps140,890 was charged to the cost of sales, Ps19,414 to selling expenses and Ps13,138 to administration expenses.

Construction in process at December 31, 2012 corresponds to projects that will increase the production capacity, which is estimated to conclude in 2013. The estimated investment related to said construction in process totals Ps889,395.

NOTE 8 - ASSOCIATES:

HERDEZ's equity in the profits for the period at December 31, 2012 of its associated companies, recognized by the equity method totaled Ps23,880 and Ps30,277 at December 31, 2011.

At December 31, 2012 and 2011, HERDEZ did not receive dividends from any of its associated companies recognized by the equity method.

Following is a summary of the financial information pertaining to the main associates recognized by the equity method, with no adjustments on the Company's shareholding percentage:

	SHAREHOLDING %	TOTAL ASSETS	TOTAL LIABILITIES	INCOME	NET PROFIT/LOSS
JANUARY 1, 2011					
Associates of HERDEZ [1]	50% Ps	389,802 Ps	220,775 Ps	443,363 Ps	48,903
DECEMBER 31, 2011					
Associates of HERDEZ [1]	50% Ps	532,670 Ps	299,880 Ps	572,229 Ps	63,716
Associates of the subsidiaries [2]	25%	32,853	11,759	28,170	(6,324)
	Ps	565,523 Ps	311,639 Ps	600,399 Ps	57,392
DECEMBER 31, 2012					
Associates of HERDEZ [1]	50% Ps	500,215 Ps	218,789 Ps	581,325 Ps	48,709
Associates of the subsidiaries [2]	25%	30,955	15,168	41,999	(1,902)
Associates of the subsidiaries [3]	50%	11,657	1		
	Ps	542,827 Ps	233,958 Ps	623,324 Ps	46,807

INVESTMENT IN AIRES DE CAMPO

On September 6, 2011, HDF entered into a definitive agreement for the acquisition of 50% of Aires del 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 del Campo corresponding to HERDEZ, in the corresponding proportion, totaled Ps18,522.

[1] Corresponds to the investment in shares of Fábrica de Envases del Pacífico, S. A. de C. V.
[2] Corresponds to the investment in shares of Aires de Campo, S. A. de C. V.
[3] Corresponds to the investment in shares of Energía para Conservas, S. A. de C. V.

NOTE 9 - INTANGIBLE ASSETS:

At December 31, 2012, intangible assets are comprised as shown below:

		GOODWILL	PATENTS AND TRADEMARKS	OTHER DEFINITE LIFE INTANGIBLE ASSETS [1]	TOTAL INTANGIBLE ASSETS
Balance at January 1, 2011	Ps	1,124,033 Ps	127,165 Ps	135,007 Ps	1,386,205
Acquisition of business		270,353	175,934	164,473	610,760
Effect of translation		58,127	23,382	39,555	121,064
Amortization for the period				(19,399)	(19,399)
Balance at December 31, 2011		1,452,513	326,481	319,636	2,098,630
Additions				1,426	1,426
Disposals			(7,000)		(7,000)
Effect of translation		(43,142)	(13,945)	(22,651)	(79,738)
Amortization for the period				(20,828)	(20,828)
Balance at December 31, 2012	Ps	1,409,371 Ps	305,536 Ps	277,583 Ps	1,992,490

[1] Corresponds to non-compete contracts, technology developed and customer relations.

Based on Management's analysis, no impairment losses were determined with respect of intangible assets at December 31, 2012 and 2011, or at January 1, 2011.

Amortization of intangible assets for the years ended December 31, 2012 and 2011 was recognized under administrative expenses in the statement of income.

IMPAIRMENT TESTING OF GOODWILL

Goodwill is assigned to HERDEZ's Cash Generating Units (CGU) and is monitored at the Group operating segment level.

Following is a summary of goodwill assigned to each operating segment:

	DECEMBER 31, 2012						
		BEGINNING BALANCE		ADDITIONS	EFFECT OF TRANSLATION		ENDING BALANCE
Goodwill related to:							
Mexico segment	Ps	843,811	Ps	-		Ps	843,811
U.S. segment		608,702		(Ps	43,142)		565,560
Total	Ps	1,452,513	Ps	- (Ps	43,142)	Ps	1,409,371

	DECEMBER 31, 2011						
		BEGINNING BALANCE		ADDITIONS	EFFECT OF TRANSLATION		SALDO FINAL
Goodwill related to:							
Mexico segment	Ps	831,940	Ps	11,871		Ps	843,811
U.S. segment		292,093		258,482 Ps	58,127		608,702
Total	Ps	1,124,033	Ps	270,353 Ps	58,127	Ps	1,452,513

The recoverable value of the CGU has been determined on the basis of their value in use, which is determined through projections of cash flows before taxes, based on financial budgets approved by Management, covering a five-year period. Cash flows subsequent to that period are extrapolated using the estimated growth rates shown below, which do not exceed the average long-term growth rate for the business in which each CGU and/or segment operates.

The key assumptions used in calculating value in use in 2012 are as follows:

	MEXICO SEGMENT	U.S. SEGMENT
Gross margin	35.00%	37.00%
Long-term growth rate	3.45%	4.00%
Discount rate	10.28%	10.25%

The key assumptions used in calculating value in use in 2011 are as follows:

	MEXICO SEGMENT	U.S. SEGMENT
Gross margin	36.00%	29.60%
Long-term growth rate	3.50%	4.25%
Discount rate	8.50%	11.90%

These assumptions have been used for each CGU.

The gross margin has been budgeted based on past performance and on expectations of market development. The weighted average growth rates used are consistent with the projections included in the industry's reports.

NOTE 10 - OPERATING SEGMENTS:

HERDEZ has two economically fundamental operating segments identified based on geographical zones on which it must report and which constitute HERDEZ's business units. The strategic business units offer different products and are managed separately, as they require different marketing strategies. For each of the strategic business units, the Company's CEO reviews the Management reports prepared internally at least quarterly. In the following page is a description of the Company's geographic segments for the years ended December 31, 2012 and 2011.

Information on operating segments -

				2012			2011 (corresponding figures)
		Mexico	U.S.	Total	Mexico	U.S.	Total
Net sales	Ps	8,969,618 Ps	2,250,725 Ps	11,220,343 Ps	8,173,989 Ps	1,523,110 Ps	9,697,099
Cost of sales		5,703,560	1,560,173	7,263,733	5,068,887	1,084,067	6,152,954
Gross profit	Ps	3,266,058 Ps	690,552 Ps	3,956,610 Ps	3,105,102 Ps	439,043 Ps	3,544,145
Operating income		1,349,144	305,859	1,655,003	1,343,862	168,559	1,512,421
Depreciation and amortization		126,415	67,859	194,274	117,078	34,892	151,970
[1]EBITDA	Ps	1,475,559 Ps	373,718 Ps	1,849,277 Ps	1,460,940 Ps	203,451 Ps	1,664,391
[2]CFR		89,473	58,364 Ps	147,837	(22,267)	28,837 Ps	6,570
Equity in earnings of associates		23,880		23,880	30,277		30,277
Income before income tax		1,283,550	247,496	1,531,046	1,396,405	139,723	1,536,128
Income tax		350,140	101,145	451,285	414,391	65,748	480,139
Net income		643,229	146,858	790,087	693,364	74,283	767,647
Total assets		7,670,036	2,186,824	9,856,860	7,288,762	2,214,243	9,503,005
Total liabilities		3,282,063	1,222,104	4,504,167	3,253,440	1,504,451	4,757,891

[1] EBITDA = Earnings before interest, taxes, depreciation and amortization.
[2] CFR = Comprehensive Financing Result.

At December 31, 2012 and 2011, the Company marketed its products with a large number of customers, and just one of them (Wall-mart de México, S. A. B. de C. V.) represents more than the 10% of the total revenues.

NOTE 11 - SEASONALITY OF OPERATIONS:

Most of the products marketed by HERDEZ are seasonal to some degree, with sales increasing in the last four months of the year. Additionally, consumption of certain products increases during Lent, whereas others increase in the summer and others in winter. Seasonality is also a factor in the harvest cycle of certain raw materials used by the Company, due to which, during those periods, the Company increases its safety inventory.

NOTE 12 - BUSINESS ACQUISITIONS:

ACQUISITION OF AVOMEX

On August 22, 2011, HDF acquired, through Megamex, a joint venture, 100% of Avomex shares, which is engaged in the production, marketing, distribution and sale of processed avocados and guacamole through premium brands in the U.S. This acquisition included 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 totaled Ps531,540.

At December 31, 2012, Avomex contributed income in its consolidating portion of Ps580,857 and a net profit of Ps88,205.

HDF has agreed to pay the former shareholding sales personnel additional compensation in the amount of Ps72,582, and at present value if compound annual growth rate goals are met in terms of net sales and the adjusted EBITDA in the following three tax periods beginning on October 31, 2011. HERDEZ has created a Ps72,582 liability as contingent consideration related to the additional compensation, which represents its fair value, and which is to be gradually adjusted as the goals are met. The fair value of the contingent compensation was calculated applying a formula based on variables of the aforementioned percentages at a 11% discount rate.

Goodwill was initially valued at cost and represents the excess of the compensation transferred over net assets acquired and liabilities assumed, derived from future economic benefits the Company expects to obtain as a result of the acquisition of businesses, which arise from other assets acquired that are not identifiable individually or recognized separately.

Given HERDEZ's operating structure in the U.S., synergies are expected as a result of the acquisition of Avomex with a favorable impact on the Company's U.S. segment. Transaction costs related to the acquisition are applied directly to income for the period, and goodwill arising from this transaction is not deductible for tax purposes.

Following is a summary of the financial information, the purpose of which is to show the Company's results, as if the acquisition of Avomex had taken place on January 1, 2011 (these figures correspond to the period from December 2010 to November 2011):

		HERDEZ WITHOUT EFFECT OF ACQUISITION	EFFECT OF ACQUISITION	HERDEZ WITH EFFECT OF ACQUISITION
Net sales	Ps	9,555,324 Ps	488,071 Ps	10,043,395
Operating income		1,480,215	35,254	1,515,469
Consolidated net income		1,030,331	21,333	1,051,664

100% of identifiable assets acquired and liabilities assumed pertaining to the acquisition of Avomex were as shown below:

		BOOK VALUES PRIOR TO THE ACQUISITION ON A BASIS COMPARABLE WITH IFRS	FAIR VALUE ADJUSTMENT	FAIR VALUES RECOGNIZED AT THE TIME OF ACQUISITION
Property, machinery and equipment	Ps	364,437 Ps	228,850 Ps	593,287
Goodwill		1,683	852,514	854,197
Intangible assets			1,025,638	1,025,638
Other assets		28,193	874	29,067
Deferred tax assets		3,986		3,986
Non-current assets		398,299	2,107,876	2,506,175
Inventories		121,401	14,354	135,755
Taxes receivable		15,032		15,032
Trade receivables and other accounts receivable		176,542		176,542
Cash and cash equivalents		45,231		45,231
Current assets		358,206	14,354	372,560
Deferred tax liabilities		15,940	431,283	447,223
Provisions		11,896	168,180	180,076
Noncurrent liabilities		27,836	599,463	627,299
Income tax payable		6,031	1,775	7,806
Suppliers and other accounts payable		110,539	4,415	114,954
Provisions		2,516		2,516
Current liabilities		119,086	6,190	125,276
Identifiable assets, liabilities and contingent liabilities - Net	Ps	609,583 Ps	1,516,577 Ps	2,126,160

The intangible assets recognized correspond to:

» Customer relations under a 20-year amortization period.
» Indefinite life patents and trademarks.
» Technology developed under a 20-year amortization period.
» Non-compete agreements under a 3-year amortization period.

The total amount of the consideration related to the business acquisition totaled Ps2,126,160. The acquiring company constitutes a joint venture, which in turn is owned by HDF (another joint venture) in which HERDEZ has a 50% interest. Consequently, the business acquisition is shown in HERDEZ in 25%.

Avomex acquisition had the following effect on HERDEZ assets and liabilities at the date of acquisition:

		FAIR VALUES RECOGNIZED AT TIME OF THE ACQUISITION
Property, machinery and equipment	Ps	148,322
Goodwill		213,549
Intangible assets		256,410
Other assets		7,267
Deferred tax assets		996
Non-current assets		626,544
Inventories		33,939
Taxes receivable		3,757
Trade receivables and other accounts receivable		44,136
Cash and cash equivalents		11,308
Current assets		93,140
Deferred tax liabilities		111,806
Provisions		45,019
Noncurrent liabilities		156,825
Income tax payable		1,951
Suppliers and other accounts payable		28,739
Provisions		629
Current liabilities		31,319
Identifiable assets, liabilities and contingent liabilities - Net	Ps	531,540

NOTE 13 - FINANCIAL INSTRUMENTS:

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

Financial risk management was handled by the Finance Department, as per the policies approved by the Board of Directors. The entity identifies, evaluates and hedges financial risk in close cooperation 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 2012 and 2011, the Company used derivative financial instruments to decrease the risk of price fluctuations.

At December 31, 2012 and 2011 and January 1, 2011, balances are as shown below:

RAW MATERIALS

The total amounts of hedge agreements for the purchase of raw materials in effect at December 31, 2012[1], December 31, 2011[2] and January 1, 2011[3] are shown below:

		NATIONAL AMOUNT		DATE			FAIR VALUE	
		(000'USD)	(000' MXN)	START	END	POSITION	(000'USD)	(000' MXN)
2012 [1]	Ps	41,342 Ps	536,952	Several	Several	Long	(2,538) (Ps	32,966)
2011 [2]		45,282	632,984	Several	Several	Long	1,015	14,194
2010 [3]		27,217	336,995	Several	Several	Long	5,490	67,971

EXCHANGE RATE

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

At December 31, 2012[1], December 31, 2011[2] and January 1, 2011[3], the characteristics of the hedge agreements are as follows:

	NATIONAL AMOUNT		DATE				FAIR VALUE
	(000'USD)	(000' MXN)	START	END	POSITION	UNDERLYING	(000' MXN)
2012 [1]	29,500 Ps	383,146	Several	Several	Long	US dollar (Ps	877)
2011 [2]	6,000	83,872	Several	Several	Long	US dollar	3,378
2010 [3]	20,000	247,634	Several	Several	Long	US dollar	(2,354)

A strengthening of the Mexican peso to the U.S. dollar at December 31, 2012 and 2011 would have decreased capital in the amounts shown below. This analysis is based on the exchange rate variations with respect to HERDEZ's portfolio of hedge positions. The analysis assumes that all other variables remain constant.

		CAPITAL
		(000'MXN)
2012		
Strengthening of the peso to the dollar by 5%	(Ps	22,041)
2011		
Strengthening of the peso to the dollar by 5%	(Ps	673)

A weakening of the Mexican peso to the U.S. dollar, at December 31, 2012 and 2011 would have had the same effect, but opposite, on the amounts shown on the basis that the other variables remain constant.

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, Company Management entered into the following interest rate swap agreement, which converts the rate from variable to fixed, to be paid as from July 2017 and up to December 2019, as shown below:

	NATIONAL AMOUNT		DATE	INTEREST RATE		FAIR VALUE
YEAR	(000' MXN)	START	END	FROM VARIABLE	TO FIXED	(000' MXN)
2012 [1]	300,000	Jul-5-10	Dec-5-19	TIIE 91days	7.79% (Ps	37,068) (*)
2011 [2]	300,000	Jul-5-10	Dec-5-19	TIIE 91days	7.79%	(27,384) (*)
2011 [4]	304,150	Mar-11-11	Sep-28-12	TIIE 28days plus 60 points		(43,507) (*)
				Libor 3 months plus 146 points		
2010 [3]	300,000	Jul-5-10	Dec-5-19	TIIE 91days	7.79%	(14,582) (*)

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

[4] Interest rates and the exchange rate swaps.

At December 31, 2012 [1], December 31, 2011[2] and [4] January 1, 2011[3], 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, 2012, December 31, 2011 and January 1, 2011, pertaining to financial instrument hedging and interest rate swaps totaled Ps6,332, (Ps56,706) and Ps12,850, respectively. The amount included in comprehensive income, under stockholders' equity, is to be recycled simultaneously to income, when affected by the hedged item. Said amount is subject to changes arising from market conditions.

A fluctuation of 100 basis points in interest rates at December 31, 2012 and 2011, with respect to the hedge position would have increased or decreased capital by the amounts shown below. This analysis assumes that all other variables remain constant:

				CAPITAL
		INCREASE OF 100 BASIS POINTS (000'MXN)		DECREASE OF 100 BASIS POINTS (000'MXN)
2012				
Instruments at variable rate	Ps	18,218	(Ps	18,218)
Interest rate swap [1]				
Cash flow sensitivity - Net	Ps	18,218	(Ps	18,218)
2011				
Instruments at variable rate	Ps	21,268	(Ps	21,268)
Interest rate swap [1]				
Cash flow sensitivity - Net	Ps	21,268	(Ps	21,268)

[1] The swap suffers no changes as it converts the floating rate to fixed rate and its purpose is to hedge against interest rate fluctuations TIIE, thus the impact from the variation is zero.

FAIR VALUES AGAINST BOOK VALUES

Due to the fact that the financial assets and liabilities recognized at their amortized cost are monetary assets and liabilities, Company Management considers that their fair value closely resembles their book value.

NOTE 14 - LOANS:

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

Notes payable and short-term debt are analyzed as follows:

				DECEMBER 31,		JANUARY 1,
		2012		2011		2011
				(corresponding figures)		(corresponding figures)
Domestic bonds in pesos, maturing on September 20, 2017, with interest payable semi-annually at the rate of 7.93%	Ps	600,000	Ps	600,000	Ps	600,000
Domestic bonds in pesos, maturing on February 13, 2015, with interest payable monthly at the 28-day TIIE plus 0.60%.		600,000		600,000		
Bank loan in dollars, due on December 26, 2016, with amortizations as from 2014 and interest payable quarterly at the 91-day LIBOR, plus 2.45%		389,640		419,361		
Bank loan in pesos, due on December 5, 2019, with amortizations as from 2017 and interest payable at a variable rate TIIE 91, plus 4.05%		600,000		600,000		600,000
Bank loan in dollars, due on March 2, 2011, with interest payable monthly at the variable 1m LIBOR, plus 2.9%						309,543
Bank loan in pesos, due on December 18, 2012, with amortizations and interest payable quarterly at a variable rate TIIE 91, plus 1.4%				4,200		8,400
Total notes payable		2,189,640		2,223,561		1,517,943
Short-term maturity				(4,200)		(313,743)
Long-term maturities		2,189,640		2,219,361		1,204,200
Cost of issuance of unamortized traded notes (domestic bonds)		(8,199)		(10,510)		(8,340)
Long-term maturity - Net	Ps	2,181,441	Ps	2,208,851	Ps	1,195,860

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

- Not exceeding the 3 times leverage (liabilities with consolidated cost - net/EBITDA).
- Not reduce interest hedge (EBITDA/net financing expenses) at 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, 2012 and 2011 and at January 1, 2011 and at the date of this report, there is no default that could modify loan conditions.

LONG-TERM DEBT

At December 31, 2012 and 2011 and January 1, 2011, the long-term debt is comprised as follows:

		DECEMBER 31, 2012	DECEMBER 31, 2011 (corresponding figures)	JANUARY 1, 2011 (corresponding figures)
Loans payable [1]	Ps	482,170 Ps	509,414 Ps	279,771
Commercial sale contracts [2]		48,303	43,760	13,920
	Ps	530,473 Ps	553,174 Ps	293,691

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

DECEMBER 31, 2012

COMPANY	ACQUISITION DATE	MATURITY DATE	AMOUNT CONTRACTED	INTEREST RATE
Grupo Kuo, S. A. B. de C. V.	Dec-31-12	Dec-31-16 Ps	125,000	TIIE (91 days) + 4.50 points
Grupo Kuo, S. A. B. de C. V.	Nov-30-11	Dec-31-14	162,350	Libor (3 months) + 3.5%
Grupo Kuo, S. A. B. de C. V.	Aug-11-11	Aug-31-14	194,820	Libor (3 months) + 3.5%
		Ps	482,170	

DECEMBER 31, 2011

COMPANY	ACQUISITION DATE	MATURITY DATE	AMOUNT CONTRACTED	INTEREST RATE
Grupo Kuo, S. A. B. de C. V. [3]	May-31-11	Dec-31-13 Ps	125,000	TIIE (91 days) + 4.50 points
Grupo Kuo, S. A. B. de C. V.	Nov-30-11	Dec-31-14	174,734	Libor (3 months) + 3.5%
Grupo Kuo, S. A. B. de C. V.	Aug-11-11	Aug-31-14	209,680	Libor (3 months) + 3.5%
		Ps	509,414	

JANUARY 1, 2011

COMPANY	ACQUISITION DATE	MATURITY DATE	AMOUNT CONTRACTED	INTEREST RATE
Grupo Kuo, S. A. B. de C. V.	Sep-30-09	Dec-31-11 Ps	125,000	TIIE (91 day) + 4.50 points
Grupo Kuo, S. A. B. de C. V.	Sep-28-10	Sep-28-12	154,771	Libor (3 months) + 3.5%
		Ps	279,771	

[2] Corresponds to purchase-sale agreements due on February 2016.
[3] This loan was renewed on December 31, 2012.

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 5.

NOTE 15 - CONTINGENT CONSIDERATION:

On August 22, 2011, HDF acquired, through Megamex, a joint venture, 100% of Avomex shares, which is engaged in the production, marketing, distribution and sale of processed avocados and guacamole through premium brands in the U.S.

As part of the agreement supporting the purchase of Avomex, Megamex is required to pay a contingent consideration subject to Avomex's financial results, due in 2014 (in terms of the compound annual growth rate of net sales and adjusted EBITDA).

HERDEZ Management concluded that the contingent consideration to be paid by Megamex, due to the Avomex acquisition, forms part of the consideration for the business combination.

Due to the previously mentioned and as a result of the valuation of the consideration in question, it is considered that the best estimate was made, and thus no significant losses are expected to arise from any possible variation. The provision was recorded in the proportionate portion, which was recorded as part of the goodwill from the purchase resulting from its initial effect, subsequent adjustments to said valuation are applied to income. Following is an analysis of the provision recorded:

	BALANCE AT JANUARY 1, 2011		MOVEMENTS		BALANCE AT DECEMBER 31, 2011		EFFECT OF TRANSLATION		MOVEMENTS		BALANCE AT DECEMBER 31, 2012
Ps	-	Ps	76,112	Ps	76,112	(Ps	5,394)	Ps	1,864	Ps	72,582

NOTE 16 - EMPLOYEE BENEFITS:

		2012	DECEMBER 31, 2011		JANUARY 1, 2011
			(corresponding figures)		(corresponding figures)
Obligations in the statement of financial position arising from:					
Retirement benefits	(Ps	164,954)	(Ps 118,183)	(Ps	111,382)
Liabilities in statement of financial position		(74,504)	(46,491)		(39,321)
Charge in statement of income arising from:					
Retirement benefits		13,464	15,001		
Actuarial losses generated in the period		23,241			
Accumulated actuarial losses		23,241			

PENSION PLAN

HERDEZ operates defined pension plans in Mexico on the basis of pensionable compensation and years of service. The Plan Assets (PA) that back these plans are held in trusts, foundations or similar institutions regulated under local laws and by each country's accepted practices, which also regulate the nature of the relationship between HERDEZ and the trust beneficiaries (or equivalent) and composition thereof.

Following is a breakdown of defined benefit PA:

		2012	DECEMBER 31, 2011		JANUARY 1, 2011
			(corresponding figures)		(corresponding figures)
Variable rate	Ps	17,698	Ps 17,836	Ps	13,285
Capital instrument			5,734		
Debt instrument		56,301	42,059		43,094
Fair value of PA	Ps	73,999	Ps 65,629	Ps	56,379

The amounts shown in the statement of financial position are as follows:

		2012	DECEMBER 31, 2011		JANUARY 1, 2011
			(corresponding figures)		(corresponding figures)
Present value of funded obligations	(Ps	164,954)	(Ps 118,183)	(Ps	111,382)
Fair value of PA		73,999	65,629		56,379
Cost of past services not recognized		16,451	6,063		15,682
Liabilities in statement of financial position	(Ps	74,504)	(Ps 46,491)	(Ps	39,321)

The changes in defined benefit obligations during the years presented are as follows:

		2012		DECEMBER 31, 2011
				(corresponding figures)
At January 1	Ps	118,183	Ps	111,382
Cost of current service		7,969		6,607
Financial cost		8,583		7,117
Actuarial losses (gains)		32,518		(5,504)
Benefits paid		(2,299)		(1,419)
At December 31	Ps	164,954	Ps	118,183

Movements in fair value of PA in the years presented were as follows:

		DECEMBER 31, 2012	2011
			(corresponding figures)
At January 1	Ps	65,629 Ps	56,379
Expected return on PA		6,088	1,565
Employer's contribution		5,250	8,600
Benefits paid		(2,968)	(915)
At December 31	Ps	73,999 Ps	65,629

The amounts shown in the statement of income are as follows:

		DECEMBER 31, 2012	2011
			(corresponding figures)
Cost of current service	Ps	7,969 Ps	9,301
Financial cost		8,583	8,215
Expected return on PA		(4,566)	(4,915)
Cost of prior services		1,463	2,474
Loss on reductions		15	(74)
Total included in personnel costs and expenses	Ps	13,464 Ps	15,001

The charge for the 2012 period of Ps13,464 was included in the cost of sales Ps7,091 administration expenses Ps2,657 and selling expenses Ps3,716.

For 2011 of Ps15,001 was included in the cost of sales Ps7,901 administration expenses Ps2,960 and selling expenses Ps4,140.

The main variables used in the actuarial study were the following:

DISCOUNT RATE
The determination of the discount rate considers the term and behavior of corporate bonds of high credit quality.

The Company has decided to use the discount rate according government bonds exclusively, that is to say, a 5.75% rate (rounded off to the nearest quarter).

LONG-TERM INFLATION RATE
Banco de México (Central Bank) established a goal for long-term inflation from 2.00% to 4.00%. Some factors such as volatility of the components of the basic food basket can complicate the scope of this goal; therefore, for the valuation of labor obligations, a rate of inflation equivalent to 3.50% was considered.

SALARY INCREASE RATE
Based on experience, salary increases are presented on the basis of annual inflation, due to which, a nominal rate of 4.50% was maintained, the same as in 2011.

EXPECTED RETURN OF PA
As from January 1, 2012, the long-term rate of return is no longer considered. In determining labor obligations at December 31, 2012, the Company considered the financial effect of the discount rate on the investment.

See main variables used:

	2012	2011
Discount rate	5.75%	7.50%
Inflation rate	3.50%	3.50%
Expected return on PA	5.75%	7.75%
Future salary increase	4.50%	4.50%

Assumptions in respect of the future mortality rate are established on the basis of actuarial advisory according to the statistics published and based on experience in each territory.

NOTE 17 - STOCKHOLDERS' EQUITY AND RESERVES:

At December 31, 2012, the Company's subscribed and paid-in capital stock totaled Ps432,275, plus an increase of Ps143,350, to express it in modified historical pesos, and is represented by 432,000,000 common nominative shares, with no par value.

At the April 2012 Ordinary General Stockholders' Meeting, the stockholders agreed to decree dividends, which, at each stockholder's choice, are to be paid in cash, at the rate of 85 cents (Ps) per share or in shares in the proportion of one share for every thirty shares held. The dividend is charged to retained earnings.

The dividends totaled Ps361,384, of which Ps236,546 was paid in cash, and the equivalent of Ps124,838 paid in shares, which corresponds to 4,895,618 shares. Dividends were also paid to the minority shareholders at the February and March Ordinary General Stockholders' Meetings, in the amount of Ps139,000.

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

Dividends are free of IT if paid out from the Net Tax Profit 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). Dividends in excess of the after tax earnings account CUFIN and CUFINRE are subject to 42.86% tax if paid in 2013. 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 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.

The profit for the period is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until it reaches 20% of paid-in capital stock.

The Company decided to take the following measures in relation with the securities market:

a. At the April 2012 Stockholders' Meeting, the stockholders agreed on a minimum amount of Ps600,000 of resources the Company can set aside to purchase own shares.
b. In July 2010, an agreement was signed with a financial institution to act as market maker for its shares.

As a result of said measures, the Company's share (ticker symbol: HERDEZ) has increase notably its activity in the stock market with respect to prior years.

The stock purchase fund showed its activity as follows:

	DECEMBER 31, 2012		DECEMBER 31, 2011 (corresponding figures)	
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT
Purchases	Ps 17,241,359	Ps 450,007	Ps 10,998,700	Ps 266,656
Sales	(15,641,641)	(425,515)	(7,702,800)	(187,850)
Dividend in shares	(4,895,618)			
Net	(Ps 3,295,900)	Ps 24,492	Ps 3,295,900	Ps 78,806

At December 31, 2012 and at January 1, 2011, the Company has no shares held in treasury. At December 31, 2011, there were 3,295,900 shares held in the Company's treasury.

NOTE 18 - REVENUE:

Revenue for the years ended December 31, 2012 and 2011 is, for the most part, obtained from the sale of products. Revenue from the sale of products at December 31, 2012 and 2011 totaled Ps11,220,343 and Ps9,697,099, respectively.

NOTE 19 - COST OF SALES:

The cost of sales for the years ended December 31, 2012 and 2011 is comprised as follows:

		DECEMBER 31, 2012	2011 (corresponding figures)
Materials	Ps	4,640,909 Ps	4,123,975
Finished products		1,641,161	1,176,091
Labor costs		168,205	153,639
Depreciation and amortization		140,890	120,584
Indirect expenses		672,568	578,665
Total cost of sales	Ps	7,263,733 Ps	6,152,954

NOTE 20 - SELLING EXPENSES:

Selling expenses for the years ended December 31, 2012 and 2011 are comprised as follows:

		DECEMBER 31, 2012	2011 (corresponding figures)
Administrative services	Ps	528,922 Ps	458,769
Advertising		504,209	446,137
Personnel		239,062	215,964
Freight		234,397	196,394
Royalties		213,485	189,449
Commissions		215,950	197,026
Conservation		23,800	21,562
Fuels		23,075	14,836
Depreciation		19,414	10,241
Obsolete product		10,043	7,140
Employee benefits		3,716	4,140
Total selling expenses	Ps	2,016,073 Ps	1,761,658

NOTE 21 - ADMINISTRATION EXPENSES:

Administration expenses for the years ended December 31, 2012 and 2011 is comprised as follows:

		DECEMBER 31, 2012	2011 (corresponding figures)
Personnel	Ps	138,058 Ps	113,679
Administrative services		132,924	99,739
Depreciation and amortization		33,970	22,953
Conservation		11,485	8,580
Fuels		8,973	7,251
Employee benefits		2,657	2,960
Total administration expenses	Ps	328,067 Ps	255,162

NOTE 22 - OTHER INCOME AND OTHER EXPENSES:

Other income and other expenses incurred for the years ended December 31, 2012 and 2011 are comprised as follows:

				DECEMBER 31,
		2012		2011
				(corresponding figures)
Cancellation of provisions	Ps	41,155		
Sundry			Ps	10,604
Profit on sale of fixed assets		1,724		
Inflationary impact of favorable tax balances		3,200		
Total income		46,079		10,604
Loss on sale of fixed assets				879
Sundry		3,546		
Business acquisitions complement [1]				24,629
Total expenses		3,546		25,508
Other income (expenses) - Net	Ps	42,533	(Ps	14,904)

[1] Corresponds to a complementary contribution of working capital made as per the association agreements for the creation of Megamex in its proportional share.

NOTE 23 - 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, would not generate the results originally expected, as a result of which, Management decided to cancel said operations. Said operations are presented in the statement of income as discontinued operations in 2011. Following are the line items net of IT:

		YEAR ENDED
		DECEMBER 31,
		2011
Veracruz plant closing [1]	Ps	448
Mazatlán plant closing [1]		2,682
Restructuring expenses [2]		1,523
Total		4,653
IT on discontinued operation		(1,396)
Discontinued operations - Net	Ps	3,257

[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 24 - INCOME TAX AND FLAT TAX:

IT

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 2012, the Company determined a consolidated tax profit, relating to the group of entities that form part of the tax consolidation regime of Ps182,138 (consolidated tax profit of Ps241,847 in 2011). 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.

The 2013 Revenue Act, published on December 9, 2012, establishes the IT for 2013 at 30%, 29% for 2014 and 28% as from 2015.

On December 7, 2009, a decree was published, amending, adding to and repealing a number of provisions of the IT Law, the most significant of which are shown on the next page.

a. 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.

b. 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:

   i. Tax losses used in tax consolidation that were not authorized on an individual basis by the controlled company that generated them.

   ii. Special consolidation items arising from operations conducted between the consolidating entities, and that generated benefits.

   iii. Losses from the sale of shares not yet deducted individually by the controlled company that generated those losses.

   iv. Dividends distributed by the consolidating controlled companies not paid out from the CUFIN or CUFINRE.

c. 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, 2012 and 2011, the Company recognized an IT liability related to CUFIN differences of Ps20,267 and Ps54,617, respectively.

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

				IT LIABILITY
			DECEMBER 31,	JANUARY 1,
		2012	2011	2011
			(corresponding figures)	(corresponding figures)
Opening balance at January 1 of every year	Ps	205,382 Ps	150,765 Ps	62,648
Increases:				
IT from differences in CUFIN and CUFINRE		20,267	54,617	88,117
Ending balance at December 31, 2012, 2011 and				
January 1, 2011	Ps	225,649 Ps	205,382 Ps	150,765

The provisions for tax on profits at December 31, 2012 and 2011 are comprised as shown below:

			DECEMBER 31,
		2012	2011
			(corresponding figures)
IT currently payable	Ps	480,100 Ps	473,187
Deferred IT		(28,815)	6,952
Total tax on profits	Ps	451,285 Ps	480,139

Following is a reconciliation between the rates incurred and the effective IT rate:

			DECEMBER 31,
		2012	2011
			(corresponding figures)
Income before taxes	Ps	1,531,046 Ps	1,536,128
IT rate incurred		30%	30%
IT at statutory rate		459,314	460,838
Plus (less) tax effect of other items:			
Non-deductible expenses		2,588	2,234
Annual inflation adjustment and other items		(36,272)	5,164
Effect of differences in tax rates		25,655	11,766
		451,285	480,002
FT currently payable			137
Tax on profits applied to income	Ps	451,285 Ps	480,139
Effective IT rate		29%	31%

The principal effects of temporary differences for which deferred IT was recorded are analyzed as follows:

			DECEMBER 31,	JANUARY 1,
		2012	2011	2011
			(corresponding figures)	(corresponding figures)
DEFERRED ASSETS:				
Estimates	Ps	49,110 Ps	61,676 Ps	45,329
Royalties		15,416	10,873	4,042
Derivative financial instruments [1]		9,755		
Tax losses and incentives		1,306	4,728	55,547
Short-term deferred tax assets		75,587	77,277	104,918
Tax cost joint-venture shares		51,580	51,592	36,739
Derivative financial instruments [1]		11,120	20,913	2,254
Employee benefits [2]		19,728	7,266	6,133
Tax losses and incentives			1,306	6,034
Long-term deferred tax assets		82,428	81,077	51,160
Total deferred tax asset	Ps	158,015 Ps	158,354 Ps	156,078
DEFERRED LIABILITIES:				
Simplified regime accounts receivable	(Ps	9,239) (Ps	11,744) (Ps	7,811)
Inventories		(21,244)	(54,973)	(64,176)
Derivative financial instruments [1]			(5,123)	(9,525)
Advance payments		(16,118)	(26,599)	(46,774)
Short-term deferred tax liability		(46,601)	(98,439)	(128,286)
Property, machinery and equipment	(Ps	65,561) (Ps	79,335) (Ps	85,768)
Intangible assets		(239,452)	(257,200)	(16,252)
Long-term deferred tax liability		(305,013)	(336,535)	(102,020)
Total deferred tax liability	(Ps	351,614) (Ps	434,974) (Ps	230,306)

[1] These effects are recorded as part of other comprehensive income.
[2] There is a Ps6,430 effect corresponding to deferred taxes of actuarial items recorded in other comprehensive income.

The gross movement on deferred tax is as follows:

			DECEMBER 31,
		2012	2011
			(corresponding figures)
Balance at beginning of period	(Ps	276,620) (Ps	74,228)
Acquisition of business		28,579	(197,207)
Effect of translation		14,112	(21,294)
Charged or credited relating to components of other comprehensive income		11,515	23,061
Charged or credited to statement of income		28,815	(6,952)
Net deferred liability at end of period	(Ps	193,599) (Ps	276,620)

Following is the gross movement on the deferred tax asset and liability during the year:

		ESTIMATES
DEFERRED ASSETS:		
Balances at January 1, 2011 (corresponding figures)	Ps	45,329
Charges (credits) relating to components of other comprehensive income		
Charges (credits) to statement of income		16,347
Balances at December 31, 2011 (corresponding figures)		61,676
Charges (credits) relating to components of other comprehensive income		
Charges (credits) to statement of income		(12,566)
Balances at December 31, 2012	Ps	49,110

		ACCOUNTS RECEIVABLE OF SIMPLIFIED REGIME
DEFERRED LIABILITIES:		
Balances at January 1, 2011 (corresponding figures)	(Ps	7,811)
Business acquisition		
Charges (credits) relating to components of other comprehensive income		
Effect of translation		
Charges (credits) to statement of income		(3,933)
Balances at December 31, 2011 (corresponding figures)		(11,744)
Complement relating to business acquisition		
Charges (credits) relating to components of other comprehensive income		
Effect of translation		
Charges (credits) to statement of income		2,505
Balances at December 31, 2012	(Ps	9,239)

Royalties	Derivative financial instruments	Tax cost of joint venture share	Employee benefits	Tax losses and incentives	Total
Ps 4,042	Ps 2,254	Ps 36,739	Ps 6,133	Ps 61,581	Ps 156,078
	18,659				18,659
6,831		14,853	1,133	(55,547)	(16,383)
10,873	20,913	51,592	7,266	6,034	158,354
	(38)		6,430		6,392
4,543		(12)	6,032	(4,728)	(6,731)
Ps 15,416	Ps 20,875	Ps 51,580	Ps 19,728	Ps 1,306	Ps 158,015

Derivative financial instruments	Inventories	Advances payments	Property, machinery and equipment	Intangible assets	Total
(Ps 9,525)	(Ps 64,176)	(Ps 46,774)	(Ps 85,768)	(Ps 16,252)	(Ps 230,306)
				(197,207)	(197,207)
4,402					4,402
				(21,294)	(21,294)
	9,203	20,175	6,433	(22,447)	9,431
(5,123)	(54,973)	(26,599)	(79,335)	(257,200)	(434,974)
				28,579	28,579
5,123					5,123
				14,112	14,112
	33,729	10,481	13,774	(24,943)	35,546
Ps -	(Ps 21,244)	(Ps 16,118)	(Ps 65,561)	(Ps 239,452)	(Ps 351,614)

FT

FT for 2012 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 the current legislation.

Under the current tax legislation, the Company is required to 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, thus recording deferred IT rather than deferred FT.

NOTE 25 - PROFIT 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 426,418,233 at December 31, 2012 (429,656,527 at December 31, 2011), calculated as shown below:

	Year ended December 31, 2012	2011
		(corresponding figures)
Earnings per ordinary share of controlling equity before discontinued operations	Ps 1.853	Ps 1.794
Effect of discontinued operations		(0.007)
Basic earnings per common share	Ps 1.853	Ps 1.787

NOTE 26 - EXPLANATION OF TRANSITION TO IFRS:

As mentioned in Note 2a., these are the first of HERDEZ's consolidated financial statements to be prepared in accordance with IFRS.

The accounting policies set out in Note 3 have been applied consistently for all periods presented in the consolidated financial statements and in preparing the initial consolidated statement of financial position under IFRS at January 1, 2011, for transition to IFRS purposes.

In preparing its initial consolidated statement of financial position under IFRS, HERDEZ has adjusted the amounts previously reported in its consolidated financial statements in accordance with MFRS. The following tables and notes thereto provide an explanation of the manner in which the transition from MFRS to IFRS has affected HERDEZ's consolidated financial position and consolidated financial performance.

HERDEZ has not prepared consolidated financial statements under MFRS for any period after December 31, 2011.

IFRS 1 "First-time adoption of IFRS" establishes, for companies adopting IFRS for the first time as their accounting framework, certain exemptions and exceptions with respect to applying IFRS retroactively to the transition date (IFRS 1, paragraphs 13. to 19.).

Optional exemptions applied by the Company:

BUSINESS COMBINATIONS

First time adopters of IFRS may opt to apply IFRS 3 (revised in 2008) prospectively, without reviewing the business combinations conducted prior to the date of transition to IFRS; or may apply IFRS 3 retrospectively from a business combination occurred before the date of transition to IFRS.

The Company opted to apply the option provided by IFRS 1, thus at the date of transition to IFRS, it was decided not to apply IFRS 3 retrospectively to business combinations occurred prior to the transition date; however, as part of the application of IFRS 1, an analysis was conducted to not include items included under MFRS not qualifying as assets or liabilities under IFRS.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The exemption relating to business combinations also applies to the acquisitions of investments in associates and interests in joint ventures. The Company opted to apply the option provided in IFRS 1, relating to investments in associates and joint ventures acquired prior to the transition date to IFRS, as a result of which, the values recognized under MFRS remained at the transition date.

PROPERTY, PLANT AND EQUIPMENT

IFRS 1 establishes that at the date of transition to IFRS, an entity may opt for measurement of an item of property, plant and equipment, at its fair value, and use that fair value as the attributed cost at that date. In addition, as for the items comprising property, plant and equipment, IFRS 1 allows first-time adopters of IFRS to use a revaluation as per their prior accounting standards whether at the transition date or prior, as attributed cost on the transition date, provided said revaluation is substantially comparable to: a) the fair value, or b) cost, or adjusted depreciated cost to reflect, for example, changes in a general or specific price index.

The Company opted to apply the option to use the book value as per MFRS, adjusted to reflect the effects of inflation at December 31, 2007, as the assumed cost of property, plant and equipment, except for the machinery at the Chiapas plant and the land of the Mexico distribution center, whose assumed cost corresponds to the fair values as per appraisals at the date of transition to IFRS.

INTANGIBLE ASSETS

Given the lack of a deep market that would allow for valuing intangible assets at fair value, in transitioning to IFRS, HERDEZ opted to recognize these assets at their acquisition cost, eliminating the effects of inflation that would have been recognized after December 31, 1997.

EMPLOYEE BENEFITS

The Company opted to apply the option provided in IFRS 1, which consists of recognizing actuarial gains and losses and the transition liability at the transition date, against retained earnings. In addition, at the transition date, the Company eliminated the provision of termination benefits for reasons other than restructuring, applying it to retained earnings, due to the fact that said liability fails to meet the requirements established in IAS 19.

ACCUMULATED DIFFERENCES RELATING TO THE EFFECTS OF TRANSLATION

At the transition date, the Company opted to apply the option provided in IFRS 1 in terms of reclassifying the accumulated effect of translation of foreign operations recorded in stockholders' equity, to the retained earnings line item.

Optional exemptions not applicable to the Company:

The following optional exemptions were not applicable for the Company and therefore, had no effect on HERDEZ's consolidated financial statements:

- Share-based payments.
- Insurance contracts.
- Leases.
- Compound financial instruments.
- Classification of previously recognized financial instruments.
- Fair value measurement of financial assets and liabilities upon recognition thereof.
- Liabilities relating to withdrawal of assets included in the cost of property, plant and equipment.
- Financial assets or intangible assets recorded through service concession arrangements.
- Costs relating to loans.
- Transfers of assets from customers.
- Extinguishing of financial liabilities with equity instruments.
- Assumed cost for oil and gas assets.
- Assumed cost for operations with regulated rates.
- Investments in subsidiaries, associates and joint ventures in preparing separate financial statements.
- Liabilities relating to withdrawal of oil and gas assets.
- Fair value for assets and liabilities of entities that operate in hyperinflationary economies.

Mandatory exceptions:

CALCULATION OF RESERVES

No related effects were determined at the date of transition to IFRS, due to the fact that Company Management concluded that the liabilities recognized in the transition statement of financial position were determined on adequate and consistent basis, using the best information available at the date of its calculation and book recognition.

DE-RECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

No effects from this item were determined at the date of transition to IFRS, as no assets or liabilities not allowed by and to be derecognized under IFRS were determined.

HEDGE ACCOUNTING

IFRS require that at the transition date, hedge operations contracted meet the hedge accounting criteria established in IFRS: Hedge accounting can only be applied prospectively from the transition date, and retrospectively creating documentation to support a hedge relationship is not allowed.

All hedge operations contracted by the Company met the hedge accounting criteria as from January 1, 2011 and are consequently reflected as derivative financial instruments in the Company's statements of financial position under IFRS.

NON CONTROLLING EQUITY

No effects were determined relating to this item at the date of transition to IFRS, as the requirements of the distribution of earnings for the period and comprehensive income among the non controlling equity and to the owners of the controlling company prior to the transition date unless a business combination is recorded using this standard prior to the transition date.

Reconciliations of the statement of financial position at January 1, 2011 are shown below:

		RECONCILIATION OF THE STATEMENT OF FINANCIAL POSITION				
		BALANCE AT JANUARY 1, 2011				
		(corresponding figures)				
			ADJUSTMENTS			
		MFRS	IFRS			IFRS
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	Ps	805,507			Ps	805,507
Trade receivables - Net		772,612				772,612
Debtors		17,788				17,788
Value added tax recoverable		171,113				171,113
Income tax recoverable		15,872				15,872
Related parties		983,312				983,312
		1,960,697				1,960,697
Inventories		963,664				963,664
Derivative financial instruments		103,608				103,608
Advance payments		96,741				96,741
TOTAL CURRENT ASSETS		3,930,217				3,930,217
PROPERTY, MACHINERY AND EQUIPMENT - Net		1,826,233	(Ps 16,263)	a)		1,809,970
INVESTMENTS IN SHARES OF ASSOCIATED COMPANIES		84,461				84,461
Intangible assets		1,444,277	(58,072)	b)		1,386,205
Deferred income tax		156,078				156,078
Other assets		19,698	(8,340)	c)		11,358
TOTAL ASSETS	Ps	7,460,964	(Ps 82,675)		Ps	7,378,289
LIABILITIES AND STOCKHOLDERS' EQUITY						
CURRENT LIABILITIES:						
Bank loans	Ps	313,743			Ps	313,743
Suppliers		596,860				596,860
Creditors		196,922				196,922
Derivative financial instruments		2,354				2,354
Income tax payable		58,078				58,078
Employees' statutory profit sharing payable		13,517				13,517
		1,181,474				1,181,474
LONG-TERM LIABILITIES:						
Notes payable		1,204,200	(Ps 8,340)	c)		1,195,860
Long-term debt		293,691				293,691
Derivative financial instruments		14,582				14,582
Deferred income tax		257,431	(27,125)	d)		230,306
Taxes under tax consolidation		150,765				150,765
Employee benefits		21,443	17,878	e)		39,321
		1,942,112	(17,587)			1,924,525
TOTAL LIABILITIES		3,123,586	(17,587)			3,105,999
STOCKHOLDERS' EQUITY						
Capital stock		965,541	(389,916)	f)		575,625
Reserve for purchase of shares		400,000				400,000
Retained earnings		1,637,360	453,810	g)		2,091,170
Legal reserve		141,861				141,861
Premium on the subscription of shares		220,959	(107,849)	f)		113,110
Financial instruments		12,850				12,850
Cumulative translation adjustment		5,540	(5,540)	h)		
Capital attributable to control equity		3,384,111	(49,495)			3,334,616
Capital attributable to non-controlling equity		953,267	(15,593)	i)		937,674
TOTAL STOCKHOLDERS' EQUITY		4,337,378	(65,088)			4,272,290
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	Ps	7,460,964	(Ps 82,675)		Ps	7,378,289

Following are reconciliations of the statement of financial position at December 31, 2011:

RECONCILIATION OF THE STATEMENT OF FINANCIAL POSITION									
BALANCE AT DECEMBER 31, 2011									
(corresponding figures)									
			ADJUSTMENTS				ADJUSTMENTS		
ASSETS		MFRS	MFRS			MFRS	IFRS		IFRS
CURRENT ASSETS:									
Cash and cash equivalents	Ps	1,154,709			Ps	1,154,709			Ps 1,154,709
Trade receivables - Net		936,136				936,136			936,136
Debtors		36,056				36,056			36,056
Value added tax recoverable		155,363				155,363			155,363
Income tax recoverable		85,484				85,484			85,484
Related parties		1,320,801				1,320,801			1,320,801
		2,533,840				2,533,840			2,533,840
Inventories		1,095,989				1,095,989			1,095,989
Derivative Financial Instruments		71,213				71,213			71,213
Advance payments		89,491				89,491			89,491
TOTAL CURRENT ASSETS		4,945,242				4,945,242			4,945,242
PROPERTY, MACHINERY AND EQUIPMENT - Net		2,172,063				2,172,063	(Ps 14,453)	a)	2,157,610
INVESTMENTS IN SHARES OF ASSOCIATED COMPANIES		122,752				122,752			122,752
Intangible assets		2,033,294	Ps 123,409	j)		2,156,703	(58,073)	b)	2,098,630
Deferred income tax		158,354				158,354			158,354
Other assets		30,927				30,927	(10,510)	c)	20,417
TOTAL ASSETS	Ps	9,462,632	Ps 123,409		Ps	9,586,041	(Ps 83,036)		Ps 9,503,005
LIABILITIES AND STOCKHOLDERS' EQUITY									
CURRENT LIABILITIES:									
Bank loans	Ps	4,200			Ps	4,200			Ps 4,200
Suppliers		843,049				843,049			843,049
Creditors		273,967				273,967			273,967
Derivative Financial Instruments		43,507				43,507			43,507
Income tax payable		26,917				26,917			26,917
Employees' statutory profit Sharing payable		13,883				13,883			13,883
		1,205,523				1,205,523			1,205,523
LONG-TERM LIABILITIES:									
Notes payable		2,219,361				2,219,361	(Ps 10,510)	c)	2,208,851
Long-term debt		553,174				553,174			553,174
Contingent consideration		31,345	Ps 44,767	j)		76,112			76,112
Derivative financial instruments		27,384				27,384			27,384
Deferred income tax		382,324	78,642	j)		460,966	(25,992)	d)	434,974
Taxes under tax consolidation		205,382				205,382			205,382
Employee benefits		30,961				30,961	15,530	e)	46,491
		3,449,931	123,409			3,573,340	(20,972)		3,552,368
TOTAL LIABILITIES		4,655,454	123,409			4,778,863	(20,972)		4,757,891
STOCKHOLDERS' EQUITY:									
Capital stock		965,541				965,541	(389,916)	f)	575,625
Reserve for purchase of shares		321,194				321,194			321,194
Retained earnings		2,078,551				2,078,551	456,511	g)	2,535,062
Legal reserve		141,861				141,861			141,861
Premium on the subscription of shares		220,959				220,959	(107,849)	f)	113,110
Financial instruments		(43,856)				(43,856)			(43,856)
Cumulative translation adjustment		44,907				44,907	(5,540)	h)	39,367
Capital attributable to control equity		3,729,157				3,729,157	(46,794)		3,682,363
Capital attributable to non-controlling equity		1,078,021				1,078,021	(15,270)	i)	1,062,751
TOTAL STOCKHOLDERS' EQUITY		4,807,178				4,807,178	(62,064)		4,745,114
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	Ps	9,462,632	Ps 123,409		Ps	9,586,041	(Ps 83,036)		Ps 9,503,005

A) ASSUMED COST OF PROPERTY, MACHINERY AND EQUIPMENT -

Under MFRS, HERDEZ recognized property, machinery and equipment at cost and up until December 31, 2007, those values were adjusted to recognize the effects of inflation by applying factors derived from the NCPI. In transitioning to IFRS, HERDEZ applied the option provided in IFRS 1, which allows, as part of the first time adoption of IFRS, to take the book value as per MFRS, adjusted to reflect the effects of inflation at December 31, 2007, as the assumed cost of property, machinery and equipment, except for the machinery at the Chiapas plant and the land pertaining to the Mexico distribution center, thus applying the "Fair value" (appraisals) option at the transition date.

B) INTANGIBLE ASSETS -

In transitioning to IFRS, HERDEZ opted to recognize these assets at their acquisition cost, eliminating the effects of inflation that were recognized up to December 31, 1997.

C) OTHER NON-CURRENT ASSETS -

For IFRS purposes, expenses relating to issuance of traded notes known as domestic bonds are shown net of the amount corresponding to issuance of said notes, due to which, HERDEZ conducted the corresponding reclassification, recognition the financial cost of the debt by the effective interest rate method.

D) DEFERRED TAXES -

The changes described above decreased the deferred tax liabilities as shown below:

		JANUARY 1, 2011 (corresponding figures)		DECEMBER 31, 2011 (corresponding figures)
Assumed cost of property, machinery and equipment	(Ps	4,797)	(Ps	4,264)
Intangible assets		(17,132)		(17,132)
Employee benefits		(5,196)		(4,596)
Decrease in deferred tax liabilities	(Ps	27,125)	(Ps	25,992)

E) EMPLOYEE BENEFITS -

The Company opted to apply the option provided in IFRS 1, which consists of recognizing actuarial gains and losses and the transition liability at the transition date, against retained earnings. In addition, at the transition date, the Company eliminated the provision of termination benefits for reasons other than restructuring, applying it to retained earnings, due to the fact that said liability fails to meet the requirements established in IAS 19.

F) INFLATIONARY EFFECTS ON STOCKHOLDERS' EQUITY -

The effects of inflation recognized under MFRS in the capital stock and premium on subscription of shares accounts will be eliminated, for periods that do not qualify as hyperinflationary under IAS 29, cancelling said effects against retained earnings, and eliminating the effects of inflation that were recognized after December 31, 1997.

G) RETAINED EARNINGS -

The changes described above (decreased) increased retained earnings as follows:

		JANUARY 1, 2011		DECEMBER 31, 2011
Assumed cost of property, machinery and equipment	(Ps	11,464)	(Ps	10,189)
Intangibles		(40,942)		(40,942)
Employee benefits		(12,682)		(10,933)
Charges/credits to capital accounts		518,898		518,575
Increase in retained earnings	Ps	453,810	Ps	456,511

H) EFFECT OF TRANSLATION -

Additionally, at the transition date, the Company opted to apply the option provided in IFRS 1 in terms of reclassifying the accumulated effect of translation of foreign operations recorded in stockholders' equity, to the retained earnings line item.

I) NON-CONTROLLING EQUITY -

Represents the amount corresponding to the controlling interest of adjustments recognized in intangibles and employee benefits.

J) COMPLEMENT RELATING TO ACQUISITION VALUATION -

On August 22, 2011, HDF acquired, through Megamex (joint venture), the company denominated Avomex, which is engaged in the production, marketing, distribution and sale of processed avocados and guacamole through premium brands in the U.S. (See Note 12).

At the acquisition date, Megamex Management recorded the initial purchase considering the elements available, with a partial result at the close of the period in which it occurred. Once all of the valuation elements were secured, recording of the acquisition was completed, resulting in an additional charge to goodwill in the amount of Ps123,409, and to the long-term debt and deferred taxes of Ps44,767 and Ps78,642, respectively, in the proportionate share. This adjustment was made in accordance with MFRS applicable to the Company at December 31, 2011, which requires recording thereof on a retrospective basis, and considering the fact that as from adoption of IFRS on January 1, 2011, there are no differences relating to this situation in the accounting frameworks applied.

Following is a reconciliation of the statement of comprehensive income for the period ended December 31, 2011:

		ADJUSTMENTS	
	MFRS	IFRS	IFRS
Net sales	Ps 9,697,099		Ps 9,697,099
Cost of sales [1] [2] [3]	6,147,480	Ps 5,474	6,152,954
Gross profit	3,549,619	(5,474)	3,544,145
Operating expenses: [3]			
Selling	1,759,615	2,043	1,761,658
Administration	254,481	681	255,162
	2,014,096	2,724	2,016,820
Income before other income and expenses	1,535,523	(8,198)	1,527,325
Other expenses - Net	(27,258)	12,354	(14,904)
Operating income [4]	1,508,265	4,156	1,512,421
Comprehensive financing income:			
Interest earned and exchange gain	503,275		503,275
Interest paid and exchange loss	(509,845)		(509,845)
	(6,570)		(6,570)
Equity share in earnings of associated companies	30,277		30,277
Income before income tax	1,531,972	4,156	1,536,128
Income tax [4]	479,006	1,133	480,139
Income before discontinued operations	1,052,966	3,023	1,055,989
Discontinued operations - Net	(3,257)		(3,257)
Consolidated net income for the year	1,049,709	3,023	1,052,732
Net income attributable to non-controlling equity	284,762	323	285,085
Net income attributable to control equity	Ps 764,947	Ps 2,700	Ps 767,647
Consolidated net income for the year	Ps 1,049,709	Ps 3,023	Ps 1,052,732
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation results	39,367		39,367
Change in valuation of derivative financial instruments	(73,714)		(73,714)
Comprehensive income	1,015,362	3,023	1,018,385
Comprehensive income attributable to non-control equity	267,754	323	268,077
Comprehensive income attributable to control equity	Ps 747,608	Ps 2,700	Ps 750,308

[1] Under MFRS, HERDEZ initially recognized property, machinery and equipment at cost, and up until December 31, 2007, property, machinery and equipment were adjusted for inflation applying factors derived from the NCPI. In transitioning to IFRS, HERDEZ applied the option to use the book value under MFRS, adjusted to reflect the effects of inflation at December 31, 2007, as the assumed cost of property, machinery and equipment, except for certain assets, for which it applied the fair value option (appraisals) at the transition date. The initial effect was a decrease of Ps16,263, from applying the fair value option at the transition date, by changing MFRS values at the period end, the resulting effect is a decrease in the cost of sales of Ps1,810.

[2] The Company opted to apply the option provided in IFRS 1, which consists of recognizing actuarial gains and losses and the transition liability at the transition date, against retained earnings. In addition, at the transition date, the Company eliminated the provision for termination benefits for reasons other than restructuring against retained earnings, due to the fact that said liability fails to meet the requirements established in IAS 19. The effect of the change of MFRS values at the period end was a decrease in the cost of sales of Ps1,360 and in overhead expenses of Ps986.

[3] The Company reclassified Employees' Statutory Profit Sharing from other expenses to the cost of sales in the amount of Ps8,644 and to operating expenses of Ps3,710.

[4] The above effects gave rise to an increase in the IT of Ps1,133, corresponding to deferred taxes.

NOTE 27 - CONTINGENCY:

There is contingent liabilities arising from tax differences, which the authorities may attempt to collect in the event of an official review of the tax returns filed by the Company and some of its subsidiaries, if the criteria applied in interpreting the legal provisions differ from those of the authorities.

At December 31, 2012 and 2011, no provision has been recognized in the financial statements, due to the fact that the Company, based on its legal advisors, has filed a petition for the authorities to reconsider their position, by considering improper the arguments of said authorities.

NOTE 28 - SUBSEQUENT EVENT:

On January 17, 2013, HERDEZ signed a definitive agreement to acquire 67% of Grupo Nutrisa, S. A. B. de C. V. (Nutrisa) shares. This transaction is subject to certain conditions and authorizations, including the approval of the Federal Competition Committee. Grupo Herdez is to conduct a public offering for the acquisition of Nutrisa remaining shares in the terms of the applicable regulation.

Lic. Héctor Hernández Pons Torres
Chief Executive Officer

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

GRI Index

PROFILE DISCLOSURE		DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION	EXPLANATION
1.	STRATEGY AND ANALYSIS					
	1.1	Statement from the most senior decision-maker of the organization.	Fully	11	-	-
	1.2	Description of key impacts, risks, and opportunities	Fully	34,43	-	-
2.	ORGANIZATIONAL PROFILE					
	2.1	Name of the organization	Fully	Fold out	-	-
	2.2	Primary brands, products, and/or services	Fully	Fold out	-	-
	2.3	Operational structure of the organization	Fully	Fold out	-	-
	2.4	Location of organization's headquarters	Fully	Fold out	-	-
	2.5	Number of countries where the organization operates	Fully	Fold out	-	-
	2.6	Nature of ownership and legal form	Fully	Fold out	-	-
	2.7	Markets served	Fully	Fold out	-	-
	2.8	Scale of the reporting organization	Fully	28,41	-	-
	2.9	Significant changes during the reporting period regarding size, structure, or ownership	Fully	Fold out	-	-
	2.10	Awards received in the reporting period	Fully	45	-	-
3.	REPORT PARAMETERS					
	3.1	Reporting period for information provided	Fully	46	-	-
	3.2	Date of most recent previous report	Fully	46	-	-
	3.3	Reporting cycle	Fully	46	-	-
	3.4	Contact point for questions regarding the report or its contents	Fully	Jacket	-	-
	3.5	Process for defining report content	Fully	46	-	-
	3.6	Boundary of the report	Fully	46	-	-
	3.7	State any specific limitations on the scope or boundary of the report	Fully	46		
	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	Not	-	Does not exist	GRUPO HERDEZ doesnt have joint ventures, subsidiaries, leased facilities, outsorced operations, and other entities that can significantly affect comparability from period to period
	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Fully	46		-
	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	Not	-	Does not exist	There were no re-statements of information
	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Not	-	Does not exist	There is no significant changes form the last reporting period.
	3.12	Table identifying the location of the Standard Disclosures in the report.	Fully	109	-	-
	3.13	Policy and current practice with regard to seeking external assurance for the report.	Fully	46	-	Not applicable
4.	GOVERNANCE, COMMITMENTS, AND ENGAGEMENT					
	4.1	Governance structure of the organization	Partially	42	Proprietary information	Grupo Herdez doesn't specifiy this disclosure for security reasons.
	4.2	Indicate whether the Chair of the highest governance body is also an executive officer	Fully	42	-	-
	4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	Partially	42	Proprietary information	Grupo Herdez doesn't specifiy this disclosure for security reasons.
	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Fully	42	-	-

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION	EXPLANATION
4.5	Linkage between compensation for members of the highest governance body and the organization's performance	Partially	42	Proprietary information	Grupo Herdez doesn't specifiy this disclosure for security reasons.
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Fully	42		-
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity	Partially	42	Proprietary information	Grupo Herdez doesn't specifiy this disclosure for security reasons.
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	Fully	42	-	-
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	Fully	42	-	-
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	Fully	42	-	-
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	Fully	44	-	-
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	Fully	31 to 39	-	-
4.13	Memberships in associations	Partially	43	Proprietary information	Grupo Herdez doesn't specifiy this disclosure for security reasons.
4.14	List of stakeholder groups engaged by the organization	Fully	44	-	-
4.15	Basis for identification and selection of stakeholders with whom to engage	Fully	44	-	-
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	Fully	44	-	-
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	Fully	42,44	-	-
FP1	Percentage of purchased volume from suppliers compliant with company's sourcing policy	Partially	43	-	-
FP2	Percentage of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards, broken down by standard	Not	-	-	-
ECONOMIC PERFORMANCE					
EC1 COMM	Direct economic value generated and distributed	Partially	41	-	-
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Partially	34,38,40	-	-
EC3	Coverage of the organization's defined benefit plan obligations	Partially	40	-	-
EC4 COMM	Significant financial assistance received from government	Fully	-	Not applicable	No significant financial assistance was recieved from government
MARKET PRESENCE					
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	Fully	-	Non-public information	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	Partially	43	-	-
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Not	-	-	-
INDIRECT ECONOMIC IMPACTS					
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	Partially	49	-	-
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	Not	-	-	-

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION	EXPLANATION
ENVIRONMENTAL					
MATERIALS					
EN1 COMM	Materials used by weight or volume	Fully	38	-	-
EN2	Percentage of materials used that are recycled input materials	Fully	38	-	-
ENERGY					
EN3	Direct energy consumption by primary energy source	Partially	36	-	-
EN4	Indirect energy consumption by primary source	Fully	36	-	-
EN5	Energy saved due to conservation and efficiency improvements	Fully	36	-	-
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Fully	36	-	-
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Fully	36	-	-
WATER					
EN8	Total water withdrawal by source	Fully	35	-	-
EN9	Water sources significantly affected by withdrawal of water	Fully	35	-	-
EN10	Percentage and total volume of water recycled and reused	Fully	35	-	-
BIODIVERSITY					
EN11 COMM	Location and size of land or waters owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Fully	39	-	-
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Fully	39	-	-
EN13 COMM	Habitats protected or restored	Fully	-		
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	Fully	39	-	-
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Fully	-		Grupo HERDEZ doesnt have a direct impact in species listed in the IUCN Red List
EMISSIONS, EFFLUENTS AND WASTE					
EN16	Total direct and indirect greenhouse gas emissions by weight	Fully	37,38	-	-
EN17	Other relevant indirect greenhouse gas emissions by weight	Fully	38	-	-
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Fully	37	-	-
EN19	Emissions of ozone-depleting substances by weight	Fully	37	Not applicable	Doesnt exist
EN20	NOx, SOx, and other significant air emissions by type and weight	Fully	37	-	-
EN21	Total water discharge by quality and destination	Fully	35	-	-
EN22	Total weight of waste by type and disposal method	Fully	38	-	-
EN23	Total number and volume of significant spills	Fully	-	Not applicable	No significant spills were presented
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention	Fully	39	Not applicable	The company doesnt transports, imports, exports or treats waste deemed hazardous
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	Fully	39	Not applicable	No water bodies and related habitats were significant affected

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION	EXPLANATION
PRODUCTS AND SERVICES					
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Fully	34	-	-
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	Fully	-	Information not avilable	-
COMPLIANCE					
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Fully	39	Not applicable	No monetary or non-monetary sanctions for non-compliance with environmental laws and regulations
TRANSPORT					
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	Partially	37	-	-
OVERALL					
EN30	Total environmental protection expenditures and investments by type	Partially	36	-	-
SOCIAL: LABOR PRACTICES AND DECENT WORK					
EMPLOYMENT					
LA1	Total workforce by employment type, employment contract, and region, broken down by gender	Fully	28	-	-
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	Partially	30	-	-
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	Fully	29	-	-
LA15	Return to work and retention rates after parental leave, by gender	Partially	29	-	-
LABOR/MANAGEMENT RELATIONS					
LA4	Percentage of employees covered by collective bargaining agreements	Fully	28	-	-
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	Fully	28	-	-
FP3	Percentage of working time lost due to industrial disputes, strikes and/or lock-outs, by country	Fully	-	The company didn't have strikes.	-
OCCUPATIONAL HEALTH AND SAFETY					
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Fully	29	-	-
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender	Partially	29	-	-
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	Fully	30	-	-
LA9	Health and safety topics covered in formal agreements with trade unions	Fully	29	-	-
TRAINING AND EDUCATION					
LA10	Average hours of training per year per employee by gender, and by employee category	Partially	30	-	-
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Partially	30	-	-
LA12	Percentage of employees receiving regular performance and career development reviews, by gender	Partially	30	-	-
DIVERSITY AND EQUAL OPPORTUNITY					
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Partially	28	-	-
EQUAL REMUNERATION FOR WOMEN AND MEN					
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Partially	28	-	-
LA15	Return to work and retention rates after parental leave, by gender	Partially	29	-	-

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION	EXPLANATION
HUMAN RIGHTS					
INVESTMENT AND PROCUREMENT PRACTICES					
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening	Fully	42,43	-	-
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken	Fully	43	-	-
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Not	-	Information not avilable	-
NON-DISCRIMINATION					
HR4	Total number of incidents of discrimination and corrective actions taken	Fully	-	Not applicable	No incidents of discrimination presented
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING					
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights	Fully	-	Not applicable	There is no risk for collective bargaining
CHILD LABOR					
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Fully	-	Not applicable	No operations or significant suppliers were identified with incidents of child labor
PREVENTION OF FORCED AND COMPULSORY LABOR					
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Fully	-	Not applicable	Grupo Herdez cumplies with national and international labor law
SECURITY PRACTICES					
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	Fully	-	-	Grupo Herdez doesnt quantify if security personnel is trained in the organization´s policies or procedures concerning aspects of human rights.
INDIGENOUS RIGHTS					
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	Fully	-	Not applicable	No incidents or violations involving rights of indigenous people
ASSESSMENT					
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	Fully	-		100% of our operations have been subject to human rights reviews according to our Conduct Code.
REMEDIATION					
HR11	"Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms"	Fully	-	Not applicable	No grievances related to human rights filed

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION	EXPLANATION
SOCIETY					
LOCAL COMMUNITIES					
SO1 (FPSS)	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	Fully	28 to 33	-	-
SO1 (G3.1)	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Fully	28 to 39	-	-
HEALTHY AND AFFORDABLE FOOD					
FP4	Nature, scope and effectiveness of any programs and practices (in-kind contributions, volunteer initiatives, knowledge transfer, partnerships and product development) that promote healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need	Fully	31	-	-
SO9	Operations with significant potential or actual negative impacts on local communities	Fully	-	Not applicable	There were no operations with significant potential or actual negative impacts on local communities
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	Fully	-	Not applicable	There were no operations with significant potential or actual negative impacts on local communities
CORRUPTION					
SO2	Percentage and total number of business units analyzed for risks related to corruption	Fully	42	-	-
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	Not	-	-	Information not avilable
SO4	Actions taken in response to incidents of corruption	Fully	42	-	-
PUBLIC POLICY					
$SO5_{COMM}$	Public policy positions and participation in public policy development and lobbying	Partially	43,44	-	-
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	Fully	-	Not applicable	The company doesnt give contributions to political parties, politicians and related institucions
ANTI-COMPETITIVE BEHAVIOR					
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	Fully	-	Not applicable	We dont have legal actions for anti-competitive behavior
COMPLIANCE					
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Fully	-	Not applicable	We didnt have monetary or non-monetary sanctions for non-compliance with laws and regulations

Profile Disclosure	Description	Reported	Cross-reference/ Direct answer	Reason for omission	Explanation
PRODUCT RESPONSIBILITY					
CUSTOMER HEALTH AND SAFETY					
$PR1_{COMM}$	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	Fully	45	-	-
$PR2_{COMM}$	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	Fully	-	Not applicable	There were no incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products
FP5	Percentage of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standards	Not	-	-	-
FP6	Percentage of total sales volume of consumer products, by product category, that are lowered in saturated fat, trans fats, sodium and sugars	Not	-	-	-
FP7	Percentage of total sales volume of consumer products, by product category sold, that contain increased fiber, vitamins, minerals, phytochemicals or functional food additives	Not	-	-	-
PRODUCT AND SERVICE LABELLING					
$PR3_{COMM}$	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	Partially	45	-	-
FP8	Policies and practices on communication to consumers about ingredients and nutritional information beyond legal requirements	Partially	45	-	-
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	Partially	45	-	No incidents registred
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	Partially	45	-	-
MARKETING COMMUNICATIONS					
$PR6_{COMM}$	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	Partially	45	-	-
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	Fully	-	Not applicable	There were no incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion
CUSTOMER PRIVACY					
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Fully	-	Not applicable	There were no complaints regarding breaches of customer privacy and losses of customer data
COMPLIANCE					
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Fully	-	Not applicable	There were no monetary fines for non-compliance with laws and regulations concerning the provision and use of products.

PROFILE DISCLOSURE	DESCRIPTION	REPORTED	CROSS-REFERENCE/ DIRECT ANSWER	REASON FOR OMISSION	EXPLANATION
BREEDING AND GENETICS					
FP9	Percentage and total of animals raosed and/or processed, by species and breed type.	Not	-	-	-
ANIMAL HUSBANDRY					
FP10	Policies and practices, by species and breed type, related to physical alterations and the use of anaesthetic.	Not	-	-	-
FP11	Percentage and total of animals raised and/or processed, by species and breed type, per housing type.	Not	-	-	-
FP12	Policies and practices on antibiotic, anti-inflammatory, hormone, and/or growth promotion treatments, by species and breed type.	Not	-	-	-
TRANSPORTATION, HANDLING AND SLAUGHTER					
FP13	Total number of incidents of non-compliance with laws and regulations, and adherence with voluntary standards related to transportation, handling, and slaughter practices for live terrestrial and aquatic animals.	Not	-	-	-

This Annual Report contains forward-looking statements which reflect the current opinions of Grupo Herdez's management regarding future events. These statements are subjects to risks, uncertainties and changing circumstances. The final results may be materially different from current expectations due to several factors beyond the control of Grupo Herdez, S.A.B. de C.V. and its subsidiaries.

INVESTOR RELATIONS CONTACTS

Andrea Amozurrutia Casillas
aac@herdez.com

Macarena García Simón
m.garcias@herdez.com

CORPORATE HEADQUARTERS

Monte Pelvoux 215
Col. Lomas de Chapultepec
México, D.F. 11000
Ph. +52 (55) 5201-5655

DEPOSITARY BANK

BNY Mellon
Shareowner Services
PO BOX 358516
Pittsburgh, PA 15252-8516
Ph. 1-888-BNY-ADRS
shrrelations@bnymellon.com
www.bnymellon.com/shareowner

SOCIAL RESPONSIBILITY CONTACTS

Eugenia Ortiz Rubio
eortizrubio@herdez.com

Grecia Domínguez Leyva
gdominguezl@herdez.com

WEBSITES

www.grupoherdez.com.mx
www.sabernutrir.com.mx
www.fundacionherdez.com.mx

DESIGN: XDesign WWW.XDESIGN.COM.MX PRINT: EARTHCOLOR, HOUSTON

cotiza en Bolsa Mexicana HERDEZ

Empresa Sustentable

FSC® www.fsc.org MIXTO Papel procedente de fuentes responsables FSC® C018101

ESR 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 IN THIS PROJECT.

- 1.7 TREES PRESERVED
- 2,422 GALLONS OF WATER SAVED
- 304 LB OF GREENHOUSE GASES REDUCED AND/OR OFFSET
- 1.23 MILLION BTU'S ENERGY NOT CONSUMED
- THIS REPORT WAS PRINTED ON EARTHAWARE PAPER, FSC® CERTIFIED, ELEMENTAL CHLORINE AND ACID-FREE

GRI: 2.4, 3.4

www.grupoherdez.com.mx

Grupo Herdez
Annual Report 2012