



July 22, 2010.

Dear Board Members:

The second quarter was characterized by headwinds in the global economic recovery, particularly in the fiscal situation of Europe and a slowdown in the pace of U.S. growth, which together, show a fragile economic development accompanied by little employment generation.

Consumption in the domestic area continues to show signs of caution, as reflected in the sales of convenience stores (particularly in the average tickets) and, consequently, in Grupo Herdez's sales during the second quarter.

During the period April to June 2010, Grupo Herdez's net sales totaled \$1,975 million pesos, 2.4% higher than those recorded in the same period of last year, outstanding tomato puree, mole sauce and mustard in the domestic market. It is worth mentioning that in the quarter, we invested additional resources in discounts and promotions in order to boost sales.

In the U.S., MegaMex continues delivering good sales performance in the modern channel, while the institutional channel presents significant challenges, especially in restaurants.

The cost as percentage of sales dropped 3.6 percentage points due to lower commodity prices and greater efficiencies in the Group's manufacturing plants. As a result of the foregoing, gross profit increased 13 percent compared with the same period last year.

Operating expenses as percentage of sales increased by nearly one percentage point due to increases in advertising and promotional expenses.

Thus, operating income and EBITDA were \$330 and \$360 million, representing increases of 22.1 and 20.2 percent respectively.

Net income for the quarter grew 31.5 percent, totaling \$175 million, representing 8.9% of sales.

Regarding cumulative results at June this year, net sales grew 3.7 percent to \$4,109 million pesos. Likewise, gross margin improved 4.4 percentage points, resulting in 34.1 and 30.9 percent increases in operating income and EBITDA, respectively.

In the first six months of the year, net income grew 37 percent reaching \$390 million pesos.

At June 30, 2010, net debt (bank loans less cash available) increased \$91 million compared to the balance at March 31, going from \$469 to \$560 million, after paying ordinary and extraordinary dividends in the quarter.

We expect the actions taken, which will be emphasized in the coming months, along with innovation and the re-launch of products, will reflect greater brand presence with the consumer and thus, dynamic sales during the second half of the year.

Sincerely,

Hector Hernandez-Pons Torres.  
Chairman and CEO