TRANSFORMING 2015

INTEGRATED ANNUAL REPORT | **FINANCIAL AND SUSTAINABILITY**

GRUPO HERDEZ

CORPORATE PROFILE

We are leaders in the processed food sector and one of the major players in the ice cream category in Mexico, and in the Mexican food segment in the United States.

We participate in a wide range of categories, including burritos, canned vegetables, guacamole, home-style salsa, honey, ice cream, jam, ketchup, mayonnaise, mole, mustard, organic food, pasta, spices, tea, tomato purée and tuna.

We sell our products through a portfolio of exceptional brands, which include Aires de Campo®, Barilla®, Búfalo®, Chi-Chi's®, Del Fuerte®, Don Miguel®, Doña María®, Embasa®, Helados Nestlé®, Herdez®, La Victoria®, McCormick®, Nutrisa®, Wholly Guacamole® and Yemina®.

In addition, we have distribution agreements in Mexico for GoGoSqueez®, Kikkoman®, Ocean Spray®, Reynolds®, and Truvía® products.

[DETACH AND FOLD]

MISSION

To place quality foods and beverages within the reach of consumers, under brands of growing prestige and value.

VALUES

- Honesty
- Achievement Focus
- Teamwork
- Trust

VISION

Grupo Herdez aims to consolidate, grow and position itself as a leading company in the food and beverage industry, recognized for the quality of its products and the effectiveness of its efforts in satisfying consumers' needs and expectations, within a framework of optimal consumer care and service, under strict profitability criteria, strategic potential and sustainability.

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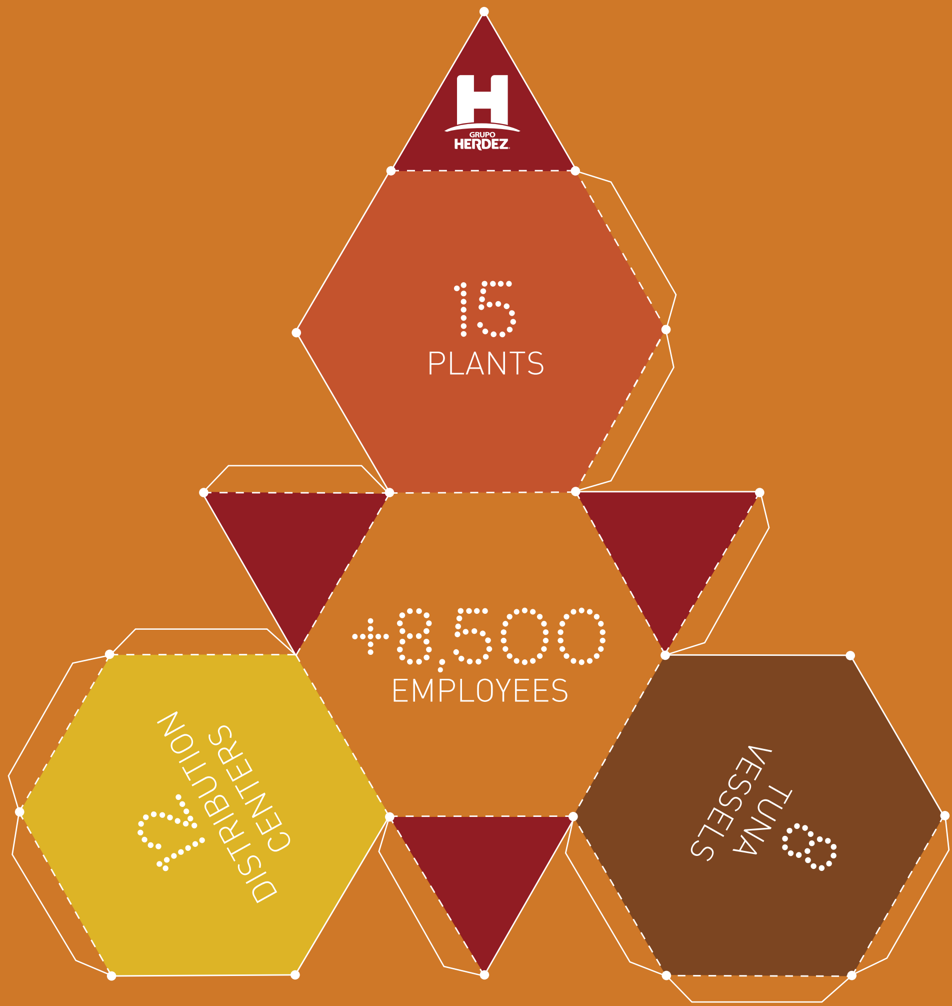
OUR BRANDS

IN MEXICO

DISTRIBUTION AGREEMENTS IN MEXICO

IN THE UNITED STATES



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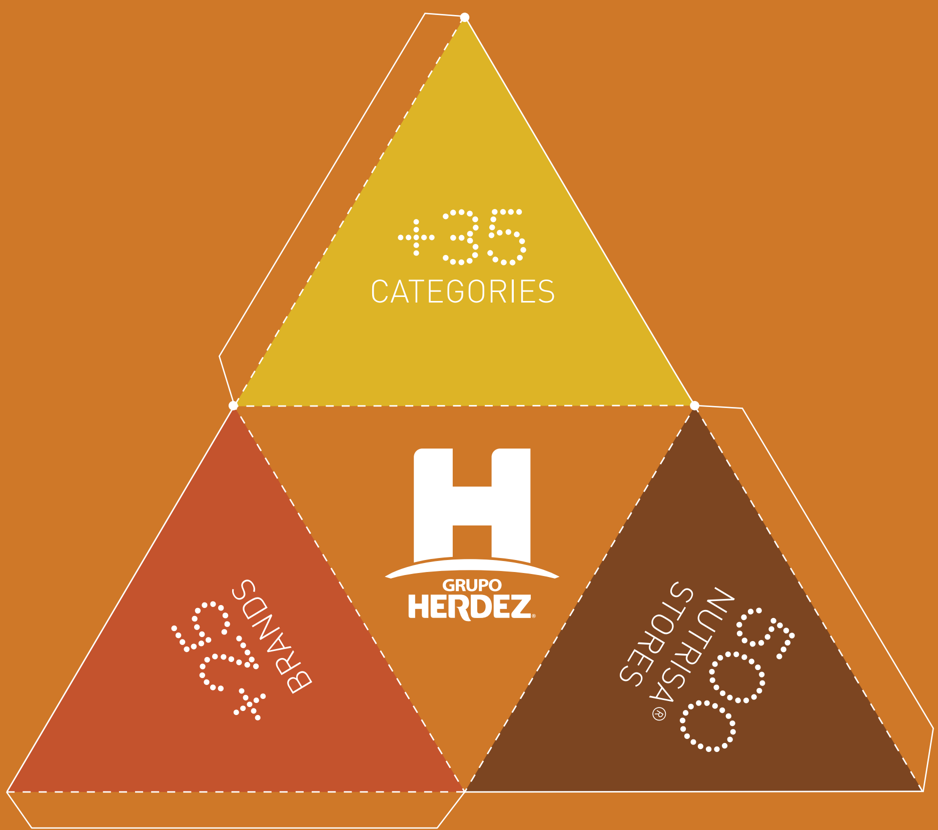


IN 2015:

- We incorporated the Helados Nestlé® business in Mexico
- We added 58 stores to the Nutrisa® network
- We added a tuna vessel to the fleet

+8,500
EMPLOYEES

15
PLANTS

12
DISTRIBUTION CENTERS

8
TUNA VESSELS

+25
BRANDS

+35
CATEGORIES

500
NUTRISA®
STORES

TRANSFORMING
2015 INTO GOOD RESULTS

16,356
MILLION PESOS
NET SALES

2,887
MILLION PESOS
EBITDA[1]

1.6x
NET DEBT[2]/EBITDA

1,861
MILLION PESOS
CASH FLOW FROM OPERATIONS

3.3%
SOCIAL INVESTMENT[3]

-7,077
TONS REDUCTION IN GHG[4]

55%
RECYCLED WASTE

1.2
MILLION
HOURS OF NUTRITION EDUCATION

1 EBITDA: Earnings Before Interest, Taxes, Depreciation, Amortization and other non-cash items

2 Excluding corporate debt

3 Percentage of Consolidated Net Profit invested in community development programs

4 GHG: Greenhouse gases, main cause of climate change

MESSAGE FROM THE CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

In a particularly uncertain economic year, Grupo Herdez has been an example of resilience by achieving record levels of sales and EBITDA.

To the Shareholders of Grupo Herdez,

Resilience, as we know, is the ability to overcome adverse conditions and move forward on our feet and without losing the way. As such, it can be said that if nothing else Mexico showed the world its resilient character in 2015. One fact alone enough to confirm this: our economy grew 2.5% over the previous year despite oil prices falling by half and the 16% rise in the dollar. This positive result was broadly due to favorable performance in consumption and private investment, and the development of non-oil manufacturing.

The same can be said of Grupo Herdez, which, in a particularly uncertain economic year, has been an example of resilience by achieving record levels of sales and EBITDA as a result of flawless execution in all areas of the organization and increasing efficiency in the value chain.

In addition, the acquisition of Helados Nestlé strengthened our competitive position in a category with high growth potential, positioning us as the second largest participant in the ice cream category with presence in all sales channels.

RESULTS

I am pleased to report that the Company's total sales were Ps. 16,356 million, an increase of 14.2% compared to the previous year. Half of this growth is attributable to the incorporation of Helados Nestlé, and the remainder to a commercial strategy that resulted in substantial improvements in our share of the home-style salsas, jams, ketchup, teas and vegetables categories, primarily.

EBITDA, which totaled Ps. 2,887 million, was 19.5% higher than in 2014 and represented a margin of 17.7%.

The notable efforts that led to these results include:

- An effective pricing policy
- Lower production costs in the two new plants for mayonnaise and vegetables
- Containment of raw material and packaging prices
- Exchange rate risk management.

The operating cash flow totaled Ps. 1,861 million, 18.3% more than in 2014. Free cash flow, that is, after investments in fixed assets, totaled Ps. 822 million.

HELADOS NESTLÉ

The performance of Helados Nestlé was very positive thanks to the increased number of freezers to secure new points of sale.

Excluding refrigerated distribution, in just nine months we integrated the operation thanks to the determination of a great team of employees in all areas of the Group. My sincere appreciation to all of them.

NUTRISA

The key indicators at Nutrisa showed sequential improvements throughout 2015. That is, the number of transactions and average ticket increased during the year.

It should be noted that new products were introduced to strengthen the commercial offering and that during the period covered by this report 58 net new stores were opened, to end the year with 487 stores and as of today, we have more than 500.

Despite the favorable trend, a Ps. 450 million non-cash charge to earnings was registered, corresponding to Nutrisa's goodwill following the application of International Accounting Standard 36 "Impairment of assets." This accounting charge does not change the potential of the brand, and even less so the confidence we have in this business. We are here for the long term.

Our passion for serving 60,000 people a day in our stores is also resilient.

MEGAMEX

The measures put in place to improve the profitability of our MegaMex partnership paid off. The management team was strengthened, product portfolio rationalized, and Don Miguel plant substantially improved, while we grew our market share in sauces and refrigerated guacamole.

FINANCIAL POSITION

The Company's consolidated cash position was Ps. 1,483 million, while debt totaled Ps. 5,960 million.

At year-end, our leverage ratios remained stable following the three main uses of resources:

- The acquisition of Helados Nestlé for Ps. 1,060 million
- CAPEX of Ps. 1,039 million
- Dividends to majority and minority shareholders of Ps. 1,087 million.

Among the notable investments in fixed assets was the modernization of the Los Mochis distribution center, the purchase of the "El Duque" tuna vessel, the opening of Nutrisa stores, and the acquisition of freezers for Helados Nestlé.

Without a doubt, we can say that our financial strength is resilient.

SUSTAINABILITY

At Grupo Herdez, our commitment to sustainability, community and the environment is also an example of resilience.

In social matters, with Saber Nutrir we continue to work to change the eating habits of more than 160,000 elementary school children in the country. During the year we provided one million additional hours of nutrition education, with activities in ten states of Mexico. With this million, we have already reached four million. We also built 404 productive projects in the State of Mexico and Chiapas, which will transform the quality of life for 384 families.

We participated in the remodeling of the Papalote Children's Museum in Mexico.

Meanwhile, Fundación Herdez, whose main objective is to preserve Mexican cuisine and value the country's basic foods, received more than 9,000 visitors to its museum and published the book "Ahuácatl: delicious and nutritious fruit," in addition to supporting non-profit organizations with in-kind donations.

On the environmental side, thanks to the wind power generation project we reduced CO_2e emissions by 48%. Also, efficiencies in production processes at the Santa Rosa, Celaya and Barilla plants allowed for a 20% reduction in waste generation. Although there is still some way to go, our actions in this regard contribute positively today to transforming the environment in the communities where we operate.

OUTLOOK

2016 will undoubtedly be a year of consolidation for the Frozen division. We are confident that it will be one of the main drivers of profitable growth for the Company.

The transformation that Grupo Herdez has undergone throughout its history speaks of its flexibility and adaptability, virtues that define us and strengthen our leadership.

This leadership is the result of the resilient enthusiasm of 8,772 employees whose commitment and effort are the cornerstone of achieving results. To all of them, I extend my deepest gratitude.

Similarly I would like to thank you, our shareholders, for the confidence you place in us; our suppliers for their support; of course to our customers and consumers for allowing us to be at the tables and on the palates of millions of Mexicans; and in general to the people who enjoy our products.

Rest assured that we will continue transforming that confidence into results.

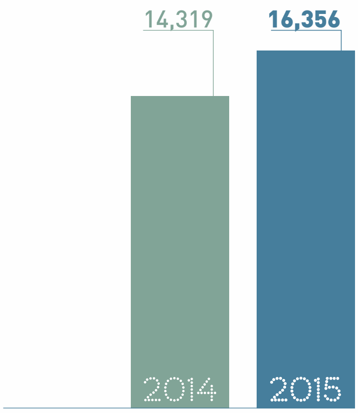
To meet the challenges that await us on the way, we are equipped with determination and optimism.

The confidence I have in our future is also resilient.

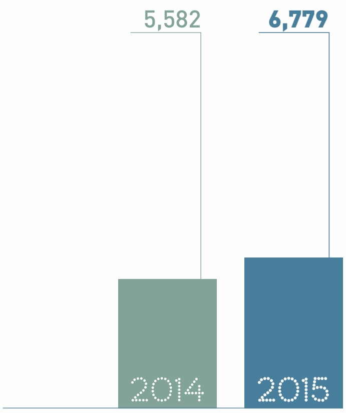
Sincerely,

HÉCTOR HERNÁNDEZ-PONS TORRES
CHAIRMAN OF THE BOARD AND CHIEF EXECUTIVE OFFICER

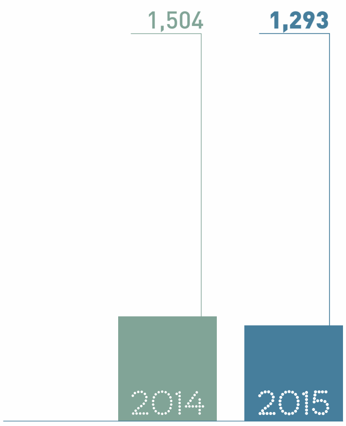
FINANCIAL HIGHLIGHTS



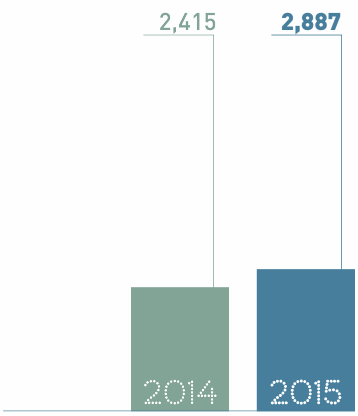
NET SALES
MILLION PESOS
+14.2%



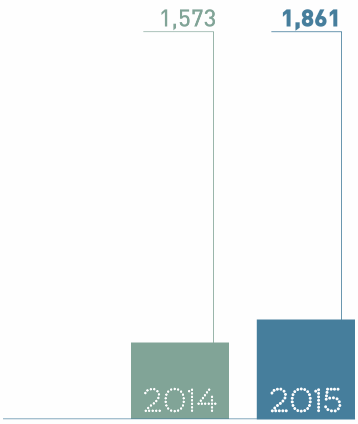
GROSS PROFIT
MILLION PESOS
+21.4%



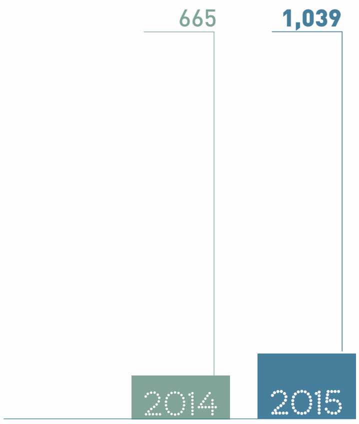
CONSOLIDATED NET INCOME
MILLION PESOS
-14.1%



EBITDA
MILLION PESOS
+19.5%



CASH FLOW FROM OPERATIONS
MILLION PESOS
+18.3%



CAPEX
MILLION PESOS
+56.3%

		2015	2014	VAR. (%)
	NET SALES	**16,356**	**14,319**	**14.2**
	Mexico core	13,139	12,197	7.7
	Frozen	2,139	1,166	83.3
	Exports	1,079	955	12.9
	Cost of Goods Sold	9,577	8,737	9.6
	GROSS PROFIT	**6,779**	**5,582**	**21.4**
	Mexico core	5,206	4,737	9.9
	Frozen	1,440	742	94.0
	Exports	133	103	28.9
	Sales, General & Administrative Expenses	4,290	3,405	26.0
1	Other Expenses, net	452	65	N.A.
	EBIT	**2,036**	**2,113**	**-3.6**
	Mexico core	2,435	2,006	21.4
	Frozen	-452	69	N.A.
	Exports	53	38	42.0
	Equity Investment in Associates	**446**	**414**	7.6
	MegaMex	418	381	9.9
	Others	28	34	-18.2
	CONSOLIDATED NET INCOME	**1,293**	**1,504**	**-14.1**
	MAJORITY NET INCOME	**389**	**771**	**-49.6**
2	**EBITDA**	**2,887**	**2,415**	**19.5**
	Mexico core	2,668	2,232	19.5
	Frozen	136	117	15.8
	Exports	83	66	26.4
	Total Assets	24,405	23,261	4.9
	Total Liabilities	10,498	10,085	4.1
3	Total Debt	5,960	5,800	2.8
	Total Shareholders´ Equity	13,907	13,176	5.5
	Mayority Shareholders´ Equity	6,745	6,309	6.9
	CAPEX	1,039	665	56.3
4	**CASH FLOW FROM OPERATIONS**	**1,861**	**1,573**	18.3
	Net Debt/Consolidated EBITDA (times)	1.6	1.4	
	Net Debt/Total Shareholders´ Equity (times)	0.32	0.25	
5	Return on Equity (ROE)	6.0%	12.9%	
6	**ADJUSTED ROE**	**7.9%**	**17.7%**	
7	**RETURN ON INVESTED CAPITAL (ROIC)**	**10.5%**	**11.7%**	
	Price per Share at Year End	44.77	35.44	
	Total Shares Outstanding at Year End (millions)	432	432	

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

1 Includes the non-cash impairment charge of Ps. 450 million in 2015, due to the recognition of a loss in Nutrisa´s goodwill

2 EBITDA Earnings Before Interest, Taxes, Depreciation, Amortization and other non-cash items

3 Excludes corporate debt

4 Cash Flow from Operations = Consolidated Net Income + Other non-cash items + Working Capital

5 ROE = Majority Net Income/Average Majority Shareholders´ Equity

6 Adjusted for the elimination of the reasonable value of Herdez Del Fuerte as a result of the application of IFRS10 and IFRS3

7 ROIC = Operating Income/Average (Shareholders´ Equity+Debt)


Barilla
GLUTEN FREE
PENNE

TRANSFORMING OPPORTUNITIES INTO GROWTH ROUTES

The entrepreneurial spirit of Grupo Herdez has led us to explore new growth opportunities that, with a business approach based on knowledge of our customers and consumers, we transform into realities for our value chain.

Our proprietary products and brands, business partnerships and distribution agreements that comprise the portfolio are the basis of our market leadership today.

In 2015, we achieved record sales of Ps. 16,356 million. Half of this growth was due to the acquisition of Helados Nestlé®; the rest was possible thanks to the organic growth of the rest of the business lines.

LAUNCHES

During 2015, we transformed our product range in Mexico with the launch of Herdez® soups and chowders, McCormick® mustard specialties, varieties of Búfalo® sauce and Barilla® gluten-free pasta, as well as the launch of Herdez® Guacamole Salsa in the United States.

Herdez® took on the soups and chowders to capitalize on its strong positioning in prepared food and thus became the second most important player in that category. The five varieties launched were asparagus, corn, mushroom, lentil and poblano chili.

We continued the expansion of the product portfolio with healthy offerings such as Barrilla® gluten-free pasta.

WITH THE ACQUISITION OF HELADOS NESTLÉ®, WE INCLUDE KIDS AND TEENS AMONG OUR KEY AUDIENCES.

Búfalo® entered the marinade sauce segment with the launch of extra spicy chicken wing sauce, and the *chamoy* segment with a spicy flavored sauce characteristic of the brand. The launches were advertised through television, movie theater and social network campaigns.

The three new varieties of McCormick® mustard emerged as an option for more demanding tastes, in a category that the brand has led for more than 65 years. The varieties launched were dijon, honey and pepper.

Our goal in the pasta category is to increase per capita consumption in Mexico; to this end, we launched Barilla® gluten-free pasta, whose ingredients are corn and rice. In addition, we updated Vesta® with a new, warmer image and the slogan "The taste of being together", to strengthen the emotional bond with consumers.

We expanded the Nutrisa® portfolio with products such as the soft ice cream cone with less than a hundred calories and the first taro flavored popsicle on the market. We also added new flavors to the existing range of soft ice cream with choco-hazelnut, cranberry, and taro, and hard ice cream with cranberry-natural, natural 0% sugar, pineapple-coconut and tamarind flavors.

At Aires de Campo® we incorporated products such as apple juice, coconut flour, natural yogurt, oaxaca cheese, quinoa, vinegar, whole and semi-skimmed milk, as well as launching a line of herbal teas with relaxing, digestive and anti-flu properties.

CONSOLIDATION OF NEW PRODUCTS AND MARKETS

In 2015, Doña María® mole celebrated seventy years since it transformed one of the most iconic Mexican dishes into a practical version for consumers. In this context, we expanded its portfolio with two new varieties: almond mole and poblano mole with chocolate, which have grown at double-digit rates since their launch.

McCormick® closed the year with record sales. McCormick® mayonnaise increased its market share, while brand awareness among consumers remained high. We achieved domestic goals with growth in the north of the country, where we are challenged to grow at

a faster pace. Strategies such as the "Cooking unites us" television program and product tastings at various points of sale are examples of our efforts in the year to leverage our opportunities in that region.

Meanwhile, MegaMex products have more than a third of household penetration in the United States. On the west coast alone, where penetration of Mexican food is high, close to 50% of consumers purchase one of our products during a visit to the supermarket.

The distribution of Herdez® Salsa and Wholly Guacamole® also continued to expand, with double-digit growth in both consumption and market penetration. This is possible thanks to the emotional connection that the brands have achieved with consumers through their Mexican authenticity, as well as offering healthy options such as all-natural Wholly Guacamole® and La Victoria® organic products.

EXPANSION OF THE FROZEN SEGMENT

Following the acquisition of Nutrisa® in 2013, the incorporation of the Helados Nestlé® business in Mexico in March 2015 gave Grupo Herdez presence in all sales channels in the ice cream category: convenience, institutional, owned stores, modern and traditional.

Helados Nestlé® is among the leaders of the ice cream and frozen desserts category (particularly in the kids and teens segments), with a portfolio that includes brands such as eXtreme®, Mega®, Nestlé® and PelaPop® and a network of over 49,000 points of sale in Mexico.

This acquisition also included an ice cream plant in Lagos de Moreno, Jalisco, distribution equipment and freezers, and an exclusive long term license to market and sell the Helados Nestlé® brands in Mexico. In addition, the agreement included retaining the employees of this division, enabling the Group to guarantee the continuity of the business and conservation of talent.

The transaction increased the scale and capabilities of Grupo Herdez in the frozen segment and doubled the size of the ice cream business within the portfolio.


Doña María
Mole

TRANS FORM ING

OUR OPERATION TO ADDRESS A CHANGING ENVIRONMENT

During 2015, Grupo Herdez underwent a transformation process to optimize communication, bolster our product portfolio, develop sales channels and strengthen the sustainability of our operations.

Our communication responds to new consumption patterns and family models.

ADAPTING OUR COMMUNICATION TO NEW TIMES

One of the Group's main tasks is to understand our consumers in order to offer them the products that meet their needs. Consumption patterns and family models change constantly, which drives us to transform our business and the way we approach the market. Thus, in 2015, we focused our communication and media campaigns on reaching new consumers.

One of our greatest achievements in terms of communication in the year was the development and launch of the "Herdez: nourishing moments" campaign, which succeeded in audiovisual media by painting a moving portrait of new family models. This was undoubtedly a necessary transformation for the brand, which for more than fifty years has been present in homes around the country and in the minds of consumers.

The campaign began in May and lasted five months on television, press, outdoors, Internet and movie theaters. The main results were a 4% increase in sales volume with 12% growth in home-style salsas and 5% in vegetables.

The advertising of Doña María® mole is another example of this strategy. With commercials illustrating the change within the modern family, we achieved a closer connection with our consumers by offering products that allow them to enjoy traditional dishes in a quick manner.

RESHAPING OUR HEALTHY PORTFOLIO

In the last few years, we have focused on responding to new lifestyles with a portfolio of healthy products. In particular, the integration of Aires de Campo® and Nutrisa® has helped us to transform our range and position us as leaders in the health and wellness segment. During the year, 4% of the Group's total sales came from this category, through low-fat, low-sugar, low-sodium and organic products.

In shelf-stable products, we modified the formula of McCormick® water and milk gelatins mix to lower the sugar content, and reduced the fat percentage in McCormick® mayonnaise; thus lowering their calorie content.

In addition, we strengthened the promotion of low calorie products in the Nutrisa® portfolio such as the cranberry cone and popsicles. Similarly, we reformulated some products in accordance with the parameters of the Federal Commission for Protection against Health Risks (*Comisión Federal Para la Protección Contra Riesgos Sanitarios, COFEPRIS*).

DRIVING SALES CHANNELS DEVELOPMENT

One of the strategies to preserve our leadership position consists of expanding the availability of the product portfolio across all sales channels. This task requires the flawless execution of our logistics and distribution plans, ensuring that these efforts translate into growth.

At Nutrisa®, two new store formats transformed our contact with consumers: stores that offer a 50/50 mix of

IN 2015, THE BEST PERFORMING SALES CHANNELS IN MEXICO WERE FOOD SERVICE AND CONVENIENCE, WHICH GREW 18% AND 17%, RESPECTIVELY.

frozen products and commercial portfolio, and kiosks. The aim of the stores is to strengthen brand positioning in the wellness segment; the kiosks open the opportunity to take the brand into open spaces with higher consumer traffic.

At Herdez® Food Service, we established three strategic lines. The first was the creation of synergies with major customers; the second, our chefs provided sales training to our distributors and end-clients to strengthen our leadership in the segment; and the third was new product development. The implementation of these strategies allowed us to reach new customers and resulted in an 18% growth in the channel's net sales compared to the previous year.

Due to their accelerated growth in recent years, convenience stores represent a strategic sales channel for our portfolio and for developing new consumption occasions for the brands. With presence in more than 16,000 points of sale, we market 21 categories through the following brands: Búfalo®, Del Fuerte®, Herdez®, McCormick® and Ocean Spray®. In 2015 sales in this channel grew 17% compared to the previous year.

SAILING TOWARDS SUSTAINABLE WATERS

Grupo Herdez is committed to the care and protection of marine biodiversity, and therefore we strive to transform our supply chain into a sustainable network. All our suppliers are selected through an evaluation of their operation standards considering social, environmental and human rights criteria. During the year, 93% of strategic suppliers (according to their contract amounts) responded to evaluation indicators. In addition, all new suppliers adhere to our Code of Conduct for Suppliers, which reinforces the regulatory framework of our value chain.

The Group's tuna fleet complies with the highest national and international standards and is currently working with the Mexican tuna fleet to obtain sustainable fishing certification from the Marine Stewardship Council, which will allow us to export this product.


HELADOS

TRANSFORMING CHALLENGES INTO ENDURING STRENGTHS

At Grupo Herdez, we understand the challenges of an evolving market. Thus, the ideas we develop in critical moments become our strengths over time.

WELCOMING A NEW MEMBER OF THE FAMILY

The challenge of the Helados Nestlé® acquisition was not only to integrate the operations into the Group, but also to incorporate its almost 500 employees into our workforce. The personnel integration from this division was successfully completed on June 1.

To reach the more than 49,000 points of sale for Helados Nestlé® in Mexico, we added a frozen division to our logistics network with access to nine distribution centers and eighteen cross-docks with a capacity of 9,200 pallets. From the Lagos de Moreno plant, we serve 5,000 trailers yearly to cover the entire territory.

At year end, the Helados Nestlé® logistics programming and planning was carried out under the Grupo Herdez model. The challenge

The acquisition of Helados Nestlé® consolidated our competitive position in the ice cream category and gave us presence in all sales channels in Mexico.

WITH NUTRISA®
SALES GROWTH,
WE WILL IMPROVE
ITS PROFITABILITY
TO CAPITALIZE ON
ITS LEADERSHIP
IN THE HEALTH
AND WELLNESS
SEGMENT.

for 2016 is to complete its integration along with Nutrisa®, and thus optimize the logistics and distribution of frozen products throughout the country.

MANAGING THE RISKS

We diversify the supply risks of raw materials and packaging with hedging instruments and by entering into annual and seasonal contracts with different producers, suppliers and agricultural maquila plants.

Given that some of our main inputs are denominated or referenced in foreign currency, we manage this risk through hedging instruments in order to provide visibility to the operation.

In 2015, this strategy allowed us to reduce the impact of the strengthening of the US dollar during the second half of the year, and enabled us to reach our profitability goal for the year.

INVESTING IN EFFICIENCY AND PRODUCTIVITY

In January 2015, a $30 million dollar investment was authorized to double the capacity of Los Mochis, Sinaloa distribution center, sufficient to satisfy the foreseen storage requirements over the medium term.

This distribution center will service the domestic and export markets, and begin operations in August 2016.

We also integrated the Santa Rosa Vegetales plant, increasing its capacity by 17% and production per hour (line productivity) by 31% for the main products. Efficiency in the use of raw materials improved 9% thanks to the implementation of technology and new processes. Likewise, to increase the efficiency and comfort of personnel in processing lines, we installed 35 ventilation systems, which take only eight minutes to completely change the air inside the production space.

In December, we incorporated a new tuna vessel to the fleet in Tapachula, Chiapas. The vessel, named

"El Duque", has a capacity of 1,600 m^3 —equivalent to 1,200 tons— increases the fishing fleet's capacity by 20% and extends our responsible fishing practices.

STRENGTHENING OUR BUSINESS IN THE UNITED STATES

The main reasons for restructuring our Don Miguel® plant were to improve service, efficiency, safety and quality control.

During 2016, we will focus on sustaining the positive trend of indicators at this plant and improving production costs by implementing cost-saving initiatives across our operations. The main objectives for the year are to strengthen sales in the convenience store channel and expand the business towards new channels.

INVIGORATING NUTRISA®

The segmentation of Nutrisa® product offerings is the basis of our decisions. Innovation in this regard played a key role in the year and enabled the brand to get closer to new consumers every day through different formats and products.

While consumption in 2015 showed an upward trend, Nutrisa® faced a year of challenges. On one hand, we speeded up store openings to capitalize on brand leadership; on the other, the sale of commercial products did not recover at the expected levels after the restructuring that began in 2014.

Towards the end of the year, the integration of the business into Grupo Herdez began, which meant extraordinary charges that affected the financial outcome. In 2016, we will complete the integration of Nutrisa® into Grupo Herdez, as well as the Helados Nestlé® operation.

We are confident in the potential of this segment. We expect to double Nutrisa® sales in the medium term and to improve its profitability, capitalizing on its leadership in the health and wellness category.

TRANSFORMING THE ENVIRONMENT POSITIVELY

From its different spheres of influence, Grupo Herdez continuously seeks to transform its ideas and resources into better conditions for all our audiences, from customers to the residents of the communities where we operate.

Via Saber Nutrir®, we promote community development to improve nutritional status and the local economy.

TRANSFORMING OUR WORKPLACE

As part of the improvement projects that arose out of the organizational climate survey, in 2015 we focused on projects concerning leadership and organizational culture.

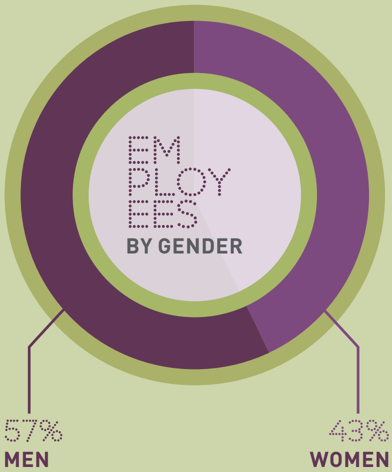
The first of these projects was the Leadership Brigade. With a projected duration of two years, the program aims to strengthen the role our leaders play in creating a uniform leadership culture based on accountability and results. To achieve this, we have a group of certified employees who are responsible for training the organization's seven hundred leaders between 2015 and 2016.

In terms of organizational culture, through HerdezMan, a ludic corporate dynamic, 6,300 employees around the country experienced the Group's values.

ACCIDENT RATES

2015	GENDER	ACCIDENTS	INJURY RATE*	DAYS LOST TO ACCIDENTS	LOST DAY RATE**
	Women	67	0.79	1,627	19.29
	Men	79	1.43	1,617	29.18
TOTAL		146	1.04	3,244	23.21

The scope of these indices is limited to those that the Group monitors.
Based on the methodology of the Global Reporting Initiative version G4; the calculations consider:
(*) The injury rate expresses the number of accidents in 2015 in relation to the total man-hours worked per 200,000.
(**) The lost day rate is expressed by comparing the total days lost with the total man-hours worked per 200,000.
The 200,000 factor is the result of 50 working weeks of 40 hours per 100 employees. By using this factor, the resulting rate is linked to the number of workers, not the number of hours.



Our commitment is to create an inclusive environment where every employee has an equal opportunity to achieve their full potential.

During the year, we invested $8.3 million in training, which allowed us to increase training hours by 11% to a total of 111,458 man-hours, an annual average of 13.4 hours per employee.

Our Healthy Eating Program continued to bear fruit within the Group. During 2015, 700 employees in Mexico City, the State of Mexico and San Luis Potosí lost a combined total of 1,612 kilos. This program is personalized, free and monitored on a monthly basis, and offers employees meal and exercise plans to improve their quality of life and develop healthy habits.

We promote equality among our personnel through our Gender Equality Policy. The wages for each category or vacant position are determined regardless of gender; 43% of the current workforce are women.

No occupational diseases or fatalities were reported among our employees in 2015. It is important to mention that the regulatory system we use to record and report accidents is in accordance with the provisions of the Social Security Law in Mexico.

The Health and Safety in the Workplace commissions represent 78% of our personnel and are comprised on the basis of the provisions of the Federal Labor Law in Mexico. To achieve 100% coverage, in 2015 we integrated the Health and Safety plan into the Nutrisa® store opening project.

TRANSFORMING OUR BUSINESS CULTURE

Our actions are in strict adherence to our Code of Ethics, which is mandatory for all employees and extends to external advisors and service providers.

Through the HerdezMan game, employees lived the Group's values.

We have an Ethics and Transparency Working Group comprised of six members from various areas, who join forces with the management team to provide advice on ethical and lawful conduct.

To foster ethical behavior, all employees have access to an anonymous grievance system with three formal channels of communication:

- Mail boxes in certain locations
- Email: **confianza@herdez.com** and **etica@nutrisa.com**
- Toll-free line 01 800 CONFIANZA (01 800 266 342 692).

These outlets are available 24 hours a day, 365 days a year. The managers, directors and Legal, Human Resources and Internal Audit areas are responsible for providing advice on the complaints and allegations. All have the support of a group of companies that work under the name of the Ethics and Compliance Forum and which share experiences, operating mechanisms and best practices in matters of ethics.

During the year, we received 274 complaints and 64 allegations, of which 92% have been resolved, including three cases of corruption that are 100% resolved. The remaining 8% are under investigation at the close of this report. For each incident, a record is generated of the corrective action, which may consist of a warning or even dismissal for breach of the Code of Ethics.

We also provide training courses in anti-corruption, a clause that is included in our Code of Ethics. All members of the Board of Directors have been informed of the Group's policies and procedures on this topic.

In 2015, three employees were dismissed, two for corruption-related incidents and one for discrimination.

At Grupo Herdez we recognize the importance of protecting the human rights of employees, suppliers and contractors. This is reflected in our Human Rights Policy and in our Code of Conduct for Suppliers. The latter seeks to strengthen the framework of sustainability in the supply chain.

CORPORATE GOVERNANCE

The Board of Directors is the Group's highest governing body. The Chairman of the Board is also the Chief Executive Officer. Board members are required to have: i) professional training in economic-administrative sciences and master's degree in those areas; ii) twenty years' minimum professional experience in consumer companies and/or the finance sector; iii) experience as board members in manufacturing industry companies and/or the finance sector; and iv) belong to industrial chambers.

GOVERNING BODIES

	WOMEN			MEN		
	Under 30 years	30 to 50 years	Over 50 years	Under 30 years	30 to 50 years	Over 50 years
BOARD OF DIRECTORS	-	-	1	-	-	9
AUDIT COMMITTEE	-	-	-	-	-	4
CORPORATE PRACTICES COMMITTEE	-	-	-	-	-	5
RISK COMMITTEE	-	-	-	-	-	7
ETHICS AND TRANSPARENCY WORKING GROUP	-	-	-	-	-	6

ATTENDANCE TO BOARD MEETINGS

	1Q15	2Q15	3Q15	4Q15
MEETING DATE	23-Apr-15	23-Jul-15	22-Oct-15	25-Feb-16
% ATTENDANCE	78	89	100	78

The Board meets at least quarterly and has intermediate bodies in charge of monitoring the management and execution of the Company's objectives. During the Board meetings, a sustainability performance report is presented, which includes environmental performance and quality of life indicators for employees.

In accordance with Company bylaws, the remuneration received by Board members is two $50.00 peso gold centenary coins or their equivalent for attending each meeting; this remuneration is not dependent on the Group's profits. The Corporate Practices Committee is responsible for validating the remuneration of the Company's senior executives, including the Chief Executive Officer.

To avoid conflicts of interest, each Board member signs a declaration that guarantees the absence of conflicts, and each Committee has regulations that establish its functions and relationship with the Board of Directors.

TRANSFORMING COMMITMENTS INTO THRIVING COMMUNITIES

Grupo Herdez' social commitment through the years has led us to transform the way we approach the needs of the communities where we operate. We are concerned about their welfare and, as a leader in the food sector, focus our efforts on improving nutrition in our country. During the

year, we invested 3.3% of consolidated net income into community development programs.

Through Saber Nutrir® we develop capabilities that allow us to improve quality of life and drive the local economy, as well as to enrich eating habits. This program is present in 75% of the states where our plants and distribution centers are located.

In the Mazahua community in the State of Mexico, we launched the construction of the second Germplasm Bank, which will enable them to preserve regional plants and seeds for up to ten years. This project promotes the development of new skills in the community and protects the cultural and natural heritage.

To monitor the efficiency of Saber Nutrir® in the communities, twice a year we conduct a check on the nutritional status of the children of benefited families. In the year, 70% remained stable, 23% improved and 7% worsened.

Furthermore, thanks to the *Padrinos Saber Nutrir* initiative, 41 severely malnourished children in Mazahua communities improved their nutritional status through

SABER NUTRIR® RESULTS
IN ELEMENTARY SCHOOLS

447
SCHOOLS

381,471
PEOPLE BENEFITED

1,024,680
HOURS OF NUTRITION EDUCATION

Lifetime achievement award for Diana Kennedy, a traditional Mexican cuisine researcher and writer.

FUNDACIÓN HERDEZ
FOMENTO A LA INVESTIGACIÓN Y EL DESARROLLO ALIMENTARIO

SABER NUTRIR® RESULTS IN RURAL COMMUNITIES

21 TOWNS

384 FAMILIES BENEFITED

1,653 PEOPLE BENEFITED

404 PROJECTS BUILT

41 CHILDREN SPONSORED

3 EARLY STIMULATION CENTERS

1 GERMPLASM BANK
20 plants and 35 types of seeds

the consumption of food supplements financed mainly by the Group's employees. In Tapachula, Chiapas we have three early stimulation centers, where malnourished children are diagnosed and provided with food supplements. In addition, during the corporate volunteer day, 488 work hours were contributed for the installation of ten production projects and the forestation of two hectares of land.

In the food education project in elementary schools, we provided more than a million hours of education to benefit children, teachers and parents in ten states in the country.

Through Fundación Herdez®, we preserve Mexican cuisine and reexamine basic foods based on research in the anthropological, social, historic and industrial fields.

During the year, the Fundación Herdez® museum received more than 9,000 visitors, and the Interpretation Center served as the venue for 15 academic events attended by 280 people.

In 2015, we recognized the career of and paid tribute to Diana Kennedy, a researcher and author on traditional Mexican cooking, and published the book "Ahuácatl: a delicious and nutritious fruit", which can be downloaded from http://biblioteca.herdez.com.mx

Through the monthly food donation program, we delivered 243,530 boxes of products to the Mexican Food Bank.

ENVIRONMENTAL PERFORMANCE
INDICATORS

	PERIOD	2013	2014	2015	2015 GOAL
WATER	**GOAL:** Reduce potable water consumption by 20% compared to 2009				
	m^3/ton produced	3.9	3.0	3.1	2.6
	reduction compared to 2009	+20%	-7%	-5%	-20%
EMISSIONS	**GOAL:** Reduce CO_2e emissions by 20% compared to 2010				
	Ton CO_2e/ton produced	0.16	0.15	0.13	0.20
	reduction compared to 2010	-38%	-42%	-49%	-20%
ENERGY	**GOAL:** Reduce consumption by 10% compared to 2009				
	kWh/ton produced	150.9	149.5	149.4	143.0
	reduction compared to 2009	-5%	-6%	-6%	-10%
	GOAL: 80% of energy consumed coming from clean or alternative sources				
	kWh	8,673,746	15,959,316	19,503,276	N.A.
	consumption compared to 2009	15%	25%	30%	80%
WASTE	**GOAL:** reduce volume sent for final disposal by 20% compared to 2009				
	Waste generated/ton produced	0.10	0.09	0.07	0.02
	reduction compared to 2009	+345%	+320%	+209%	-20%
	GOAL: increase recycled waste by 5% per year				
	recycled waste	36%	42%	55%	45%

ENVIRONMENT

At Grupo Herdez, we work hard to reduce our ecological footprint and transform impacts into sustainable actions through various initiatives to protect the environment and take care of natural resources.

We have three installations to capture and store rainwater in Cuautitlán (McCormick plant and distribution center) and San Luis Potosí (El Duque industrial complex). During 2015, we recycled and/or reused 4% of the total volume of water captured.

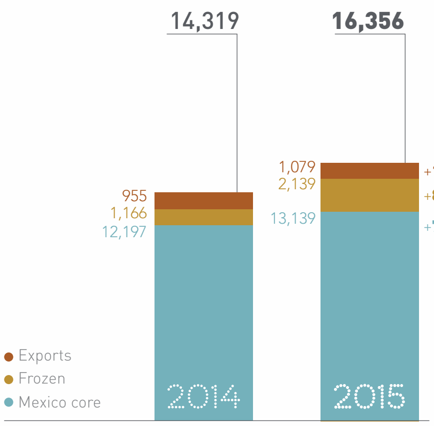
Our production processes use natural resources efficiently; we strive to reduce and recycle our waste and reincorporate it into new production chains, hence in the year, we were able to reduce waste generation by 55%.

We also achieved a 49% reduction in CO_2e air emissions. This was possible thanks to the wind energy project located in the Isthmus of Tehuantepec, Oaxaca, which supplies energy to six of our locations.

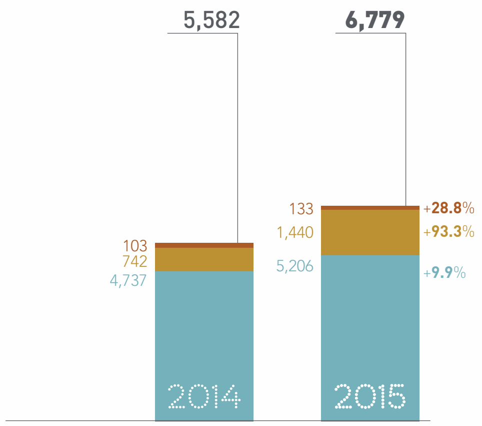
In the last three years, we have decreased the intensity of emissions per production unit to reach 0.22 tons of CO_2e/ton produced, which means a reduction of 7%. Furthermore, we have replaced ozone-depleting refrigerants, thus eliminating these harmful emissions across all Grupo Herdez operations.

Visit the full version of the Sustainability Report at:
www.grupoherdez2015.com/gri

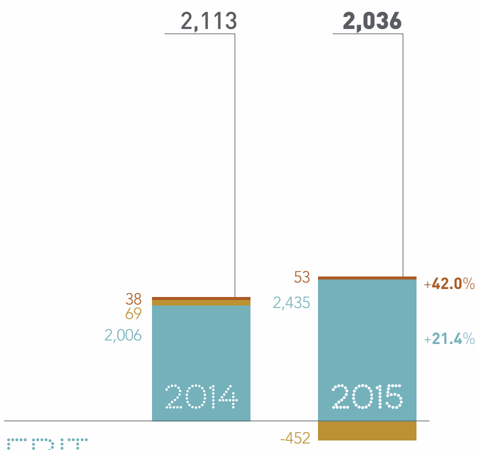
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS



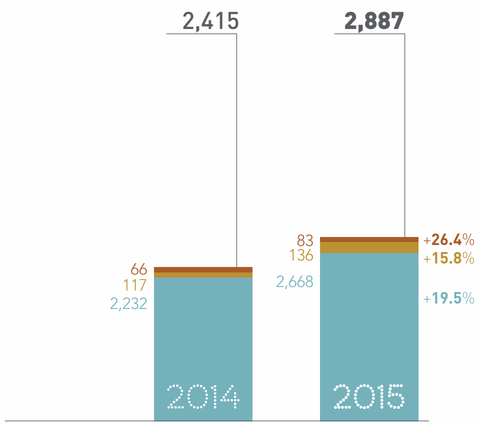
NET SALES
MILLION PESOS
+14.2%



GROSS PROFIT
MILLION PESOS
+21.4%



EBIT
MILLION PESOS
-3.6%



EBITDA
MILLION PESOS
+19.5%

All audited figures contained in this report were prepared in accordance with the International Financial Reporting Standards (IFRS) and expressed in Mexican pesos unless otherwise stated. Grupo Herdez consolidates 100% of Barilla Mexico, Herdez Del Fuerte, McCormick de Mexico and the Frozen division in its financial statements, while the proportional stake of Herdez Del Fuerte in MegaMex is registered in Equity Investment in Associates.

OVERVIEW OF PERFORMANCE IN THE YEAR

Grupo Herdez generated record consolidated net sales and EBITDA figures in 2015. This was the combined effect of inorganic growth resulting from the acquisition of the assets of Helados Nestlé® in Mexico and exceptional commercial execution in a challenging environment.

In Mexico core, the results were driven by a recovery in the consumption environment, positive results from the execution of commercial initiatives and benefits derived from projects aimed at improving manufacturing efficiencies, which helped offset the impact of a stronger US dollar towards the end of the year.

In the Frozen division, the acquisition of Helados Nestlé® in March doubled the size of the business, positioning the Group as the second leading player in the category in Mexico. At Nutrisa®, the integration into Grupo Herdez began at the end of the year. These factor, combined with weaker than expected performance of the commercial portfolio, resulted in a decline of the EBITDA margin.

At MegaMex, whose results are registered in the Equity Investment in Associates line, the increase in earnings reflected the benefit of a stronger US dollar, which offset restructuring expenses and inventory adjustments experienced during the year.

Net Sales

Consolidated net sales totaled Ps. 16,356 million in 2015, a 14.2% rise from the 2014 figure. In Mexico core, sales rose 7.7% to Ps. 13,139 million, benefiting from a balanced combination of pricing and volume growth, with commercial execution, innovation, advertising campaigns and manufacturing efficiencies driving double digit growth rates in home-style salsas, hot sauces, jams, mole, teas and tomato purée.

The Frozen division grew 83.3% to Ps. 2,139 million due to the incorporation of Helados Nestlé®, as the performance of the commercial portfolio at Nutrisa® continued to report declines compared to 2014. However the improvement in consumption, coupled with more targeted initiatives, helped drive positive traffic growth.

Export sales rose 12.9% to Ps. 1,079 million primarily due to the benefit of a stronger US dollar.

Gross Profit

Consolidated gross margin in the year was 41.4%, 2.4 percentage points higher than in 2014. This was primarily the result of: i) lower manufacturing costs resulting from a full year of operations of the new mayonnaise plant and the consolidation of the vegetables plant in

Sinaloa; ii) a better sales mix in Mexico core and Nutrisa®; and iii) risk management. Combined, these factors limited the adverse impact of the stronger US dollar in the second half of the year.

Sales, General and Administrative Expenses (SG&A)

SG&A as a percentage of net sales was 26.2%, an increase of 2.5 percentage points over the 2014 figure, due to the incorporation of the higher expense structure of Helados Nestlé®, the opening of 58 net new Nutrisa® stores, Ps. 65 million of integration-related expenses in the Frozen division, and year-end accruals recognition.

Earnings Before Other Income and Expenses (EBIT Before Other Income and Expenses)

EBIT Before Other Income and Expenses totaled Ps. 2,488 million, while the margin remained flat at 15.2%.

Other Income & Expenses

The Company registered a non-cash impairment charge of Ps. 450 million in the Frozen segment in the fourth quarter of the year related to the recognition of a loss in the value of the goodwill of Nutrisa®, in accordance with the application of the International Accounting Standard (IAS) 36 "Impairment of assets."

Earnings Before Interest and Taxes (EBIT)

Consolidated EBIT decreased 3.6% to Ps. 2,036 million, with a margin of 12.4%. Excluding the aforementioned impairment charge, consolidated EBIT would have been Ps. 2,486 million, 17.7% higher than in 2014, while the margin would have expanded 40 basis points to 15.2%.

Comprehensive Financial Result

The Company registered a net financing cost of Ps. 463 million in 2015, 79.2% higher than in 2014 due to a currency loss of Ps. 89 million.

Equity Investment in Associates

Equity investment in associates rose 7.7% to Ps. 446 million. This reflected the benefit of a stronger US dollar, offset by the restructuring of Don Miguel and inventory adjustments during the year.

Consolidated Net Income

Consolidated net income declined 14.1% to Ps. 1,293 million, with a margin of 7.9%. Excluding the aforementioned impairment, consolidated net income for the year would have been Ps. 1,743 million, 15.8% higher when compared to 2014, with a margin of 10.7% due to solid results at Mexico core.

Majority Net Income

Majority net income was Ps. 389 million, with 3.0 percentage point contraction in the margin to 2.4%; excluding the impairment, majority net income would have been Ps. 839 million, 8.8% higher than in 2014.

Earnings Before Interest, Taxes, Depreciation, Amortization and other non-cash items (EBITDA)

EBITDA totaled Ps. 2,887 million, while the margin was 17.7%, 80 basis points higher than in the same period of last year. It should be noted that since the impairment charge was treated as an accelerated goodwill amortization of Nutrisa®, it was restated to the EBITDA figure.

Capital Expenditures (CAPEX)

Net CAPEX in the year was Ps. 1,039 million. The majority of these funds were allocated to the new tuna vessel, ongoing expansion of the distribution center in Sinaloa, and new freezers and stores for Helados Nestlé® and Nutrisa®, respectively.

Cash Flow from Operations

Cash flow from operations totaled Ps.1,861 million in 2015.

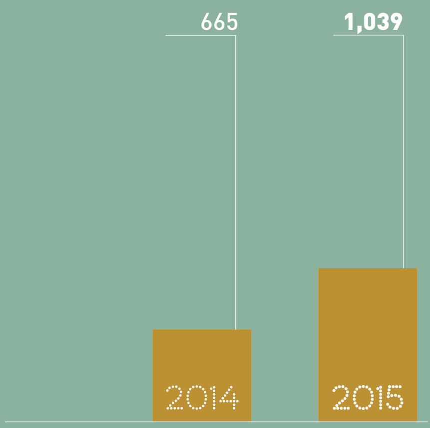
Financial Structure

At December 31, 2015, the Company's consolidated cash position totaled Ps.1,483 million while interest-bearing liabilities, excluding corporate debt, was Ps. 5,960 million. Corporate debt includes interest-bearing liabilities of the associated company Herdez Del Fuerte that cannot be eliminated since its results are fully consolidated into Grupo Herdez financial statements. It is important to note that in the Consolidated Statement of Financial Position, Grupo Herdez recognizes an account receivable for the same amount.

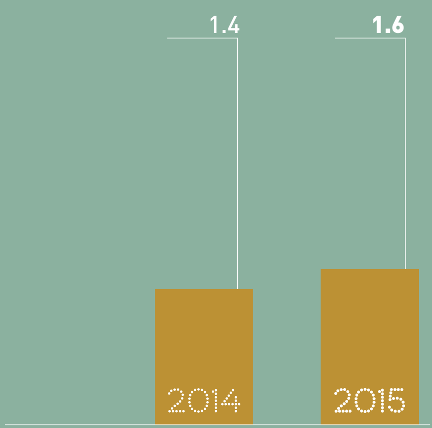
Net debt to consolidated EBITDA was 1.6 times compared to the 1.4 times registered in 2014, while net debt to consolidated stockholders' equity was 0.32 times.

Nutrisa® Stores

Nutrisa® added 58 net stores in 2015, for a total of 487 stores at year end.



CAPITAL EXPENDITURES
MILLION PESOS
+56.3%



NET DEBT/ EBITDA
TIMES

BOARD OF DIRECTORS

PROPRIETARY DIRECTORS

Héctor Hernández-Pons Torres
CHAIRMAN, [M] 1991

Enrique Hernández-Pons Torres
VICE-CHAIRMAN, [M] 1991

Flora Hernández-Pons de Merino [M] 2004

INDEPENDENT DIRECTORS

Carlos Autrey Maza [M] 1991

Enrique Castillo Sánchez Mejorada [M] 1991

José Roberto Danel Díaz [M] 2003
RESPONSIBLE OF CORPORATE GOVERNANCE

Eduardo Ortiz Tirado Serrano [M] 2003
RESPONSIBLE OF LABOR PRACTICES

Luis Rebollar Corona [M] 2004
RESPONSIBLE OF ENVIRONMENTAL PRACTICES

José Manuel Rincón Gallardo [M] 2005

AUDIT COMMITTEE

José Roberto Danel Díaz
CHAIRMAN
Carlos Autrey Maza
Eduardo Ortiz Tirado Serrano
José Manuel Rincón Gallardo [FE]

CORPORATE PRACTICES COMMITTEE

José Roberto Danel Díaz
CHAIRMAN
Héctor Hernández-Pons Torres
Enrique Hernández-Pons Torres
Flora Hernández-Pons de Merino
Luis Rebollar Corona
José Manuel Rincón Gallardo [FE]

[M] Member since
[FE] Financial Expert

MANAGEMENT TEAM

Héctor Hernández-Pons Torres
CHIEF EXECUTIVE OFFICER

Enrique Hernández-Pons Torres
DEPUTY CHIEF EXECUTIVE OFFICER

Gerardo Canavati Miguel
CHIEF FINANCIAL OFFICER

Andrea del Rizzo
COMMERCIAL DIRECTOR

Peter Flook
HELADOS NESTLÉ DIRECTOR

Alberto Garza Cabañas
SUPPLY CHAIN DIRECTOR

Pedro Gracia Medrano-Murrieta
HUMAN RESOURCES DIRECTOR

Enrique Hernández-Pons Méndez
AIRES DE CAMPO DIRECTOR

Alejandro Martínez-Gallardo y de Pourtales
ASSOCIATED COMPANIES BUSINESS UNIT DIRECTOR

Oscar Nafarrate Salum
PROCESSES AND IT DIRECTOR

Juan Rodríguez del Collado
FOOD SERVICE DIRECTOR

AUDIT COMMITTEE REPORT

FEBRUARY 24, 2016

To the Board of Directors of Grupo Herdez, S.A.B. de C.V.

I am pleased to present herewith the Annual Report on the activities of the Board of Directors' Audit Committee for the 2015 fiscal year, in accordance with the provisions of Article 43, Section II of the Securities Market Law.

In the development of our work, we have taken into consideration the regulations contained in the Securities Market Law, the General Rules Applicable to Securities Issuers and other Participants of the Securities Market, and in the Mexican Stock Exchange Internal Rules, the Best Corporate Practices Code's recommendations, and the provisions of the Audit Committee Rules, as well as the Annual Program issues to be considered.

During the reporting period, the Committee punctually held the meetings as scheduled, the Agenda with the issues to be discussed at each meeting was in turn prepared, 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 Financial Statements as at December 31, 2014, 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 of America, as well as that of the subsidiary Grupo Nutrisa, S. A. de C.V. were also analyzed.

   In accordance with the regulations of the National Banking and Securities Commission, the financial information has been prepared and submitted under the financial information international standards, and the audit was carried out in compliance with the international auditing standards.
2. We have learned about the document "Communication with the responsible persons of the entity´s governance" which based on ISA 260 International Auditing Standard has been issued by the society´s external auditor, with the information required to be known by the Audit Committee.
3. We have analyzed the Report on the Internal Control Assessment performed by the society's external auditor, during the normal course of its revision for the 2015 fiscal year audit.

   The report indicates that certain audit procedures have been applied to the internal controls in regard to determined areas in order to identify controls, control design and implementation, operative efficacy testing and the conclusion in regard to the audit purpose. It is mentioned that coming out from its work, no differences were identified that would have make it necessary to substantially modify the originally planned audit approach. We have learned about improvement areas and follow up has been given to their implementation.

4. We have learned about the 2015 Quarterly Financial Statements, and we have issued our recommendation for their submission to the Mexican Stock Exchange.
5. We have analyzed and approved the Work Plan of the Internal Audit area for the 2015 fiscal year. Due follow up has been done to its development, and we have learned about its findings and the implementation of its recommendations.
6. The new Financial Information Standards used during the 2015 fiscal year, as well as those already in force were consistently applied with no significant effects.
7. We have assessed the performance of the external audit firm KPMG Cárdenas Dosal, which has been considered as satisfactory and in accordance with the criteria established in the services contract. Likewise, the partner in charge of the audit, in due time has confirmed their professional and economic independence.

   In this manner, confirmation of the firm KPMG Cárdenas Dosal as the external auditor of the society and its subsidiaries for the 2015 fiscal year was recommended, with exception made of Herdez Del Fuerte, S.A. de C.V., which external auditor is another firm.
8. Additional services to those of auditing provided by the society´s external audit firm, were related to transfer prices, local contributions, social security report, and advisory for a total amount of 7.4 million pesos.
9. We have learned and assessed the activities of the Risks Committee, as well as 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 appropriate disclosure.
10. In each and every meeting we have been informed about the complaints received due to lack of observance to the Ethics Code, as well as about the follow up and protection given to the informants.

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 regulatory authorities provisions, and the Shareholders' and the Board of Directors' resolutions.

Sincerely,

ROBERTO DANEL DÍAZ

CHAIRMAN OF THE AUDIT COMMITTEE

CORPORATE PRACTICES COMMITTEE REPORT

FEBRUARY 24, 2016

To the Board of Directors of Grupo Herdez, S.A.B. de C.V.

I am pleased to present herewith the Annual Report of the activities of the Board of Directors' Corporate Practices Committee corresponding to 2015 fiscal year, as provided in Article 43, Section I of the Securities Market Law.

In developing our work, we have observed the regulations contained in the Securities Market Law, the General Rules Applicable to Securities Issuers and Other Participants of the Securities Market, the Mexican Stock Exchange Internal Rules, the Corporate Best Practices Code's recommendations, the Committee Rules and the Annual Program with the issues to be considered.

During the reporting period, the Committee punctually held the called meetings, an agenda based on the issues to be discussed and the respective minutes were prepared for each meeting. The meetings were attended by the designated directors and invitees.

A report was submitted to the Board of Directors with the issues discussed in every meeting of the Committee.

The relevant issues discussed, which in turn were recommended for approval to the Board of Directors, were as follows:

1. We have learned the policies for designation and for integral compensation of the Chief Executive Officer and other relevant executives.
2. We have learned about the mechanism to measure and disclose the observations on the performance of the relevant executives. During the year, the performance of these relevant executives was considered to be adequate, having been determined on the basis of the established policies.
3. We have learned about the integral remuneration package of the Chief Executive Officer and other relevant executives.
4. We have analyzed the external auditor Report on operations with related parties, as part of the agreed procedures referred to in the applica-

ble standard. In this report, it was concluded that: i) no situations were observed indicating that transactions performed with persons or related parties were other than the business line; ii) transactions have been found to be duly recorded in the accounting records; iii) results are consistent with those obtained by separate parties in comparable transactions under similar circumstances.

Such transactions have included sales fees and services, maquila, selling of materials, real estate and transportation equipment leasing, product imports services, personnel services, interests, freights and other services amounting to a total amount of 2,642 million pesos.

5. There were no exemptions granted to allow a director, a relevant executive, 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 the legal entities under its control, or over which they have significant influence.
6. Management of derivative financial instruments, which is mainly focused on certain raw materials coverage, is being carried out in accordance with the policies that have been established and approved by the Board of Directors.

Sincerely,

ROBERTO DANEL DÍAZ

CHAIRMAN OF THE CORPORATE PRACTICES COMMITTEE

INDEPENDENT LIMITED VERIFICATION REPORT

of the Annual Sustainability Report of Grupo Herdez, S.A.B de C.V.

for 2015

To the Board of Directors of Grupo Herdez:

Scope of work

We performed an independent limited review of the information included and figures shown in the Annual Sustainability Report of Grupo Herdez for 2015.

The scope of the information reviewed includes:

- **Plants:** Alimentos Deshidratados del Bajío, Chiapas, Complejo Industrial El Duque, La Corona, Industrias, México, Nutrisa, Santa Rosa Vegetales and Santa Rosa.
- **Distribution Centers:** Chalco, Cuautitlán, Guadalajara, Mérida, Los Mochis, Monterrey, San Luis Potosí and Tijuana.
- **Corporate Offices:** Mexico City

The preparation of the report is the responsibility of Grupo Herdez´s management. Grupo Herdez management is also responsible for the information and the assertions contained therein, defining the scope of the Report and the management and control of the information systems that provided the information reported.

Our work was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000 issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). This standard requires that we plan and perform our engagement to obtain limited assurance about whether the report is free of errors or material misstatement and that we comply with ethical requirements, including independence requirements included in the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA).

Our responsibility

Our responsibility is to issue an independent limited verification report based on the procedures applied in our review.

Standards and verification procedures

We performed our review work based on the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative in accordance with the core option.

The reviews that we performed correspond to 2015; however, we also verified that the data related to the main indicators of the prior year matched with the 2014 report.

Within this context, we visited the Santa Rosa Vegetales and Santa Rosa plants in Los Mochis, Sinaloa.

The procedures we performed are as follows:

- Interviews with the individuals responsible for the information in order to understand the activities performed and the procedures used to gather the information.
- Review of the structure and content of the Report in accordance with the G4 Guidelines of GRI.
- Understanding of the procedures used in compiling and consolidating quantitative and qualitative data, as well as their traceability.
- Review of the support documentation through

analysis and recalculations, as well as sampling, to have more reasonableness of the indicators reported.

The general standard disclosures and specific standard disclosures verified were:

G4-10	G4-EN3	G4-EN29	G4-SO5
G4-18	G4-EN8	G4-EN32	G4-SO7
G4-19	G4-EN10	G4-LA1	G4-SO8
G4-20	G4-EN12	G4-LA5	G4-PR1
G4-21	G4-EN15	G4-LA6	G4-PR2
G4-34	G4-EN16	G4-LA9	G4-PR4
G4-38	G4-EN19	G4-LA14	G4-PR7
G4-41	G4-EN20	G4-HR3	G4-PR9
G4-58	G4-EN21	G4-HR10	G4-FP6
G4-EC9	G4-EN22	G4-SO1	
G4-EN1	G4-EN23	G4-SO4	

It is worth mentioning that the scope of this review is substantially less than a reasonable assurance engagement. Therefore, the assurance provided is also less. This Report shall in no way be considered to be an audit report.

Conclusions

Subject to the scope limitations mentioned above and based on our work described in this independent limited verification report of the Annual Sustainability Report of Grupo Herdez for 2015 and with the indicated scope, we conclude that:

- There is no evidence that would lead us to believe that the Report has not been prepared based on the G4 Sustainability Reporting Guidelines of the GRI.
- There is no evidence that would lead us to believe that the rest of the information and indicators included in the attached report contain any significant errors.

Areas of opportunity

In addition, we have detected areas of opportunity in the preparation process of the Sustainability Report of Grupo Herdez, which are detailed in the management letter submitted to Grupo Herdez management. They do not modify the conclusions expressed in this Report.

The most significant recommendations are as follows:

- Include the operations of Helados Nestlé as part of the data to be reported in the Annual Sustainability Report for 2016.
- Strengthen the materiality analysis through direct consultation with external stakeholders.
- Provide more information on the approach to manage material aspects, including information on how material aspects are managed and how they are evaluated.
- To consider the transition of Sustainability Report from the core to the comprehensive option.

This report has been exclusively prepared for the Board of Directors of Grupo Herdez, S.A.B. de C.V., in accordance with the terms of our engagement agreement.

Mancera, S.C.
A Member Practice of Ernst & Young Global Limited

IGNACIO CORTÉS CASTÁN
PARTNER
Mexico City, March 18, 2016

GRUPO HERDEZ, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

(Translation from Spanish Language Original)

CONTENTS

INDEPENDENT AUDITORS' REPORT

(Translation from Spanish Language Original)

To the Board of Directors and Stockholders
Grupo Herdez, S. A. B. de C. V.:

We have audited the accompanying consolidated financial statements of Grupo Herdez, S. A. B. de C. V. and subsidiaries (the "Company" or the "Group"), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, the consolidated statements of income, statements of other comprehensive income, statements of changes in stockholders' equity and cash flows for the years then ended, and notes, comprising a summary of the accounting policies and additional explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit in order 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 our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider 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 the 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 give a true and fair view of the consolidated financial position of Grupo Herdez, S. A. B. de C. V. and subsidiaries as at December 31, 2015 and 2014, and of its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2015 and 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG CARDENAS DOSAL, S. C.

MARIO CARRILLO VILLALPANDO
FEBRUARY 26, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Years ended December 31, 2015 and 2014

(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,483,095	2,450,883
Trade receivables (notes 6 and 9)	1,432,678	1,597,246
Debtors (note 9)	116,768	99,096
Value added tax recoverable	551,915	495,996
Related parties (note 7)	80,925	104,630
	2,182,286	2,296,968
Inventories (note 8)	2,437,824	1,939,019
Derivative financial instruments (note 5)	12,131	23,641
Advanced payments	83,133	58,315
Total current assets	6,198,469	6,768,826
Property, machinery and equipment (note 10)	5,205,311	4,245,744
Equity-accounted investees (note 12)	5,683,178	5,226,855
Intangible assets and goodwill (note 11)	6,777,818	6,636,241
Deferred income tax (note 18)	487,404	350,377
Other assets	53,294	33,209
Total assets	**$ 24,405,474**	**23,261,252**

LIABILITIES AND STOCKHOLDERS' EQUITY		2015	2014
SHORT-TERM LIABILITIES:			
Current installements of long-term bankloans and notes payable (note 14)	$	542,757	900,000
Suppliers		1,253,634	991,594
Accounts payable		628,323	487,437
Related parties (note 7)		99,362	273,221
Derivative financial instruments (note 5)		15,834	36,478
Income tax payable		66,673	243,388
Employees' statutory profit sharing payable		23,588	11,673
Total short-term liabilities		2,630,171	2,943,791
LONG-TERM LIABILITIES:			
Notes payable, excluding current installments (note 14)		5,401,530	4,880,479
Long-term debt (note 14)		1,316,360	1,127,662
Derivative financial instruments (note 5)		30,367	31,706
Deferred income tax (note 18)		816,876	785,124
Taxes under tax consolidation (note 18)		168,000	207,903
Employee benefits (note 17)		135,079	108,665
Total long-term liabilities		7,868,212	7,141,539
Total liabilities		10,498,383	10,085,330
STOCKHOLDERS' EQUITY (NOTE 19):			
Capital stock		575,625	575,625
Reserve for repurchase of shares		630,702	385,886
Retained earnings		5,051,371	5,035,707
Legal reserve		141,862	141,862
Premium on the subscription of shares		125,387	113,110
Financial instruments		(22,553)	(26,882)
Cumulative translation adjustment		242,155	83,730
Capital attributable to controlling interest		6,744,549	6,309,038
Capital attributable to non-controlling interest		7,162,542	6,866,884
Total stockholders' equity		13,907,091	13,175,922
Contingencies and commitments (notes 27 and 28)			
Subsequent event (note 29)			
Total liabilities and stockholders' equity	$	24,405,474	23,261,252

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2015 and 2014
(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

	2015	2014
Net sales (note 20)	$ 16,356,291	14,318,529
Cost of goods sold (note 21)	9,577,471	8,736,508
Gross profit	6,778,820	5,582,021
Operating expenses:		
Selling (note 22)	3,644,339	2,811,284
Administrative (note 22)	646,062	593,549
	4,290,401	3,404,833
Income before other expenses and incomes	2,488,419	2,177,188
Other expenses, net (note 23)	(452,458)	(64,569)
Operating income	2,035,961	2,112,619
Financial result:		
Interest earned and exchange gain (note 24)	1,386,196	891,076
Interest paid and exchange loss (note 24)	(1,849,307)	(1,149,546)
Financial result, net	(463,111)	(258,470)
Equity investment in associates (note 12)	446,123	414,334
Income before income taxes	2,018,973	2,268,483
Income taxes (note 18)	726,473	764,195
Consolidated net income for the year	**$ 1,292,500**	**1,504,288**
Net income attributable to non-controlling interests	$ 903,812	733,294
Net income attributabe to controlling interests	388,688	770,994
Consolidated net income for the year	**$ 1,292,500**	**1,504,288**
Basic earnings per common and diluted share in Mexican pesos (note 26)	**$ 0.907**	**1.794**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

Years ended December 31, 2015 and 2014

(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

		2015	2014
Consolidated net income for the year	$	1,292,500	1,504,288
Items that will not be reclassified to income:			
Actuarial losses on employee benefit obligations		21,016	(292)
Items that will be reclassified subsequently to income:			
Foreign currency translation results		316,850	194,974
Change in valuation of derivative financial instruments		7,721	(12,852)
Consolidated comprehensive income	**$**	**1,638,087**	**1,686,118**
Comprehensive income attributable to non-controlling interest	$	1,075,634	825,763
Comprehensive income attributable to controlling interest		562,453	860,355
Consolidated comprehensive income	**$**	**1,638,087**	**1,686,118**

See accompanying notes to consolidated financial statements.

GRUPO HERDEZ, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended December 31, 2015 and 2014

(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

	CAPITAL STOCK	RESERVE FOR REPURCHASE OF SHARES	RETAINED EARNINGS
BALANCES AS OF DECEMBER 31, 2013	$ 575,625	601,911	4,265,071
Repurchase of outstanding shares (note 19(a))	-	(237,141)	-
Placement of shares (note 19(a))	-	21,116	-
Decree of dividends (note 19(e))	-	-	-
Reimbursement to stockholders for non-controlling interest	-	-	-
Decrease in stockholders' equity for non-controlling interest	-	-	-
	-	(216,025)	-
Comprehensive income:			
Net income for the year	-	-	770,994
Cumulative effect of translation	-	-	-
Change in valuation of derivative financial instruments	-	-	-
Actuarial losses on employees' benefit obligations	-	-	(358)
Comprehensive income for the year	-	-	770,636
BALANCES AS OF DECEMBER 31, 2014	575,625	385,886	5,035,707
Repurchase of outstanding shares (note 19(a))	-	(62,583)	-
Placement of shares (note 19(a))	-	197,205	-
Decree of dividends (note 19(e))	-	110,194	(384,035)
Reimbursement to stockholders for non-controlling interest (note 19(d))	-	-	-
Premium on the subscription of shares (note 19(c))	-	-	-
	-	244,816	(384,035)
Comprehensive income:	-	-	-
Net income for the year	-	-	388,688
Cumulative effect of translation	-	-	-
Change in valuation of derivative financial instruments	-	-	-
Actuarial losses on employees' benefit obligations	-	-	11,011
Comprehensive income for the year	-	-	399,699
BALANCES AS OF DECEMBER 31, 2015	**$ 575,625**	**630,702**	**5,051,371**

See accompanying notes to consolidated financial statements.

LEGAL RESERVE	PREMIUM ON THE SUBSCRIPTION OF SHARES	FINANCIAL INSTRUMENTS	CUMULATIVE TRANSLATION ADJUSTMENTS	CAPITAL ATRIBUTABLE TO CONTROLLING INTEREST	CAPITAL ATRIBUTABLE TO NON-CONTROLLING INTEREST	TOTAL STOCK HOLDERS' EQUITY
141,862	113,110	(19,114)	(13,757)	5,664,708	6,465,314	12,130,022
-	-	-	-	(237,141)	-	(237,141)
-	-	-	-	21,116	-	21,116
-	-	-	-	-	(384,625)	(384,625)
-	-	-	-	-	(28,500)	(28,500)
-	-	-	-	-	(11,068)	(11,068)
-	-	-	-	(216,025)	(424,193)	(640,218)
-	-	-	-	770,994	733,294	1,504,288
-	-	-	97,487	97,487	97,487	194,974
-	-	(7,768)	-	(7,768)	(5,084)	(12,852)
-	-	-	-	(358)	66	(292)
-	-	(7,768)	97,487	860,355	825,763	1,686,118
141,862	113,110	(26,882)	83,730	6,309,038	6,866,884	13,175,922
-	-	-	-	(62,583)	-	(62,583)
-	-	-	-	197,205	-	197,205
-	-	-	-	(273,841)	(600,000)	(873,841)
-	-	-	-	-	(192,253)	(192,253)
-	12,277	-	-	12,277	12,277	24,554
-	12,277	-	-	(126,942)	(779,976)	(906,918)
-	-	-	-	388,688	903,812	1,292,500
-	-	-	158,425	158,425	158,425	316,850
-	-	4,329	-	4,329	3,392	7,721
-	-	-	-	11,011	10,005	21,016
-	-	4,329	158,425	562,453	1,075,634	1,638,087
141,862	**125,387**	**(22,553)**	**242,155**	**6,744,549**	**7,162,542**	**13,907,091**

STATEMENTS OF CONSOLIDATED CASH FLOW

Years ended December 31, 2015 and 2014

(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

		2015	2014
Operating activities:			
Income before taxes	$	2,018,973	2,268,483
Adjustments for:			
Depreciation and amortization		401,225	302,587
Other items without cash flow		66,895	75,570
Profit on sale of property, machinery and equipment		9,389	(23,159)
Net cost for the period		27,106	12,602
Interest income		(39,115)	(23,399)
Loss (gain) from exchange		88,897	(144,874)
Investment in subsidiaries and associates		(446,123)	(414,334)
Impairment losses on intangible assets		450,000	29,787
Allowance for impairment on plant and equipment		-	142,338
Other expenses without cash flow		10,583	-
Cancellation of provisions		-	(24,569)
Employees' statutory profit sharing		21,854	11,058
Interest expense		413,329	400,447
Subtotal		3,023,013	2,612,537
Decrease of accounts receivable		146,896	26,045
(Increase) decrease of inventories		(413,862)	46,750
Decrease in accounts receivable from related parties, net		62,971	158,039
Increase in advanced payments and recoverable taxes		(80,737)	(30,531)
Increase (decrease) in suppliers		262,040	(102,792)
Increase (decrease) in other accounts payable and creditors		156,758	(25,387)
Income tax paid		(1,047,918)	(639,064)
Net cash by operating activities		2,109,161	2,045,597
Investing activities:			
Business acquired		(1,060,000)	-
Increased equity interest in subsidiaries		(30,776)	(42,116)
Dividends collected		511,008	129,577
Interest collected		38,986	23,044
Acquisition of property, machinery and equipment		(1,080,892)	(710,160)
Collections on sale of property, machinery and equipment		118,590	85,091
Acquisition of intangible		(77,142)	(40,138)
Net cash used in investing activities		(1,580,226)	(554,702)

(Continued)

	2015	2014
Financing activities:		
Cash in flow from issuance of domestic bonds "certificados bursátiles"	-	1,000,000
Long-term bank loans obtained	3,775,538	1,300,000
Decrease in capital stock on non-controlling interest	-	(11,068)
Premium on issue of shares	24,555	-
Long-term bank loans paid	(2,970,827)	(1,500,000)
Domestic bonds payment	(800,000)	-
Other long-term liabilities	-	63,443
Repurchase of shares	(172,777)	(237,141)
Placement of shares	307,399	21,116
Interest paid	(414,386)	(407,477)
Dividends paid	(1,086,967)	(171,500)
Reimbursement to stockholders	(191,448)	(28,500)
Net cash (used in) provided by financing activities	(1,528,913)	28,873
(Decrease) increase in cash and cash equivalents	(999,978)	1,519,768
Effect from exchange rates on cash and cash equivalents	32,190	26,296
(Decrease) increase in cash and cash equivalents	(967,788)	1,546,064
Cash and cash equivalents:		
At beginning of the year	2,450,883	904,819
At end of the year	**$ 1,483,095**	**2,450,883**

See accompanying notes to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014
(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

(1) Reporting entity-

Grupo Herdez, S. A. B. de C. V. (the "Company"), is a company located in Mexico, which trade shares on the Mexican Stock Exchange. The Company's registered office is at Calzada San Bartolo Naucalpan No. 360, Col. Argentina Poniente, Mexico, D.F., C.P. 11230. These consolidated financial statements comprise the Company and its subsidiaries (collectively "Group" and individually "Group companies") and the Group's share on related entities and jointly controlled. The Company is a 51.0% subsidiary of Hechos con Amor, S. A. de C. V., which is empowered to lead its operations.

The Group is mainly engaged in the manufacture, purchase, distribution and marketing of canned and packed food products in Mexico, as well as food products targeted at the Mexican food segment within the United States of America (USA).

The entities of Grupo Herdez, S. A. B. de C. V. manufacture and commercialize products under the following trademarks: Aires de Campo, Barilla, Búfalo, Carlota, ChiChi's, Del Fuerte, Don Miguel, Doña María, Embasa, Herdez, La Victoria, McCormick, Wholly, Yemina, Nutrisa and Helados Nestle, among others. For such purposes, Grupo Herdez, S. A. B. de C. V. 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).

(2) Basis of preparation-

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board ("IASB").

On February 24, 2016, the Board of Directors authorized issuance of the accompanying consolidated financial statements and notes thereto.

In accordance with the Mexican Corporations Law (LGSM by its Spanish acronym) and the bylaws of Grupo Herdez, S. A. B. de C. V., the stockholders are empowered to modify the consolidated financial statements after issuance. The accompanying consolidated financial statements will be submitted to the next Stockholders' Meeting for approval.

Details of the Group's accounting policies including changes in the financial year, are included in note 3.

(a) *Basis of Measurement-*

The consolidated financial statements have been prepared on the historical cost basis except for following items, which are measured on an alternative basis on each consolidated financial statements:

- The defined benefit asset is recognized as plan assets, less the present value of the defined benefit obligation, limited as explained in note (3(i) (ii) (iii)).

- Derivative financial instruments are measured at fair value and recognized in the other comprehensive income when these are affective within the accepted range and classified as hedge, otherwise these instruments are recognized in the income statement.

- Bank loans and notes payable are recognized at their amortized cost.

(b) *Functional and reporting currency-*

These consolidated financial statements are presented in Mexican pesos, which is the Company's functional currency. All amounts have been rounded to the nearest thousands of Mexican pesos, unless otherwise indicated.

In the case of the foreign entities of the joint venture in the U.S., their financial statements are presented in the local currency which is their functional currency and they are converted to Mexican pesos allowing the Company to recognize their participation in such entities.

(c) *Use of judgments and estimates-*

In preparing these consolidated financial statements according to IFRS, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements and estimates with a significant risk of resulting in a material adjustment in the next financial year are described below:

i) Consolidation of entities on which there are no majority shareholding

The Group analyzes the existence of control over those entities on which it does not have majority shareholding, evaluating if it is exposed or has rights to the variable yields from its involvement with the entity, and has the ability to affect yields through its power over the entity. If as a result from the analysis, the Group determines that it exercises control of these entities, they are consolidated within the Group. If there are no signs of the existence of control on the entities, the investment in those associated companies is recognized by the equity method.

ii) Fair values determination

The Group applies the guidelines of IFRS 13, Fair Value Measurement ("IFRS 13") to determine the fair values of financial assets and financial liabilities recognized or disclosed at fair value. IFRS 13 does not require fair values in addition to those required or allowed by other IFRS and is not required to establish valuation standards or affect valuation practices outside of financial reporting. Under IFRS, the fair value represents the "Selling Price", which would be received from selling an asset or would be paid for transferring a liability in an orderly transaction between market participants as at the date of valuation, considering the credit risk of the counterparty in the valuation.

The concept of selling price is based on the assumption that there is a market and participants in such market for the specific asset or liability. When there is no market and/or participants to form the market, the IFRS 13 establishes a fair value hierarchy that organizes the entry data in the valuation techniques used to determine fair value. The hierarchy of highest priority is unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority is that of the calculations that have to do with entry data that are significant but unobservable (level 3 measurement). The three levels of hierarchy are as follows:

- Level 1 inputs are active market prices (unadjusted) for identical assets and liabilities that the Group has the ability to negotiate on the measurement date.

- Level 2 inputs are different from market prices, but are directly or indirectly observable for the asset or liability.

- Level 3 inputs are those that are unobservable for the asset or liability.

iii) Fair value of derivative financial instruments

The fair values of derivative instruments traded on recognized markets are determined based on quotations issued by these markets. In those cases in which the instruments are traded on OTC market ("Over The Counter"), the fair value of the financial instruments is estimated on the basis of valuation technical models recognized in the financial arena, mainly using to expected future cash flows discounted at present value and based on market information available at the valuation date.

In order to determining the fair values, conditions and assumptions are used, mainly based on rate models based on TIIE 28, the Mexican Average Interbank Interest Rate (TIIE per its Spanish acronym) and exchange rate MXP/USD 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.

iv) Useful lives and fair value of property, machinery and equipment

The Group determines the useful lives of its assets based on their best estimate of the periods during which economic benefits are expected to be obtained derived from such assets.

v) Impairment of goodwill and other intangible assets with undefined useful lives

In the case of goodwill and intangible assets with undefined useful lives, the impairment test is performed annually on the same dates. For the evaluation of 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 for the value of the money over time, taking into account the specific risks inherent to the asset. For impairment testing purposes, assets that cannot 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 such 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 recognized in the income statement. 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 pro rata basis. No goodwill-related impairment loss is reverted.

vi) Determination of employee benefits

Direct benefits are applied in the income statement as they arise and the related liabilities are stated at their nominal value, due to their short-term nature. The Group'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 the fair value of plan assets is deducted. The discount rate is calculated on the basis of zero coupon government bonds with maturity term resembling those of the Group's obligations and that are determined in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary, using the projected unit credit method.

vii) Impairment of accounts receivable

On each reporting date, the Group 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 an amount due to the Group. The Company considers evidence of impairment of accounts receivable at both the specific asset level and collective. 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 that may have occurred and, that has not yet been identified. Accounts receivables not significant individually are evaluated collectively for possible impairment, by grouping the accounts showing similar risk features. In evaluating collective impairment, the Group 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.

(3) Significant accounting policies-

The following accounting policies set out have been applied consistently to all the periods presented in these consolidated financial statements, and have been applied consistently by the Group's entities:

(a) ***Basis of consolidation***

(i) ***Businesses combinations-***

The Group accounts for businesses combinations using the purchase method when control is transferred to the Group (see (a) (iii)).

The consideration transferred in the acquisition and the identificable net assets acquired are generally measured at fair value. Any goodwill that arises is tested annually for impairment (see (h) (iii)). Any gain on a bargain purchase is recognized in the income statement, immediately.

Transaction costs are expensed as incurred, unless they relate to the issuance of debt or equity instruments (see (c)).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are recognized in the income statement.

Any contingent considerations is measured at fair value at the date of acquisition. In other cases, subsequent changes in fair value of the contingent consideration are recognized in the income statement.

(ii) ***Non-controlling interest-***

For each business combination, the Group measures any non-controlling interest in the investee at:

- Fair value, or
- The proportionate share of the acquirees identifiable net assets at the date of acquisition, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) ***Subsidiaries-***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The following table shows the detail of the Group's significant subsidiaries and joint ventures, as well as the ownership percentage it has on each of them:

	COUNTRY WHERE IT WAS INCORPORATED	DECEMBER 2015	DECEMBER 2014	NOTE
FOOD PRODUCTS:				
Herdez Del Fuerte and subsidiaries (HDF) - Subsidiary	Mexico	50%	50%	1
Herdez Del Fuerte-				
Manufacturing and marketing:				
Herdez S. A. de C. V. - Subsidiary	Mexico	100%	100%	1
Hersea, S. A. de C. V. - Subsidiary	Mexico	100%	100%	1
Compañía Comercial Herdez, S. A. de C. V.- Subsidiary	Mexico	100%	100%	1
Corfuerte, S. A. de C. V. - Subsidiary	Mexico	-	100%	1,6
Alimentos Del Fuerte, S. A. de C. V. (Alimentos Del Fuerte) - Subsidiary	Mexico	99.95%	99.70%	1
Marcas Herdez, S. A. de C. V.- Subsidiary	Mexico	-	100%	1, 7
Intercafé, S. A. de C. V. (Intercafé) -Joint venture	Mexico	50%	50%	2
Aires de Campo, S. A. de C. V. - Subsidiary	Mexico	92.62%	92.62%	1
Incubadora Orgánica, S. A. de C. V. - Joint venture	Mexico	50%	50%	2
Authentic Acquisition Corporation -(AAC)	USA	100%	100%	1, 3
Authentic Speciality Foods (ASF)	USA	100%	100%	1, 3
Megamex Foods, LLC – Joint Venture	USA	50%	50%	2, 3
Megamex Holding Inc. – Joint Venture	USA	50%	50%	2, 3
Don Miguel Foods Corp. – Joint Venture	USA	50%	50%	2, 3
Avomex Inc. – Joint Venture	USA	50%	50%	2, 3
Avomex Internacional, S. A. de C. V	México	50%	50%	2, 3
Avomex Service, S. de R. L. de C. V.	México	50%	50%	2, 3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2015 and 2014

(Thousands of Mexican pesos)

	COUNTRY WHERE IT WAS INCORPORATED	DECEMBER 2015	DECEMBER 2014	NOTE
Avomex Importación y Exportación Limitada	Chile	50%	50%	2, 3
Services provider:				
Corporativo Cinco, S. A. de C. V. (Corporativo) - Subsidiary	México	100%	100%	1
Campomar, S. A. de C. V. (Campomar) - Subsidiary	México	100%	100%	1
Hersail, S. A. de C. V. (Hersail) - Subsidiary	México	100%	100%	1
Herventa, S. A. de C. V. (Herventa) - Subsidiary	México	100%	100%	1
Manufacturing and marketing:				
McCormick de México, S. A. de C. V. (McCormick) -Subsidiary	México	50%	50%	1
Barilla México, S. A. de C. V. (Barilla México) - Subsidiary	México	50%	50%	1
Serpasta, S. A. de C. V. (Serpasta) - Subsidiary	México	50%	50%	1
Hormel Alimentos, S. A. de C. V. (Hormel Alimentos) -Subsidiary	México	50%	50%	1
Herpons Continental S.A. de C.V (Hormel Alimentos) - Subsidiary	México	100%	100%	1
Grupo Nutrisa and subsidiaries - Subsidiary	México	99.84%	99.87%	1
Nutrisa Group				
Marketing:				
Nutrisa, S. A. de C. V. (Nutrisa) -Subsidiary	México	100%	100%	1
Bases y Productos Naturales La Planta, S. A. de C. V. (La Planta) - Subsidiary	México	100%	100%	1
Nutricomercializadora, S. A. de C. V. (Nutricomercializadora) - Subsidiary	México	100%	100%	1
Yogurt Helado Yozen, S. A. de C. V. (Yozen) - Subsidiary	México	-	100%	1,4
Alimentos Benefits, S. A. de C. V. (Benefits) - Subsidiary	México	100%	100%	1
Bioselect Productos Selectos, S. A. de C. V. (Bioselect) - Subsidiary	México	-	100%	1, 4
Operadora Nutrisa, S. A. de C. V. (Operadora) - Subsidiary	México	-	100%	1, 4
Nutrisa USA, LLC. (Nutrisa USA) - Subsidiary	USA	100%	100%	1
Services:				
Servinutrisa, S. A. de C. V. (Servinutrisa) - Subsidiary	México	100%	100%	1
Servicios Corporativos el Panal, S. A. de C. V. Subsidiaria	México	100%	100%	1
Servibenefits, S. A. de C. V.	México	100%	-	1, 9
Real-Estate Group:				
Inmobiliaria Nutrisa, S. A. de C. V. (real-estate) - Subsidiary	México	-	100%	1, 5
Promociones Inmobiliarias Naturistas, S. A. de C. V. (Promotion) - Subsidiary	México	100%	100%	1
Nutrinmuebles, S. A. de C. V. (Nutrinmuebles) - Subsidiaria	México	-	100%	1, 5
SERVICES:				
Litoplas, S. A. de C. V. (Litoplas) - Subsidiary	México	-	100%	1, 8
Seramano, S. A. de C. V. (Seramano) - Subsidiary	México	100%	100%	1
Herdez Capital, S. A. de C. V. SOFOM, E.N.R. (Herdez Capital) - Subsidiary	México	100%	75%	1

	COUNTRY WHERE IT WAS INCORPORATED	DECEMBER 2015	DECEMBER 2014	NOTE
Fábrica de Envases del Pacífico, S. A. de C. V. - Joint Venture	México	50%	50%	2
REAL-ESTATE GROUP:				
Herport, S. A. de C. V. (Herport) - Subsidiary	México	50%	50%	1
Alimentos HP, S. A. de C. V. (Alimentos) - Subsidiary	México	100%	100%	1
Comercial de Finanzas Netesa, S. A. de C. V. (Netesa) - Subsidiary	México	100%	100%	1
Energía Para Conservas S. A. de C. V. - Subsidiary	México	89.75%	89.75%	1
Quicolor de México, S. A. de C. V. (Quicolor) - Subsidiary	México	100%	100%	1
Promotora Hercal, S. A. de C. V. (Hercal) - Subsidiary	México	100%	100%	1

(1) Consolidated Entity.

(2) Entity recognized under the equity method.

(3) Financial Statements from December 1st , 2014 to November 29, 2015.

(4) Merged Entity in March 2014 with Nutrisa, S. A. de C. V., latter acting as the merging company.

(5) Merged Entity in March 2014 with Promociones Inmobiliarias Naturistas, S. A. de C. V., latter acting as the merging company.

(6) Merged entity in February 2015 with Alimentos Del Fuerte, S. A. de C. V., the latter acting as the merging company.

(7) Merged entity in January 2015 with Herdez, S. A. de C. V., the latter acting as the merging company.

(8) Merged entity in January 2015 with Herpons Continental, S. A. de C. V., the latter acting as the merging company.

(9) Entity created in March 2015 beginning operations in June 2015.

(iv) Loss of control-

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Investments in associated entities and jointly controlled entities (equity method)-

Associated are those entities in which the Group has a significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arragement in which the Group has joint control over its activities, through which the Group is entitled to the net assets of the agreement and not entitled to its assets and obligations for liabilities, established by contractual agreement and unanimous consent to take financial decisions and strategic operations.

Investments in associated entities and joint venture are recognized for using the equity method, and are initially recognized at cost. The investment cost includes the transaction costs.

The consolidated financial statements include the interest of the Group in the profits or losses and other comprehensive income of investments accounted by the equity method, after performing the adjustments to align the accounting policies with those of the Group, until the date on which significant influence or joint control ceases.

When the portion of losses of the Group exceeds its interest in an investment recognized by the equity method, the carrying amount of that interest, including any long-term investment, is reduced to zero and the recognition of more losses is discontinued except if the Group has an obligation or has made payments on behalf of the company it participates in.

(vi) ***Transactions eliminated in the consolidation-***

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized profits arising from transactions with companies which investment is recognized by the equity method are eliminated from the investment in the proportion of the Group's participation in the investment. Unrealized losses are eliminated in the same way as unrealized profits, but only to the extent that there is no evidence of impairment.

(vii) ***Discontinued operations-***

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents either a separate major line of business or geographical area of operations.
- Is part of a single co-ordinated plan to dispose the purpose of a separate major line of business or geographic area of operation; or
- Is a subsidiary acquired exclusively with the purpose of re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of income statement and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

(b) *Foreign currency-*

(i) ***Foreign currency transactions-***

Transactions in foreign currency are translated into the respective functional currency of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the consolidated financial statements date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Foreign currency differences arising from translation of the following items are recognized in other comprehensive income:

- Available-for-sale equity investments (except for impairment, in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to the income statement).
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- Qualifying cash flow hedges to the extent that the hedges are effective.

(ii) ***Foreign operations-***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Mexican pesos at the exchange rates at the consolidated financial statements date. Revenues and expenses of foreign operations are translated into Mexican pesos at the exchange rates at the date of transactions.

Foreign currency differences are recognized in other comprehensive income and accumulated in the translation reserve, except when the translation difference is allocated to non-controlling interest.

When a foreign operation is disposed of in its entirely or such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to non-controlling interest.

When the Group disposes only part of an associate or joint venture while retaining significant influence or joint control, the corresponding proportion of the cumulative amount is reclassified to the income statement.

(c) *Financial instruments-*

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through income statement, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

(i) ***Non-derivative financial instruments assets and financial liabilities – Recognition and derecognition-***

The Group initially recognizes loans and trade account receivables issued on the date when they are originated. All the other financial assets are initially recognized on the trade date when the Group becomes a party to the instrument's contractual provisions.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. Any interest in such derecognized financial assets created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are paid or cancelled, or expire.

Financial assets and liabilities are subject to be offset being the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends to settle the net amount or to realize the asset and settle the liability simultaneously.

(ii) ***Non-derivative financial assets-***

Loans and account receivables

Loans and accounts receivable are financial assets with fixed or determinable payments that are not traded in an active market. These assets are initially recognized at fair value, plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost by using the effective interest method, less impairment losses. Loans and accounts receivable include trade accounts receivable and other accounts receivable.

Cash and cash equivalents

Cash and cash equivalents include cash balances and deposits with original maturities of three months or less from the date of acquisition subject to exchange effects in fair value and are used by the Group in the Management of its short-term commitments.

The amount of cash and cash equivalents in the balance sheet includes restricted cash and investments, comprised of deposits in margin accounts that guarantee several of the Group obligations, to the extent that the restriction will be lifted in less than three months from the balance sheet date. When the restriction period is greater than three months, such restricted cash and investments are not considered cash equivalents and are included within short-term or long-term "Debtors" as appropriate.

(iii) ***Non-derivative financial liabilities-***

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

The Group eliminates a financial liability when its contractual obligations are cancelled, or expired.

The Group classifies non-derivative financial liabilities in the category of other financial liabilities.

Non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities consist of notes payable, suppliers and other accounts payable and stock market certificates.

(iv) ***Derivative financial instruments and hedge accounting-***

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

In addition, the Group holds derivative to hedge the price of the raw materials (Commodities), which are designated in a formal hedging relationship.

In the initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and the item(s) covered, including the risk management objectives and strategy when entering the hedging transactions, as well as the methods to be used in assessing the effectiveness of the hedge relationship.

The Group conducts an evaluation at the outset of the hedge operation (prospectively) and subsequent on-going evaluations (retrospectively), if the hedging instruments are expected to be highly effective to offset the changes in fair value of the primary positions during the period for which the hedge is designated, and if each hedge's actual results are within a range of 80-125 percent.

Derivatives are initially recognized at fair value; any directly attributable transaction costs are recognized in the income statement as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in the income statement; in case they are designed in a cash flow hedge, changes are recognized in other comprehensive income.

Cash flow hedges-

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of the changes in the fair value of the derivative is recognized immediately in the income statement.

When the hedged item is a non-financial asset, the amount accrued in the stockholders' equity is maintained in other comprehensive income and it is reclassified to income statement in the same period when the hedged item affects the income statement. In other cases, the amount accrued in stockholders' equity is reclassified to the income in the same period when the hedged item affects the income statement.

If the forecast instrument is no longer expected to occur, the hedge no longer meets the criteria, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to the income statement.

Embedded derivatives-

Embedded derivatives are separated from the main contract and recorded separately if:

- The characteristics and risks of the main contract and the embedded derivative are not closely related.
- A separate instrument with the same terms as the embedded derivative could meet the characteristics of a derivative.
- The combined instrument is not measured at fair value through with changes in income statement.

Derivative financial instruments not designated as hedging-

When a derivative financial instrument is not designated for a hedging qualifying relationship all changes in fair value are immediately recognized in income statement.

(v) **Equity-**

Ordinary shares-

Ordinary shares are classified in stockholders' equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity.

Repurchase and reissuance of ordinary shares (treasury shares)-

When shares recognized as stockholders' equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effect, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury shares reserve. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premiums.

Capital stock, the reserve for the purchase of shares, the legal reserve, the premium on the subscription of shares and accrued profits 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 historical values by applying factors derived from the NCPI until December 31, 1997.

(d) Property, machinery and equipment-

(i) ***Recognition and measurement-***

Items of property, machinery and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost includes expenses directly attributable to acquisition of the asset. The cost of assets built by the entity include the following:

- The cost of materials and direct labor.
- Any other costs directly attributable to making the asset suitable to a working condition for its intended use.
- When the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site where they are located.
- The capitalized loan costs.

At December 31, 2015 and 2014, there are not qualifying assets where capitalized financing cost exist. Acquired software, which is part of the functionality of the related equipment is capitalized as part of such equipment.

If significant parts of an item of property, machinery and equipment have different useful lives, they are accounted for as separate items (major components) of property, machinery and equipment.

Any gain or loss on the disposal of an item of property, machinery and equipment (determined as the difference between the profits obtained from the sale and the book value for such item) are recognized in the income statement.

(ii) ***Subsequent expenditures-***

Subsequent expenditures are capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Continuous repairs and maintenance are expensed in income statement as incurred.

(iii) ***Depreciation-***

Items of property, machinery and equipment are depreciated from the date on which they are installed and ready for their use or in the case of assets internally built, from the date on which the asset is completed and ready to be used.

Depreciation is calculated to write-off the cost of items of property, machinery and equipment less their estimated residual values using the straight-line method over their estimated useful values, and is generally recognized to the income statement. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, machinery and equipment for current and comparative periods of the significant items are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each date of the consolidated financial statements and adjusted if appropriate.

(e) *Intangible assets and goodwill-*

(i) ***Goodwill-***

Goodwill arising from the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

(ii) ***Subsequent measures-***

Goodwill is valued at cost less accumulated impairment losses. In relation with the investments recognized by the equity method, the book value of goodwill is included in the book value of the investment, and any impairment loss is distributed to the book value of the investment recognized by the equity method as a whole.

(iii) ***Intangible assets with defined life-***

Intangible assets acquired by the Group consisting of non-competition agreements, developed technology and customer relationships that have defined useful lives are recorded at cost, less accumulated amortization and accumulated impairment losses. The aforementioned does not refer to intangible assets internally developed as they arise from acquisitions made.

(iv) ***Intangible assets with undefined useful lives-***

Intangible assets with undefined useful lives correspond to patents and trademarks, involving no legal, regulatory, contractual, economic or other factors that might limit their useful lives, 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.

(v) ***Subsequent expenditures-***

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generate trademarks and goodwill, are recognized in income statement as incurred.

(vi) ***Amortization-***

Amortization is calculated to write-off the cost of intangible assets less their estimated residual values by using the straight-line method over their estimated useful lives, and is generally recognized in the income, goodwill is not amortized.

The estimated useful lives are as follows:

	YEARS
Non-competition agreements	2 - 3
Developed technology	8 - 20
Customer relationships	13 - 20
Lease rights and software	3

Amortization methods, useful lives and residual values are reviewed at each date of the consolidated financial statements and adjusted if appropiate.

(f) ***Leases-***

(i) ***Determining whether an agreement contains a lease***

At inception of an agreement, the Group determines whether the agreement is or contains a lease.

The Group separates payments and other consideration required by the agreement, at the beginning of it or after making the proper review, between those derived from the lease and those derived from other elements, based on their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset, subsequently, the liability is reduced as payments are made, is re-cognizing the financial cost on the liability using the Group's incremental borrowing rate.

(ii) ***Leased assets***

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as financial leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Group's statement of financial position.

(iii) ***Lease payments***

Payments made under operating leases are recognized in income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term lease.

Minimum lease payments made under financial leases are apportioned between the finance expense and the reduction of liability balance. The financial expense is allocated to each period during the lease term in order to obtain a consistent interest rate on each period, over the remaining balance of the liability.

(g) ***Inventories-***

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in-first-out principle 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 inventories and work in progress, costs include an appropriate share of production overheads based on normal operating capacity.

The cost of inventory may also include transfers from equity of any gain or loss on the rated flow hedges of inventory purchases in foreign currency.

Net realizable value is the estimated sale price in the ordinary course of business, less the costs of completion and the estimated necessary costs to close the sale.

(h) ***Impairment-***

(i) ***Non-derivative financial assets-***

Financial asset not classified as at fair value through income statement, including an interest in an equity accounted investee, are assessed at each reporting date to determine if there is an objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or non-compliance of a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will declare bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security; or
- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged fair value decrease below its cost. The Group considers a decrease of 20% to be significant and a period of nine months to be prolonged.

(ii) ***Financial assets measured at amortized cost-***

The Group considers evidence of impairment for these assets measured at amortized cost (loans and receivables and financial assets held to maturity) both an individual assets and a collective level. All receivables and investment securities held to maturity individually significant are assessed for specific impairment. Those who are not specifically impaired are evaluated for collective impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes and adjust if current economic and credit conditions make probable that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognized in income or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

(iii) ***Non-financial assets-***

At each consolidated financial statement date, the Group reviews the carrying amount of its non-financial assets, excluding employee benefits, inventories and deferred tax assets, to determine whether there is any indication of impairment exists. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets with undefined useful lives are tested annually for impairment.

For impairment testing, assets that cannot be individually tested 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. For the purposes of impairment testing of goodwill, goodwill acquired in a business acquisition is distributed to the group of cash-generating units (CGU) expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

The Group'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-generating unit to which the corporate asset pertains is then determined.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(i) ***Employee benefits-***

(i) ***Short-term benefits-***

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) ***Share based payment-***

The fair value at grant date of the incentive share based payment settled in equity instruments are usually recognized as an expense, with a corresponding increase in equity, over the period of vesting of incentives. The amount recognized as an expense is adjusted to reflect the amount of incentives for expected service conditions and performance conditions other than those relating to market.

Incentives for share based payments with non-vesting conditions, the fair value at grant date is valued to reflect these conditions and there is no correction for differences between actual and expected results.

The fair value of the amount payable to employees in connection with the appreciation rights shares, which are settled with cash, is recognized as an expense with a corresponding increase in liabilities in the period in which employees have unconditional right to payment. The liability is revalued at each balance sheet date and the settlement date based on the fair value of the appreciation rights.

(iii) ***Defined benefit plans-***

The Group's net obligations in respect of defined benefit plans are calculated separately for each plan by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The 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 the Group's obligations and that are determined in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary, using the projected unit credit method. When the result of the calculation is a benefit for the Group, 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 of the Group's plan. The resulting increase in labor cost of the benefit obligation and expenditure by employees in the year are recognized in operating expenses.

The financial cost associated with increased liability over time, as well as the expected return on the period of plan assets are recognized in the financial results. An economic benefit is available to the Group if it is realizable during the life of the plan, or liquidation of the obligations of the plan. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in income using the straight-line basis over the average period until the benefits are delivered. To the extent that the benefits are immediately delivered, the expense is immediately recognized in income.

The Group recognizes the actuarial gains and losses arising from defined benefit plans in another comprehensive income and all expenses related to the defined benefit plans in the expenses for benefits to the employees in income.

When having reductions or settlements in a defined benefit plan, the Group shall recognize gains or losses arising there from. These gains or losses shall include any change that could result in the present value of the defined benefit obligations incurred by the entity, and any changes in the fair value of plan assets, any gains and losses and past service costs that had not been previously recognized.

(iv) ***Termination benefits-***

The benefits at the end of the employment relationship not associated with a restructuring event, such as severance payments are recognized in the income statement as incurred.

(j) ***Allowances-***

An allowance is recognized if: it is a result of a past event, the Group 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.

The long-term allowances are determined by discounting future cash flows at a pre-tax rate that reflects current market evaluation of the book value attributable to the time factor and risks specific to the liability. The unwinding of the discount is recognized as a financial cost.

Restructuring-

The Group recognizes allowances for restructuring, when restructuring plans have been properly completed and approved by the Management, and have been reported to the third parties involved and/or affected before the date of the financial statements.

Contingencies and commitments-

Obligations or losses related to contingencies are recognized as a liability when there is a present obligation resulting from past events and it is likely that the effects will materialize and can be measured reliably; otherwise they are qualitatively disclosed in the financial statements. The effects of long-term commitments established with third parties, as in the case of supply contracts with suppliers or customers, are recognized in the financial statements considering the substance of the agreements based on what was incurred or accrued. Relevant commitments are disclosed in the notes to the financial statements. No income, profits or contingent assets are recognized.

(k) ***Revenue-***

Sale of goods-

Income from the sale of goods during the course of ordinary operations is recognized at the fair value of the counter entry received or receivable, net of returns, commercial and volume discounts.

Revenue is recognized when the risks and rewards of ownership have been transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing Management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. Generally, the transfer takes place when the product is received at the customer's warehouse.

(l) ***Donations-***

To the extent the Group donations to social programs benefit the community in general, they are applied to income as incurred.

(m) ***Finance income and finance costs-***

Financial income includes interest income on invested funds, income earnings and changes in the fair value of financial assets at fair value through income statement, as well as exchange gains. Interest income is recognized at amortized cost, using the effective interest method. Income earnings are recognized in income on the date on which the Group's right to receive payments is established, on the date when the aforementioned instruments corresponds to the date of income payment.

Financial costs comprise the interest expense on loans, exchange losses, changes in the fair value of financial liabilities at fair value through income.

Costs of loans that are not directly attributable to the acquisition, construction or production of an asset that qualifies, are applied to income by the effective interest method.

Gains and losses on foreign currency for financial assets and financial liabilities are presented according to their profit or loss position.

(n) Income tax-

Income tax expense comprises current and deferred taxes. It is recognized in income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax-

Current tax comprise the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable on receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the statements of financial position date. Current tax also includes any tax arising from dividends.

(i) Deferred tax-

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting not taxable profit or loss;
- temporary differences related to the investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal on the temporary differences and it is probable that they will not be reversed in the foreseeable future; and
- taxable temporary differences arising on initial recognition of goodwill.

Assets and liabilities in deferred taxes are adjusted if there is an exigible legal right to adjusting liabilities and assets for current tax, and are related to the income taxes imposed by the same tax authority on the same taxable entity or different tax entities, but intend to settle the liabilities and assets for current tax on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax assets recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which they can be used.

Deferred tax assets recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates expected to applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period under review, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale.

The effects of income taxes for uncertain tax positions are recognized when it is more likely than not that the position will be sustained on its technical merits and assuming that the authorities will review each position and have full knowledge of the relevant information. These positions are valued based on the accumulated probability model.

Each position is considered individually, without considering its relation to other fiscal procedure. The indicator of more likely than not a statement from management that the Group is entitled to the economic benefits of the tax position. If a tax position is not considered more likely than not to be sustained, the benefits of the position are not recognized.

The Group recognizes interest and penalties related to unrecognized tax benefits as part of the income tax expense for in the consolidated income statements.

(o) ***Earnings per share-***

The Group presents information on basic Earnings per Share (EPS), and the diluted earning per share 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 26). As there are no dilutive effects, the basic earning per share and diluted earning is the same.

(p) ***Operating segments-***

Segment results that are reported to the Group General Manager (highest authority in making operating decisions) include items directly attributable to a segment as well as those items that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), the cost of the central office, and tax assets and liabilities.

(q) ***Comprehensive income-***

Comprehensive income is comprised of net income, the valuation of derivative financial instruments, translation effects 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.

(4) Standards issued but not yet adopted-

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016; however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. The Group does not plan to adopt these standards early.

(a) ***IFRS 9 Financial Instruments-***

IFRS 9 (2009) introduces new requirements for classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model which are maintained and the characteristics of contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. At present, the IASB has an active project to make limited classifications and measurements requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting changes.

On November 19, 2013 IASB released a new document extending and amending this Standard and other related Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39. This document includes the new model of general hedge accounting, allows early adoption of the requirement to present changes in credit risk value in liabilities designated at fair value through profit or loss, which are presented in other comprehensive income.

On July 24, 2014 IASB issued the fourth and final version of its new standard on financial instruments, IFRS 9 Financial Instruments. The new standard includes guidance about classification and measurement of financial assets, including impairment and supplements new hedge accounting principles published in 2013.

The date of application corresponds to the financial statements issued for periods beginning on January 1, 2018 or later. Early adoption is permitted.

The Group will assess the impact of the application of this new standard on its consolidated financial statements will not be significant.

(b) ***IFRS 14 Regulatory Deferral Accounts-***

IFRS 14 Regulatory Deferral Accounts, published in January 2014, is an interim standard on accounting for the effects of rate regulation under IFRS. It permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances while the IASB completes its comprehensive project in this area. It also introduces requirements on the presentation and disclosure of regulatory deferral account balances.

IFRS 14 is applicable for annual periods beginning on or after January 1, 2016. Adoption is optional for those entities that are eligible to use it. Early application is permitted.

The Group estimates that the possible impact of the application on its consolidated financial statements of the Group will be immaterial.

(c) ***IFRS 15 Revenue from Contracts with Customers-***

IFRS 15 Revenue from Contracts with Customers, published on May 28, 2014, introduces a new revenue recognition model for contracts with customers. It replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC 31 Revenue- Barter Transactions Involving Advertising Services. IFRS 15 includes extensive new disclosure requirements.

This new IFRS applies to contracts with customers, but does not apply to insurance contracts, financial instruments or leases that are within the scope of other IFRS.

Introducing a single renevue recognition model that applies to client contracts and two approaches to revenue recognition: in a moment of time or over a period. The model considers an analysis of transactions based on five steps to determine if an income is recognized, when it is recognized and the amount:

(i) Identify contracts with customers.
(ii) Identify the obligations of performance contract.
(iii) Determining the transaction price.
(iv) Allocate the transaction price to the remaining performance obligations.
(v) Recognize revenue when the extent that an entity satisfies a performance obligation.

The standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The Group will assess the possible impact of the application on its consolidated financial statements of the group.

(d) ***IFRS 16 Leases-***

Issued on January 13, 2016 this standard requires companies accounted for all leases in its financial statements as of January 1, 2019. Companies with operating leases will be more active but also more debt. The higher the portfolio of leases of the company, the greater the impact on reporting metrics.

The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted provided that it is applied in conjuction with IFRS 15.

The Group will assess the possible impact of the application on its consolidated financial statements.

(e) ***Disclosure Initiative (Amendments to IAS 1): Presentation of financial statements-***

This amendment addresses impairments perceived by trainers to exercise their judgment in the presentation of its financial information. The changes are summarized below:

- Clarification that the information should not be hidden by adding or intangible delivering information. Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure materiality considerations apply.

- Clarifying that the list of "items" per line to be presented in these financial statements can be added or disintegrate as an additional and relevant guidance in the subtotals in these financial statements and clarification of the participation of the institution in the OCI of associates and joint ventures accounted for by the equity method should be presented in aggregate form as individual "items" on the basis of whether they will or will not be reclassified to earnings.

- Additional examples of possible ways of arranging the notes to clarify that the understandability and comparability should be considered when determining the order of the notes and show that the notes do not need to be presented in the order indicated in paragraph 114 of IAS 1.

These amendments apply for annual periods beginning on or after January 1, 2016. Early application is permitted.

The Group will assess the possible impact of the application on its consolidated financial statements of the group.

It is not expected that the following new standards or amendments will have a significant impact on the consolidated financial statements of the Group.

- Accounting for acquisitions of interests in joint ventures (Amendments to IAS 11).

- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38).

- Equity method in the separate financial statements (Amendments to IAS 27).

- Transfer of assets between investor and his associate or joint venture (Amendments to IFRS 10 and IAS 38).

- Accounting for the cost of plants that produce fruits (Amendments to IAS 16 and IAS 41).

(5) Financial instruments-

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, the risk of interest rates and the risk of fluctuation in the prices of raw materials), credit risk, liquidity risk and operational risk. The overall risk management program considers the volatility of financial markets and seeks to minimize potential adverse effects on financial performance of the Group. The Group uses derivatives financial instruments to hedge certain risk exposures.

Financial risk management is carried out in the Management and Finance Office, in accordance with policies approved by the Boards of Directors. The entity identifies, evaluates and hedges financial risks in close cooperation with its subsidiaries. The Boards of Directors have approved general written policies regarding to the financial risks management, including the risk of prices for certain raw materials, exchange rate risk and risk on interest rate.

(Thousands of Mexican pesos)

All derivative financial instruments contracted by the Company, are formally designated as hedging on the date of hiring under the cash flow model.

Derivative financial commodities (Commodities)-

As part of the hedging strategy on raw materials during 2015 and 2014, the Company used derivative financial instruments to reduce the risk of price fluctuations.

The total value of contracts for hedging purposes to purchase raw materials effective as at December 31, 2015 and 2014, are shown below:

		NOTIONAL AMOUNT				FAIR VALUE	
INSTRUMENT	COUNTERPARTY	(000'USD)	(000'MXP)	EXPIRATION DATE	POSITION	(000'USD)	(000'MXP)
2015							
Futures	CME Clearing*	1,113	19,198	Several	Buy (long)	(171)	(2,961)
2014							
Futures	CME Clearing*	16,161	238,241	Several	Buy (long)	(354)	(5,224)

* Clearing Member authorized by Chicago Mercantile Exchange.

Derivative financial on exchange rate-

The Company is exposed in their raw material purchases and export sales of various products to the fluctuation in the peso-U.S. dollar, reason why the Boards of Directors approved its strategy of risk management in order to limit the currency risk of such operations.

As at December 31, 2015 and 2014, the characteristics of the contracts designated as hedges are as shown in the next page.

		NOTIONAL AMOUNT				FAIR VALUE
INSTRUMENT	COUNTERPARTY	(000'USD)	(000'MXP)	EXPIRATION DATE	POSITION	(000'MXP)
2015						
Forwards	National banks*	7,000	114,988	Several	Buy (long)	6,207
		2,000	31,443	Several	Sale (short)	(3,126)
	National banks*	6,000	101,095	Several	Buy (long)	3,059
		25,500	434,348	Several	Sale (short)	(9,747)
	National banks*	7,000	118,945	Several	Buy (long)	2,872

		NOTIONAL AMOUNT			FAIR VALUE	
INSTRUMENT	COUNTERPARTY	(000'USD)	(000'MXP)	EXPIRATION DATE	POSITION	(000'MXP)
2014						
Forwards	National banks*	3,000	44,005	Several	Buy (long)	469
		15,000	209,040	Several	Sale (short)	(13,757)
	National banks*	20,000	272,182	Several	Buy (long)	23,171
		12,000	161,126	Several	Sale (short)	(17,499)

* AAA rated financial institutions, according to the national and issuers for long term debt.

Derivative financial instruments on interest rates-

In order to reduce the risk of adverse movements attributable to the interest rate profile contracted with financial institutions engaged in long-term debt bearing interest recognized in the consolidated financial statements, Company's Management entered into an interest rate swap agreement which converts variable rate and into fixed rate, which will be paid starting on November 9, 2018 and December 5, 2019, the contract designated as a hedge is as follows:

		NOTIONAL AMOUNT				FAIR VALUE
INSTRUMENT	COUNTERPARTY	(000'MXP)	EXPIRATION DATE	PAYABLE RATE	RECEIVABLE RATE	(000'MXP)
2015						
Swap	National banks*	300,000	Dec 05-19	7.79%	TIIE 91	(26,402)
		250,000	Nov 09-18	4.88%	TIIE 28	(1,146)
		250,000	Nov 09-18	5.27%	TIIE 28	(2,820)
2014						
Swap	National banks*	300,000	Dec 05-19	7.79%	TIIE 91	(31,706)

* AAA rated financial institutions, according to the national and issuers debt long term.

As at December 31, 2015 and 2014, the Group's Management has evaluated the effectiveness of all hedging relationships both prospectively and retrospectively, concluding that these relationships are highly effective, and are within the range established by IFRS 80%-125%.

The net effect recorded on the capital stock including IT deferred as at December 31, 2015 and 2014, for financial instrument hedging amounted to $7,721 and $(12,852), respectively. The amount included on comprehensive income in the capital stock, will be recycled to income when the hedged item affects them; said amount is subject to changes due to market conditions.

Also, as at December 31, 2015 and 2014, the amount recycled on the comprehensive profit for cash flow hedging effects amounted to $74,609 and $11,733, respectively.

(Thousands of Mexican pesos)

The table shown in next page presents the periods in which the expected cash flows associated with the hedging relationships cash flows are expected to occur and when it is expected to affect the income statement (which occurs simultaneously), as well as the book value to the hedging derivative financial instruments associated as at December 31, 2015 and 2014.

2015

			EXPECTED CASH FLOWS				
		BOOK VALUE	TOTAL	1 YEAR	2 YEARS	3 YEARS	MORE THAN 3 YEARS
SWAPS ON INTEREST RATES							
Liability	$	(30,367)	(31,430)	(17,412)	(10,145)	(2,278)	(1,595)
FORWARDS ON EXCHANGE RATES							
Liability		(12,874)	(12,979)	(12,979)	-	-	-
Asset		12,131	12,193	12,193	-	-	-
OPTIONS ON EXCHANGE RATES							
Asset		-	-	-	-	-	-
FUTURE ON RAW MATERIALS							
Liability		(16,459)	(16,459)	(16,459)	-	-	-
Asset		13,499	13,499	2,759	10,740	-	-
OPTIONS ON RAW MATERIALS							
Asset		-	-	-	-	-	-

2014

			EXPECTED CASH FLOWS				
		BOOK VALUE	TOTAL	1 YEAR	2 YEARS	3 YEARS	MORE THAN 3 YEARS
SWAPS ON INTEREST RATES							
Liability	$	(31,706)	(33,674)	(12,903)	(9,880)	(6,637)	(4,254)
FORWARDS ON EXCHANGE RATES							
Asset		23,640	23,699	23,699	-	-	-
Liability		(31,256)	(31,595)	(31,595)	-	-	-
FUTURE ON RAW MATERIALS							
Asset		368	368	368	-	-	-
Liability		(5,590)	(5,590)	(5,590)	-	-	-

Fair values versus book values-

The following table shows the book values and the fair value of the derivative and non-derivative assets and liabilities, including its hierarchy. If the fair value of the financial assets and liabilities measured at fair value is not included, is because the book value is an approximation of fair value.

	BOOK VALUE (000'MXP)			FAIR VALUE (000'MXP)			
	FINANCIAL INSTRUMENTS DERIVED FROM HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
DECEMBER 31, 2015							
DERIVATED FINANCIAL ASSETS MEASURED AT FAIR VALUE							
Forwards on exchange rate headging	$ 12,131	-	12,131	-	12,131	-	12,131
Commodities futures hedging	13,499	-	13,499	13,499	-	-	13,499
	25,630	-	25,630	13,499	12,131	-	25,630
DERIVATIVE FINANCIAL LIABILITIES MEASURED AT FAIR VALUE							
Forwards on exchange rate hedging	(12,874)	-	(12,874)	-	(12,874)	-	(12,874)
Swaps on exchange rate hedging	(30,367)	-	(30,367)	-	(30,367)	-	(30,367)
Commodities futures hedging	(16,459)	-	(16,459)	(16,459)	-	-	(16,459)
	(59,700)	-	(59,700)	(16,459)	(43,241)	-	(59,700)
NON-DERIVATIVE FINANCIAL LIABILITIES NON-MEASURED AT FAIR VALUE							
Bank loans in MXN	-	(450,000)	-		(493,629)	-	(493,629)
Bank loans in USD	-	(1,109,747)	-		(1,127,545)	-	(1,127,545)
Debit issuers							
CEBURES HERDEZ 10	-	(597,837)	-		(627,371)	-	(627,371)
CEBURES HERDEZ 14	-	(797,304)	-		(799,613)	-	(799,613)
CEBURES HERDEZ 13	-	(1,992,254)	-		(2,070,551)	-	(2,070,551)
CEBURES HERDEZ 13-2	-	(997,145)	-		(1,003,221)	-	(1,003,221)
	$ -	(5,944,287)	-				

(Thousands of Mexican pesos)

	BOOK VALUE (000'MXP)			FAIR VALUE (000'MXP)			
	FINANCIAL INSTRUMENTS DERIVED FROM HEDGES	OTHER FINANCIAL LIABILITIES	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
DECEMBER 31, 2014							
DERIVATED FINANCIAL ASSETS MEASURED AT FAIR VALUE							
Forwards on exchange rate hedging	$ 23,641	-	23,641	-	23,641	-	23,641
Hedging futures on raw materials	368	-	368	368	-	-	368
	24,009	-	24,009				
DERIVATIVE FINANCIAL LIABILITIES MEASURED AT FAIR VALUE							
Forwards on exchange rate hedging	(31,256)	-	(31,256)	-	(31,256)	-	(31,256)
Swaps on exchange rate hedging	(31,706)	-	(31,706)	-	(31,706)	-	(31,706)
Commodities futures hedging	(5,590)	-	(5,590)	-	(5,590)	-	(5,590)
	(68,552)	-	(68,552)				
NON-DERIVATIVE FINANCIAL LIABILITIES NON-MEASURED AT FAIR VALUE							
Bank loans in MXP	-	(600,000)	(600,000)		(694,567)	-	(694,567)
Debit issuers							
CEBURES HERDEZ 10	-	(596,602)	(596,602)		(643,262)		(643,262)
CEBURES HERDEZ 11	-	(599,821)	(599,821)		(601,096)		(601,096)
CEBURES HERDEZ 13	-	(1,991,275)	(1,991,275)		(2,164,485)		(2,164,485)
CEBURES HERDEZ 13-2	-	(996,166)	(996,166)		(1,008,798)		(1,008,798)
CEBURES HERDEZ 14	-	(996,615)	(996,615)		(1,002,459)		(1,002,459)
	$ -	**(5,780,479)**	**(5,780,479)**				

(6) Financial risk management

General

The Group has exposure to the following risks arising from financial instruments:

— Credit risk
— Liquidity risk
— Market risk
— Commodities risk
— Capital management

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

Risk management framework-

The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group´s risk management policies. The committee report regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropiate risk limits and controls and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and review the adequacy of the risk management framework in relation to the risk faced by the Group. The Group Audit Committee is assisted in its oversight role by the internal audit. Internal audit conducts both routine and special inspections of risk management controls and procedures, the results of which are reported to the Audit Committee.

i) Credit risk-

Credit risk is the risk of financial loss to the Group if a costumer or counterparty for a financial instrument fails to meet its contractual obligations, and arises mainly from the Group's accounts receivable and the investment instruments of the Group.

The carrying amount of financial assets represents the maximum credit exposure.

Accounts receivable-

The credit risk represents the risk of financial loss for the Group, if a customer or counterparty of a financial instruments defaults on its contractual obligations, and arises mainly from the client accounts receivable.

The Risk Management Committee has implemented a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, and in some cases bank references. Customers failing to meet the Company's credit reference requirements can only conduct operations with the Group through upfront payments.

(Thousands of Mexican pesos)

More than 95% of the Group's customers have been transacting with the Group for more that four years, and no impairment loss has been recognized against these customers. In monitoring customer credit risks, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesaler, retail or an end-user customer, their geographic location, industry, years in business, maturity and existence of prior financial difficulties.

	Carrying amount		
		2015	2014
Wholesale customers	$	1,358,575	1,534,041
Retail customers		4,517	5,116
End-user customers		11,626	30,753
Other		57,960	27,336
Total	$	1,432,678	1,597,246

At December 31, 2015, the maximum exposure to credit risk for trade and other receivables by counterparty type was as follows:

- At December 31, 2015, the Group's most significant customer, accounted for 24% of the trade and other receivables carrying amount (26% in 2014).
- Customers classified as "high risk" are included in a list of restricted customers and they are monitored by the Risk Management Committee.

At 31 December 2015 and 2014, the aging of trade and other receivables was as follows:

		2015	2014
Current portfolio	$	1,007,576	1,123,664
Past-due portfolio 1-30		378,564	314,566
Past-due portfolio 31-60		19,836	82,103
Past-due portfolio 61-90		15,620	35,612
Past-due portfolio +90		18,653	42,293
Legal portfolio		13,077	8,161
Total portfolio		1,453,326	1,606,399
Estimated portfolio of doubtful accounts		(20,648)	(9,153)
Total trade receivables	$	1,432,678	1,597,246

The allowance for doubtful accounts movement for the years ended December 31, 2015 and 2014, is as follows:

		2015	2014
Allowance as at January 1st	$	9,153	9,603
Additions (reductions)		11,520	(450)
Applications		25	-
Allowance as at December 31	$	**20,648**	**9,153**

At December 31, 2015 and 2014, the Company had certain accounts receivable that were not past due or impaired. The credit quality for 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 95% and 96% of the overall portfolio in 2015 and 2014, respectively. At December 31, 2015 and 2014, 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 investment in securities

The Group held cash and cash equivalents of $1,483,095 as of December 31, 2015 (2014 $2,450,833). The cash and cash equivalents are held with banks and financial institutions counterparties, which are rated between the rank AA and AAA.

Guarantees

Cash and cash equivalents include restricted cash as follows:

Margin account held for commodities operation $142,990 as at December 31, 2015 (2014 $37,222).

Trust account by $38,246 al 31 as at December 31, 2015 (2014 $33,332).

Derivatives

The derivative are entered into with bank and financial institution counterparties, which are rated between the range AA and AAA, according to various rating agencies.

(Thousands of Mexican pesos)

The book value of derivative and non-derivative financial assets represents the maximum credit risk exposure of the Group:

	BOOK VALUE (000'MXP)	
	DERIVATIVE FINANCIAL HEDGING INSTRUMENTS	
DECEMBER 31, 2015		
DERIVATIVE FINANCIAL ASSETS MEASURED AT FAIR VALUE		
Forwards on exchange rate hedging	$	12,131
Futures on raw materials		13,499
DECEMBER 31, 2014		
DERIVATIVE FINANCIAL ASSETS MEASURED AT FAIR VALUE		
Forwards on exchange rate hedging	$	23,641
Futures on raw materials	$	368

ii) Liquidity risk-

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity based costing to cost its products and services, which assist it in monitoring cash flow requirements and optimizing its cash return on investments.

Normally, the Group ensures that it has sufficient available cash to cover expected operating expenses for a 60-day period, which includes payment of its financial obligations. The aforementioned excludes the possible impact of extreme circumstances that are not reasonably predictable, such as natural disasters.

Exposure to liquidity risk

A table with a summary of the outstanding financial liabilities of payment, including interest payable each future expiration date corresponding to December 31, 2015 and 2014, is shown below:

		CONTRACTUAL CASH FLOWS					
	BOOK VALUE	TOTAL	2 MONTHS OR LESS	2 MONTHS TO 1 YEAR	1 TO 2 YEARS	2 TO 3 YEARS	MORE 3 YEARS
DECEMBER 31, 2015							
DERIVATIVE FINANCIAL LIABILITIES							
Swaps on interest rates	$ (30,367)	(31,430)	(3,976)	(13,436)	(10,145)	(2,278)	(1,595)
Forwards on exchange rate	(12,874)	(12,979)	(6,926)	(6,053)	-	-	-
Future on raw materials	(16,459)	(16,459)	-	(16,459)	-	-	-
NON-DERIVATIVE FINANCIAL LIABILITIES							
Bank debt in MXN	(450,000)	(540,841)	(8,481)	(125,176)	(126,458)	(119,394)	(161,332)
Bank debt in USD	(1,109,747)	(1,142,971)	(245,136)	(18,100)	(879,735)	-	-
Issuance debt							
CEBURES HERDEZ 10	(597,837)	(696,217)	-	(48,109)	(648,108)	-	-
CEBURES HERDEZ 13	(1,992,254)	(3,297,458)	-	(162,182)	(162,182)	(162,182)	(2,810,912)
CEBURES HERDEZ 13-2	(997,145)	(1,156,458)	(6,218)	(38,706)	(54,319)	(1,057,215)	-
CEBURES HERDEZ 14	(797,304)	(897,396)	(4,721)	(228,160)	(229,645)	(222,157)	(212,713)

		CONTRACTUAL CASH FLOWS					
	BOOK VALUE	TOTAL	2 MONTHS OR LESS	2 MONTHS TO 1 YEAR	1 TO 2 YEARS	2 TO 3 YEARS	MORE 3 YEARS
DECEMBER 31, 2014							
DERIVATIVE FINANCIAL LIABILITIES							
Swaps on interest rates	$ (31,706)	(33,674)	(3,397)	(9,505)	(9,880)	(6,637)	(4,255)
Forwards on exchange rate	(31,256)	(31,595)	(6,208)	(25,387)	-	-	-
Future on raw materials	(5,590)	(5,590)	-	(5,590)	-	-	-
NON-DERIVATIVE FINANCIAL LIABILITIES							
Bank debt in MXP	(600,000)	(819,733)	(11,163)	(34,865)	(52,429)	(155,684)	(565,592)
Issuance debt							
CEBURES HERDEZ 10	(596,602)	(744,326)	-	(48,109)	(48,109)	(648,108)	-
CEBURES HERDEZ 11	(599,821)	(603,652)	-	(603,652)	-	-	-
CEBURES HERDEZ 13	(1,991,275)	(3,459,640)	-	(162,182)	(162,182)	(162,182)	(2,973,094)
CEBURES HERDEZ 13-2	(996,166)	(1,222,015)	(5,670)	(36,625)	(53,109)	(62,637)	(1,063,974)
CEBURES HERDEZ 14	(996,615)	(1,150,918)	(5,693)	(233,514)	(239,152)	(234,378)	(438,181)

iii) Market risk-

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and materials costs affect the Group's income or the value of its holdings of financial instruments. The purpose of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return.

The Group uses derivatives to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, the Group seeks to apply hedge accounting to mitigate volatility in income statement.

(Thousands of Mexican pesos)

It is noteworthy that Grupo Herdez also has the risk of price changes in raw materials which is why the Company operates with future derivatives.

Currency risk-

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and loans are denominated and the functional currency of the Group, which is the Mexican peso. The currency in which these transactions are mainly denominated is the U.S. dollar (US$).

Through hedging, the Group protects its estimated exposure to variations in exchange rates with respect to purchases projected with suppliers, denominated in foreign currency. The Group uses "forwards" exchange rate contracts to hedge its currency risk, most with maturities of less than one year as from the reporting date.

In respect to other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at exchange rates of transactions in cash or "spot" to cover incidentals in the short-term.

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the Management of the Group is as follows:

	DECEMBER 31, 2015		DECEMBER 31, 2014	
	MXN	USD	MXN	USD
Trade receivables	**798,457**	**46,047**	335,143	22,745
Trade payables and notes payable	**(2,366,262)**	**(136,464)**	(1,171,284)	(79,491)
Net statement of financialposition exposure	**(1,567,805)**	**(90,417)**	(836,141)	(56,746)
Held to maturity agreements in foreign currency	-	-	(205,816)	(13,968)
Net exposure	**(1,567,805)**	**(90,417)**	**(1,041,957)**	**(70,714)**

The following significant exchange rates have been applied during the year:

	AVERAGE EXCHANGE RATE		EXCHANGE RATE AT DECEMBER 31,	
	2015	2014	2015	2014
U.S. dollar	$ **15.8602**	**13.3043**	**17.3398**	**14.7348**

Sensitivity analysis

A reasonably possible strengthening (weakening) of the US dollar, against all other currencies at December 31 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and income statement by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	PROFIT OR LOSS		EQUITY, NET OF TAX	
	STRENGTHENING	WEAKENING	STRENGTHENING	WEAKENING
DECEMBER 31, 2015	**18.2068**	**16.4728**		
USD (5%movement)	(1,646,195)	(1,489,415)	(54,873)	54,873
DECEMBER 31, 2014	**15.4715**	**13.9981**		
USD (5%movement)	(1,098,024)	(993,450)	(36,601)	36,601

Exposure to currency risk on financial liabilities

The following table represents the Group's exposure to foreign currency risks in the financial liabilities of the Group:

	DECEMBER 31,			
	2015		2014	
	MXN	USD	MXN	USD
Guaranteed bank loans	**1,109,747**	**64,000**	-	-

Below is a sensitivity analysis on financial liabilities in foreign currency at December 31, 2015 is shown , if the weight increase or decrease +$1 and +/- 1.50 showing the changes that have in exposure to this risk.

	INCREASE		DECREASE	
DECEMBER 31, 2015				
Effect in 000' MXP	**+ $ 1.50**	**+ $ 1.00**	**- $ 1.00**	**- $ 1.50**
FINANCIAL LIABILITIES IN USD	$ 96,000	64,000	(64,000)	(96,000)
Total	**$ 96,000**	**64,000**	**(64,000)**	**(96,000)**

Derivative financial Instruments-

YEAR	INSTRUMENT	NOTIONAL AMOUNT (000'USD)
2015		
	Forward (buy)	20,000
	Forward (sale)	(27,500)
	Commodities	1,113
2014		
	Forward (buy)	23,000
	Forward (sale)	(27,000)
	Commodities	16,161

A sensitivity analysis about assets and derivative liabilities and non-derivative instruments denominated in foreign currencies at December 31, 2015 and 2014, is shown below, if the peso were to increment or decrease +$1.00, +/- $ 1.50 showing the changes that would be in exposure to this risk.

Derivative financial instruments

	INCREASE		DECREASE	
DECEMBER 31, 2015				
Effect in 000' MXP	**+ $ 1.50**	**+ $ 1.00**	**- $ 1.00**	**- $ 1.50**
DERIVATIVE FINANCIAL INSTRUMENTS				
Forwards buy	$ 29,979	19,986	(19,986)	(29,979)
Forwards sale	(41,124)	(27,416)	27,416	41,124
Future on commodities	(256)	(171)	171	256
Total	**$ (11,401)**	**(7,601)**	**7,601**	**11,401**
DECEMBER 31, 2014				
Effect in 000' MXP	**+ $ 1.50**	**+ $ 1.00**	**- $ 1.00**	**- $ 1.50**
DERIVATIVE FINANCIAL INSTRUMENTS				
Forwards buy	$ 34,491	22,994	(22,994)	(34,491)
Forwards sale	(40,447)	(26,965)	26,965	40,447
Future on commodities	(532)	(354)	354	532
Total	**$ (6,488)**	**(4,325)**	**4,325**	**6,488**

This analysis assumes that all other factors remain constant.

Interest rate risk-

The Group adopts a policy of ensuring that its exposure to interest rate fluctuations on loans to be at a fixed rate and variable rate. This is through a concentration of interest rate hedge operations (swaps).

In addition, the Group is exposed to fluctuations in rates on financial liabilities: Bank debt and debt issues.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	NOMINAL AMOUNT	
	2015	2014
FIXED-RATE INSTRUMENTS		
Financial liabilities in MXP	$ (2,600,000)	(2,600,000)
VARIABLE-RATE INSTRUMENTS		
Stock market certificates	(1,800,000)	(2,600,000)
Financial liabilities in MXP	(450,000)	(600,000)
Financial liabilities in USD	$ (1,109,747)	-

Fair value sensitivity analysis for fixed-rate instruments

A sensitivity analysis considering various scenarios (+/- 50 points basis and +/- 100 point basis) to the instruments that are exposed to the interest rate risk, in this particular case TIIE is shown below. It is noteworthy that this analysis was performed on the fair values of the various instruments:

DECEMBER 31, 2015	INCREASE		DECREASE	
Effect in 000' MXP	**+ 100 pb**	**+50 pb**	**- 50 pb**	**- 100 pb**
CEBURES HERDEZ 10	$ 9,885	4,696	(5,023)	(10,099)
CEBURES HERDEZ 13	115,478	58,843	(61,052)	(124,314)
Total	**$ 125,363**	**63,539**	**(66,075)**	**(134,413)**
DECEMBER 31, 2014	**INCREASE**		**DECREASE**	
Effect in 000' MXP	**+ 100 pb**	**+50 pb**	**- 50 pb**	**- 100 pb**
CEBURES HERDEZ 10	$ 15,330	7,725	(7,845)	(15,809)
CEBURES HERDEZ 13	131,818	67,312	(70,117)	(143,039)
Total	**$ 147,148**	**75,037**	**(77,962)**	**(158,848)**

Fair value sensitivity analysis for variable-rate instruments

A sensitivity analysis considering various scenarios (+/- 50 points basis and +/- 100 point basis) to the instruments that are exposed to the interest rate risk for variable-rate, in this particular case TIIE is shown below. It is noteworthy that this analysis was performed on the fair values of the various instruments:

DECEMBER 31, 2015		INCREASE		DECREASE	
Effect in 000' MXP		**+100 pb**	**+ 50 pb**	**- 50 pb**	**-100 pb**
CEBURES HERDEZ 13-2	$	26,912	13,555	(13,754)	(27,706)
CEBURES HERDEZ 14		17,651	8,891	(9,021)	(18,172)
Total	**$**	**44,563**	**22,446**	**(22,775)**	**(45,878)**

DECEMBER 31, 2015		INCREASE		DECREASE	
Effect in 000' MXP		**+100 pb**	**+ 50 pb**	**- 50 pb**	**-100 pb**
Pasivos financieros en MXP	$	(617,867)	(306,833)	302,492	600,493
Total	**$**	**(617,867)**	**(306,833)**	**302,492**	**600,493**

DECEMBER 31, 2014		INCREASE		DECREASE	
Effect in 000' MXP		**+100 pb**	**+ 50 pb**	**- 50 pb**	**-100 pb**
CEBURES HERDEZ 13-2	$	35,844	18,099	(18,454)	(37,263)
CEBURES HERDEZ 14		26,587	13,413	(13,654)	(27,548)
Total	**$**	**62,431**	**31,512**	**(32,108)**	**(64,811)**

DECEMBER 31, 2014		INCREASE		DECREASE	
Effect in 000' MXP		**+100 pb**	**+ 50 pb**	**- 50 pb**	**-100 pb**
Pasivos financieros en MXP	$	(1,555)	(786)	803	1,625
Total	**$**	**(1,555)**	**(786)**	**803**	**1,625**

Below is a sensitivity analysis considering various scenarios (+/- 5 and +/- 10 basis points basis points) for instruments that are exposed to interest rate risk at a variable rate, in this particular case at the rate it is shown Libor. It is noteworthy that this analysis was performed on the fair values of the various instruments.

DECEMBER 31, 2015	INCREASE		DECREASE	
Effect in 000' USD	**+ 10 pb**	**+5 pb**	**-5 pb**	**- 10 pb**
Financial liabilities in USD	$ (12,989)	(6,490)	6,480	12,940
Total	**$ (12,989)**	**(6,490)**	**6,480**	**12,940**

Fair value sensitivity analysis for derivative financial instruments

The Company is exposed to the rate risk of the different financial instruments held, a sensitivity analysis for each of them is shown below.

Swap on interest rates

	INCREASE		DECREASE	
Effect in 000' MXP	**+ 100 pb**	**+ 50 pb**	**- 50 pb**	**- 100 pb**
December 31, 2015				
Swap on interest rates	$ 684	346	(356)	(721)
	INCREASE		DECREASE	
Effect in 000' MXP	**+ 100 pb**	**+ 50 pb**	**- 50 pb**	**- 100 pb**
December 31, 2014				
Swap on interest rates	$ 8,759	4,445	(4,583)	(9,310)

Currency forwards

Additionally, in accordance with the valuation model on currency forwards, part of the inputs are the local rate and foreign rate, these instruments are exposed to the fluctuation in those rates, therefore, a sensitivity analysis for each rates is shown below: (local or implicit rate and foreign rate).

DECEMBER 31, 2015				
LOCAL RATE				
	INCREASE		DECREASE	
Effect in 000' MXP	**+ 100 pb**	**+ 50 pb**	**- 50 pb**	**- 100 pb**
December 31, 2015				
Forwards buy	$ 429	215	(215)	(430)
Forwards sale	(1,982)	(994)	1,000	2,005
Total	**$ (1,553)**	**(779)**	**785**	**1,575**
FOREIGN RATE (LIBOR)				
Effect in 000' MXP	**+ 10 pb**	**+ 5 pb**	**- 5 pb**	**- 10 pb**
December 31, 2015				
Forwards buy	$ (45)	(22)	22	45
Forwards sale	206	103	(103)	(206)
Total	**$ 161**	**81**	**(81)**	**(161)**

DECEMBER 31, 2014					
LOCAL RATE					
		INCREASE		DECREASE	
Effect in 000' MXP		**+ 100 pb**	**+ 50 pb**	**- 50 pb**	**- 100 pb**
December 31, 2014					
Forwards buy	$	383	192	(192)	(385)
Forwards sale		(1,535)	(770)	774	1,553
Total	**$**	**(1,152)**	**(578)**	**582**	**1,168**
FOREIGN RATE (LIBOR)					
Effect in 000' MXP		**+ 10 pb**	**+ 5 pb**	**- 5 pb**	**- 10 pb**
December 31, 2014					
Forwards buy	$	(41)	(20)	20	41
Forwards sale		170	85	(85)	(170)
Total	**$**	**129**	**65**	**(65)**	**(129)**

Risk in the of raw material prices fluctuation

The Group is exposed to the risk from the fluctuating prices of raw material, therefore a sensitivity analysis was performed on the instruments that are affected by this risk considering scenarios of +/- 10% and +/-15%.

DECEMBER 31, 2015		INCREASE		DECREASE	
Effect in 000' MXP		**+10%**	**+15%**	**-10%**	**- 15%**
DERIVATIVE FINACIAL INTRUMENTS					
Future on commodities	$	59,908	89,861	(59,908)	(89,861)
Total	**$**	**59,908**	**89,861**	**(59,908)**	**(89,861)**
DECEMBER 31, 2014		INCREMENTO		DECREMENTO	
Effect in 000' MXP		**+10%**	**+5%**	**-10%**	**- 5%**
DERIVATIVE FINACIAL INTRUMENTS					
Future on commodities	$	784	522	(522)	(784)
Total	**$**	**784**	**522**	**(522)**	**(784)**

Capital management-

The Group's policy is to maintain a strong capital basis so as to maintain the investor, creditor and market confidence and to sustain future development of the business. Capital is comprised by total stockholders' equity, minus the accrued amounts in the equity related with hedging of cash flow. The Board of Directors also monitors the returns on capital and as well as the level of dividends distributed to the stockholders of ordinary shareholders.

The Group monitors capital using a debt-equity adjusted index, which adjusts net debt to adjusted equity. For this purpose, adjusted net debt is defined as total liabilities compressing interest-bearing loans and borrowings and obligations under finance leases plus dividends proposed unearned, less cash and cash equivalents. Adjusted equity includes all components of equity other than amounts recognized in equity relating to cash flow hedges, less proposed unearned dividends.

During the reporting periods, there were no changes in the approach to the Group's policies on capital management.

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

Periodically, the Group purchases its own shares on the market; the timing of such purchases depends on market prices. Buying and selling decisions are made by Management; the Group does not have a defined specific plan to repurchase shares.

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

— The debt and its cost must not exceed 100% of consolidated stockholders' equity.
— Not to reduce capital stock to under $10,000,0000.
— Debt and its cash cost net must not exceed 2.75 times the EBITDA (1).
— Not to reduce interest hedge (EBITDA/net financing expenses) to less than 3 times.

All of these rules were duly complied as of December 31, 2015 and 2014.

(1) EBITDA = Operating Income plus Depreciations and Amortizations.

(7) Related parties-

Parent and ultimate controlling party

As mentioned in note 1, the Group is a subsidiary of Hechos con Amor, S. A. de C. V., which belongs 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 the Group shares. The remaining 49% of the shares is owned by numerous stockholders.

Related party transactions

The main balances of accounts receivable and payable with related parties as of December 31, 2015 and 2014, are in the next page.

(Thousands of Mexican pesos)

	2015		2014	
	DEBTOR	CREDITOR	DEBTOR	CREDITOR
HOLDING COMPANY:				
Hechos Con Amor, S. A. de C. V.	$ -	(6,042)	-	(374)
JOINT VENTURES:				
Megamex Foods LLC	68,325	-	92,525	-
Intercafé, S. A. de C. V.	6,465	-	4,272	-
ASSOCIATED COMPANIES:				
Incubadora Orgánica, S. A. de C. V.	2,421	-	-	-
Grupo KUO, S. A. B. de C. V.	-	-	-	(13,125)
OTHER RELATED PARTIES:				
McCormick and Company, Inc.	-	(36,550)	-	(238,802)
Barilla Ger Fratelli	-	(26,735)	-	(16,697)
Barilla America Inc.	-	(1,778)	-	-
Suministradora de Combustibles y Lubricanes del Puerto Madero, S. A. de C. V.	-	(26,262)	-	-
Hormel Food, S. A. de C. V.	14	-	-	-
Desc Corporativo, S. A. de C. V.	-	(1,995)	-	(4,223)
Stafford de México S. A. de C. V.	-		1,250	-
Others, net	3,700	-	6,583	-
	$ 80,925	(99,362)	104,630	(273,221)

During the years ended December 31, 2015 and 2014, operations conducted with related parties which were performed at market value are shown below:

	2015	2014
HOLDING COMPANY:		
Lease expenses	$ (39,816)	(33,595)
Other expenses	$ (1,697)	(5,023)
JOINT VENTURE:		
Commissions on sales	$ 8,795	8,388
Interest collected	$ 635	882
Sales of finished goods and materials	$ 615,840	640,629
Other income	$ 306	167

		2015	2014
ASSOCIATED COMPANIES:			
Purchase of materials	$	(482,723)	(358,172)
Lease income	$	1,500	1,500
Other income	$	-	425
OTHER RELATED PARTIES:			
Lease expenses	$	(33,339)	(51,477)
Freight services		(5,765)	(11,216)
Interests earned		-	9,904
Interests paid		(55,388)	(48,725)
Royalties paid (1)		(254,635)	(239,947)
Administrative services paid		(18,371)	(50,268)
Fuel purchase (2)		(143,526)	(147,421)
Payments for import of finished products		(64,432)	(63,926)
Sale of finished goods and materials		348,794	288,299
Other expenses		(1,834)	(2,757)

(1) Payment for the use of trademarks McCormick and Barilla to McCormick and Company, Inc. and Barilla Ger Fratelli, respectively.

(2) Purchases performed to the Fuel Terminal, mainly for the Tuna Fishing fleet to Suministradora de Combustibles y Lubricantes del Puerto Madero, S. A. de C. V.

Key management personnel compensation

The key members of the Board of Directors received the compensations shown in next page during those periods, which are included in personnel costs under general expenses in the corresponding consolidated statements of income.

		2015	2014
Short and long-term direct benefits	$	25,969	11,280
Termination benefits		13,247	21,220
	$	**39,216**	**32,500**

(8) Inventories-

Inventories are comprised as follows:

		2015		2014	
Finished goods	$	1,547,807	(1)	1,294,598	(1)
Semi-finished goods		1,345		1,348	
Raw materials and packaging materials		585,112	(2)	477,280	(2)
Materials held by contract manufacturers		186,133		82,185	
Spare parts warehouse		117,427		83,608	
Total	**$**	**2,437,824**		**1,939,019**	

(Thousands of Mexican pesos)

Turnover of spare parts inventory is under 365 days (average 235 days), therefore, its application is handled based on consumption.

(1) At December 31, 2015 and 2014, the Company has recognized an allowance for finished goods inventories of $42,975 and $34,448, respectively.

(2) At December 31, 2015 and 2014, the Company has recognized an allowance for Raw materials and packaging materials of $2,594 and $4,473, respectively.

(9) Accounts receivable

Accounts receivable consist of the following:

	2015	2014
Customers	$ 1,453,326	1,606,399
Debtors	116,768	99,096
	1,570,094	1,705,495
Less allowance for doubtful accounts	20,648	9,153
Accounts receivable - Net	**$ 1,549,446**	**1,696,342**

(10) Property, machinery and equipment-

At December 31, 2015 and 2014, property, machinery and equipment are comprised as shown in the following table:

	BALANCES AT JANUARY 1, 2015	ADDITIONS	DISPOSALS	TRANSFERS	DISPOSALS RESERVE	BUSINESS ACQUISITION	BALANCES AT DECEMBER 31, 2015
Building	$ 2,058,556	19,272	(5,423)	153,628	(14,784)	56,532	**2,267,781**
Machinery and tools	2,991,963	75,872	(81,589)	286,512	(108,903)	280,935	**3,444,790**
Fishing equipment	1,231,769	86,059	(66,895)	-	-	-	**1,250,933**
Office furniture and equipment	131,088	10,243	(575)	6,814	(2,676)	7,120	**152,014**
Stowing and transportation equipment	375,965	6,434	(1,038)	10,005	(3,799)	68,573	**456,140**
Electronic data processing equipment	217,468	15,133	(4,826)	1,217	(2,800)	2,456	**228,648**
Original investment (OI)	7,006,809	213,013	(160,346)	458,176	(132,962)	415,616	**7,800,306**
Accumulated depreciation	(3,414,917)	(360,334)	31,084	-	90,895	-	**(3,653,272)**
OI less depreciation	3,591,892	(147,321)	(129,262)	458,176	(42,067)	415,616	**4,147,034**
Land	342,402	23,182	(23,461)	-	-	18,266	**360,389**
Allowance for impaiment	(142,338)	-	-	-	42,067	-	**(100,271)**
Construction in progress	453,788	844,698	(42,151)	(458,176)	-	-	**798,159**
Total fixed assets	**$ 4,245,744**	**720,559**	**(194,874)**	**-**	**-**	**433,882**	**5,205,311**

	BALANCES AT JANUARY 1, 2014	ADDITIONS	DISPOSALS	TRANSFERS	BALANCES AT DECEMBER 31, 2014
Building	$ 1,761,990	11,178	(83,273)	368,661	2,058,556
Machinery and tools	2,706,622	20,972	(44,960)	309,329	2,991,963
Fishing equipment	1,102,532	75,570	(73,763)	127,430	1,231,769
Office furniture and equipment	115,148	7,079	(601)	9,462	131,088
Stowing and transportation equipment	342,676	9,935	4,643	18,711	375,965
Electronic data processing equipment	195,924	12,798	8,746	-	217,468
Original investment (OI)	6,224,892	137,532	(189,208)	833,593	7,006,809
Accumulated depreciation	(3,237,283)	(295,002)	117,368	-	(3,414,917)
OI less depreciation	2,987,609	(157,470)	(71,840)	833,593	3,591,892
Land	352,263	-	(9,861)	-	342,402
Allowance for impairment	-	-	(142,338)	-	(142,338)
Construction in progress	771,027	575,317	(58,963)	(833,593)	453,788
Total fixed assets	**$ 4,110,899**	**417,847**	**(283,002)**	**-**	**4,245,744**

At December 31, 2015 and 2014, the depreciation expense of $230,906 and $209,384, respectively, was charged to the cost of sales, $114,994 and $71,970 to selling expenses, respectively, and $14,434 and $13,648 to administrative expenses, respectively.

Allowance for unused fixed assets

During 2014, as a result of the replacement occurred for the plant called "La Corona", located on Los Mochis, Sinaloa, an allowance for unused fixed assets was recognized by the Group arising $142,338 in relation with plant and equipment. The effect was charged within other expenses.

Construction in progress

During 2015, the Group developed projects that will increase production capacity for $844,698, which are estimated to be completed in 2016; the outstanding estimated investment related to such constructions in progress amounts to $557,912.

(Thousands of Mexican pesos)

(11) Intangible assets and goodwill-

Intangible assets as at December 31, 2015 and 2014, include the following:

	GOODWILL	PATENTS AND TRADEMARKS	LICENSES	COMPUTER PROGRAMS	DEFINED LIFE INTANGIBLE ASSETS(1)	TOTAL INTANGIBLE ASSETS
BALANCE AT JANUARY 1, 2014	$ 4,578,575	1,984,368	-	12,620	32,820	6,608,383
Additions	-	10,000	-	25,667	-	35,667
Business additions	32,752	-	-	-	-	32,752
Impairment loss	-	(29,787)	-	-	-	(29,787)
Amortization for the period	-	-	-	(953)	(9,821)	(10,774)
BALANCE AT DECEMBER 31, 2014	4,611,327	1,964,581	-	37,334	22,999	6,636,241
Additions	-	-	-	28,202	28,855	57,057
Business additions	101,225	-	366,369	-	117,817	585,411
Disposals	-	(10,000)	-	-	-	(10,000)
Impairment loss	(450,000)	-	-	-	-	(450,000)
Amortization for the period	-	-	(15,756)	(3,122)	(22,013)	(40,891)
BALANCE AT DECEMBER 31, 2015	**$ 4,262,552**	**1,954,581**	**350,613**	**62,414**	**147,658**	**6,777,818**

(1) Corresponds to non-competence contracts, developed technology and customer relationships.

For the year ended on December 31, 2015, the Group's Management recognized an impairment loss of $450,000 applied to Frozen segment, and accounted in other expenses during 2015 (note 23).

For the year ended on December 31, 2014, the Group's Management recognized an impairment loss of $17,581 and $12,206 applied to "Solo" and "La Gloria" brands, respectively, as no income will be obtained in the future for the aforementioned intangible assets.

Amortization-

Amortization of intangible assets for the years ended December 31, 2015 and 2014 was recognized under cost of sales, administrative and selling expenses in the income statement.

Impairment testing for cash-generating units containing goodwill-

For the purposes of impairment testing, goodwill has been allocated to the Group's cash-generating units (operating division).

The following is a summary of goodwill assigned to each operating segment:

	DECEMBER 31, 2015			
	OPENING BALANCE	ADDITIONS	IMPAIRMENT LOSS	CLOSING BALANCE
Goodwill related to national segment	$ 2,886,864	-	-	2,886,864
Goodwill related to frozen segment	1,724,463	101,225	(450,000)	1,375,688
	$ 4,611,327	**101,225**	**(450,000)**	**4,262,552**

	DECEMBER 31, 2014		
	OPENING BALANCE	ADDITIONS	CLOSING BALANCE
Goodwill related to national segment	$ 2,854,112	32,752	2,886,864
Goodwill related to frozen segment	1,724,463	-	1,724,463
	$ 4,578,575	**32,752**	**4,611,327**

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 estimation of value in use in 2015 are as follows:

	NATIONAL SEGMENT	FROZEN SEGMENT
Gross margin	30.00%	63.72%
Long-term growth rate	3.90%	3.30%
Discount rate	9.50%	10.80%

The key assumptions used in estimation of value in use in 2014 are as follows:

	NATIONAL SEGMENT	FROZEN SEGMENT
Gross margin	30.00%	62.64%
Long-term growth rate	3.90%	5.00%
Discount rate	9.50%	12.40%

These assumptions have been used for each CGU.

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

The discount rate corresponds to a pre-tax measure that is estimated based on past experience and the weighted average cost of capital of the industry that is based on a possible range of debt leveraging of 40 percent at a market interest rate of 7 percent.

Five years of cash flows were included in the model of discounted cash flow. A long-term growth rate in perpetuity was determined based on the estimate of the administration of long-term compound annual EBITDA growth rate that, in the opinion of management, was consistent with the assumption that it would make a market participant.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimates sales volume and price growth for the next five years. It was assured that sales prices would grow at a constant margin above forecasted inflation over the next five years, in line with information obtained from external brokers who publish a statistical analysis of long-term market trends.

(12) Equity-accounted investees-

At December 31, 2015 and 2014, the investment in associated for $5,683,178 and $5,226,855, respectively, belongs to the investment in Megamex by $5,473,956 and $5,043,876, respectively, and others investments by $209,222 and $182,979, respectively (see note 13).

The Group's profit share for the year ended as of December 31, 2015 of its associated entities recognized by the equity method amounted to $446,123, and as of December 31, 2014 to $414,334.

At December 31, 2015, the Group received dividends from its associated Fábrica de Envases del Pacífico, S. A. de C. V. for $34,207.

(13) Associated parties-

Megamex Foods, LLC (Megamex) was incorporated on October 21, 2009 in the United States of America. Megamex is a joint venture between Hormel Foods Corporation and Authentic Specialty Foods Inc. (ASF), which is a subsidiary of Herdez Del Fuerte. The recognition of this investment is recognized under the equity method in the results of Authentic Specialty Foods Inc.

Megamex carries out the production, distribution and sale of a variety of Mexican products, mainly to supermarkets, food service, distributors, retailers and convenience stores. Some of the products marketed by Megamex are produced by Herdez Del Fuerte in Mexico.

The table included on the following page summarizes Megamex financial information of included in its financial statements. The following table reconciles the summary financial information with the book value of the participation of ASF.

		2015	2014
Non-current assets	$	4,939,612	4,619,229
Current assets		6,224,482	5,649,107
Non-current liabilities		1,486	1,243
Current liabilities		214,917	176,475
Net assets (100%)	$	**10,947,691**	**10,090,618**
Group's shares of net assets (50%)	$	5,473,956	5,045,410
Elimination of unrealized profit		-	(1,534)
Carrying amounts of the participation in the joint venture	$	**5,473,956**	**5,043,876**
Net sales	$	3,303,595	2,829,877
Interest income		274,197	222,967
Profit and total comprehensive income (100%)		**836,820**	**761,328**
Group's share of earnings and other comprehensive income (50%)	$	**418,418**	**380,672**
Received dividends from MegaMex Foods	$	**476,801**	**129,577**
Capital reduction	$	**86,045**	-

The following is a summary of the financial information pertaining to the main associated entities recognized by the equity method, by the Company's shareholding percentage:

DECEMBER 31, 2015	SHARE HOLDING		INVESTMENT
Incubadora Orgánica, S. A. de C. V.	50%	$	74
Intercafé, S. A. de C. V.	50%		34,661
Fábrica de Envases del Pacífico, S. A. de C. V.	50%		140,658
		$	**175,393**
DECEMBER 31, 2014	**SHARE HOLDING**		**INVESTMENT**
Incubadora Orgánica, S. A. de C. V.	50%	$	(210)
Intercafé, S. A. de C. V.	50%		33,097
Fábrica de Envases del Pacífico, S. A. de C. V.	50%		150,092
		$	**182,979**

Other investments are comprised as follows:

DECEMBER 31, 2015		INVESTMENT
AUA Private Equity Parallel Fund, LP	$	**33,829**

(14) Loans and liabilities-

This note provides information about the contractual terms of the Group's loans and liabilities bearing interest, which are valued at amortized cost in order to provide more information about Group's exposure to interest rate, foreign currency and liquidity risk.

(Thousands of Mexican pesos)

On November 10, 2014, the Group placed domestic bonds of $1,000,000; obtained resources were used to pay the long-term bond (HERDEZ 11) maturing in February 2015 and for other corporate purposes.

Notes payable as well as short and long term debts are analyzed as shown in the next page.

	2015	2014
Bank loan for 14 million dollars contracted with Banamex, maturing on February 16, 2016 with interest payable at the variable annual rate Libor plus 0.80% (note 29(b))	$ 242,757	-
Bank loan for 50 million dollars contracted with BBVA Bancomer, maturing on November 21, 2017 with interest payable at the variable annual rate Libor plus 1.60% (note 29(b))	866,990	-
Domestic bonds in Mexican pesos, maturing on February 13, 2015, with interest payable in at the 28-day TIIE plus 0.60%	-	600,000
Domestic bonds in Mexican pesos, maturing on September 20, 2017, with interest payable insemiannual at the rate of 7.93%	600,000	600,000
Domestic bonds in Mexican pesos, maturing on November 9, 2018, with interest payable in monthly at the 28-day TIIE plus 0.54%	1,000,000	1,000,000
Domestic bonds in Mexican pesos, maturing on November 4, 2019, with amortizations as from 2015 and interest payable in monthly at the 28-day TIIE plus 0.35%	800,000	1,000,000
Bank loan in Mexican pesos, maturing on December 5, 2019, with amortizations as from 2015 and interest payable at a variable rate 91-day TIIE, plus 2.00%	450,000	600,000
Domestic bonds in Mexican pesos, maturing on November 3, 2023, with interest payable semiannual at the rate of 8.02%	2,000,000	2,000,000
Total notes payable	5,959,747	5,800,000
Less current installments	542,757	900,000
Long term notes payable, excluding current installments	5,416,990	4,900,000
Cost of issuance of unamortized traded notes (domestic bonds)	(15,460)	(19,521)
Long-term maturity - Net	**$ 5,401,530**	**4,880,479**

Loan covenants

The main covenants are listed as follows:

- Not to exceed the 2.75 times leverages (liabilities with consolidated cost - net/EBITDA).
- Not to reduce interest hedge (EBITDA/net financing expenses) to less than 3 times.
- Not to reduce capital stock to under $10,000,000.
- To 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, 2015 and 2014 and at the date of approval of the Consolidated Financial Statements, there is no default whatsoever that could modify loan conditions.

Long-term debt-

At December 31, 2015 and 2014, the long-term debt is comprised as follows:

	2015	2014
Loans payable	$ 1,199,042	1,060,414
Commercial sale contract	117,318 [1]	67,248
	$ 1,316,360	1,127,662

(1) It relates to the quarterly payments made for the acquisition of machinery and equipment which have quarterly basis mature until 2020.

DECEMBER 31, 2015				
COMPANY	ACQUISITION DATE	MATURITY DATE	AMOUNT	INTEREST RATE
Grupo Kuo, S. A. B. de C. V.	Sep 30-15	Dec 31-18	$ 250,000	TIIE (91 days) + 4.50 points
Grupo Kuo, S. A. B. de C. V	Aug 12-15	Dec 31-18	74,683	TIIE (91 days) + 4.50 points
Grupo Kuo, S. A. B. de C. V.	Aug 12-15	Dec 31-18	354,165	Libor 3 (three) months +3.5%
Grupo Kuo, S. A. B. de C. V.	Sep 30-15	Dec 31-18	520,194	Libor 3 (three) months+ 3.5%
			$ 1,199,042 (2)	

DECEMBER 31, 2014				
COMPANY	ACQUISITION DATE	MATURITY DATE	AMOUNT	INTEREST RATE
Grupo Kuo, S. A. B. de C. V.	Dec 31-12	Dec 31-16	$ 250,000	TIIE (91 days) + 4.50 points
Grupo Kuo, S. A. B. de C. V.	Dec 31-13	Dec 31-16	368,370	Libor 3 (three) months + 3.5%
Grupo Kuo, S. A. B. de C. V.	Dec 31-13	Dec 31-16	442,044	Libor 3 (three) months + 3.5%
			$ 1,060,414 (2)	

(2) Simple credits.

(15) Business combination-

Acquisition of the Nestle Ice Cream Division.

On December 18, 2014 Grupo Nutrisa, S. A. B. de C. V. signed a sales agreement to acquire the shares of the ice cream division form Nestlé México, S. A. de C. V.. "Nestle". Such agreement contained certain terms and conditions, including the approval by the Federal Commission of Competence and the approval by the shareholders of Grupo Herdez, which had to be complied with for the operation to be completed.

On February 27, 2015 the Company through its subsidiary Alimentos Benefits, S. A. de C. V. acquired assets of ice cream division from Nestle in Mexico, according to the following:

- As of March 1st , 2015, the Group started consolidating the results of the ice cream division Nestle Mexico, S. A. de C. V.

- The transaction cost was $1,060,000 (thousands of pesos), including an ice cream plant in Lagos de Moreno, Jalisco, distribution equipment and freezers, and a long-term exclusive license to market and to sell the brands of Helados Nestle in Mexico, including the brands: Nestle, Mega, PelaPop and eXtreme, others. Additional, this agreement considers the permanency of the equipment of collaborators of Helados Nestle to lead this division of business.

- During the ten months period occurred as of December 31, 2015, Alimentos Benefits, S. A. de C. V. contributed revenues of $1,100,183 and profits of $7,247 to the Nutrisa Group's results (holding company). If the acquisition had occurred on January 1, 2015, the management estimates that consolidated revenue would have amounted to $1,320,220 and consolidated profits for the period would have amounted to $8,696. In determining these amounts the management has assumed that the provisionally determined fair value adjustments, arising from the acquisition date would have been the same if the acquisition had occurred on January 1, 2015.

Acquisition-related costs

During 2014, the Group incurred in acquisition costs of $3,336 relating to external legal fees, due diligence costs and bank commissions. These costs have been included in operation expenses.

Identifiable assets acquired and identifiable liabilities assumed

The following table is a summary of the amounts recognized for the assets acquired and liabilities assumed to the acquisition date:

Property, machinery and equipment	$	433,882
Intangible assets		484,186
Non-current assets		918,068
Current assets-Inventories		84,943
Total assets		1,003,011
Total liabilities – Employee benefits		44,236
Total identifiable acquired net assets	**$**	**958,775**

Measurement of fair values

Valuation techniques used to measure fair value of tangible assets acquired are as follows:

ASSET ACQUIRED	VALUATION TECHNIQUE
PROPERTY, PLANT AND EQUIPMENT	*Market Comparison Technique and Cost Technique:* The valuation model considers quoted market prices for items when they are available, and the depreciated replacement cost when appropriate. The depreciated replacement cost reflects the adjustments relating to physical deterioration as well as the functional and economic obsolescence.
INTANGIBLE ASSETS	*Relief-from-royalty method and multi-periods excess earning method:* The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned.

If the new information obtained within a period of one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition the accounting for the acquisition shall be revised.

Goodwill

Goodwill arising from the acquisition was recognized as follows:

Transferred consideration	$	1,060,000
Fair value of the identified net assets		(958,775)
Goodwill	**$**	**101,225**

Goodwill is mainly attributable to Helados Nestle workforce skills and technical talent and the growth strategy of the Group to strengthen its position in the segment through the incursion Helados Nestle into the category of frozen foods. No portion of the recognized goodwill is expected to be deductible for income tax purposes.

Contingent consideration

On August 22, 2011, HDF acquired through their joint venture called Megamex, 100% of the shares of the corporation Avomex, which purpose is the production, marketing, distribution and sale of processed avocado and "guacamole" through premium trademarks in the U.S.

As part of Avomex sales agreement, Megamex pledged to the payment of contingent consideration subject to Avomex financial results, which was due in 2014 (in terms of annual compound growth rate of net sales and adjusted EBITDA percentage on net sales).

The Group's Management concluded that the contingent consideration was paid by Megamex, following the acquisition of Avomex is part of the consideration for the business combination.

Due to the above and as a result of the valuation of the consideration, the best estimate was indeed performed; therefore, no significant losses are expected for any variation that may occur. The record of this allocation was made on the proportional part, and was part of the total consideration related to such business combination. The subsequent adjustments of valuation are recognized in the income statement of the Group.

On October 8, 2013, the Group entered an agreement in which they agreed to limit contingent consideration to US$60 million, which was paid in November 2014. Such agreement created the recognition of the corresponding liability.

(16) Operating lease-

Leases as lessee

The Group leases a number of warehouses and factory facilities under operating leases. The leases typically run for a period of 5 years, with an option to renew the lease after that date. Lease payments increase every five years to reflect the market lease prices. Some leases include additional lease payments based on changes in a local price index.

Leases of plant and warehouse were signed more than ten years ago and they correspond to combined leases of land and facilities. The Group determined that the land and buildings items of the lease of the warehouse and factory are operating leases. The fee paid to the owner of the building is increased to market shares at regular intervals, and the Group does not participate in the residual value of the facilities. Therefore, it was determined that substantially all the risks and benefits belong to the lessor.

One of the leased properties has been sub-leased by the Group. The lease and sub-lease expire in 2030. Sublease payments expected to be received arised $1,500, during 2015.

Amounts recognized in profit or loss

During the year, $183,174 were recognized as an expense in the income statement in regards with operating leases ($110,218 in 2014). An amount of $1,500 was included as "other income" in respect of sub-leases ($1,500 in 2014).

Future minimum lease payments

At the end of the reported period, the future minimum lease payments under non-cancellable operating leases were made as shown in the next page.

	2015	2014
Less than a year	$ 104,375	16,627
Between one year and five years	220,910	133,903
	$ 325,285	150,530

Leases as lessor

The Group does not have leases as lessor.

(17) Employee benefits-

	2015	2014
Obligations in the statement of financial position arising from:		
Pension plan and seniority premiums	$ (321,673)	(293,439)
Projected liability	(135,079)	(108,665)
Pension plan and seniority premiums:		
Net period cost	27,106	12,602
Actuarial losses recognized in the statement of comprehensive income in the period before income tax	(21,678)	(9,608)
Accumulated actuarial losses recognized in prior years in the statement of comprehensive income	18,111	39,789

(a) *Employee benefits*

Some entities of the Group offer their employees a pension plan of defined benefits in Mexico, on the basis of pensionable compensation and years of service of the employees. The Plan Assets (PA) that support 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 the Group and trustees (or equivalent) and their composition thereof.

Following is a breakdown of the PA defined benefit:

	2015	2014
Variable rent	$ 44,430	41,694
Debt instrument	101,116	85,507
Cash	40,593	57,110
Fair value of plan assets	$ 186,139	184,311

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

	2015	2014
Defined benefit obligations	$ (321,673)	(293,439)
Fair value of PA	186,139	184,311
Variations in assumptions and adjustments	455	463
Net projected liabilities	$ (135,079)	(108,665)

(Thousands of Mexican pesos)

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

	2015	2014
As at January 1	$ 293,439	321,907
Cost of current service	19,242	16,224
Financial cost	20,167	20,042
Actuarial losses	(32,530)	(23,964)
Benefits paid	(3,858)	(31,996)
Obligations reduction effect	-	(8,948)
Personnel transfer	25,213 (1)	174
As at December 31	$ 321,673	293,439

(1) Due to business combination the Group acquired a liability of employee benefits of $ 44,236 (note 15), after acquisition the Group paid benefits of $19,000.

The entry in the PA fair value during the years presented are as follows:

	2015	2014
As at January 1	$ 184,311	199,432
Expected return on plan assets	5,729	8,822
Employer's contribution	-	-
Benefits paid from PA	(3,901)	(23,943)
As at December 31	$ 186,139	184,311

The amounts recognized in the income statement are as follows:

	2015	2014
Cost of current service	$ 19,242	16,224
Financial cost (a)	20,167	20,042
Expected return on PA (b)	(12,327)	(14,716)
Net interest (a + b)	7,840	5,326
Obligations reduction effect	-	(8,948)
Cost of prior services	24	-
Total included in personnel costs and expenses	$ 27,106	12,602

The charge for the 2015 period of $27,106 was included in the cost of sales for $10,706 administrative expenses $5,869 and selling expenses $10,531.

The charge for the 2014 period of $12,602 was included in the cost of sales for $4,449 administrative expenses for $3,414, and selling expenses for $4,739.

(b) *Defined benefit obligations-*

(i) Actuarial Assumptions-

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

Discount rate-

The discount rate was determined using as reference the curve of zero-coupon government bonds in force as at November 30, 2015 and 2014, 7.00% rate (rounded off to the nearest quarter).

Long-term inflation rate-

Banco de México (Central Bank) established a goal for long-term inflation of 3.50%, which was considered for the valuation of the labor obligations.

Salary increase rate-

Based on experience, salary increases have been observed to be presented on the basis of annual inflation, thus a nominal rate of 4.50% was maintained, the same as in 2014.

Expected return of PA-

The expected return rate on plan assets is consistent with the discount rate reported by the actuary and it was determined with the guidelines established in the most recent version of IAS 19.

See main actuarial variables used:

	2015	2014
Discount rate	**7.00%**	7.00%
Salary increase rate	**4.50%**	4.50%
Minimum wage increase rate	**3.50%**	3.50%
Long-term inflation rate	**3.50%**	3.50%

(ii) Sensitivity analysis-

Reasonably possible changes in the relevant actuarial assumptions at the balance sheet date, as long as other assumptions remain constant, would have affected the defined benefit obligation amounts included in the following table:

(Thousands of Mexican pesos)

DECEMBER 31, 2015		TOTAL	
SENIORITY PREMIUM		INCREASE	DECREASE
A. DEFINED BENEFIT OBLIGATIONS			
Discount rate (change of 1%)	$	3,635	(2,105)
Salary increase rate (change of 1%)		161	(316)
Future mortality (change of 1 year)		26	(25)

		TOTAL	
PENSION PLANS		INCREASE	DECREASE
A. DEFINED BENEFIT OBLIGATIONS			
Discount rate (change of 1%)	$	19,274	(19,993)
Salary increase rate (change of 1%)		22,640	(19,643)
Future mortality (change of 1 year)		801	(854)

DECEMBER 31, 2014		TOTAL	
SENIORITY PREMIUM		INCREASE	DECREASE
A. DEFINED BENEFIT OBLIGATIONS			
Discount rate (change of 1%)	$	(3,952)	4,732
Salary increase rate (change of 1%)		282	(304)
Future mortality (change of 1 year)		58	(54)

		TOTAL	
PENSION PLANS		INCREASE	DECREASE
A. DEFINED BENEFIT OBLIGATIONS			
Discount rate (change of 1%)	$	(24,950)	30,134
Salary increase rate (change of 1%)		30,603	(25,715)
Future mortality (change of 1 year)		1,923	(2,107)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Share based payment plan

At the Ordinary General Meeting of Shareholders in April 23, 2015, the share-based payment plan through equity contribution of employees to the Trust, established for these purposes agreed to settle in cash; eligible employees are executives with higher position than general managers (GG13), selected by the Technical Committee which appoints its sole discretion which employee has the opportunity to participate in the plan. As of December 31, 2015, awards have not been granted, a trust was established with an initial contribution of $7,000 dated in December 30, 2015.

(18) Income taxes-

Income Tax (IT)

On December 11, 2013, a decree was published in the Official Gazette whereby several tax provisions were amended, supplemented, and repealed. This decree became effective as of January 1, 2014.

The Income Tax Law in force as of January 1, 2014 establishes an income tax rate of 30% for 2014 and beyond.

Further changes are set out in the scheme of deduction of expenditure for employee benefits in the Income Tax Law, IT on dividends, eliminating the simplified regime, changing the income tax rate, changes in the determination of the Employee Statutory Profit Sharing (ESPS) and the elimination of tax consolidation regime. Up to December, 2014 the Group's Income Tax was determined on a consolidated basis

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 results.

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

	INCOME TAX LIABILITIES	
	2015	2014
Opening balance at January 1 of every year	$ 207,903	218,643
Increases:		
IT from differences in CUFIN and CUFINRE	41,056	-
Decrease:		
Payment the first installment	(32,959)	(10,740)
Transfer to current liabilities	(48,000)	-
Closing balance at December 31	**$ 168,000**	**207,903**

Amounts recognized in income

The income tax expense at December 31, 2015 and 2014, are comprised as shown below:

	2015	2014
Current tax expense	$ 831,300	871,712
Deferred tax expense	(104,827)	(107,517)
Total income tax	**$ 726,473**	**764,195**

(Thousands of Mexican pesos)

Amounts recognized in other comprehensive income

	2015			2014		
	BEFORE TAX	INCOME TAX EFFECT	NET OF TAX	BEFORE TAX	INCOME TAX EFFECT	NET OF TAX
Remeasurements of defined benefit (liability) asset	$ 17,426	3,590	21,016	8,993	9,285	(292)
Foreign business - conversion effect	316,850	-	316,850	194,974	-	194,974
Financial assets available-for-sale	10,863	(3,142)	7,721	(18,311)	(5,459)	(12,852)
	$ 345,139	448	345,587	185,656	3,826	181,830

Effective tax rate reconciliation

The following represents the reconciliation between the rates incurred and the effective IT rate:

	2015	2014
Income before taxes	$ 2,018,973	2,268,483
Plus goodwill impairment loss	450,000	-
Income base of income tax	2,468,973	2,268,483
Statutory rate	30%	30%
IT at statutory rate, carried forward	740,692	680,545
Plus (less) tax effect of permanent items:		
Inflationary effects	4,842	19,707
Results reported by associates and join ventures, net of tax	6,941	(13,129)
Tax loss carry forwards from previous years previously unrecognized	-	(28,541)
Other permanent items (1)	17,025	65,827
Recognition of deferred tax assets previously unrecognized	(84,083)	-
	685,417	724,409
Income tax consolidation tax	41,056	-
Income tax amnesty	-	39,786
IT expense	$ 726,473	764,195
Effective income tax rate	35%	34%

(1) Including non-deductible expenses from 2015 for $22,212 ($53,800 in 2014), prior year's differences and tax benefits from 2015 for $(5,187) ($12,027 in 2014).

The main effects of temporary differences for which deferred income tax are analyzed are shown as follows:

Movement in deferred tax balances

	2015			2014		
	ASSET	LIABILITY	NET	ASSET	LIABILITY	NET
Deferred assets:						
Estimates and accruals	$ 184,931	48,356	136,575	118,510	30,211	88,299
Derivative financial instruments (1)	12,972	-	12,972	18,889	-	18,889
Tax loss carry forwards and tax incentives	43,270	-	43,270	45,442	-	45,442
Investment in joint venture	51,580	-	51,580	51,580	-	51,580
Employees benefits (2)	23,045	-	23,045	19,148	-	19,148
Deferred tax asset	315,798	48,356	267,442	253,569	30,211	223,358
Deferred liabilities:						
Inventories	17,227	32,363	(15,136)	14,449	41,962	(27,513)
Derivative financial instruments (1)	-	2,751	(2,751)	-	5,526	(5,526)
Prepayments	-	16,199	(16,199)	-	9,478	(9,478)
Other assets	6,356	42,555	(36,199)	15,451	38,406	(22,955)
Property, machinery and equipment, net	148,023	102,707	45,316	66,908	99,701	(32,793)
Business Combination - Intangibles	-	12,105	(12,105)	-	-	-
Intangibles Nutrisa Trademark	-	297,840	(297,840)	-	297,840	(297,840)
Deferred tax for trademark recognition	-	262,000	(262,000)	-	262,000	(262,000)
Deferred tax liability	$ 171,606	768,520	(596,914)	96,808	754,913	(658,105)
Net deferred tax assets (liabilities)	$ 487,404	816,876	(329,472)	350,377	785,124	(434,747)

(1) These effects are recorded as part of other comprehensive income.

(2) There is an effect of $3,332 corresponding to deferred tax on actuarial losses recorded in other comprehensive income.

The gross movement on deferred tax is as follows:

	2015	2014
Opening balance	$ (434,747)	(538,438)
Valuation of financial instruments	(3,142)	5,459
Debit or credit related to components of other comprehensive income and incorporation of businesses	3,590	(9,285)
Recorded in income statement	104,827	107,517
	$ (329,472)	(434,747)

(Thousands of Mexican pesos)

Gross movement on the deferred tax asset and liability during the year is shown as follows:

DEFERRED ASSETS	ESTIMATES AND ACCRUALS	DERIVATIVE FINANCIAL INSTRUMENTS	FISCAL COST OF JOINT VENTURE SHARES	EMPLOYEE BENEFITS	TAX LOSSES AND INCENTIVES	TOTAL
BALANCES AT DECEMBER 31, 2013	$ 84,798	9,397	51,580	24,964	1,849	172,588
Debits (credits) related to other comprehensive income components	(1,051)	9,492	-	(8,235)	-	206
Debits (credits) to statement of income	4,552	-	-	2,419	43,593	50,564
BALANCES AT DECEMBER 31, 2014	88,299	18,889	51,580	19,148	45,442	223,358
Debits (credits) related to other comprehensive income components	-	(5,917)	-	3,590	-	(2,327)
Debits (credits) to statement of income	48,276	-	-	307	(2,172)	46,411
BALANCES AT DECEMBER 31, 2015	**$ 136,575**	**12,972**	**51,580**	**23,045**	**43,270**	**267,442**

DEFERRED LIABILITIES	INVENTORIES	DERIVATIVE FINANCIAL INSTRUMENTS	PREPAYMENTS	PROPERTY, MACHINERY AND EQUIPMENT NET	INTANGIBLE	OTHER ASSETS	TOTAL
BALANCES AT DECEMBER 31, 2013	$ (20,479)	(1,494)	(5,802)	(99,507)	(559,840)	(23,904)	(711,026)
Debits (credits) related to other comprehensive income components	-	(4,032)	-	-	-	-	(4,032)
Debits (credits) to statement of income	(7,034)	-	(3,676)	66,714	-	949	56,953
BALANCES AT DECEMBER 31, 2014	(27,513)	(5,526)	(9,478)	(32,793)	(559,840)	(22,955)	(658,105)
Debits (credits) related to other comprehensive income components	-	2,775	-	-	-	-	2,775
Debits (credits) to statement of income	12,377	-	(6,721)	78,109	-	(25,349)	58,416
BALANCES AT DECEMBER 31, 2015	**$ (15,136)**	**(2,751)**	**(16,199)**	**45,316**	**(559,840)**	**(48,304)**	**(596,914)**

Unrecognized deferred tax liabilities

At December 31, 2015, there was a deferred tax liability of $1,176,692 ($1,167,259 in 2014) for temporary differences of $2,967,142 ($2,948,434 in 2014) related to investments in subsidiaries and joint ventures that were not recognized because the Company is able to control the timing of the reversal of the temporary difference associated with those investments, the liability is likely not be reversed in the foreseeable future.

(19) Stockholders' equity and reserves-

(a) *Common shares-*

At December 31, 2015 and 2014, the Company's subscribed and paid-in capital stock totaled $432,275, plus an increase of $143,350, to express it in modified historical pesos, and is represented by 432,000,000 common nominative shares, with no par value.

In case of reduction of capital, the procedures established by the Income Tax Law (ITL) provide that any excess of stockholders' equity on the balance of the capital contributions is accorded the same tax treatment as dividends.

The Company decided to take the following measures in relation with the securities market outstanding shares.

(i) At the April 2015 Stockholders' meeting, the stockholders agreed on a maximum amount of $600,000 of resources that the Company can set aside to repurchase own shares.

The stock repurchase fund showed its activity as follows:

	DECEMBER 31, 2015		DECEMBER 31, 2014	
	NUMBER OF SHARES	AMOUNT	NUMBER OF SHARES	AMOUNT
Purchases	$ 1,762,880	62,583	6,648,046	237,141
Sales	(4,802,324)	(197,205)	(547,650)	(21,116)
Dividends in shares	(3,060,952)	(110,194)	-	-
Net	**(6,100,396)**	**(244,816)**	**6,100,396**	**216,025**

As at December 31, 2015 and 2014, the Company had no shares in the treasury.

(b) *Nature and purpose of reserves-*

Reserve for repurchase of shares

The Company may acquire shares representing its capital through the stock market in which it operates at the current market price, without giving effect to the prohibition as set forth in the first paragraph of Article One Hundred Thirty Four of the Mexican Corporate Law (Ley General de Sociedades Mercantiles, LGSM) and complying with the requirements of the Securities Market Law, the general provisions to that effect issued by the National Banking and Securities Commission and other applicable laws.

Legal reserve

In accordance with the LGSM, five percent of net income for the year must be appropriated to the statutory reserve, until it reaches one-fifth of capital stock. As of December 31, 2015 and 2014, the statutory reserve amounts to $141,862 and has reached the required amount.

(c) ***Capital contributions***

On April 15, 2015 a capital in contribution was decreed in Extraordinary General Subsidiaries Assembly by $1 further premium in capital was paid by $24,554 corresponding to non-controlling shareholders.

(d) ***Capital reductions***

On August 12, 2015, a capital reduction of the non-controlling shareholders in Extraordinary General Subsidiaries Assembly in the amount of $122,431 was decreed.

On October 20, 2015, a capital reduction of the non-controlling shareholders in Extraordinary General Subsidiaries Assembly in the amount of $26,000 was decreed.

On December 30, 2015, a capital reduction of the non-controlling shareholders in Extraordinary General Subsidiaries Assembly in the amount of $43,017 was decreed.

(e) ***Dividends-***

At the Ordinary General Meeting of Shareholders held on April 23, 2015, it was agreed to decree dividends for each shareholder that would be paid in cash at the rate of 90 cents a share or shares in proportion of one share for every forty shares, the dividend is charged to retained earnings.

The total dividend was $384,035, paid in cash $273,841 and $110,194 shares, equivalent to 3,060,952 shares.

On April 20, 2015, dividends in favor of the non-controlling shareholders in the Ordinary General Meeting of subsidiaries in the amount of $250,000 were paid.

On April 21, 2015, dividends in favor of the non-controlling shareholders in the Ordinary General Meeting of subsidiaries in the amount of $125,000 were paid.

On October 16, 2015, dividends in favor of the non-controlling shareholders in the Ordinary General Meeting of subsidiaries in the amount of $100,000 were paid.

On December 29, 2015, dividends in favor of the non-controlling shareholders in the Ordinary General Meeting of subsidiaries in the amount of $125,000 were paid.

On March 04, 2014, dividends in favor of the non-controlling shareholders in the Ordinary General Meeting of subsidiaries in the amount of $100,000 were paid.

On August 11, 2014, dividends in favor of the non-controlling shareholders in the Ordinary General Meeting of subsidiaries in the amount of $50,000 were paid.

On October 16, 2014, dividends in favor of the non-controlling shareholders in the Ordinary General Meeting of subsidiaries in the amount of $21,500 were paid.

On November 20, 2014, dividends in favor of the non-controlling shareholders in the Ordinary General Meeting of subsidiaries in the amount of $13,125 were paid.

On December 18, 2014, dividends in favor of the non-controlling shareholders in the Ordinary General Meeting of subsidiaries in the amount of $200,000 were paid.

Tax incurred is payable by the Company and may be credited against IT of the period or for the following two immediate periods. Dividends paid from previously taxed earnings are not subject to any tax withholding or additional tax payments.

It is also established that individuals residing in Mexico, as well as residents abroad, receiving dividends or profits that may have been generated starting from 2014, must pay an additional tax of 10%. In these cases, the companies that distribute or pay dividends to individuals residing in Mexico or residing abroad must withhold 10%. The 10% tax applies only to profits generated starting from 2014, therefore the company shall carry two separate accounts to identify the profits generated before and after 2014.

(20) Income from ordinary activities-

The earned income for the years ended December 31, 2015 and 2014, comes entirely from the sale of products. Revenues from the sales of products at December 31, 2015 and 2014 were $16,356,291 and $14,318,529, respectively.

Seasonality of operations-

Most of the products manufactured and marketed by the Group are seasonal, increasing their sales in the last fourth months of the year. Additionally, consumption of certain products increases during lent, and others increase in the summer time and some others in the 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 Group increases its safety inventories.

(Thousands of Mexican pesos)

(21) Cost of goods sold-

Cost of goods sold for the periods ended December 31, 2015 and 2014, is comprised as follows:

	2015	2014
Direct cost of sales	$ 8,893,833	8,075,312
Maintenance and conservation	348,963	336,578
Electricity	92,649	110,785
Employee benefits	10,706	4,449
Depreciation and amortization expenses	231,320	209,384
Total costo de ventas	**$ 9,577,471**	**8,736,508**

(22) Operating expenses-

	2015	2014
Salaries and related benefits	$ 1,976,636	1,664,576
Distribution and associated expenses	1,811,108	1,442,453
Conservation and fuels	332,752	201,412
Depreciation and amortization	169,905	96,392
	$ 4,290,401	**3,404,833**

(23) Other income and other expenses-

Other income incurred for the years ended December 31, 2015 and 2014 is comprised as follows:

	2015	2014
OTHER INCOME		
Accruals cancellation	$ -	28,231
Inflationary effects of favorable tax balances	8,248	10,715
Profit from sale of property, machinery and equipment	12,655	23,159
Income from distribution services	47,390	21,341
Insurance recovery premiums	2,766	-
Scrap and waste materials	13,226	-
Other income	5,503	8,750
Total other income, carried forward	89,788	92,196

	2015	2014
OTHER EXPENSES:		
Frozen division impairment	450,000	-
Fixed assets impairment allowance	-	142,338
Loss on sale of fixed assets	22,044	-
Tax credits	19,767	-
Business integration frozen division	34,363	-
Restructuring expenses	-	11,243
Franchise expense	5,145	-
Incorporation of Aires de Campo (incubadora orgánica)	-	2,295
Unused productive plants	4,204	889
Other expenses	6,723	-
Total other expenses	542,246	156,765
	$ (452,458)	(64,569)

(24) Financial income and costs-

	2015	2014
Recognized in income-		
EARNED INTERESTS:		
Bank interests	$ 38,392	33,564
Forgiving interest	-	(10,165)
Related parties interests	696	-
Other minor interests	27	-
Total earned interests	39,115	23,399
Exchange rate profit	1,347,081	867,677
Financial income, carried forward	1,386,196	891,076
INTERESTS PAID:		
Bank interests paid	356,692	351,622
Related parties interests paid	55,906	48,693
Other interests	731	132
Total interests paid	413,329	400,447
Exchange rate loss	1,435,978	749,099
Financial costs	1,849,307	1,149,546
Financial result, net	$ 463,111	258,470

(25) Operating segments-

Segmentation basis-

The Group has three segments on which it should inform, as described on the next page, which correspond to the strategic divisions of the Group. The strategic divisions offer various products and services, and they are managed separately as they require different technology and marketing strategies. For each of the strategic divisions, the Company's CEO (responsible for making operational decisions) reviews the Management reports prepared internally at least quarterly. The summary shown in next page describes the operations of each reportable segment.

(Thousands of Mexican pesos)

	2015				
		FROZEN	MEXICO	USA	TOTAL
Net sales	$	2,138,675	13,138,899	1,078,717	16,356,291
Cost of sales		698,424	7,933,000	946,047	9,577,471
Gross profit		1,440,251	5,205,899	132,670	6,778,820
Operating income		(452,417)	2,434,923	53,455	2,035,961
Depreciation and amortization		138,049	233,439	29,737	401,225
F.R. (1)		11,234	451,877	-	463,111
Interest income		1,513	37,602	-	39,115
Interest cost		11,646	401,684	-	413,330
Equity in associate's investment		-	446,123	-	446,123
Income before tax		(463,651)	2,429,169	53,455	2,018,973
Income tax		(9,890)	725,035	11,328	726,473
Consolidated net income		(453,761)	1,704,134	42,127	1,292,500
Net income attributable to controlling interest		(453,048)	816,574	25,162	388,688
Total assets		2,043,876	20,905,564	1,456,034	24,405,474
Total liabilities		519,255	9,932,546	46,582	10,498,383

	2014				
		FROZEN	MEXICO	USA	TOTAL
Net sales	$	1,166,229	12,196,824	955,476	14,318,529
Cost of sales		423,738	7,460,253	852,517	8,736,508
Gross profit		742,491	4,736,571	102,959	5,582,021
Operating income		69,071	2,005,915	37,633	2,112,619
Depreciation and amortization		48,039	226,349	28,199	302,587
F.R. (1)		6,168	252,302	-	258,470
Interests income		794	22,604	-	23,398
Interests costs		5,952	394,495	-	400,447
Equity in associate's investment		-	414,334	-	414,334
Income before tax		62,903	2,167,947	37,633	2,268,483
Income tax		26,046	730,863	7,286	764,195
Consolidated net income		36,857	1,437,084	30,347	1,504,288
Net income attributable to controlling interest		36,857	717,352	16,785	770,994
Total assets		674,258	21,201,077	1,385,917	23,261,252
Total liabilities		167,479	9,377,952	539,899	10,085,330

(1) F.R. = Financing Result

Major customer-

At December 31, 2015 and 2014, the Company commercialized its products with a large number of customers, and only one (Wal-Mart de México, S. A. B. de C. V.) represented approximately 24% and 25% of the total revenues.

(26) Earning per share-

The calculation of basic earnings per share and diluted earnings per share at 31 December 2015 and 2014 was based on the profit of $388,688 attributable to controlling interest stockholders ($770,994 in 2014) and a weighted average number of ordinary shares outstanding of 428,620 thousands of shares (429,783 thousands of shares in 2014).

(27) Contingencies-

(a) The Company is involved in a number of lawsuits and claims derived from the ordinary course of business. It is expected that the final outcome of these matters will not have significant adverse effects on the Company's financial position and future results of operations.

(b) In accordance with the Mexican tax law, the tax authorities are empowered to examine transactions carried out during the five years prior to the most recent income tax return filed.

(c) In accordance with the IT Law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of agreed prices, which should be similar to those that would be used with or between parties in arm's-length transactions.

(d) There are contingent liabilities arising from tax differences, which the authorities attempt to collect in the event of an official review of the tax returns filed by some of its subsidiaries, if the criteria applied in interpreting the legal provision differ from those of the authorities.

(28) Commitments-

(a) The Company leases facilities for administrative offices and warehouses, as well as transportation equipment, under defined term lease agreements. Total rental expense, summed $183,174 in 2015 and $110,218 in 2014 and they are included in the sales and administrative expenses in the income statements. Total annual rents payable derived from the definite lease agreements up to 2019 are as shown in next page.

(Thousands of Mexican pesos)

Less than a year	$	104,375
Between one year and five years		220,910
	$	**325,285**

(b) In the ordinary course of business, certain subsidiaries have undertaken commitments resulting from sales agreements, and for the purchase of machinery and equipment, which in certain cases, establish default penalties for cases of non-compliance.

(c) On December 2014, the Company signed an agreement with Societé des Produits Nestlé, S. A. to pay 5% on the net sales for a period of 20 years.

(29) Subsequent event-

(a) On January 21, 2016, Grupo Herdez, S.A.B. de C.V. communicated the renewal of the Market Marker service agreement with UBS Casa de Bolsa, SA de C.V. As the Market Marker will continue to operate the Group shares listed in the Mexican Stock Exchange.

(b) On February 23, 2016, the Company refinanced bank credits (note 14) settling USD 64 million at that date and obtaining a new loan for USD 70 million at a rate of Libor + 1.95 points for 5 years.

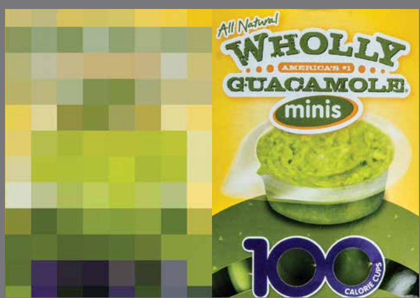
DISCOVER THE PRODUCTS THAT APPEAR IN THIS REPORT

Cover
HOME-STYLE SALSA
Herdez®

Page 11
LIGHT MAYONAISSE
McCormick®

Page 12-13
TUNA STEAK
Herdez®

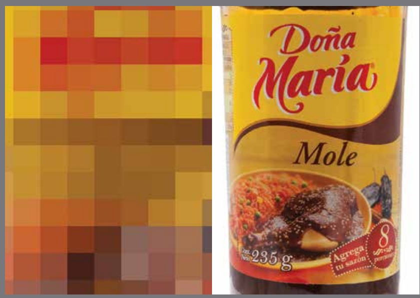
Page 34-35
PELAPOP POPSICLE
Helados Nestlé®



Page 44
WHOLLY MINIS
Wholly Guacamole®

Page 47, 133
ESKIMAL SANDWICH
Helados Nestlé®

Page 3
FROZEN YOGURT
ICE CREAM
Nutrisa®



Page 4
RED
MOLE
Doña María®

Page 7
FUSILLI
PASTA
Barilla®

Page 38
ORGANIC
COCONUT OIL
Aires de Campo®

Page 40-41
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HOT SAUCE
Búfalo®

Page 42-43
CRANBERRY
CLASSIC
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Page 48
BLACK
PEPPER
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CORPORATE HEADQUARTERS

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TICKER SYMBOL

Share (MSE): HERDEZ*
ADR-1 (OTC): GUZBY

DEPOSITARY BANK

BNY Mellon - Depositary Receipts

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This Annual Report contains forward-looking statements that reflect the current opinions of Grupo Herdez's management regarding future events. These statements are subject 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.

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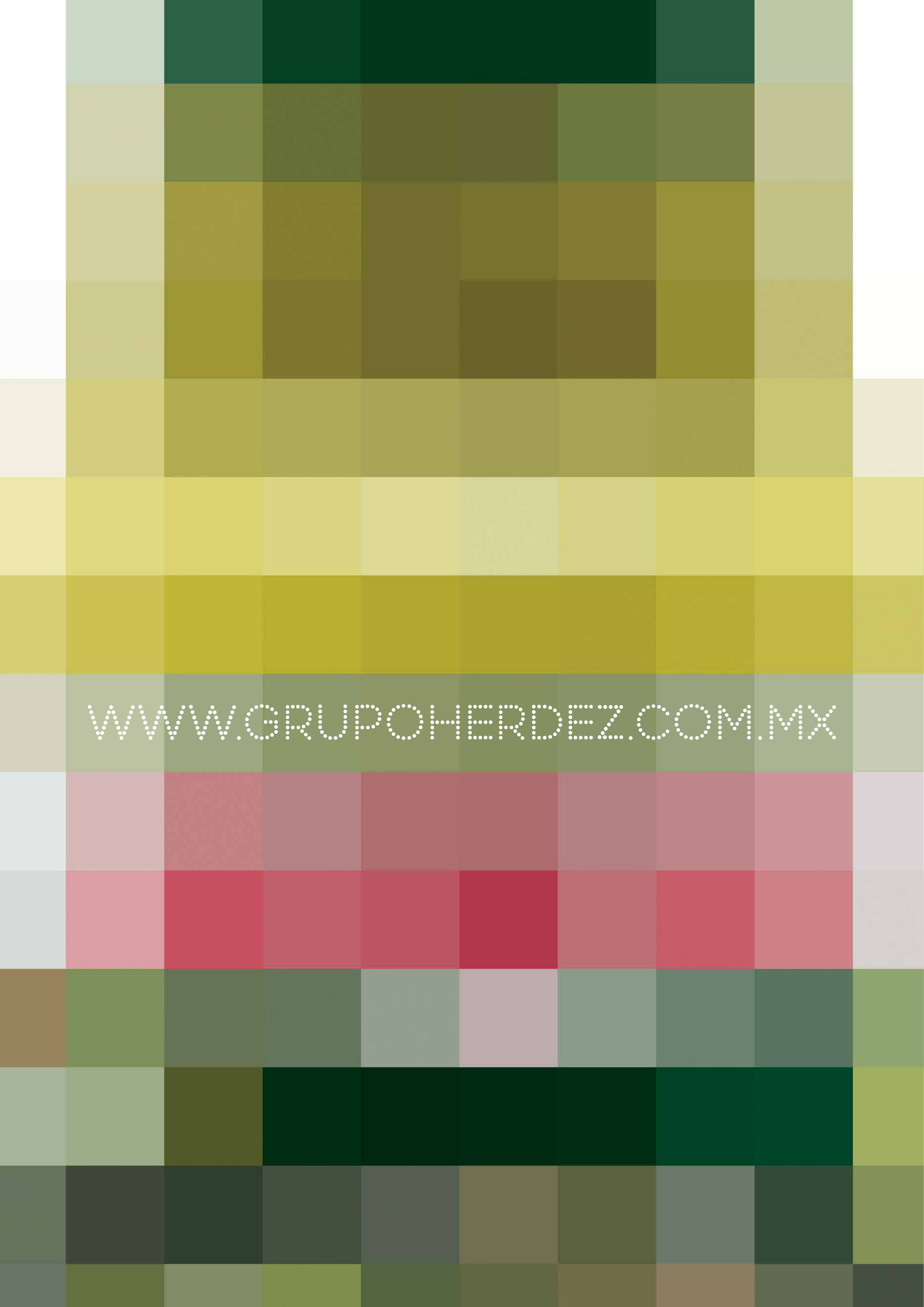
Empresa Sustentable

THE GLOBAL COMPACT COMMUNICATION ON PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

ESR EMPRESA SOCIALMENTE RESPONSABLE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