Annual Report 2011. Industrias Bachoco S.A.B. de C.V.

Bachoco®

60 years with you

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Financial Highlights

In million of pesos

	2007	2008	2009	2010	2011
From the Statement of Operations					
Net revenues	$ 18,220	$ 20,125	$ 23,263	$ 24,715	$ 27,735
Gross profit	3,742	2,643	3,936	5,215	2,962
EBITDA	2,068	767	2,076	3,156	736
Consolidated net (loss) income	1,272	(886)	809	1,986	159
EPS (pesos)	2.12	(1.48)	1.35	3.31	0.27
Dividends per share (pesos)	0.59	0.59	0.42	0.42	0.50
Total shares outstanding (thousands)	600,000	600,000	600,000	600,000	600,000
From the Balance					
Cash and equivalents	$ 3,040	$ 1,998	$ 2,551	$ 4,177	$ 3,036
Debt, net	110	626	964	647	1,837
Total assets	19,116	19,455	19,878	21,198	23,170
Total liabilities	3,989	5,376	5,239	4,830	6,901
Total stockholder's equity	15,127	14,079	14,639	16,368	16,269
ROE*	8.4%	(6.3)%	5.5%	12.1%	4.5%
ROA**	6.7%	(4.6)%	4.1%	9.4%	0.7%

*Return on equity = Net income/ shareholder's equity
**Return on assets = Net income / total assets

Employees

Francisco Javier R. Bours Castelo
Chairman of the Board of Directors

Messages to Shareholders

Dear Shareholders,

It is my pleasure to inform you about the Company's results and relevant matters that occurred during fiscal year 2011.

2011 was one of the most challenging years for the poultry industry in general and for our Company in particular. Several external conditions negatively affected our operating results.

Price increases in grains and soybean meal (our main raw materials), both in the domestic and international markets, and the volatility in the exchange rate, mainly towards the end of the year, were key factors that negatively impacted our production costs.

A slowly growth in the Mexican economy and oversupply conditions in chicken and egg market during most of the year, did not allowed us to fully transfer the increases in our production costs into prices, and consequently, we had a slight operating income of Ps. 10 million. We ended the year with EBITDA of Ps. 736 million and a net income of Ps. 159 million, equivalent to $0.27 pesos per share.

Even under these circumstances, we registered record sales in pesos and dollars in the history of the Company, for the first time, we sold over a million tons of chicken, reaching total sales of Ps. 27,735 million pesos (the equivalent to $2.0 billion dollar), 12.2% more than sales in 2010.

In 2011, we achieved record productivity indexes in different stages of our production process, due to constant supervision, assessment and control thereof. We will continue to implement diverse projects that will allow us not only to maintain, but to consistently improve in our productive indexes and the quality of our products.

We are establishing a market orientation; we pursue to always offer the best service to our clients, guaranteeing a constant supply, quality and price.

In 2011, we made two acquisitions, which have been integrated to the rest of the Company. The first was the acquisition of Trosi de Carnes, S.A. de C.V. business, located in Monterrey, in the state of Nuevo Leon. This acquisition allowed us to increase our market share in the value-added industry, particularly with beef products.

The second acquisition of 2011, allowed us to enter in the US poultry market for the first time. Bachoco acquired the company O.K Industries, Inc. In November 2011, with main offices in Fort Smith, Arkansas. With this acquisition we seek to participate, and in the future to grow, in the largest poultry market in the world.

At the end of the 2011, we generated 25,326 direct jobs in Mexico and the US, with which we have good labor relations.

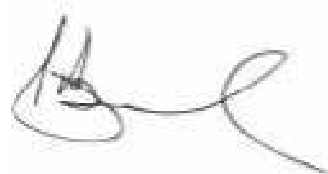
Adverse conditions in 2011 had strengthened and motivated us to reinforce our efforts in 2012 to identify new areas of opportunity and capitalize them in benefits for the Company.

In 2012, we will celebrate the Company's 60th anniversary and 15 years as a public company trading in the Mexican and New York Stock Exchanges.

I am very proud to be part of Bachoco's growth and success. The Company has developed to the point of becoming an integrated company, a leader in Mexico's poultry industry and one of the most important poultry companies worldwide. The BACHOCO brand is prestigious and is well recognized due to its quality and freshness.

We will continue with a constant pace in the Mexican poultry industry and, we trust that in the upcoming years, we will consolidate our position in the US and export markets.

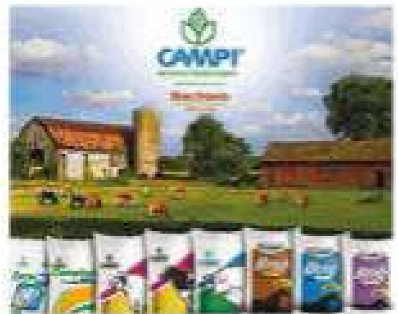
Like each year, I want to conclude thanking all our employees and our senior management team for the work performed, and to our Shareholders for the support and trust given in the Company. We are confident that 2012 will bring great opportunities for Bachoco.



Francisco Javier R. Bours Castelo
Chairman of the Board of Directors

Bachoco.
Todos los días

Enrique Robinson Bours Almada
Co - Founder



Our History

Bachoco®
60 years wiht you

50's: Bachoco was founded in 1952 by the Robinson Bours family as a small commercial table egg operation in the state of Sonora.

60's: In 193, started the expansion of the Company's facilities through by acquiring additional facilities from other poultry producers in the cities of Navojoa, Sonora, Los Mochis and Culiacán.

70's: Bachoco commenced the production of chicken in the operation facility in the city of Culiacán. In 1974 established a new complex in Celaya city.

80's: The Company opened a distribution center in México City, and productive facilities in San Luis Potosí.

90's: In 1993, Bachoco moved out headquarters from the Obregon to Celaya city, and opened a new complex in the Southeast of México, later in 1994 the Company opened a new complex, this time in the Western region of México.

In September 1997, the Company began trading on the Mexican and New York Exchanges.

Furthermore, in December 1999, the Company acquired Campi. With this acquisition Bachoco entered a new business line selling balanced feed to third parties.

00's: In 2001, Bachoco established its sixth complex in Gomez Palacio city, located in the Northeast of Mexico. In 2005, the Company opened a new complex at the Peninsula of Yucatán and in 2007 one more in Veracruz, Hermosillo and Monterrey.

In 2008, the Company successfully launched Bachoco's new image, which was well-received by its clients.

In 2009, Bachoco consolidates its presence in the Northeast of Mexico through diverse business agreements with companies located in that region. The Company also started with minor exports to Asia.

In 2011, the Company carryout two acquisitions: First it acquired a value-added beef plant located in Monterrey, Nuevo Leon in Northern Mexico. Later in same 2011, the Company entered the U.S. market with the acquisition of the U.S. poultry company, O.K. Industries, Inc.

ARKANSAS
SONORA
SINALOA
DURANGO
NUEVO LEÓN
YUCATÁN
JALISCO
GUANAJUATO
PUEBLA
VERACRUZ
Productive complexes
Distribution centers
Headquarters
Distribution centers 64
Productive complexes 10
Farms +1000
Hatcheries 24
Processing plants 8
Further process plants 6
Feed mills 20

Bachoco TODAY

Rodolfo Ramos Arvizu
CEO

CEO's Letter

In 2011, Mexican economy grew 3.9%, and in general, the scenario was uncertain caused by high volatility in the economy worldwide. The Mexican peso remained especially volatile towards the end of the year, ending with a depreciation of 13.0% with respect to the U.S. dollar, while inflation rate in Mexico was 3.8%.

Pursuant to the Unión Nacional de Avicultores en México (National Association of Poultry Farmers in Mexico) during 2011, volume of chicken produced in Mexico grew 3.4% and its consumption per capita was 25.6 kilograms. Additionally, commercial egg production grew 2.5% and its consumption per capita was 22.4 kilograms of eggs per year.

In general, the poultry industry and consequently, Bachoco, continued experimenting high production costs during the entire 2011 fiscal year, caused mainly by the high cost of raw materials.

Net sales of the Company for the 2011 fiscal year increased 12.2% with respect to the prior year, resulting in the highest sales billed in the history of the Company.

The chicken products line, the Company's main source of income, was marked by an oversupply during most of 2011, with an important recovery towards the end of the year. Nevertheless, it was insufficient to revert the negative results recorded during most of the year.

Export sales over the Company's total sales are still lesser representative, however, a 70% increase over the export sales of the prior fiscal year was recorded.

In Mexico, the Company expanded its national coverage by opening three distribution centers located in the state of Baja California Sur.

We are an important source of employment. At the closing of the 2011 fiscal year, we had provided more than 25,300 direct jobs, most of them in Mexico. At Bachoco, we believe in our personnel's permanence and development. We have highly specialized and qualified employees in their different work areas, which gives us confidence and results in high productivity in our processes.

2011 and 2010 *Results*

The Company's net sales for fiscal year 2011 totaled Ps. 27,735 million, 12.2% more than the sales registered in 2010, as a result of 2.6% increase in prices and 9.0% increase in the volume sold.

Chicken products sales increased 12.2% during 2011 as a result of a 2.9% price increase and a 9.0% volume increase. The increase in volume is mainly due to a greater production resulting from the acquisition of the U.S. operation.

Commercial eggs sales decreased 0.8% during the 2011 fiscal year, although the price increased 5.7%; however, volume sold decreased 6.1%. In 2011, the productive capacity in the Mexicali operation was almost totally restored, which had been lost due to the April 2010 earthquake that affected the farms of this region and caused commercial egg sales volume to decrease.

Balanced feed sales, conducted under the CAMPI brand, had an increase of 34.2% in the 2011 fiscal year, as a result of an increase of 16.0% in sales prices and 15.7% in volume sold. This recovery comes after a couple of years of significant increases in its productive costs.

Other business lines of the Company include: live swine sales, sales of value added turkey and beef products and other by-products. In this respect, it is important to point out the significant growth in the sales of value added beef products, as a consequence of the increase in the productive capacity due to the acquisition of a plant in Monterrey.

The gross income for the 2011 fiscal year was Ps. 2,962 million, with a gross margin of 10.7%. This represented a decrease of 43.2% compared to the previous year, due mainly to the high production costs that could not be transferred to the sale prices.

Bachoco recorded an operating profit of Ps. 10 million at the closing of 2011, a significant contraction compared with the operating income of 2010 of Ps. 2,463 million. The optimization of production indexes, general expense control and considerable increases in net sales of the Company, were insufficient to counterbalance the increases in production cost.

The result of the EBITDA for 2011 was Ps. 736 million, which represented a reduction of 76.7% compared to the Ps. 3,156 million of EBITDA reported in 2010.

The Comprehensive financial result for 2011 was a profit Ps. 178 million. This result is comparable with a profit of Ps.122 million obtained in 2010. Both results are due principally to interest income and exchange rate gains.

The total taxes for the 2011 fiscal year were a benefit of Ps. 40 million. This resulted from income taxes of Ps. 70 million, offset by deferred taxes of Ps. 110 million. This information is comparable with total taxes of Ps. 504 million in 2010, as a result of income taxes of Ps. 496 million, partially offset by deferred taxes of Ps. 8 million.

All of the foregoing led Company to recorded a net consolidated income of Ps. 159 million in 2011 (Ps. 0.27 per share), which represented a significant decrease with respect to a net majority income reported in 2010 of Ps. 1,986 million (Ps. 3.31 per share).

Cash investments as of December 31, 2011, totaled Ps. 3,036 million, a decrease of 27.3% with respect to the Ps. 4,177 million in cash reported at the closing of the 2010 fiscal year. The decrease is due mainly to cash used to increase the working capital and payment of the acquisitions carried out in 2011.

Debt in 2011 totaled Ps. 1,837 million, an important increase with respect to the Ps. 647 million reported at the closing of the 2010 fiscal year. This was due mainly to increased short-term US$75 million debt. Even with this added debt, the Company keeps a very solid financial position.

Lastly, in 2011, capital investments totaled Ps. 661 million, which were paid with the Company's resources and used mainly for productivity projects and replacement of transportation fleet.

Outlook

We trust that 2012 will be a year of recovery in terms of operating results for the Company. We will continue integrating our new operations. We are working hard to implement productivity and coordination projects to ensure the quality, supply and sustainability of the business.

We will continue training our working team and we will also keep updating our facilities at the rhythm required by the industry and our processes, so we can always be at the forefront and ensure the leadership that characterizes our Company.

Rodolfo Ramos Arvizu
Chief Executive Officer

Bachoco
Todos los días

Report from the Board of Directors

As Chairman of the Board of Directors of Industrias Bachoco, S.A.B. de C.V., and pursuant provisions of Section IV of Article 28 of the Securities Market Law, I hereby inform you of the following:

This Board of Directors has approved the CEO's report which supports the performance of the management during fiscal year 2011, based on the independent auditor's opinion.

This Board considers that the CEO's report reasonably reflects the financial position and operating results of the Company and that it was prepared in accordance with Mexican Financial Information Standards (MEX GAAP). Policies, accounting and reporting principles followed by the Company are adequate and consistent with the audited financial statements attached to this annual report.

Additionally, the Company was instructed by the Board to strictly adhere to general accounting principles accepted in Mexico in connection with the preparation of financial statements, which were enforced to the audited financial statements.

During this period, the Company did not engaged in unusual operations or other activities different from its normal operations. No exemptions were granted to any member of the Board, executive officer orany other member of the Company to take advantage of business opportunites for themselves or in favor of third parties.

Attached to this report, the Board presents to the Annual Ordinary Shareholders' Meeting the report of the Auditing and Corporate Practices Committee, the CEO's report, the report on prompt compliance with tax obligations and the report on the principal accounting and information policies and criteria followed by the Company in the preparation of its financial statements for fiscal year 2011.

Francisco Javier R. Bours Castelo
Chairman of the Board of Directors

Bachoco
Todos los días

Corporate
Responsibility

Bachoco
Social Responsible

In 2008, the Company voluntarily entered in an audit program through the Office of Environmental Protection ("Propaeg") of the Government of Guanajuato in Mexico. As a result, in October 2011, the Company invested over Ps. 52.0 million in the building of water-treatment plant for its poultry processing plant located in Celaya, Guanajuato. On February 29, 2012, the Company received the Certificate "Clean Company" delivered by Propaeg.

This Certificate confirms that The Company meets all environmental standards on its production processes and that is friendly to the environment. Thus, this certification is a clear example of the Company's environmental commitment with the community and the in general with the country.

Corporate Governance

Bachoco strictly follows the Principles of Corporate Best Practices proposed by the Mexican Stock Exchange to observe a Good Corporate Governance.

Bachoco's Board of Directors is comprised of eight proprietary shareholders directors, four alternate shareholders directors, three independent proprietary directors and one related proprietary director. This board was last ratified on April 27, 2011. The Board's main duties include the following:

- Determine policies, general strategies, and the organization and management criteria that guide the activities of the Company.
- Prepare and develop programs to optimize resources management and the operation of the business, such as budgets and financial planning.
- After considering the Auditing and Corporate Practices Committee's opinion, approve the internal control and guidelines of the internal auditing of the Company.
- Authorize acquisitions or disposing, as well as the granting of guarantees or the taking of liabilities for a value equal to or higher than five per cent of the consolidated assets of the Company, except for investments in debt securities or bank instruments, provided such are made in accordance with the policies approved by the Board for such purposes.
- Review and authorize operating results and work plans, and the overall compensation of the Company's senior officers.

Additionally, Bachoco has an Auditing and Corporate Practices Committee to support the Board of Directors, which is composed of three independent directors and one internal director. This Committee was last ratified on April 27, 2011 and its main duties include:

- Evaluate the performance of the independent auditing firm, as well as analyze their opinion, recommendations, reports and other information.
- Prepare and present it to the Board, an opinion as about the CE0's report, and advise the Board of Directors in the preparation of reports regarding policies and accounting principles and other criteria followed in the preparation of financial statements, as well as on the operations and activities it has participated.
- Provide an opinion regarding to the transactions with related persons.
- Ensure that relevant or unusual transactions have followed theCompany's authorized policies.
- Propose the hiring of independent specialists in the cases it deems advisable.

The Board
of Directors

Propriety Shareholders Directors

Francisco Javier R. Bours Castelo
Chairman of the Board of Director

José Gerardo Robinson Bours Castelo
Jesús Enrique Robinson Bours Muñoz
Jesús Rodolfo Robinson Bours Muñoz
Arturo Bours Griffith
Octavio Robinson Bours
Ricardo Aguirre Borboa
Juan Salvador Robinson Bours Martínez

Independent Proprietary Directors

Felizardo Gastélum Felix
Avelino Fernández Salido
Humberto Schwarzbeck Noriega

Alternate Shareholders Directors

José Eduardo Robinson Bours Castelo
Alternate of: Francisco Javier R. Bours Castelo y/o José Gerardo Robinson Bours Castelo

José Francisco Robinson Bours Griffith
Alternate of: Octavio Robinson Bours y/o Arturo Bours Griffith

Guillermo Pineda Cruz
Alternate of: Jesús Enrique Robinson Bours Muñoz y/o Jesús Rodolfo Robinson Bours Muñoz

Gustavo Luders Becerril
Alternate of: Juan Salvador Robinson Bours Martínez y/o Ricardo Aguirre Borboa

Related Proprietary Shareholder Director

Cristóbal Gustavo Mondragon Fragoso

Secretary of the Board

Eduardo Rojas Crespo

Audit Committee and Corporate Practices

Felizardo Gastélum Felix
President

Avelino Fernández Salido
Humberto Schwarzbeck Noriega
Ricardo Aguirre Borboa

Senior Management Team

Rodolfo Ramos Arvizu
Chief Executive Officer

Paul Fox
Chief Executive Officer, U.S. Operations

Daniel Salazar Ferrer
Chief Financial Officer

David Gastelum Cazares
Director of Sales

Jose Luis Lopez Lepe
Director of Personnel

Ernesto Salmon Castelo
Director of Operations

Andres Morales Astiazaran
Director of Marketing and Modern Segment Sales

Marco Antonio Esparza Serrano
Comptroller Director

Alejandro Elias Calles Gutierrez
Director of Purchasing

Audit Committee and Corporate Practices

Dear members of the Board and Shareholders of Industrias Bachoco, S.A.B. de C.V. it is my pleasure to inform you of the activities performed by this Committee during fiscal year 2011:

Regarding to Corporate Practices, I hereby report the following:

- We determined that, the performance of the Company's Offcers was consistent with the established work plan and that the projected expectations and guidelines were met.
- We reviewed the compensation package of the CEO and other Executive Officers.
- We verified that the Company did not grant any exemptions to its Directors, Executive Officers or any other employee of the Company.
- We meticulously reviewed the transactions carried out withrelated parties and concluded they were conducted in market terms. The total transactions with related parties represented less than 3.0% of the Company's net sales.

Regarding to Audit Practices, I hereby report the following:

- We issued a recommendation for the appointment and hiring of external auditors to perform the 2011 fiscal year audit. Prior to making such recommendation, we ensured the independence of such auditors and subsequently analyzed the work program proposed.
- We supervised compliance by the external auditing Firm and the completion of the external audit, we evaluated the results thereof and the performance of the external auditor, and concluded that the services provided were consistent with the conditions of the agreement executed with the external auditing Firm.
- We reviewed the analyses, processes and observations of external auditors while ensuring they were made objectively, in order to provide prompt and reliable financial information.
- We analyzed the audited financial statements, the auditing report and the accounting policies used during fiscal year 2011 in the Company and the legal entities controlled by it. As part of the evaluation of the external auditing firm, certain variations were detected in connection with the non-audited, quarterly information published and concluded that such variations are mainly due to reclassifications.
- We reviewed and discussed the observations of the auditing firm and as a result thereof, recommended to the
- Board of Directors approving the audited financial statements to present them in the Annual Ordinary Shareholders' Meeting.
- We made proposals to the Board relating to the bases on which to prepare and disclose financial information, general guidelines and the implementation of internal contol measures, as well as with respect to the accounting procedures that the Company must follow.
- We periodically reviewed the efficiency of internal controls and internal auditing controls and did not detect any material deviations.

  We analyzed and assessed the additional or supplementary services provided by the external auditing Firm, as
- well as those provided by independent experts.
- We reviewed and analyzed the report of the Board with espect to the Company's corporate situation and verified follow-up of the resolutions adopted by the Shareholders' Meeting and the Board of Directors.
- We validated the efficiency and continuity of the mechanisms to receive and deal with claims in connection with accounting and internal controls. During fiscal year 2011, no relevant observations were received from shareholders, directors, relevant officers or any third party generally.

Felizardo Gastélum Félix

President of the Audit and Corporate Practices Committee

Consolidated Financial Statements

INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

At December 31, 2010 and 2011 and for the years ended December 31, 2009, 2010 and 2011

(With Independent Auditors' Reports' Thereon)

(Translation from Spanish Language Original)

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Independent Auditors' Report

(Translation from Spanish Language Original)

The Board of Directors and Stockholders

Industrias Bachoco, S.A.B. de C.V.:

We have audited the accompanying consolidated statements of financial position of Industrias Bachoco, S.A.B. de C.V. and subsidiaries (the Company) as of December 31, 2010 and 2011, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Industrias Bachoco, S.A.B. de C.V. and subsidiaries as of December 31, 2010 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with Mexican Financial Reporting Standards.

As mentioned in note 1 to the consolidated financial statements, on November 1, 2011 the Company acquired 100% of the voting stock of OK Industries, Inc. (which owns five consolidated subsidiaries). OK Industries, Inc. operates and is located in the United States of America. The results of operation of the acquired subsidiary are included in the Company´s consolidated financial statements from such date.

As disclosed in note 3 to the consolidated financial statements, new and revised Mexican Financial Reporting Standards were adopted in 2011, with prospective or retrospective application, being specified in each case.

Our audits were made for the purpose of forming an opinion expressed in the third paragraph above. The supplementary information related to the translation of the financial position as of December 31, 2011 and the related consolidated statements of income and cash flows for the year then ended from Mexican pesos into United States dollars in accordance with the basis described in note 2(aa) and prepared under the responsibility of the Company´s management, is

presented solely for convenience of the reader, and it is not required for the interpretation of the consolidated financial statements. In our opinion, such additional information is fairly stated in all material respects, in relation to the consolidated financial statements.

Mexican Financial Reporting Standards vary in certain significant respects from generally accepted accounting principles in the United States of America. Information relating to the nature and effect of such differences is presented in note 23 to the consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Industrias Bachoco, S. A. B. de C. V.'s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 30, 2012 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting

Queretaro, Mexico
April 30, 2012

By: /s/Demetrio Villa Michel
KPMG, Cardenas Dosal, S.C.

Consolidated Statement of Financial Position

INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

December 31, 2010 and 2011

(Thousands of pesos)

2010	2011	(Thousands of U.S. dollars) (note 2aa) 2011	Liabilities and stockholders' equity	2010	2011	(Thousands of U.S. dollars) (note 2aa) 2011
			Current liabilities:			
$ 3,967,874	**2,625,661**	**187,950**	Short term debt (note 12a)	$ -	**1,277,750**	**91,464**
209,348	**410,721**	**29,400**	Current installments of long-term debt (note 12b)	139,867	**175,243**	**12,544**
			Accounts payables	1,572,292	**2,326,779**	**166,556**
963,273	**1,507,095**	**107,881**	Related parties (note 6)	60,873	**78,543**	**5,622**
			Other taxes payable and other accruals (note 15)	393,722	**594,662**	**42,567**
473,228	**728,057**	**52,116**				
			Total current liabilities	2,166,754	**4,452,977**	**318,753**
1,436,501	**2,235,152**	**159,997**				
			Long term liabilities:			
3,211,769	**4,592,551**	**328,744**	Long term debt, excluding current installments (note 12b)	507,053	**384,370**	**27,514**
153,993	**187,157**	**13,397**	Deferred income tax (note 19e)	2,029,150	**1,921,333**	**137,533**
12,897	**10,208**	**731**	Labor obligations (note 17)	126,457	**142,088**	**10,171**
505,114	**752,150**	**53,840**				
40,222	**46,752**	**3,347**	Total liabilities	4,829,414	**6,900,768**	**493,971**
9,537,718	**10,860,352**	**777,406**	Stockholders' equity (note 18):			
			Controlling interest:			
10,544,031	**10,440,253**	**747,334**	Capital stock	2,294,927	**2,294,927**	**164,275**
750,288	**1,029,643**	**73,704**	Additional paid-in capital	744,753	**744,753**	**53,311**
-	**174,141**	**12,465**	Reserve for repurchase of shares	154,288	**154,079**	**11,029**
300,848	**300,848**	**21,535**	Retained earnings	11,139,037	**12,822,461**	**917,857**
64,883	**364,637**	**26,101**	Net controlling interest income of the year	1,983,350	**157,041**	**11,241**
			Cumulative currency translation effect	-	**35,636**	**2,551**
			Total controlling interest	16,316,355	**16,208,897**	**1,160,264**
			Non-controlling interest	51,999	**60,209**	**4,310**
			Total stockholders' equity	16,368,354	**16,269,106**	**1,164,574**
			Commitments and contingencies (note 14)			
			Subsequent events (note 22)			
$ 21,197,768	**23,169,874**	**1,658,545**	Total liabilities and stockholders' equity	$ 21,197,768	**23,169,874**	**1,658,545**

Consolidated Statement of Income

INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

December 31, 2009, 2010 and 2011

(Thousands of pesos, except per share amount)

		2009	2010	2011	(Thousands of U.S. dollars) (note 2aa) 2011
Net revenues	$	23,262,850	24,715,456	**27,734,990**	**1,985,325**
Cost of sales (note 6b)		(19,326,759)	(19,500,677)	**(24,773,216)**	**(1,773,315)**
Gross profit		3,936,091	5,214,779	**2,961,774**	**212,010**
Selling, general and administrative expenses (note 6b)		2,522,291	2,751,782	**2,951,887**	**211,303**
Operating income		1,413,800	2,462,997	**9,887**	**707**
Other expense, net (note 20)		(65,189)	(95,315)	**(68,921)**	**(4,934)**
Comprehensive financial results:					
Interest income		170,655	165,646	**193,777**	**13,871**
Valuation effects of financial instruments (note 13)		(174,603)	18,850	**(896)**	**(64)**
Interest and financial expenses		(91,326)	(73,519)	**(69,744)**	**(4,992)**
Net interest income and valuation effects of financial instruments		(95,274)	110,977	**123,137**	**8,815**
Foreign exchange (loss) gain, net		(37,934)	11,082	**54,505**	**3,902**
Comprehensive financial results, net		(133,208)	122,059	**177,642**	**12,717**
Income before income taxes, and non-controlling interest		1,215,403	2,489,741	**118,608**	**8,490**
Income tax expense (benefit) (note 19d)		406,358	503,415	**(40,530)**	**(2,901)**
Net consolidated income		809,045	1,986,326	**159,138**	**11,391**
Net controlling interest income		797,600	1,983,350	**157,041**	**11,241**
Non-controlling interest income		11,445	2,976	**2,097**	**150**
Consolidated net income	$	809,045	1,986,326	**159,138**	**11,391**
Weighted average outstanding (shares in thousands)		600,000	600,000	**600,000**	**600,000**
Net income per share	$	1.35	3.31	**0.27**	**0.02**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

December 31, 2009, 2010 and 2011

(Thousand of pesos, except per number of shares)

	Number of shares of capital stock (thousands)	Capital stock	Additional paid-in capital	Reserve for repurchase of shares	Retained earnings	Net controlling interest income (loss) of the year	Cumulative currency translation effect	Controlling stockholders' equity	Non-controlling interest	Total stockholders' equity
Balances as of December 31, 2008	600,000	$ 2,294,927	743,674	159,455	11,720,612	(879,048)	-	14,039,620	39,799	14,079,419
Transfer of prior year's net loss based on stockholders' meeting held on April 2009	-	-	-	-	(879,048)	879,048	-	-	-	-
Cash dividends paid (note 18b)	-	-	-	-	(250,045)	-	-	(250,045)	-	(250,045)
Cash dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(1,035)	(1,035)
Repurchase of shares (note 18d)	-	-	1,079	-	-	-	-	1,079	-	1,079
Comprehensive income, net of taxes (note 2s)	-	-	-	-	-	797,600	-	797,600	11,445	809,045
Balances as of December 31, 2009	600,000	2,294,927	744,753	159,455	10,591,519	797,600	-	14,588,254	50,209	14,638,463
Transfer of prior year's net income based on stockholders' meeting held on April 2010	-	-	-	-	797,600	(797,600)	-	-	-	-
Cash dividends paid (note 18b)	-	-	-	-	(250,082)	-	-	(250,082)	-	(250,082)
Cash dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	(1,186)	(1,186)
Repurchase of shares (note 18d)	-	-	-	(5,167)	-	-	-	(5,167)	-	(5,167)
Comprehensive income, net of taxes (note 2s)	-	-	-	-	-	1,983,350	-	1,983,350	2,976	1,986,326
Balances as of December 31, 2010	**600,000**	**2,294,927**	**744,753**	**154,288**	**11,139,037**	**1,983,350**	-	**16,316,355**	**51,999**	**16,368,354**
Transfer of prior year's net income based on stockholders' meeting held on April 2011	-	-	-	-	**1,983,350**	**(1,983,350)**	-	-	-	-
Cash dividends paid (note 18b)	-	-	-	-	**(299,926)**	-	-	**(299,926)**	-	**(299,926)**
Cash dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	**(912)**	**(912)**
Repurchase of shares (note 18d)	-	-	-	**(209)**	-	-	-	**(209)**	-	**(209)**
Acquired non-controlling interest (note 1)	-	-	-	-	-	-	-	-	**7,025**	**7,025**
Comprehensive income, net of taxes (note 2s)	-	-	-	-	-	**157,041**	**35,636**	**192,677**	**2,097**	**194,774**
Balances as of December 31, 2011	**600,000**	**$ 2,294,927**	**744,753**	**154,079**	**12,822,461**	**157,041**	**35,636**	**16,208,897**	**60,209**	**16,269,106**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

INDUSTRIAS BACHOCO, S.A.B. DE C.V. AND SUBSIDIARIES

December 31, 2009, 2010 and 2011

(Thousand of pesos)

		2009	2010	2011	Thousands of U.S. dollars (note 2(a)) 2011
Cash flows from operating activities:					
Income before income taxes and non-controlling interest	$	1,215,403	2,489,741	**118,608**	**8,490**
Items relating to investing activities:					
Depreciation		662,630	692,640	**726,061**	**51,973**
Loss on sale of plant and equipment		88,187	148,572	**46,671**	**3,341**
Interest income		(170,655)	(165,646)	**(193,777)**	**(13,871)**
Item relating to financing activities:					
Interest expense		91,326	73,519	**69,741**	**4,992**
Foreign exchange loss on loans		-	-	**34,500**	**2,470**
Subtotal		1,886,891	3,238,826	**801,804**	**57,395**
Derivative financial instruments		(804,134)	(1,625)	**2,689**	**192**
Accounts receivable, net		(11,402)	(59,664)	**(192,647)**	**(13,771)**
Recoverable taxes		(22,432)	9,241	**(190,277)**	**(13,620)**
Inventories and biological assets		849,213	397,231	**(730,284)**	**(52,275)**
Prepaid expenses and other current assets		(508,392)	(349,895)	**(216,678)**	**(15,510)**
Trade accounts payable, taxes payable and other accruals		110,092	(125,744)	**565,426**	**40,474**
Income taxes paid		(107,158)	(495,846)	**(121,982)**	**(8,732)**
Accounts payable to related parties		17,277	(6,740)	**17,670**	**1,265**
Net periodic cost from termination and retirement benefits		54,391	75,174	**50,154**	**3,590**
Contributions to plan assets for termination and retirement benefits		(20,634)	(26,373)	**(16,375)**	**(1,172)**
Payments for termination and retirement benefits		(19,818)	(16,973)	**(18,148)**	**(1,299)**
Assets available for sale		(7,220)	(10,231)	**(6,510)**	**(466)**
Net cash provided by (used in) operating activities		1,356,674	2,627,381	**(55,178)**	**(3,929)**
Cash flows from investing activities:					
Acquisition of property, plant and equipment		(944,106)	(517,296)	**(707,533)**	**(50,646)**
Proceeds from sale of plant and equipment		16,542	42,179	**83,946**	**6,009**
Primary financial instruments		316,162	(57,507)	**(201,373)**	**(14,415)**
Increase in other non-current assets		(44,794)	(44,787)	**(146,390)**	**(10,479)**
Interest collected		170,655	165,646	**193,777**	**13,871**
Business acquisitions		-	-	**(1,326,741)**	**(94,741)**
Net cash used in investing activities		(485,541)	(411,765)	**(2,104,314)**	**(154,560)**
Cash to be applied in (obtained from) financing activities		871,133	2,215,616	**(2,159,492)**	**(154,560)**
Cash flows from financing activities:					
Additional paid-in capital and reserve for repurchases of shares		1,079	(3,167)	**(209)**	**(15)**
Dividends paid		(250,045)	(250,082)	**(299,926)**	**(21,469)**
Dividends paid to non-controlling interest		(1,035)	(1,186)	**(912)**	**(65)**
Proceeds from loans		1,044,611	778,955	**1,921,609**	**137,552**
Interest paid		(90,192)	(73,519)	**(60,809)**	**(4,353)**
Principal payments on loans		(706,668)	(1,095,870)	**(774,598)**	**(55,447)**
Net cash (used in) provided by financing activities		(2,250)	(646,869)	**785,155**	**56,203**
Currency translation effect		-	-	**32,124**	**2,299**
Net increase (decrease) in cash and cash equivalents		868,883	1,568,747	**(1,342,213)**	**(96,078)**
Cash and cash equivalents:					
At beginning of year		1,530,244	2,399,127	**3,967,874**	**284,028**
At end of year	$	2,399,127	3,967,874	**2,625,661**	**187,950**

See accompanying notes to consolidated financial statements.

NOTES to the Financial Statements

(1) Organization, business activity and significant transactions-

Organization and business activity-

Industrias Bachoco, S.A.B. de C.V. and subsidiaries (collectively referred to as "Bachoco" or the "Company") a public stock corporation with variable capital was incorporated on February 8, 1980 and it is engaged in breeding, processing and marketing of poultry (chicken and eggs), swine and other products (principally balanced animal feed). Bachoco is the controlling company of a group of subsidiaries.

The shares of Bachoco are listed on the Mexican Stock Exchange (MSE) on the New York Stock Exchange (NYSE), under the symbol "IBA".

On April 19, 2012, Bachoco´s Finance Director and Controller Director authorized the issuance of the Consolidated Mexican Financial Reporting Standards (Mexican FRS) financial statements and notes at December 31, 2010 and 2011 and each of the three years then ended. The accompanying US GAAP disclosures are presented in note 23. These consolidated financial statements were authorized for issuance herein by Bachoco´s Financial Director and Controller Director on April 30, 2012 with consideration of subsequent events through that date.

Significant transactions-

OK Industries acquisition

On November 1, 2011, the Company acquired 100% percent of the voting stock of OK Industries, Inc. and subsidiaries (Acquired Entity). Income of the Acquired Entity has been included in the consolidated financial statements from such date. The Acquired Entity is engaged in breeding, processing and marketing of poultry (chiken) to supplier autoservices networks, fast food networks and others in the U.S and foreing markets. The aggregate purchase price that was paid in cash amounted 93.4 million USD.

As of December 31, 2011 Bachoco was in the process of allocating the fair values to the assets acquired and liabilities assumed. In accordance with Mexican Financial Reporting Standard (Mex FRS) B-7 "Business acquisition", the valuation period shall not be more than one year since the date of acquisition. The consolidated financial statements of Bachoco include the balance sheet of OK Industries, Inc. and subsidiaries, as of December 31, 2011, based on the best estimate of its net asset's fair value as of the acquisition date, and its results of operations for the two-month period ended December 31, 2011. The fair values of these assets acquired were determined using the cost and market approaches.

The cost approach, which estimates value by determining the current cost of replacing an asset with another of equivalent economic utility, was utilized primarily for plant and equipment. The cost to replace a given asset reflects the estimated reproduction or replacement cost for the asset, less an allowance for loss in value due to depreciation. The market approach, which indicates value for a subjet asset based on available market pricing for comparable assets, was utilized primarily for real property. The market approach indicates value based on financial multiples available for similar entities and adjustments for the lack of control or lack of marketability that market participants would consider in determining fair value.

Due to their short-term maturities, the Company believes the carrying amounts of cash equivalents, accounts receivables, other current assets, accounts payable and other current liabilities approximate their fair value at the acquisition date. At the adquisition date, inventories are stated at their net realizable value. The Company's investment in an unconsolidated entity is recorded at its historical cost

and the investment in insurance contracts is recorded at its aggregate net cash surrender value, both of which approximate fair value at the acquisition date.

The following summarizes the acquired balance sheet of OK Industies, Inc., including the application of purchase accounting adjustments to record the best estimate fair value of assets and liabilities at the date of acquisition (November 1, 2011):

Allocated to:

Current assets	$	1,332,762
Property, plant and equipment		1,693,980
Other non-current assets		153,364
Total assets		3,180,106
Current liabilities		(390,001)
Deferred income tax		(519,189)
Non-controlling interest		(7,025)
Net acquired assets		2,263,891
Purchase price		1,269,306
Gain on bargain purchase	$	994,585

Under MexFRS B-7 "Business acquisition", if the amount of the fair value of the net assets acquired exceeds the aggregate purchase price amount (bargain purchase), then the fair value of the net assets acquired shall be adjusted up to the purchase price amount as such purchase price is considered the fair value of the transaction between two independent parties in a free market.

Adjustment to the fair value of the net assets acquired should be applied by reducing the value of certain assets until exhausting its value in the following order: a) firstly, intangible assets, b) then, long-term non-monetary assets as property, plant and equipment, and c) finally, any other long-term assets as permanent investments. Once exhausted the value of such assets, the remaining amount, if any, should be recognized as a gain on bargain purchase in the income statement on the acquisition date.

In accordance with the provision of MexFRS B-7, the Company adjusted the fair value of the property plant and equipment and the related deferred income taxes up to the amount of the gain on bargain purchase on the net assets acquired.

The following table summarizes the adjusted values of OK Industries, Inc., under Mex FRS at November 1, 2011 (acquisition date), and December 31, 2011:

	November 1, 2011	December 31, 2011
Cash and cash equivalents	$ 288	$ 43,129
Accounts receivable	340,443	391,857
Inventories	949,518	1,046,032
Refundable income taxes	12,155	-
Other current assets	30,358	23,649
Property, plant and equipment	11,876	12,045
Investment in unconsolidated entity	36,993	38,026
Other long-term receivable	116,371	119,781
Deferred income taxes	168,330	174,141
Total assets acquired	1,666,332	1,848,660
Accounts payable	(203,631)	(382,240)
Other current liabilities	(186,370)	(157,110)
Total liabilities assumed	(390,001)	(539,350)
Noncontrolling interest in consolidated entity	(7,025)	(7,025)
Net assets acquired	$ 1,269,306	$ 1,302,285

Trosi de Carne acquisition

On August 20, 2011, Induba Pavos, S.A. de C.V. (subsidiary) acquired certain assets of Trosi de Carne, S.A. de C.V. Under MexFRS B-7 "Business acquisition", this net assets acquisition qualifies as a Business Combination. As result of this acquisition the Company will be manufacturing beef value-added and pig. The aggregate purchase price that was paid in cash amounted to $57,723 is comprised as follow:

Land	$ 422
Property	7,829
Machinery and equipment	25,240
Inventory	13,500
Account Receivable	10,732
	$ 57,723

The Company is in the process of completing the allocation of the purchase price to the fair value of the assets acquired.

Other assets acquisitions

On December 16, 2011, Bachoco, S.A. de C.V. (subsidiary) acquired certains assets from Mercantil Agropecuaria Coromuel, S.A. de C.V. (MACSA) located in the state of Baja California. The transaction consisted of the acquisition of property, plant and equipment, for an amount of $55,522. The acquisition intend increase the brand commercial presence and improve the distribution channels in that region.

In July 2009, Bachoco, S.A. de C.V. (subsidiary) acquired a poultry processing plant located in the state of Nuevo Leon, with a production capacity of 9,000 chickens per hour. The transaction consisted of the

acquisition of property, plant and equipment for an amount of $321,984 and inventory in stock for an amount of $142,537. In addition to reducing costs, the goal of this acquisition, is to increase the production capacity and diversifying.

In September 2009, Campi Alimentos, S.A. de C.V. (subsidiary) acquired a poultry feed processing plant also located in the state of Nuevo Leon, with a production capacity of 12,000 tons per month. The transaction consisted of the acquisition of property, plant and equipment, for an amount of $114,904. As in the aforementioned July 2009 acquisition, the Company expanded its animal balanced feed production capacity for internal consumption.

(2) Accounting Policies and Practices-

The preparation of consolidated financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include, but are not limited to, the carrying amount of property, plant and equipment, and goodwill; valuation allowances for receivables, inventories and deferred income tax assets; valuation of primary investment securities and financial instruments; and assets and labor obligations related to employee benefits. Actual results could differ from those estimates and assumptions.

The aforementioned financial statements are presented in Mexican pesos (reporting currency), which is the same as the recording currency and the functional currency, except for the foreign entity that uses U.S dollar as its recording and functional currency.

For disclosure purposes, "pesos" or "$" means thousands of Mexican pesos, and "dollars" or "US dollars" means thousands of U.S. dollars.

When it is deemed relevant, certain amounts presented in the notes to the financial statements include between parentheses a convenience translation into dollars, into pesos, or both, as applicable. These translations are provided as informative data and should not be construed as representations that the amounts in pesos or dollars, as applicable, actually represent those peso or dollar amounts or could be converted into pesos or dollars at the indicated rate.

The Company's consolidated financial statements are prepared in accordance with Mexican Financial Reporting Standards (Mex FRS) in effect as of the balance sheet date. The significant accounting policies and practices followed by the Company in the preparation of the accompanying consolidated financial statements are described below:

a) Consolidation-

The consolidated financial statements include the financial statements of the Company and all of its majority-owned and controlled subsidiaries.

The ownership interests of other stockholders in such subsidiaries are shown as non-controlling interest.

Intercompany balances, investments and significant transactions between consolidated entities have been eliminated in consolidation.

The results of operations of the subsidiaries were included in the Company's consolidated financial statements as at the acquisition or inception month.

The consolidation of the subsidiaries as of December 31, 2009, 2010 and 2011, have been prepared or translated in accordance with Mex FRS.

The accompanying consolidated financial statements include the following subsidiaries as of December 31, 2009, 2010 and 2011:

	Percentage equity interest		
	2009	2010	**2011**
Aviser, S.A. de C.V.	100	100	**100**
Bachoco, S.A. de C.V. ("BSACV")	100	100	**100**
Bachoco Comercial, S.A. de C.V.	100	100	**100**
Campi Alimentos, S.A. de C.V. (1)	100	100	**100**
Huevo y Derivados, S.A. de C.V. (2)	97	-	-
Operadora de Servicios de Personal, S.A. de C.V.	100	100	**100**
Pecuarius Laboratorios, S.A. de C.V.	64	64	**64**
Secba, S.A. de C.V.	100	100	**100**
Sepetec, S.A de C.V.	100	100	**100**
Servicios de Personal Administrativo, S.A. de C.V.	100	100	**100**
Induba Pavos, S.A. de C.V.	100	100	**100**
OK Industries, Inc., and subsidiaries (note 1)	-	-	**100**

The main subsidiaries of the group and their activities are as follows:

- Bachoco, S.A. de C.V. ("BSACV") (includes four subsidiaries which are 50% owned, and for which BSACV has control). BSACV is engaged in breeding, processing and marketing of poultry (chicken and eggs).

- OK Industries, Inc. (includes four subsidiaries which are 100% owned and one which is 85% owned, and for which OK Industries has control). OK Industries was acquired by Bachoco on November 1, 2011, and it and their subsidiaries operate as an integrated poultry processor in the United States (U.S), selling finished products to customers throughout the U.S and other countries.

- Campi Alimentos, S.A. de C.V. (Campi), is engaged in producing and marketing of balanced animal feed.

- Aviser, S.A. de C.V.
- Operadora de Servicios de Personal, S.A. de C.V.
- Secba, S.A. de C.V.
- Sepetec, S.A. de C.V.
- Servicios de Personal Administrativo, S.A. de C.V.

These companies are engaged in providing administrative and operative services to their related parties.

(1) At the ordinary and extraordinary general stockholders' meeting held on March 20, 2009, the shareholders agreed to the merger through incorporation of Acuicola Bachoco, S.A. de C.V. (the acquiree entity) with Campi Alimentos, S.A. de C.V. (the acquiror entity). The merger became effective as of March 31, 2009, so that as of that date, Acuicola, as the acquired corporation, no longer exists. Pursuant to the Ley General de Sociedades Mercantiles (General Corporation and Partnership Law)

when the merger became effective, total assets and liabilities, rights, obligations and responsibilities of the merged corporation became part of the acquiring corporation without reservation or limitation.

(2) At the extraordinary stockholders' meeting held on March 31, 2010, the stockholders agreed the liquidation of the balance sheet as of December 31, 2009. The aforementioned liquidation was effective on January 1, 2010.

b) Translation of foreign currency financial statements-

The financial statements of foreign operations are translated into the reporting currency by initially determining if the functional currency and the currency for recording the foreign operations are different and then translating the functional currency to the reporting currency, using the historical exchange rate and/or the exchange rate at year end, (and the inflation index of the country of origin when the foreign operation is located in inflationary economy).

c) Revenue recognition-

Revenues are recognized when each of the following criteria is met:

- There is evidence of an arrangement.
- Delivery of goods has occurred.
- The seller fixes or determines the prices with the buyer.
- Collectability is reasonably certain.

The Company's products are sold to a large number of customers without significant concentrations with any of them.

Based on management´s analysis and estimates, the Company provides for doubtful receivables (reported under selling, general and administrative expenses).

d) Recognition of the effects of inflation-

The accompanying consolidated financial statements have been prepared in accordance with Mexican FRS in effect as of the statement of financial position date and include the recognition of the effects of inflation on financial information through December 31, 2007, based on the Mexican National Consumer Price Index (NCPI) published by Banco de Mexico (central bank).

Cumulative inflation indexes and percentages of the current and three preceding years are as follows:

December 31	NCPI	Inflation	
		Yearly	Cumulative
2011	**103.551**	**3.80 %**	**12.26%**
2010	99.742	4.40%	15.19%
2009	95.537	3.57%	14.48%
2008	92.240	6.52%	15.01%

A summary of the key inflation accounting concepts and procedures is as follows:

<u>- Property, plant and equipment</u>

Property, plant and equipment were carried at replacement cost, determined annually by an independent appraiser, through 1996. The fifth amendment to Bulletin B-10 *"Accounting Recognition of the Effects of Inflation on Financial Information"* (as modified), which is applicable to financial statements for periods beginning on or after January 1, 1997, disallows the use of appraisals on fixed assets. Based on such amendment, the Company restated the appraised value at December 31, 1996, and the acquisitions of property, plant and equipment since January 1, 1997, until December 31, 2007, by applying factors derived from the NCPI.

- Stockholders' equity

Until December 31, 2007, the date on which the economic environment turned to a non-inflationary environment in conformity with FRS B-10 "Effects of Inflation", capital stock, additional paid-in capital, reserve for repurchase of shares of Company's own shares, retained earnings and other capital accounts were restated using adjustment factors derived from the NCPI. The amounts thus obtained in this manner represented the constant value of the stockholders' equity.

e) Cash and cash equivalents-

Cash and cash equivalents consist primarily of bank deposits and checking accounts in local and foreign currencies and other highly liquid instruments. At the date of the consolidated financial statements, interest income and foreign exchange gains and losses are included in the statements of income, under comprehensive financial results.

f) Available on-demand investments and primary investment securities-

All rights and obligations arising from treasury primary investment securities are recognized on the statement of financial position and the Company classifies its investment securities depending on the purpose for which the securities were acquired: (i) held-to-maturity, (ii) trading or (iii) available for sale. Investments in these instruments with maturity of three months or less at the time of investment are included on the line-item "available on-demand investments" within cash and cash equivalents (see note 4). Furthermore, primary investment securities with maturity over three months are included under current assets. In turn, the balance of debt securities with due dates less than one year is reported under current liabilities

Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity debt securities are securities in which the Company has the solvency, ability and intent to hold the security until maturity. All securities not included in trading or held or held-to-maturity are classified as available-for sale.

Trading securities, except held-to-maturity securities, are recorded at fair value, where peso-denominated debt securities are taken from the bank statements which are based on the information of the local price vendors, while US-denominated debt securities are based on diversified sources. Held-to-maturity securities are recorded at amortized cost. Changes in the carrying amounts of trading securities, including the related costs and yields are included under comprehensive financial results. Gains or losses arising from changes in the fair value of available-for-sale securities (less the corresponding yield) non functional currency denominated and foreign exchange gain or loss, in the case of equity securities, as well as the related monetary position gain or loss, as applicable, are reported as a comprehensive income (loss) item within stockholders' equity.

Furthermore, where evidence exists that a financial asset held-to-maturity shall not be recovered in full, the expected loss (impairment) is recognized in the statement of income.

g) Accounts receivable and allowance for doubtful accounts-

Accounts receivable as of December 31, 2010 and 2011 are reported at fair value, net of the allowance for doubtful accounts.

The Company's policy is to record an allowance for doubtful accounts for balances which are not likely to be recovered. In establishing the required allowance, management considers historical losses, current market conditions, customers' financial condition, the amount of receivables in dispute, price differences and the current receivable aging and current payment patterns.

h) Inventories, agricultural products and biological assets-

- Inventories

At December 31, 2010 and 2011, inventories are stated at the lower of historical cost determined by the average cost method or market, provided that replacement cost is not less than net realizable value.

-Agriculture

The financial statements recognize the requirements of Bulletin E-1, "*Agriculture*" which establishes the rules for recognizing, measuring, presenting and disclosing biological assets and agricultural products.

Bulletin E-1 requires biological assets and agricultural products (the latter at the time of harvesting) to be valued at their fair value, net of the estimated costs at the point of sale. Bulletin E-1 also establishes that whenever the fair value cannot be determined in a reliable, verifiable and objective manner, the assets are to be valued at their production cost, less any impairment loss.

The allowance for decline in the productivity of breeder chickens and pigs is estimated based on their expected future life, under the straight-line method.

Agricultural products are live chickens, processed chickens, commercial eggs and pigs available for sale. The Company's biological assets are comprised of poultry in their different stages, incubatable eggs and breeder pigs.

Broiler chicks less than six and a half weeks old, incubatable eggs, breeder pigs and laying hens are valued at production cost since it is not possible to determine their fair value in a reliable, verifiable and objective manner.

Broilers more than six and a half weeks old through their date of sale are valued at fair value less estimated point-of-sale costs, considering the price per kilogram of processed chicken at the valuation date.

Processed chicken and commercial eggs are valued at fair value less estimated point-of-sale costs, considering the price per kilogram of processed chicken and commercial eggs at the time such items are considered agricultural products. From such date through the date of sale, the fair value is considered to be the cost of processed chicken or commercial eggs, not in excess of net realizable value.

The Company is exposed to financial risks due to changes in the price of chicken. The Company estimates that the price of chicken will not fall significantly in the future; consequently, the Company has not entered into any derivative agreement or any other type of agreement to offset the risk of a drop in the price of chicken.

The Company reviews periodically the price of chicken so as to evaluate the need for a financial instrument to offset such risk.

In conformity with Bulletin E-1, biological assets and agricultural products were classified as either current or non-current assets based on their availability for sale and the business operating cycle.

Cost of sales represents the replacement cost of inventories at the time of sale, increased, as applicable, for reductions in the net realizable value of inventories during the year.

The Company records the necessary allowances for inventory impairment arising from damaged, obsolete or slow-moving inventories or any other reason indicating that the carrying amount will exceed the future revenues expected from use or realization of the inventory items.

Beginning January 1, 2011, and with retrospective application, based on FRS C-5, "Advanced Payments", advances to suppliers of inventory are presented as part of prepaid expenses and other current assets. As result, advances to suppliers of inventory for $366,160 originally reported within the caption of inventories in 2010, were reclassified to prepaid expenses and other current assets in the comparative statement of financial position (see note 3a).

i) Assets available for sale-

Assets available for sale are comprised mainly of assets acquired through foreclosure and an aircraft acquired from the business combination of OK industries, Inc. (note 1). Management is actively marketing the aircraft and expects to complete the sale during the next fiscal year (see note 3a).

j) Property, plant and equipment-

Property, plant and equipment are initially recorded at acquisition cost (except for the property, plant and equipment acquired through business combination that are recorded at fair value) and through December 31, 2007, adjusted for inflation by using factors derived from the NCPI (see note 2d).

From January 1, 2007, acquisitions of assets under construction or installation include the related comprehensive financial results as part of the value of assets. During 2009, 2010 and 2011, no comprehensive financing costs have been capitalized, as result of Mexican FRS D-6 criteria not being met.

Depreciation of property, plant and equipment is calculated on the straight-line method over the estimated useful lives of the assets, determined by management (see note 9).

Leasehold improvements are amortized over the useful life of the improvement or the related contract term, whichever is shorter.

Minor repairs and maintenance costs are expensed as incurred.

Beginning January 1, 2011, and with retrospective application, based on FRS C-5, "Advanced Payments", advances to suppliers of fixed assets are presented as part of other non-current assets. As result, advances to suppliers of fixed assets for $43,290 originally accounted for as property, plant and equipment in 2010, were reclassified to non-current assets accounts in the comparative statement of financial position (see note 3b).

k) Prepaid expenses and other current assets-

Mainly include prepaid expenses for the purchase of inventories and services that are received after the date of the statement of financial position and in the ordinary course of operations.

l) Impairment of property, plant and equipment-

The Company periodically evaluates the values of long-lived assets of property, plant and equipment, to determine whether there is an indication of potential impairment. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset against future cash flows expected to be generated by the asset. If the net carrying amount of an asset exceeds its estimated net revenues, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of, are reported in the balance sheets at the lower of net carrying amount or realizable value. The assets of a group classified as available-for sale are presented separately on the consolidated statement of financial position.

m) Leases-

Leased property, plant and equipment arrangements are recognized as capital leases if: a) the ownership of the leased asset is transferred to the lessee upon termination of the lease; b) the agreement includes an option to purchase the asset at a reduced price; c) the term of the lease is substantially the same as the remaining useful life of the leased asset; or d) the present value of minimum lease payments is substantially the same as the market value of the leased asset, net of any benefit or scrap value.

When the risks and benefits inherent to the ownership of the leased asset remain mostly with the lessor, such leases are classified as operating leases, and the lease expense is charged to results of income as incurred.

The Company classified its leases as operating leases at December 31, 2009, 2010 and 2011.

n) Business Combinations and Goodwill-

Bachoco applies the purchase method as the sole recognition alternative for a business combination by allocating the purchase price to all assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date.

Goodwill represents the difference between the purchase price and the fair value of the identifiable assets acquired in a business combination at the purchase date.

In the case of a gain on a bargain purchase (negative goodwill), such gain is reduced from the value of certain acquired assets up to the amount of such gain on bargain purchase.

Goodwill is recorded initially at acquisition cost and through December 31, 2007, was restated using adjustment factors derived from the NCPI. Goodwill is subject to annual impairment testing.

At December 31, 2010 and 2011, there was no impairment loss in the value of goodwill shown in the consolidated statement of financial position.

o) Other non-current assets-

Other non-current assets consist mainly of advances to suppliers of fixed assets, investment in life insurance contracts, and investment in unconsolidated entity.

At December 31, 2011, OK Industries, Inc. (foreign subsidiary) held a minority interest in Southern Hens, Inc. The Company cannot exercise significant influence over the investee and, therefore has reported the investment at original cost, which approximated fair value as of the acquisition date.

OK Industries, Inc. (foreign subsidiary) owns life insurance policies for certain former stockholders. The Company has recorded these policies at their aggregate net cash surrender value of $119,792.

p) Liabilities, accruals, contingent liabilities and commitments-

Liability provisions are recognized when the following three conditions are met: (i) the Company has current obligations (legal or assumed) derived from past events, (ii) it is probable that the liability will give rise to a future cash disbursement for its settlement and (iii) the liability can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to the consolidated financial statements. Contingent revenues, earnings or assets are not recognized until realization is assured.

If the effect of the time value of money is material, accrual amounts are determined as the present value of the expected disbursements to settle the obligation. The discount rate is determined on a pre-tax basis and reflects current market conditions at the statement of financial position date and,

where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

q) Employee benefits-

Benefit plan in Mexican operation-

Bachoco has a retirement plan in which all non-union workers in Mexico participate. Pension benefits are determined based on the salary of workers in their final three years of service, the number of years worked in the Company and their age at retirement. This plan includes:

- Defined contribution plan: This fund consists of employee and Company contributions. The employee contribution percentage ranges from 1% to 5%. The Company contribution ranges from 1% to 2% in the case of employees with less than 10 years' seniority, and the same contribution percentage as the employee (up to 5%) when the employee has more than 10 years' seniority.

- Defined benefit plan: This fund consists solely of the Company's contributions and covers the Company's labor obligations with each employee.

Seniority premiums and severance payments are paid to workers in Mexico as required by Mexican labor law.

Termination benefits for reasons other than restructuring and retirement to which employees in Mexico are entitled are charged to operations for each year, based on actuarial computations using the projected unit credit method and projected salaries. At December 31, 2011 and for purposes of recognizing benefits upon retirement, the remaining average service life of employees entitled to plan benefits approximates 11.89 years (see note 17).

The actuarial profit or loss is recognized directly in the consolidated statement of income for the period as it is accrued (benefits due to termination) and is amortized based on the remaining labor life of the employees in Mexico that are expected to receive benefits from the plan (retirement benefits).

Benefit plan in foreign operation

i) OK Industries, Inc. (foreign subsidiary) maintains a 401(k) retirement plan (defined contribution plan) covering all employees meeting certain eligibility requirements. The Company contributes to the plan at the rate of 50% of employees contributions up to a maximum of 2% of the individual employees compensation.

ii) OK Industries, Inc. (foreign subsidiary) maintains a deferred compensation arrangement with certain key employees. Amounts payable under this plan vest 10 years from the date of the agreement. The benefit value of each unit is equal to the increase in initial subsidiary book value from the date of the agreement to the conclusion of the vesting period.

r) Comprehensive financial results (CFR)-

The CFR includes interest income and expense, foreign exchange gains and losses and valuation of financial instruments, including derivatives.

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of execution or settlement. Foreign currency assets and liabilities are translated at the exchange rate in force at the consolidated balance sheet date. Exchange differences arising from assets and liabilities denominated in foreign currencies are reported in the consolidated statements of income for the year.

s) Comprehensive income-

The comprehensive income reported on the statements of stockholders' equity represents the results of the Company's total activities during the year, and includes the items mentioned below which, in accordance with Mexican FRS, are reported directly in stockholders' equity, except for net income.

	2009	2010	2011
Net income	$ 797,600	$ 1,983,350	$ **157,041**
Currency traslation adjustment	-	-	**35,636**
	$ 797,600	$ 1,983,350	$ **192,677**
Non controlling interest	11,445	2,976	**2,097**
Comprehensive income	$ 809,045	$ 1,986,326	$ **194,774**

t) Derivative financial instruments-

Irrespective of their use and either issuance or holding purpose, the Company recognizes all derivative instruments as either assets or liabilities on the balance sheet at their respective fair values. Fair values are determined based on known market prices such as Chicago Board of Trade (CBOT) and, when not listed in a market, based on valuation techniques and inputs usually accepted in the financial sector.

Changes in the fair value of financial instruments not designated and/or not qualifying under strict hedge accounting criteria are recognized within earnings for the year in which such changes occur, as derivatives effects under comprehensive financial results.

In the case of operations with options on futures not designated and/or do not qualify under strict hedge accounting criteria, premiums paid or received in connection with options are initially recognized respectively as assets or liabilities within derivative instruments; while subsequent changes in their fair value are recognized within income of the year in which such changes occur under comprehensive financial results.

u) Derivative financial Instruments, designated and qualified as hedging instruments for one or more risks-

The Company uses selected financial derivative instruments to protect itself against adverse price fluctuations in agriculture commodities, such as corn and sorghum. Those agriculture commodities derivative instruments include futures and options on futures which are listed on the CBOT, as well as options on futures accessed through ASERCA (Farming Marketing Support and Services, ascribed to Mexico's Secretary of Farming and Agriculture), who functions as counterparty and that is a dependent entity of the Mexican Government's unit that belongs to the Secretary of Farming, Livestock, Rural Development, Fishing and Food (SAGARPA, Secretaria de Agricultura, Ganaderia y Desarrollo Rural, Pesca y Alimentacion), through which, a commodities-related price hedging program (the "Farming by Contract") scheme is offered to both farmers and agro-business entities such as the Company. The ASERCA program has two participating modalities: (i) 10% of the payment of the option's premium and 100% of the benefit with a 60% discount on the amount of the initial premium, or (ii) 50% of the payment of the option's premium, and 100% of the benefit with a 30% discount on the amount of the initial premium.

When the derivatives are acquired to hedge risks, and accomplish with hedge accounting, there are strict requirements the hedging relationship be documented for each hedged price risk. This documentation includes a description of the objective or hedge strategy, the nature of the hedged item position, the risk(s) to be hedged, the designated derivatives and how the initial effectiveness

testing assessment will be performed, as well as the subsequent measurement of its retrospective effectiveness, which applies to each established hedge relationship.

Formal hedging derivatives designated into a hedging relationship, follow special hedge accounting recognition, for fair value changes based on each corresponding hedge accounting model: (1) Fluctuations in fair value type of hedges, require that both the derivative and the hedged item are to be valued at fair value and recognized in the statement of income adjusting the carrying value of hedge item; (2) in the case of cash flow hedges, only the effective portion of the derivative is temporarily recognized in comprehensive income (equity) and recycled to operations when the effects of the hedged item affects operations as cost of good sold, interest, etc., while the ineffective portion is immediately recognized within operations.

The Company discontinues hedge accounting in the following cases: when the derivative has expired, has been sold, is cancelled or exercised, or when the derivative does not achieve the required level of accumulated effectiveness as to compensate for the changes in the fair value or cash flows of the hedged item, when the edged item is prepaid or when the Company decides to cancel the hedge relationship on a discretionary basis.

Certain financial derivative instruments are entered into to hedge on or more exposures from the user's economic perspective, but are neither designated nor qualify for hedge accounting purposes, hence these derivatives are treated accounting wise, as trading derivatives that is, with fluctuations in the fair value of these derivatives recognized within comprehensive financial result.

In the case of hedges with options on futures or combinations of these options, which are designated and qualifying under hedge accounting models, the premiums paid and received through these derivative financial instruments are initially recognized as assets within derivative financial instruments in the consolidated balance sheet, with subsequent changes in their fair values recognized in the comprehensive financial result in the case of fair value hedges, while under cash flow hedge model, these changes are recognized within other comprehensive income (OCI).

The Company has an investment risk and hedge committee that analyzes the Company's risk.

v) Income taxes (income tax (IT), flat rate business tax (IETU)), and employee statutory profit sharing (ESPS)-

IT, IETU and ESPS payable for the year are determined in conformity with the tax provisions in effect according to the income tax law applicable to each subsidiary.

Consolidated deferred income taxes represents the addition of the amounts determined in each subsidiary by applying the enacted statutory tax. Deferred income tax assets and liabilities to different tax jurisdictions are not offset.

Deferred IT and deferred ESPS (for the Mexican subsidiaries), are accounted for under the asset and liability method. Deferred tax and ESPS assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, according to the income tax law applicable to each subsidiary and in the case of IT, for tax loss and tax credit carryforwards. Deferred tax and ESPS assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax and ESPS assets and liabilities of a change in tax rates is recognized in income during the period that includes the enactment date.

w) Cumulative currency translation effect-

Cumulative currency translation represents the difference resulting from the translation of the figures from the functional currency of foreign operations into the reporting currency.

x) Net income per share-

Net income per share has been computed based on controlling interest net income and on the weighted average number of shares outstanding, as established in Bulletin B-14 "Profit per Share".

y) Financial information by segments-

FRS B-5, *"Financial Information by Segments"*, establishes the rules for disclosing financial information by segment.

Financial information by segment is prepared based on a management's approach, in conformity with FRS B-5, considering a segment to be an operating component that is subject to risks and benefits that are different from other business segments. Beginning 2011, geographic operating segments are also considered (see note 21).

z) Reclassifications-

Certain captions shown in the 2010 financial statements as originally issued have been reclassified for uniformity of presentation with the 2011 financial statements. The changes in these reclassifications were recognized retrospectively at December 31, 2010 and 2009, in conformity with Mex FRS B-1. (see note 3)

aa) Convenience translation-

United States thousands dollars amounts as shown in the accompanying consolidated statement of financial position as of December 31, 2011, as well as in the consolidated statements of income and cash flows for the year ended December 31, 2011 have been included solely for the convenience of the reader and are translated from pesos to US dollars as a matter of arithmetic computation only, at an exchange rate of $13.97 to one U.S. dollar, which was the exchange rate at December 31, 2011. Such translation should not be construed as a representation that the peso amounts could have been or could be converted into U.S. dollars at this rate.

(3) New accounting pronouncements-

The FRS, and improvements mentioned below, issued by the Mexican Board of Financial Reporting Standards (Consejo Mexicano de Normas de Informacion Financiera or CINIF) became effective for fiscal years beginning on or after January 1, 2011, with the respective prospective or retrospective application being specified in each case.

(a) FRS C-4 "Inventories"- FRS C-4 is effective beginning January 1, 2011 with retrospective application, supersedes Bulletin C-4 and establishes new valuation, presentation and disclosure rules for initial and subsequent recognition of inventories on the statement of financial position. The principal changes are as follows:

- FRS C-4 eliminates: a) direct cost as a valuation system and, b) the inventory cost formula (formerly method) referred to as Last In – First Out (LIFO).
- Inventory cost can only written down under the base of net realizable value.
- For inventories acquired on an installment payment basis, the difference between the purchase price under normal credit conditions and the amount paid must be recognized as financial cost during the financing period.

- Under certain circumstances, estimates of impairment losses on inventories recognized in a prior period may be deducted or charged off against results of income for the period in which such modifications occur.
- Items whose benefits and risks have already been transferred to the entity must be recognized as inventories; therefore, prepayments are not part of inventory.

Accounting changes resulting from the initial application of this standard were recognized retrospectively, affecting the financial statements as follows:

	Previously reported amounts	Accounting change	Adjusted amounts
December 31, 2010			
Inventories, net	$ 3,577,929	$ (366,160)	$ 3,211,769
December 31, 2009			
Inventories, net	$ 3,613,212	$ (567,458)	$ 3,045,754

(b) FRS C-5 "Prepayments"– FRS C-5 is effective beginning January 1, 2011, with retrospective application, supersedes Bulletin C.5, and includes primarily the following changes:

- Advances for purchase of inventories (current assets) or property, plant and equipment and intangible assets (non-current assets), among others, must be reported under prepayments provided the benefits and risks inherent in the assets to be acquired or the services to be received have not yet been transferred to the entity. Furthermore, prepaid expenses must be reported based on the nature of the item to be acquired, either under current assets or non-current assets.
- Among other things, the following must be disclosed in notes to financial statements: breakdown of prepayments, accounting policies for recognition and impairment losses, as well as relevant reversal of impairments.

Accounting changes resulting from the initial application of this standard were recognized retrospectively, affecting the financial statements as follows:

December 31, 2010	Previously reported amounts	Accounting change	Adjusted amounts
Prepayments and other non-current assets (from inventory)	$ 138,954	$ 366,160	$ 505,114
Property, plant and equipment, net	$ 10,587,321	$ (43,290)	$ 10,544,031
Other non-current assets (from property, plant and equipment)	$ 21,593	$ 43,290	$ 64,883

December 31, 2009	Previously reported amounts	Accounting change	Adjusted amounts
Prepayments and other non-current assets (from inventory)	$ 155,219	$ 567,458	$ 722,677
Property, plant and equipment, net	$ 10,910,126	$ (44,144)	$ 10,865,982
Other non-current assets (from property, plant and equipment)	$ 20,096	$ 44,144	$ 64,240

(c) **FRS C-6 "Property, plant and equipment"-** FRS C-6 is effective beginning January 1, 2011. The accounting changes resulting from the initial application of this FRS must be prospectively recognized. The principal changes with respect to the superseded Bulletin include the following:

- The bases for determination of the residual value of a component are added.
- The requirement to assign an appraised value to property, plant and equipment acquired at no cost or at an inadequate cost is eliminated.
- Depreciation for components representative of a property, plant and equipment item is mandatory, independently of the depreciation of the rest of the item as if it were a single component.
- Depreciation of idle components must continue, unless depreciation is determined based on the activity.

(d) **2011 FRS Improvements-**

In December 2010, the CINIF issued the document referred to as "2011 FRS Improvements", which contains precise modifications to some FRS. The modifications that bring about accounting changes are listed below:

- **FRS B-1 "Accounting Changes and Error Corrections"**- FRS B-1 requires the presentation of the initial statement of financial position when there are retrospective adjustments, as well as the presentation in the statement of changes in stockholders' equity of previously reported initial balances, the effects of retrospective application and restated initial balances. These improvements were effective beginning January 1, 2011 and were retrospectively applicable.
- **FRS B-2 "Statement of cash flows"**- The requirement to present in the statement of cash flows the line item "cash surplus to be applied in financing activities or, cash to be obtained from financing activities" is eliminated and is left at a recommendation level. This revision was effective for fiscal years beginning January 1. 2011 and was retrospectively applicable.
- **Bulletin C-3 "Accounts receivable"** - Interest income on accounts receivable is recognized when accrued, provided the relevant amount is reliably determined and likely to be recovered. Furthermore, it is provided that interest income on accounts receivable unlikely to be recovered must not be recognized. These improvements are effective beginning January 1, 2011 and are prospectively applicable.
- **FRS C-10 "Derivative financial instruments and hedging activities"** – The improvements to this new FRS are effective beginning January 1, 2011, with retrospective application. The principal improvements include the following:

    - Certain effects of hedge effectiveness may be excluded.
    - An intra-group transaction may be recognized as hedging only when the functional currencies of the related parties are different from each other.
    - Reporting of the effect of the hedged interest rate risk is required, when a portfolio portion is the hedged position.
    - Account margins must be reported separately.
    - In a hedge relationship, a proportion of the total amount of the hedging instrument may be designated as the hedging instrument. The impossibility of designating a hedge relationship for a portion of the term of the hedging instrument is specified.

- **FRS C-13 "Related parties"**- The definition of "immediate family" is now more specific as it was limited to providing a list of the family members that fell within such definition. This revision was effective for fiscal years beginning January 1. 2011 and was retrospectively applicable.

(4) Cash and cash equivalents-

Consolidated cash and cash equivalents as of December 31, 2010 and 2011 consist of:

	2010	2011
Cash and bank accounts	$ 513,076	$ **472,318**
Available on-demand investments (note 13b)	3,445,899	**2,151,702**
Unrestricted cash and cash equivalents	3,958,975	**2,624,020**
Restricted cash	8,899	**1,641**
Total cash and cash equivalents	$ 3,967,874	$ **2,625,661**

Restricted cash corresponds to margin calls to cover future derivative commitments, due to adverse market movements associated with the underlying prices for which the Company had an open position as of December 31, 2010 and 2011.

(5) Trade receivables, net-

Trade receivables at December 31, 2010 and 2011 amounting $963,273 and $1,507,095, respectively, are shown net of an allowance of doubtful accounts of $32,990 and $38,537, respectively.

(6) Related parties-

a) A summary of related party accounts payable as of December 31, 2010 and 2011 is as follows:

	2010	2011
Vimifos, S.A. de C.V.	$ 43,051	$ **47,564**
Frescopack, S.A. de C.V.	6,670	**18,609**
Maquinaria Agrícola, S.A. de C.V.	7,973	**8,566**
Llantas y Accesorios, S.A. de C.V.	1,144	**3,270**
Autos y Accesorios, S.A. de C.V.	678	**422**
Autos y Tractores de Culiacán, S.A. de C.V.	1,025	**41**
Camiones y Tractocamiones de Sonora, S.A. de C.V.	67	**37**
Alfonso R. Bours, S.A. de C.V.	52	**34**
Distribuidora Automotriz de los Mochis, S.A. de C.V.	213	-
	$ 60,873	$ **78,543**

At December 31, 2010 and 2011, balances due to related parties correspond to unsecured current accounts denominated in pesos that bear no interest and are payable in short-term basis.

b) For the years ended December 31, 2009, 2010 and 2011, the Company had the following transactions with related parties:

Purchases of feed, raw materials and packing supplies	2009	2010	2011
Vimifos, S.A. de C.V.	$ 261,385	$ 215,967	$ **347,062**
Frescopack, S.A. de C.V.	136,609	113,229	**119,950**
Pulmex 2000, S.A. de C.V.	17,307	10,896	**10,302**
Qualyplast, S.A. de C.V.	21	19	**6**

Purchases of vehicles, tires and spare parts	2009	2010	2011
Maquinaria Agrícola, S.A. de C.V.	$ 56,502	$ 64,546	$ **69,205**
Autos y Accesorios, S.A. de C.V.	11,849	13,371	**24,995**
Autos y Tractores de Culiacán, S.A. de C.V.	19,555	16,551	**23,207**
Llantas y Accesorios, S.A. de C.V.	30,848	32,775	**21,640**
Camiones y Tractocamiones de Sonora, S.A. de C.V.	8,391	338	**3,333**
Distribuidora Automotriz de los Mochis, S.A. de C.V.	11,093	7,635	**2,135**
Alfonso R. Bours, S.A. de C.V.	847	931	**767**

Airplane leasing expenses	2009	2010	2011
Taxis Aéreos del Noroeste, S.A. de C.V.	$ 9,810	$ 8,866	$ **10,063**

Purchases transactions with related parties are made at market prices, which are similar to those that would have been used in arms-length transactions.

(7) Inventories and biological assets-

a) Inventories consist of the following:

		2010		2011
Raw materials and subproducts (net of $27,940 (2,000 USD) reserve as at December 31, 2011)	$	1,523,690	$	**1,913,359**
Medicine, materials and spare parts		452,373		**487,178**
Finished feed		60,405		**83,601**
		2,036,468		**2,484,138**
Agricultural products:				
Live chicken		877,654		**1,383,769**
Processed chicken (net of $30,203 (2,162 USD) reserve as at December 31, 2011)		250,904		**670,890**
Commercial egg		22,094		**27,498**
Beef		4,463		**13,658**
Turkey		20,186		**12,598**
		1,175,301		**2,108,413**
Total	$	3,211,769	$	**4,592,551**

b) Biological assets at December 31, 2010 and 2011 consist of the following:

		2010		2011
Current biological assets:				
Incubatable eggs	$	105,873	$	**128,184**
Breeder pigs		48,120		**58,973**
Total current biological assets	$	153,993	$	**187,157**
Non-current biological assets:				
Hens in production	$	771,454	$	**1,014,676**
Laying and breeder hens		282,111		**393,811**
Breeder pigs		34,828		**41,566**
Allowance for productivity declines		(338,105)		**(420,410)**
Total non-current biological assets	$	750,288	$	**1,029,643**

The change in the historical value of biological assets and agricultural products measured at their fair value presented decreases of $7,214, $32,016 in 2009 and 2010, respectively, and an increase of $2,558 in 2011. Such effects were included in the results of income each year.

(8) Prepaid expenses and other current assets-

Prepaid expenses are comprised as follows:

		2010		2011
Advances to suppliers of inventory	$	366,160	$	**515,672**
Services		43,240		**125,158**
Other receivable		77,753		**72,043**
Insurances		17,961		**39,277**
Total prepaid expenses and other current assets	$	505,114	$	**752,150**

(9) Property, plant and equipment-

a) Property, plant and equipment at December 31, 2010 and 2011 consists of the following:

	Useful lives (years)		2010		2011
Buildings and farm structures	20-40	$	8,911,833	$	**9,100,778**
Machinery and equipment	7-15		7,156,921		**7,454,119**
Transportation equipment	6		1,158,660		**1,107,991**
Office, furniture and equipment	3		246,349		**252,170**
			17,473,763		**17,915,058**
Accumulated depreciation			(8,157,372)		**(8,685,319)**
			9,316,391		**9,229,739**
Land			948,036		**958,890**
Construction in progress			279,604		**251,624**
Total		$	10,544,031	$	**10,440,253**

b) Depreciation expense for the years ended December 31, 2009, 2010 and 2011, amounted to $662,630, $692,640 and $726,061, respectively.

c) As of December 31, 2010, the construction in progress amounting $279,604, has been placed in service in 2011.

d) As of December 31, 2011, the construction in progress amounting $251,624, are expected to be placed in service in 2012.

e) Changes in property, plant and equipment, were as follow:

	Buildings and farm structures	Machinery and equipment	Transport equipment	Office, furniture and equipment	Land	Constructions in progress	Total
Balances at December 31, 2010	$ 5,005,062	3,739,226	520,551	51,552	948,036	279,604	$ 10,544,031
Acquisition	184,845	379,330	93,576	36,200	13,582	-	707,533
Sale of plant and equipment	(1,147)	(23,035)	(44,829)	(30,422)	(3,204)	(27,979)	(130,616)
Business acquisition	19,501	25,343	100	-	422	-	45,366
Depreciation	(262,950)	(345,963)	(106,674)	(10,474)	-	-	(726,061)
Balances at December 2011	$ 4,945,311	3,774,901	462,724	46,856	958,836	251,625	$ 10,440,253

(10) Goodwill-

In 1999, goodwill was derived from the purchase of the shares of Campi Alimentos, S.A. de C.V. in the amount of $359,564. At December 31, 2005 (the last year of amortization), accumulated amortization aggregated to $58,716. In 2009, 2010 and 2011, goodwill was not amortized, but subject to impairment test on an annual basis, as a result of the adoption of Mexican FRS B-7 "*Business Acquisitions*" (see note 2n).

(11) Other non-current asset-

Other non-current assets consist of:

	2010	2011
Advances for purchases of property, plant and equipment	$ 43,290	$ **185,091**
Investment in life insurance contracts (note 1 and 2(o))	-	**119,792**
Investment in unconsolidated entity (note 1 and 2(o))	-	**38,020**
Others	21,593	**21,734**
	$ 64,883	$ **364,637**

(12) Short and long-term debt-

a) Short term debt, as of December 31, consist of the following:

	2010	2011
Unsecured:		
Denominated in USD for an amount of 75,000 USD, maturing in October 2012, at LIBOR (3) rate plus 0.60 points. Bachoco is guarantor of this debt	$ -	$ 1,047,750
Denominated in pesos, maturing in January 2012, at TIIE (1) plus 0.85 points (note 22(ii))	-	200,000
Denominated in pesos, maturing in August 2012, at TIIE (1) FIRA (2) plus 0.50 points.	-	30,000
Short term debt	$ -	$ 1,277,750

Weighted average interest rate on unsecured short-term debt at December 31, 2011, was 5.53 %.
The average interest rate on unsecured short-term for the years ended December 31, 2011 was 5.48%.
The weighted average interest rate on dollars unsecured short-term at December 31, 2011 was 0.8702%.

(1) TIIE= Interbank Equilibrium Rate
(2) FIRA= Agriculture trust (*Fideicomiso Instituido en Relacion con la Agricultura* by its Spanish acronym)
(3) LIBOR= London InterBank Offered Rate

b) Long-term debt, as of December 31, consist of the following:

	2010	2011
Unsecured:		
Denominated in pesos, maturing in June 2016, at TIIE (1) rate plus 1 points.	$ -	$ 360,000
Denominated in pesos, maturing in 2013, at TIIE (1) rate plus 0.60 points.	-	87,500
Denominated in pesos, maturing in 2015 and 2016, at TIIE (1) plus 1.00 points.	-	47,579
Denominated in pesos, maturing in December 2013, at TIIE (1) FIRA (2) rates less 1.00 point.	38,133	26,400
Denominated in pesos, maturing in April 2015, at TIIE (1) rate plus 0.95 points.	23,617	18,621
Denominated in pesos, maturing in April 2012 and June 2013, at TIIE (1) FIRA (2) rates less 1.10 points and 0.875 points.	30,720	17,390
Denominated in pesos, maturing in March 2014, at TIIE (1) rate plus 2 points.	2,957	2,123
Denominated in pesos, maturing in July 2015, at TIIE (1) plus 1.50 points.	250,000	-
Denominated in pesos, maturing in April 2015, at TIIE (1) FIRA (2) rates plus 1.90 points.	250,000	-
Denominated in pesos, maturing in June 2015, at TIIE (1) rate plus 2.50 points.	38,993	-
Denominated in pesos, maturing in June 2011, at TIIE (1) FIRA(2) rates plus 2 points.	12,500	-
Total	646,920	559,613
Less current installments	(139,867)	(175,243)
Long-term debt, excluding current installments	$ 507,053	$ 384,370

In 2010 and 2011, the Company made prepayments of long-term debt of $533,750 and $538,993 respectively, without being required to pay early termination fee.

Weighted average interest rate on long-term debt at December 31, 2010 and 2011 was 6.32% and 5.58%, respectively.

The average interest rate of the Company's total long-term debt for the years ended December 31, 2010 and 2011 was 6.64%, and 6.17%, respectively.

(1) TIIE = Interbank Equilibrium Rate
(2) FIRA = Agriculture trust (*Fideicomiso Instituido en Relación con la Agricultura* by its Spanish acronym)

The weighted average interest rate of the Company´s total debt at December 31, 2010 and 2011 was 6.32% and 5.55%, respectively.

c) At December 31, 2010 and 2011, unused lines of credit amounted to $2,047,839 and $2,257,870, respectively. In 2010 and 2011, the Company did not pay any fee for unused lines of credit.

d) Maturities of long-term debt as of December 31, 2011, are as follows:

Year		Amount
2013	$	**154,546**
2014		**97,797**
2015		**89,537**
2016		**42,490**
	$	**384,370**

Interest expense on loans for the years ended December 31, 2009, 2010 and 2011, aggregated to $66,989, $52,903, and $40,687, respectively.

Bank loans establish certain affirmative and negative covenants. As of December 31, 2011 and April 30, 2012, the Company was in compliance with all these covenants.

(13-a) Financial Instruments and hedging activities as at December 31, 2010 and 2011-

Derivatives for trading purposes (neither designated nor qualified for hedges accounting treatment)
The Company maintains a portfolio of explicit Financial Derivative Instruments (FDI), which were neither designated nor qualified as hedges under FRS C-10 and, therefore, their related changes in fair value were recognized as valuation effects of financial instruments within Comprehensive Financial Results (CFR), in the results of income. The related fair value amount of the open balance as of December 31, 2010 and 2011, was $(7,096) and $(2,378), respectively, and arose from the derivative instruments, shown on the following pages:

As at December 31, 2010:

OTC[1] foreign currency option structures and forwards – finance counter-party in private agreements:

Counter - party	Instrument	Underlying[4]	Notional	Maturity		Effects on the results of operations CFR/loss (gain)
Morgan Stanley	European options[3]	Exchange rate MXP/USD	Several in US$	January 2011	$	211
	Knock out-knock in[2]	Exchange rate MXP/USD	Several in US$	January 2011		(199)
	Forwards	Exchange rate MXP/USD	Several in US$	January 2011		19
Deutsche Bank	Knock in[2]	Exchange rate MXP/USD	$150 US	January 2011		(63)
Santander	European options[3]	Exchange rate MXP/USD	Several in US$	January 2011		9
	Forwards	Exchange rate MXP/USD	Several in US$	January 2011		41
					$	18

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[1]*Over the Counter* (OTC): refers to privately agreed operations (outside of the standardized or organized futures & options exchange markets such as CBOT) with other financial or non-financial parties.

[2]Knock out – knock in: Option combination that hedges up to a certain level of the exchange rate, and from another level of the exchange rate respectively.

[3]European options: derivative financial instruments under which the buyer has the right or the obligation to buy or sell a certain amount of a underlying asset in the future.

[4]MXP means Thousands of Mexican Peso and USD means Thousands of U.S. dollars.

Derivatives on prices of farming goods (commodities):

Counter-party	Instrument	Underlying	Maturity		Effects on the result of operations CFR/loss (gain)
Cargill (OTC)	Swaps	Corn	January-May 2011	$	**(2,868)**
	Swaps	Soy bean	January-May 2011		**(950)**
New Edge[5]	American options	Corn	March 2011		**(735)**
	Futures	Corn	March 2011		**(2,561)**
				$	**(7,114)**

[5] New Edge is the broker or the commission agents for the futures or options on the futures, that the Company used to enter into these operation in this listed CBOT market on corn and soybeans forwards. See note 4, collaterals established by the broker for Bachoco.

As at December 31, 2011:

OTC[1] foreign currency option structures and forwards – finance counter-party in private agreements:

Counter-party	Instrument	Underlying[4]	Notional	Maturity	Effects on the results of operations CFR/loss (gain)
Several	Forwards	Exchange rate MXP/USD	Several in US$	January 2012	(1,344)
					$ (1,344)

[1]*Over the Counter* (OTC): refers to privately agreed operations (outside of the standardized or organized futures & options exchange markets such as CBOT) with other financial or non-financial parties.

[2]Knock out – knock in: Option combination that hedges up to a certain level of the exchange rate, and from another level of the exchange rate respectively.

[3]European options: derivative financial instruments under which the buyer has the right or the obligation to

buy or sell a certain amount of a underlying asset in the future.

[4]MXP means Thousands of Mexican Peso and USD means Thousands of U.S. dollars.

Derivatives on prices of farming goods (commodities):

Counter-party	Instrument	Underlying	Maturity		Effects on the result of operations CFR/loss (gain)
Cargill (OTC)	Swaps	Corn	March-May 2012	$	(701)
	Swaps	Soy bean	March-May 2012		(342)
New Edge[5]	American options	Corn	March 2012		(760)
Jefferies Bache LLC[5]	American options	Corn	March 2012		769
				$	(1,034)

On November 1, 2011, the Company acquired OK Industries, Inc. As of this date, this enterprise had in its financial derivative instruments position American options listed at CBOT, these options were acquired through the broker Jefferies Bache. The fair value of those instruments amounted $894 as of this date, and for December 31, 2011 this options amounted a fair value of $769, which represented a gain in option's fair value of $125 that was recognized in earnings as of December 31, 2011.

[5] New Edge and / or Jefferies Bache are the brokers or the commission agents for the futures or options on the futures, that the Company used to enter into these operation in this listed CBOT market on corn and soybeans forwards. See note 4, collaterals established by the broker for Bachoco.

Derivatives that are designated and qualify for hedging purposes attributable to (i) one or more risks included in identified hedged items which are already recognized on the balance sheet or (ii) associated to risk exposures not yet recognized on the balance sheet.

In regard to the positions on FDI that the Company enters into and that were designated and qualify for hedge accounting purposes on one or more financial risks, its fair value amounted to a total of $5,801 and $7,829 at December 31, 2010 and 2011, respectively. Following are the details on the derivative instruments found accessing special hedge accounting models, their notional dimension, risks and effects, either on the statement of financial position or in the statements of income. The derivatives mentioned below offset the effects of the hedged items within the statement of income, as long as they continue to qualify and be designated for hedge purposes:

Fair value hedge: The Company has entered into a several firm commitments made through contractual agreements with domestic farmers to purchase estimated grain crops denominated in US dollars at a fixed price, which constitute the hedged items. The long position in puts contracted through ASERCA only hedges the risk arising from a decrease in grain prices, set through firm commitments. These put options are designated in hedging relationships under the fair value hedge accounting model. Effective changes in fair value of grain crops associated with firm commitments attributable to price risk are recognized on the statement of financial position as an asset or a liability until the contracted grain volumes are recognized

as inventory. Subsequently, these put options contracted through ASERCA are partly or fully re-designated to hedge any changes in fair value of a portion of the acquired grain inventories in accordance with the fair value hedge accounting model; that is, protecting against falls in grain prices by adjusting the carrying amount of such inventory against cost of sales in the statement of income, and at the same time, the pending effects derived from changes in fair value of the primary position, lodged in current assets or current liabilities during the primary position term, against cost of sales, so as to adjust the inventory cost for the effects as determined by the fair value hedging model.

Options listed on corn future, effective at December 31, 2010:

Counter-party	Instrument	Underlying	Maturity		Effective offsetting effects on comprehensive financial results/loss (gain)
ASERCA	Puts	Corn	March and May 2011	$	(5,801)

Options listed on corn future, effective at December 31, 2011:

Counter-party	Instrument	Underlying	Maturity		Effective offsetting effects on comprehensive financial results/loss (gain)
ASERCA	Puts	Corn	March and May 2012	$	(7,829)

Option type of derivatives entered under the ASERCA program are under the modality described in the accounting policy.

Hedging effects on the price of grain associated with firm commitments and grain inventories denominated in the Company's non-functional currency (USD), that are recognized at their fair value due to the price risk only, under the fair value hedge accounting model.

Due to the acquired 2010 and 2011 grain price variations, the hedging effects arising from the fair value changes linked to the corn & sorghum[6] prices, according to the fair value hedge model were recognized in the consolidated statement of financial position as a current liability or as an adjustment to the inventory, both with correspondent offsetting effects against the option's intrinsic value changes within comprehensive financial result in the consolidated statement of income.

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[6] Sorghum price is not listed in an agriculture exchange, but its price-as feeding substitute for corn (which is negotiated and listed in the CBOT) has a high correlation with the futures prices of corn, therefore, corn prices are usually used as a sound proxy the hedge sorghum related prices exposure.

At December 31, 2010:

Grain inventories adjusted to fair value hedge[7]*:*

Description	Risk covered and secondary assigned		Changes in the fair value of the firm commitment recognized within the balance sheet
Firm Commitments with a fix price and USD denominated to sorghum and corn purchases agreements	ASERCA Puts that were re-designated as to hedge the fair value of Commodity grain inventories from losing fair value, attributable to lower grain prices	$	(5,801)

At December 31, 2011:

Grain inventories adjusted to fair value hedge[7]*:*

Description	Risk covered and secondary assigned		Changes in the fair value of the firm commitment recognized within the balance sheet
Firm Commitments with a fix price and USD denominated to sorghum and corn purchases agreements	ASERCA Puts that were re-designated as to hedge the fair value of Commodity grain inventories from losing fair value, attributable to lower grain prices	$	(7,829)

[7] These represent contracts the Company enters into with an unrelated party that can be executed through legal means and specify the amount the Company expects to exchange, the fixed price, the currency and the transaction schedule, among other important aspects.

(13-b) Investment in primary financial securities at December 31, 2010 and 2011-

The Company keeps investments in primary financial debt instruments and equity instruments at December 31, 2010 and 2011, both in U.S. dollars and Mexican pesos, as follows:

	2010			2011		
For trading[9]	**Book value**	**Fair value**	**Interest**[8] **rates**	**Book value**	**Fair value**	**Interest**[8] **rate**
Mexican peso denominated debt securities:						
Government issued	$ -	-	-	$ **112,956**	**112,956**	**3.72%**
Bank issued	3,150,010	3,150,010	5.01%	**1,206,121**	**1,206,121**	**4.97%**
Commercial paper	31,150	31,150	8.31%	-	-	-
Repo	203,410	203,410	4.55%	**782,732**	**782,732**	**4.46%**
	$ 3,384,570	3,384,570		$ **2,101,809**	**2,101,809**	
U.S. dollars denominated debt securities:						
Government issued	$ 359	359	0.27%	$ -	-	-
Commercial paper	19,121	19,121	6.40%	**7,541**	**7,541**	**5.88%**
	19,480	19,480		**7,541**	**7,541**	
Total	$ 3,404,050	3,404,050		$ **2,109,350**	**2,109,350**	

For trading[9] maturity over 90 days	2010 Book value	2010 Fair value	2010 Interest[8] rates	2011 Book value	2011 Fair value	2011 Interest[8] value
Mexican peso denominated debt securities:						
Government issued	$ 32,395	32,395	5.25%	$ 40,231	40,231	3.64%
Cuasi-Governmental	-	-	-	2,096	2,096	5.15%
Commercial paper	70,487	70,487	4.09%	287	287	
	$ 102,882	102,882		$ 42,614	42,614	
U.S. dollars denominatec debt securities:						
Bank issued	$ 14,593	14,593	5.82%	$ 5,158	5,158	6.50%
Commercial paper	91,873	91,873	7.31%	362,949	362,949	6.55%
	106,466	106,466		368,107	368,107	
Total	$ 209,348	209,348		$ 410,721	410,721	

Held to maturity	2010 Book value	2010 Fair value	2010 Interest[8] rates	2011 Book value	2011 Fair value	2011 Interest[8] value
Pesos:						
Commercial paper	$ 36,725	36,725	4.87%	$ 42,352	42,352	4.80%

For trading without maturity:	2010 Book value	2010 Fair value	2011 Book value	2011 Fair value
U.S. dollars:				
Equity instruments	5,124	5,124	-	-
	$ 5,124	5,124	-	-

[8]Average interest rate in the category

[9]Accrued interest as of December 31, 2010 and 2011 is not reported in this presentation. The total interest earned on primary financial instruments as of that date amounts to $4,691 and 3,102, respectively.

The Company has diversified its investment portfolio into government, bank, corporate or commercial instruments. These financial instruments have been classified by the Company into two categories: for "trading" and "held-to-maturity" securities under Mex FRS C-2.

As far as the primary financial instruments classified as trading securities are concerned, as of December 31, 2011 the Company's investment is largely in bank instruments. Ninety-nine percent of

this investment is made in recognized national banking institutions, and the term of these investments are three days (52% of the instruments), and twenty eight days (47% of the instruments).

As for held-to-maturity securities, in May 2010, the Company acquired through a voluntary exchange of debt certificates, 485,995 debt certificates issued by Tiendas Comercial Mexicana, S.A. de C.V., maturing in 2016. At the acquisition date, the Company made a decision to classify such certificates as "held-to-maturity securities" in accordance with Mex FRS C-2.

(14) Commitments and contingencies-

a) The Company has entered into operating leases for certain offices, production sites, and automotive and computer equipment. Most leases contain renewal options. These agreements have terms between one and five years. Rental expense under these leases was as follows:

Year ended December 31,		Amount
2009	$	177,292
2010		197,504
2011		**188,244**

b) There is a contingent liability arising from the labor obligations mentioned in note 2q.

c) The Company is involved in a number of lawsuits and claims arising in the normal course of business. In the opinion of management, it is expected that the final outcome of these matters will not have significant adverse effects on the Company's consolidated financial position and results of income.

d) OK Industries, Inc. (foreign subsidiary) maintains self-insurance programs for health care costs and workers' compensation. The subsidiary is liable for health care claims up to 350 USD ($4,890) each year per plan participant and workers' compensation claims up to 600 USD ($8,392) per occurrence. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported. The allowance for this concept is booked into the accompanying consolidated statement of financial position within current liabilities and amounting to 3,817 USD ($53,323) at December 31, 2011. The consolidated statement of income includes expenses relating to self-insurance plans of approximately 1,097 USD ($15,325) for the two-month period of the subsidiary ended December 31, 2011. Bachoco is required to maintain letters of credit on behalf of the subsidiary of 3,400 USD ($47,498) to secure self-insured workers compensation payments.

e) OK Industries, Inc. (foreign subsidiary) is involved in claims with the U.S. Department of Labor and the U.S. Immigration and Customs Enforcement, and various other matters incidental to its business, including workers' compensation claims and environmental issues. At December 31, 2011, the subsidiary has accrued reserves for potential claims of 2,500 USD ($34,925) which are included within other current liabilities.

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

g) The Company has agreed contracts to supply grain from third parties as part of the normal course of operations.

h) In accordance with the Income Tax Law, companies carrying out transactions with related parties are subject to certain requirements as to the determination of prices, which should be similar to those that would be used in arms-length transactions.

Should the tax authorities examine the transactions and reject the related-party prices, they could assess additional taxes plus the related inflation adjustment and interest in addition to penalties of up to 100% of the omitted taxes.

(15) Other taxes payable and other accruals-

An analysis of other taxes payable and other accruals as follows:

		2010		2011
Other accounts payable	$	35,963	$	**218,458**
Expenses payable		148,357		**158,461**
Trade advances		66,189		**71,212**
IMSS (1)		35,073		**35,453**
INFONAVIT (3)		30,743		**32,552**
Employee statutory profit sharing		37,921		**26,234**
Payroll taxes		21,277		**24,044**
Salaries payable		4,924		**9,168**
SAR (2)		6,266		**6,416**
Taxes payable		6,520		**6,349**
Interests payable		489		**6,315**
Total	$	393,722	$	**594,662**

(1) IMSS (a Government health care institution): contributions are made by the Company and by its employees in accordance with applicable regulations. The Company is required to pay this contribution on a monthly basis.

(2) SAR (a Government institution for employee retirement savings): Contributions are made by the Company based on applicable regulations as a percentage of the employees' salary. The Company has a duty to pay these contributions to the government every two months.

(3) INFONAVIT (a Government institution that provides mortgages to employees): The Company is required to make contributions to this entity based on approximately 5% of the employees' salaries, subject to certain limits. The Company has a duty to pay these contributions every two months.

(16) Foreign currency position and translation-

a) A summary of the Company's monetary assets and liabilities denominated in U.S. dollars (the only foreign currency) translated into reporting currency, as of December 31, 2010 and 2011, were as follows:

		Pesos		
		2010		2011
Assets:				
Cash and cash equivalents	$	357,933	$	**232,211**
Primary financial instruments		106,466		**375,648**
Accounts receivable		-		**391,857**
Other accounts		6,926		**315,037**
Advances to suppliers		170,170		**602,912**
		641,495		**1,917,665**
Liabilities:				
Accounts payable		(770,931)		**(1,668,025)**
Other liabilities		-		**(157,110)**
Short term debt		-		**(1,047,750)**
Net liability	$	(129,436)	$	**(955,220)**

b) As of December 31, 2010 and 2011, the exchange rate was $12.37 and $13.97 per US dollar, respectively. At April 30, 2012, date of issuance of the consolidated financial statements the exchange rate was $13.21 per US dollar.

c) As of December 31, 2010 and 2011, foreign exchange gains, net amounting to $11,082 and $54,505, respectively, were recorded.

d) At December 31, 2011 the Company had the foreign exchange hedging instruments mentioned in note 13a.

e) U.S dollar is the recording and functional currency of the foreign subsidiary. This foreign currency was translated into Mexican peso that is the consolidated reporting currency.

(17) Labor obligations-

a) Labor obligation in Mexico

The Company has a defined benefit pension plan covering non unionized personnel in México. The benefits are based on years of service and the employee's compensation. The Company makes annual contributions to the plan equal to the maximum amount that can be deducted for income tax purposes based on the projected unit credit method.

Plan contributions and benefits paid were as follows:

		Plan Contributions			Benefits paid	
	2009	2010	2011	2009	2010	2011
Retirement	$ 17,436	14,039	**15,099**	2,382	2,934	**3,049**

The cost, obligations and other elements of the pension, seniority premium and severance compensation plans for reasons other than restructuring, mentioned in note 2q, have been determined based on computations prepared by independent actuaries at December 31, 2009, 2010 and 2011. The components of the net periodic cost for the years ended December 31, 2009, 2010 and 2011, were as follows:

	Benefits					
		Termination			Retirement	
	2009	2010	2011	2009	2010	2011
Net periodic cost:						
Service cost	$ 13,898	14,720	**17,346**	$ 16,187	18,962	**20,380**
Interest cost	6,220	6,605	**6,976**	20,043	22,453	**21,720**
Return on plan assets	-	-	-	(19,307)	(22,508)	**(25,816)**
Net actuarial loss (gain)	7,171	24,597	**(677)**	(1,982)	(1,816)	**(1,775)**
Prior service cost:						
Amortization of prior service cost and plan modifications	-	-	-	1,885	1,885	**1,885**
Amortization of transition liability	4,828	4,828	**4,667**	5,448	5,448	**5,448**
Net periodic cost	$ 32,117	50,750	**28,312**	$ 22,274	24,424	**21,842**

The present value of benefit obligations of the plans as of December 31, 2009, 2010 and 2011, is as follows:

	Benefits					
	Termination			Retirement		
	2009	2010	2011	2009	2010	2011
Acumulated Benefit Obligation (ABO)	$ 64,328	91,255	**84,702**	$ 151,796	152,737	**168,920**
Projected Benefit Obligation (PBO)	76,988	95,216	**101,140**	240,968	275,550	**239,431**
Plan asset at fair value	-	-	-	(223,77	(256,382)	**(250,855)**
Projected benefit obligation over plan assets	76,988	95,216	**101,140**	17,190	19,168	**(11,424)**
Unrecognized items:						
Transition liability	(13,542)	(8,714)	**(4,047)**	(16,345)	(10,896)	**(5,448)**
Plan modifications	-	-	-	(23,552)	(21,667)	**(19,782)**
Actuarial gains	-	-	-	53,890	53,350	**81,649**
Projected liability, net	$ 63,446	86,502	**97,093**	$ 31,183	39,955	**44,995**

	Benefits		
	2009	2010	2011
Discount rate (net of inflation)	9.50%	8.00%	**8.50%**
Rate of compensation increase*	4.50%	4.50%	**4.50%**
Expected return on plan assets	9.75%	9.00%	**9.50%**
Amortization period of unrecognized items (applicable to retirement benefit)	19.33 years	19.06 years	**11.89 años**

* Salary increases, including past practice, trends in the market and compensation scheme (average salary increase earned if performance is satisfactory).

Below is the determination of benefit obligations of the plan at December 31, 2009, 2010, and 2011:

	Retirement benefits 2009		
	Seniority premium	Pension plan	Total
Defined benefit obligations:			
Obligations of defined benefits at the beginning of year	$ 32,980	177,339	210,319
Current labor cost	3,034	13,153	16,187
Interest cost	3,130	16,913	20,043
Actuarial gain and losses	1,439	(2,836)	(1,397)
Benefits paid	(1,801)	(2,383)	(4,184)
Defined benefit obligations at end of year	$ 38,782	202,186	240,968

	Retirement benefits 2010		
	Seniority premium	Pension plan	Total
Defined benefit obligations:			
Obligations of defined benefits at the beginning of year	$ 38,782	202,186	240,968
Current labor cost	3,675	15,287	18,962
Interest cost	3,574	18,879	22,453
Actuarial gain and losses	1,523	(3,809)	(2,286)
Benefits paid	(1,613)	(2,934)	(4,547)
Defined benefit obligations at end of year	$ 45,941	229,609	275,550

	Retirement benefits 2011		
	Seniority premium	**Pension plan**	**Total**
Defined benefits obligations:			
Obligation of defined benefit at the beginning of year	$ **45,942**	**229,609**	**275,551**
Current labor cost	**4,192**	**16,188**	**20,380**
Interest cost	**3,585**	**18,134**	**21,719**
Actuarial gain and losses	**(15,750)**	**(57,718)**	**(73,468)**
Benefits paid	**(1,702)**	**(3,049)**	**(4,751)**
Defined benefit obligations at end of year	$ **36,267**	**203,164**	**239,431**

Below is the determination of plan assets at 31 December 2009, 2010 and 2011:

	Retirement benefits 2009		
	Seniority premium	Pension plan	Total
Plan assets:			
Plan asset at the beginning of year	$ -	188,815	188,815
Yield expected	-	19,307	19,307
Actuarial gain and losses	-	602	602
Company contributions	-	17,436	17,436
Benefits paid	-	(2,382)	(2,382)
Plan assets at end of year	$ -	223,778	223,778

	Retirement benefits 2010		
	Seniority premium	Pension plan	Total
Plan assets:			
Plan asset at the beginning of year	$ -	223,778	223,778
Yield expected		22,507	22,507
Actuarial gain and losses	-	(1,008)	(1,008)
Company Contributions	-	14,039	14,039
Benefits Paid	-	(2,934)	(2,934)
Plan assets at end of year	$ -	256,382	256,382

		Retirement benefits 2011		
		Seniority premium	Pension plan	Total
Plan assets:				
Plan asset at the beginning of year	$	-	256,382	256,382
Yield expected		-	25,816	25,816
Actuarial gains and losses		-	(43,392)	(43,392)
Company contributions		-	15,100	15,100
Benefits paid		-	(3,051)	(3,051)
Plan assets at end of year	$	-	250,855	250,855

Following is a detailed description of the current amounts and the amounts for the previous four annual periods derived from the defined benefit obligations, the reasonable value of the plan's assets and the adjustments on the plan assets and liabilities, based on experience:

		Seniortiy premium*				
		2007	2008	2009	2010	2011
Defined benefit obligations	$	56,601	59,086	66,711	83,871	76,382
Plan assets		-	-	-	-	-
Plan status	$	56,601	59,086	66,711	83,871	76,382

* The results of seniority premium include retirement and termination, due to the fact that this division did not exist in prior years in accordance with the Bulletin D-3.

		Pension plan				
		2007	2008	2009	2010	2011
Defined benefit obligations	$	199,333	177,339	202,186	229,609	203,164
Plan assets		(182,017)	(188,815)	(223,778)	(256,382)	(250,855)
Plan status	$	17,316	(11,476)	(21,592)	(26,773)	(47,691)

The distribution of assets listed by category at the end of 2009, 2010 and 2011, are as follows:

	2009	2010	2011
Fixed rate investment	75%	75%	70%
Variable rate investment	25%	25%	30%
Total	100%	100%	100%

The distribution of the assets reflects the strategy that was used to optimize the return rate on the plan and the fund's results, within the framework of an appropriate risk level.

b) Benefit plans in foreign operation

OK Industries, Inc. (foreign subsidiary) maintains a 401(k) retirement plan (defined benefit plan) covering all employees meeting certain eligibility requirements. The Company contributes to the plan at the rate of 50% of employees contributions up to a maximum of 2% of the individual employees compensation. Expense for contributions accrued to this plan was 33.7 USD ($471) for the two-month period ending December 31, 2011.

OK Industries, Inc. (foreign subsidiary) maintains a deferred compensation arrangement with certain key employees. Amounts payable under this plan vest 10 years from the date of the agreement. The benefit value of each unit is equal to the increase in initial subsidiary book value from the date of the agreement to the conclusion of the vesting period. Under the agreement, 275,000 units were outstanding on December 31, 2011, all of which were fully vested. Amounts expected to be paid within the next year of 657.7 USD ($9,189) are included in other current liabilities. The remaining liability is 411.8 USD ($5,753) under this plan. There was no compensation expense for the two-month period ending December 31, 2011.

(18) Stockholders' Equity-

a) As of December 31, 2009, 2010 and 2011, the Company's capital stock is represented by 600,000,000 "B" shares with a par value of $1 peso each. All shares issued and outstanding have voting rights.

b) In 2009, 2010 and 2011, the Company declared and paid cash dividends at nominal values of $250,045, $250,082 and $299,926, respectively, or $0.42, $0.42, and $0.50 respectively, per share in nominal pesos.

c) The Mexican Corporation Law requires that at least 5% of each year's net income be appropriated to increase the legal reserve until such reserve is equal to 20% of capital stock issued and outstanding. The balance of the legal reserve at December 31, 2009, 2010 and 2011, included in retained earnings, was $209,399.

d) The Company approved a stock repurchase plan in 1998, in conformity with the Mexican Securities Trading Act, providing a stock repurchase reserve for that purpose of $180,000 ($303,861 expressed in constant Mexican pesos at December 31, 2007) through the appropriation of retained earnings in 1998. In 2009, the Company repurchased and sold 147 thousand of shares. The repurchase value was for $1,880 and the sales value was for $2,959, resulting in a gain of $1,079, recorded as additional paid in capital. During 2010 the Company repurchased 200 thousands of shares for $5,167; in 2011, the Company repurchased 257.4 thousands of shares. The repurchased value was for $6,153, and sales 230 thousands of shares, the sales value was for $5,944. There are 227.4 thousands of shares held by treasury at December 31, 2011.

e) The Company is required to pay taxes on dividends distributed to stockholders only to the extent that the payment made exceeds the balance of the "net tax profit account" (CUFIN), which is used to control earnings on which income tax has already been paid. Income tax paid on dividends refers to a tax payable by corporate entities and not by individuals.

f) The Company obtains the majority of its revenues and net profit from Bachoco, S.A. de C.V. ("BSACV"). For the years 2009, 2010 and 2011, pretax income of BSACV, represented approximately, 92%, 93%, and 86% respectively of Bachoco's net revenues.

Dividends on which BSACV has paid income tax will be credited to the Company's "CUFIN" account and, accordingly, no further income tax will be paid when such amounts are distributed as dividends to the Company's stockholders.

g) From 1999 through 2001, under Mexican income tax law, corporate taxpayers were extended with the option of deferring payment of a portion of their annual corporate income tax, so that the tax rate will represent 30%. The earnings on which taxpayers opted to defer payment of a portion of corporate income tax had to be controlled in the so-called "net reinvested tax profit account" (CUFINRE).

Since the Company opted for this tax deferral, earnings will be considered to be distributed first from the CUFINRE and any excess will be paid from the "net tax profit account" balance ("CUFIN") so as to pay the 5% deferred tax. The option to defer a portion of the annual corporate income tax was eliminated effective January 1, 2002.

h) Stockholders contribution restated as provided for by the tax law (CUCA), aggregating $2,244,455, may be refunded to stockholders tax-free, to the extent that such contribution equals or exceeds stockholders' equity.

(19) Income Tax (IT), Asset Tax (AT), and Flat Rate Business Tax (IETU) and Employee Statutory Profit Sharing (ESPS)-

Under the current tax legislation in Mexico, companies must pay the greater of their IT or IETU. If IETU is payable, the payment will be considered final (i.e. not subject to recovery in subsequent years).

a) Income tax (IT)-

The Company and each of its subsidiaries file separate income tax returns (including its foreign subsidiary, that files income tax returns in the U.S. based on its existing tax year end of April). Bachoco, S.A. de C.V. BSACV, the Company's principal operating subsidiary, is subject to corporate income tax under the provisions of the simplified regime, which is applicable to companies engaged exclusively in agriculture, cattle-raising, fishing, forestry and other activities. The income tax law establishes that such regime is exclusive for companies that obtain no more than 10% of their total revenues from the production of processed products; BSACV has complied with this criteria.

In 2009, a tax reform was authorized by which, beginning in 2010, the tax rate is increased from 19% to 21% in the simplified regime. The result of this change is recognized in 2009, as a charge of $188,754, which is reflected in deferred taxes under the item "Adjustment to deferred tax assets and liabilities for enacted changes in tax laws and rates".

The simplified regime establishes that the taxable base for income tax is determined on revenues collected net of deductions paid (cash basis). The tax rate for this regime was 19% for 2009 and 21% for 2010 and thereafter.

The IT rate of the general regime for fiscal years 2010 to 2012 is 30%, for 2013 the rate shall be 29% and for 2014 and thereafter is 28%.

The income tax rate of the foreign subsidiary is 38.79%.

b) Flat Rate Business Tax (IETU)-

The IETU rate is 17.5% for 2010 and thereafter (17% for 2009) based on cash flows and limits certain deductions.

IETU credits are derived mainly from the unamortized negative IETU base, and salaries taxes for IT purposes and social security contributions, as well as credits derived from the deduction of certain investments, such as inventories and fixed assets.

The IETU is required to be paid only when it is greater than the IT. To determine the IETU payable, income tax paid in a given period shall first be subtracted from the current IT of the same period and the difference shall be the IETU payable.

If negative IETU base is determined because deductions exceed income, there will be no IETU payable. The amount of negative base multiplied by the IETU rate results in a IETU credit, which may be applied against IT for the same year or, if applicable, against IETU payable in the next ten years. According to the tax law, the IETU credit can not be applied against IT for 2010 and 2011.

c) **Asset tax (AT)-**

In 2007, a new law was enacted that resulted in the derogation of the AT Law beginning on January 1, 2008. In 2007, the asset tax rate was payable at 1.25% and liabilities were no longer deductible from the asset tax base.

At December 31, 2011, the Company had $5,044 in Asset Tax credits and such recoverable AT will expire, as follows:

Base year		Asset tax restated at December 31, 2011	Year of expiration
2005	$	1,615	2015
2006		3,429	2016
	$	5,044	

d) **Income tax charged to operations-**

For the years ended December 31, 2009, 2010 and 2011, income tax (credited) charged to results of operations was as follows:

		2009		2010		**2011**
Mexican operation:						
Current income tax	$	103,482	$	495,828	**$**	**69,578**
Flat rate business tax		371		18		**8**
Deferred income tax		302,505		7,569		**(109,221)**
		406,358		503,415		**(39,635)**
Foreign operation:						
Current income tax	$	-	$	-	**$**	-
Deferred income tax		-		-		**(895)**
		-		-		**(895)**
Total (benefit) income tax expense	$	406,358	$	503,415	**$**	**(40,530)**

Income tax and employee statutory profit sharing expense attributable to income before income taxes differed from the amounts computed by applying the Mexican statutory IT rates of 19% for 2009 and 21% for 2010 and 2011, respectively and 10% employee statutory profit sharing to income, as a result of the items shown in the next page:

	2009		2010		2011	
	IT	ESPS	IT	ESPS	IT	ESPS
Computed "expected" tax expense	$ 230,927	121,540	$ 522,846	248,974	**$ 24,908**	**11,860**
Add ESPS expense	-	3,300	-	3,369	-	**2,160**
Increase (decrease) in income taxes resulting from:						
Effects of inflation, net	(50,596)	-	(66,504)	-	**(71,189)**	-
Non-deductible expenses	4,538	183	8,032	1,872	**3,411**	**1,032**
Adjustment to deferred tax assets and liabilities for enacted changes in tax laws and rates	188,754	-	-	-	-	-
Subsidiaries not subject to labor obligations	-	(92,661)	-	(226,341)	-	**7,197**
Effect of companies outside simplified regime	38,163	-	31,661	-	**33,073**	-
Change in the valuation allowance for deferred tax assets	8,130	-	17,164	-	**(32,312)**	-
Other, net	(13,558)	639	(9,784)	5,822	**1,579**	**(651)**
IT and ESPS expense (benefit)	$ 406,358	33,001	$ 503,415	33,696	**$ (40,530)**	**21,598**

e) Deferred income tax-

Based on the financial projections of taxable income, the Company estimated that it will pay income tax (IT); therefore, deferred tax effects as of December 31, 2010 and 2011 have been recorded reflecting the IT basis.

The components of the Company's deferred income tax assets and liabilities are as follows:

		2010		2011
Deferred tax assets:				
Accounts payable	$	493,645	$	**649,678**
Labor obligations		33,407		**58,661**
ESPS payable		11,311		**9,002**
Effects on derivative financial instruments		1,635		**-**
Recoverable AT		4,859		**5,044**
Tax loss carryforwards		17,698		**96,773**
Others		1,006		**-**
Total gross deferred tax assets		563,561		**819,158**
Less valuation allowance		53,309		**20,997**
Net deferred tax assets		510,252		**798,161**
Deferred tax liabilities:				
Inventories		842,767		**1,056,327**
Accounts receivable		190,082		**204,213**
Property, plant and equipment, net		1,490,183		**1,262,899**
Other deductions		16,370		**20,210**
Effects on derivative financial instruments		-		**1,704**
Total gross deferred tax liabilities		2,539,402		**2,545,353**
Net deferred tax liability	$	2,029,150	$	**1,747,192**
Deferred tax assets-foreign subsidiary	$	-	$	**174,141**
Deferred tax liability-Mexican subsidiaries	$	2,029,150	$	**1,921,333**

The valuation allowance for deferred tax assets as of January 1, 2010 and 2011 amounted to $36,145 and $53,309, respectively. The net change in the total valuation allowance for the years ended December 31, 2009, 2010 and 2011, was an increase of $8,130, $17,164 and a decrease of $32,312, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

f) Tax loss carryforwards-

As of December 31, 2011, the Company has tax loss carryforwards restated in accordance with the current Mexican Tax Law, which can be used to offset future taxable income in the next ten years, as follows:

Tax loss carryforwards as adjusted by inflation through December 31, 2011

Base year	Year of expiration		Restated Amount
2007	2017	$	3,251
2008	2018		48,164
2009	2019		12,933
2010	2020		530
2011	**2021**		**380,961**
		$	**445,839**

g) Equity tax value-

As of December 31, 2010 and 2011, the tax value of the Company's equity, which will not be subject to taxation, comprised the following:

		2010		2011
Restated contribution capital (CUCA)	$	2,162,080	**$**	**2,244,455**
Net tax profit account (CUFIN) and net reinvested tax profit account (CUFINRE)		4,203,221		**4,194,245**
Total	$	6,365,301	**$**	**6,438,700**

h) Employee statutory profit sharing

Industrias Bachoco, S.A.B de C.V. and BSACV have no employees, but each of the subsidiaries of the Company in Mexico that has employees is required under Mexican law to pay employees, in addition to their compensation and benefits, statutory profit sharing in an aggregate amount equal to 10% of such subsidiary's taxable income subject to certain adjustments.

(20) Other income (expense), net-

As of December 31, 2009, 2010 and 2011, other income and expense net, were as follows:

		2009		2010		2011
Other income:						
Sales of waste animals, raw material, by-products and others	$	139,555	$	194,779	$	**202,780**
Tax incentives		5,496		-		-
Total other income		145,051		194,779		**202,780**
Other expense:						
Cost of waste animals, raw material, by- products and other		(162,957)		(173,436)		**(193,707)**
Employee statutory profit sharing		(33,001)		(33,696)		**(21,598)**
Others		(14,282)		(82,962)		**(56,396)**
Total other expense		(210,240)		(290,094)		**(271,701)**
Total other expense, net	$	(65,189)	$	(95,315)	$	**(68,921)**

(21) Segment financial information-

a) Product line segments

The segments to be reported are organized by geographic operation and product line. Inter-segment transactions have been eliminated. Our Poultry segment is comprised of our chicken and egg products due to their similarity in risks and benefits. The information included under "Others" corresponds to pigs, balanced animal feed and other non-significant sub-products. The segment information is as shown in the next page:

		As of and for the year ended at December 31, 2009		
		Poultry	Others	Total
Net revenues	$	20,567,944	2,694,906	23,262,850
Cost of sales		(16,900,540)	(2,426,219)	(19,326,759)
Gross profit		3,667,404	268,687	3,936,091
Interest income		149,160	21,495	170,655
Valuation effects of financial instruments		(174,603)	-	(174,603)
Interest and financial expenses		(77,052)	(14,274)	(91,326)
Income taxes		(370,734)	(35,624)	(406,358)
Net controlling interest income		702,344	95,256	797,600
Property, plant and equipment, net		10,453,381	412,601	10,865,982
Goodwill, net		212,833	88,015	300,848
Total assets		18,706,330	1,171,549	19,877,879
Total liabilities		4,817,238	422,178	5,239,416
Capital expenditures		813,628	130,478	944,106
Expenses not requiring cash disbursement:				
Depreciation and amortization		621,324	41,306	662,630

		As of and for the year ended at December 31, 2010		
		Poultry	Others	Total
Net revenues	$	22,229,505	2,485,951	24,715,456
Cost of sales		(17,377,938)	(2,122,739)	(19,500,677)
Gross profit		4,851,567	363,212	5,214,779
Interest income		154,203	11,443	165,646
Valuation effects of financial instruments		18,850	-	18,850
Interest and financial expenses		(65,007)	(8,512)	(73,519)
Income taxes		(463,616)	(39,799)	(503,415)
Net controlling interest (loss) income		1,896,160	90,166	1,986,326
Property, plant and equipment, net		10,240,120	303,911	10,544,031
Goodwill, net		212,833	88,015	300,848
Total assets		20,109,011	1,088,757	21,197,768
Total liabilities		4,407,236	422,178	4,829,414
Capital expenditures		504,675	12,621	517,296
Expenses not requiring cash disbursement:		-	-	-
Depreciation and amortization		664,054	28,586	692,640

	As of and for the year ended at December 31, 2011		
	Poultry	Others	Total
Net revenues	$ 24,697,212	3,037,778	27,734,990
Cost of sales	(22,075,071)	(2,698,145)	(24,773,216)
Gross profit	2,622,141	339,633	2,961,774
Interest income	182,400	11,377	193,777
Valuation effects of financial instruments	(896)	-	(896)
Interest and financial expenses	(58,327)	(11,417)	(69,744)
Income taxes	(13,135)	(27,395)	(40,530)
Net controlling interest income	65,502	91,539	157,041
Property, plant and equipment, net	10,044,310	395,943	10,440,253
Goodwill, net	212,833	88,015	300,848
Total assets	21,832,440	1,337,434	23,169,874
Total liabilities	(6,370,017)	(530,751)	(6,900,768)
Capital expenditures	662,009	45,524	707,533
Expenses not requiring cash disbursement:			
Depreciation and amortization	703,740	22,321	726,061

Revenues from our poultry segment are analyzed as follows:

	As of and for year ended at December 31, 2009		
	Chicken	Eggs	Total
Net revenues	$ 18,211,109	2,356,835	20,567,944

	As of and for year ended at December 31, 2010		
	Chicken	Eggs	Total
Net revenues	$ 20,127,721	2,101,784	22,229,505

	As of and for year ended at December 31, 2011		
	Chicken	Eggs	Total
Net revenues	$ 22,611,264	2,085,948	24,697,212

b) Geographic operating segments

As of 2011, with the acquired operation in the United States, it incorporated a new segment at the management approach named "foreign" to identify (segment) the national and foreign operations. When submitting information by geographical area, the revenues are classified based on the geographical location of the customers. The assets of the segments are classified regarding the geographical location of assets.

		As of and for the year ended at December 31, 2011		
		National Poultry	Foreign Poultry (two-months operation)	Total Poultry
Net revenues	$	23,318,433	1,378,779	24,697,212
Cost of sales		(20,772,407)	(1,302,664)	(22,075,071)
Gross profit		2,546,026	76,115	2,622,141
Interest income		182,400	-	182,400
Valuation effects of financial instruments		(896)	-	(896)
Interest and financial expenses		(58,164)	(163)	(58,327)
Income taxes		(12,240)	(895)	(13,135)
Net controlling interest income		68,160	(2,658)	65,502
Property, plant and equipment, net		10,428,265	12,045	10,440,310
Goodwill, net		212,833	-	212,833
Total assets		19,983,780	1,848,660	21,832,440
Total liabilities		(5,830,667)	(539,350)	(6,370,017)
Capital expenditures		662,009	-	662,009
Expenses not requiring cash disbursement:				
Depreciation and amortization		703,606	134	703,740

		As of and for year ended at December 31, 2011		
		National Chicken	Foreign Chicken (two-months operation)	Total
Net revenues	$	21,232,485	1,378,779	22,611,264

(22) Subsequent events-

(i) Migration to International Financial Reporting Standards (IFRS)

In January, 2009, the Mexican National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores "CNVB") in Mexico revised its "General Provisions applicable to Securities Issuers and other Securities Market Participants" to require that certain public entities reporting financial information through the Mexican Stock Exchange ("BMV"), beginning 2012 are required to prepare and report their financial information under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

In this regard, the consolidated financial statements to be issued by the Company for the year ended December 31, 2012 will be its first annual financial statements complying with IFRS as issued by the IASB. The transition date for adoption will be on January 1, 2011. A brief description of the main changes of the Company's accounting policies impacted by the IFRS adoption, are listed below:

a) **Property, Plant and Equipment** - The Company has taken the "Deemed Cost" option at the transition date by applying the fair value option for certain property, plant and equipment at December, 2011, according to IFRS 1 "First time adoption of International Financial Reporting Standards".

b) **Employee Benefits** - Severance accrual has been written-off since such liability does not meet the requirement required by the accounting standard IAS 19 "Employee Benefits".

c) **Stockholders' equity** – The adjustment that will be recognized at the transition date will be accounted for against retained earnings.

d) **Inflation effects** - According to IAS 29 "Financial Reporting in Hyperinflationary Economies", accumulated inflation effects recognized in periods that do not qualify as hyperinflationary in accordance with IFRS will be eliminated from the equity accounts against retained earnings, such as capital stock, additional paid-in-capital, and reserve for repurchase of shares.

e) **Deferred Income Tax** - Deferred income taxes were accounted for the adjustments that were initially recognized in the financial statements caption at the transition date to IFRS.

f) **Business combination** - The Company has taken the option provided by IFRS 1, thus will not apply IFRS 3 retrospectively to past business combinations that occurred before the date of transition to IFRS.

Best estimated information regarding the significant changes in captions of the Company's financial statements impacted by the IFRS adoption at January 1, 2011 (transition date) are listed below. The Company is in the process to determine the significant changes in main captions of the financial statement at December 31, 2011 as they are currently obtaining all complementary information to determine the final effects at such date, however, the Company estimates that such effects will not change significantly:

January 1, 2011	note	MEX FRS	Adjustment at transition date	IFRS
ASSETS				
Current assets		$ 9,537,718	$ -	$ 9,537,718
Property, plant and equipment, net	a	10,544,031	(403,563)	10,140,468
Other non current assets		1,116,019	-	1,116,019
Total assets		$ 21,197,768	$ (403,563)	$ 20,794,205
LIABILITIES				
Current liabilities		$ 2,166,754	$ -	$ 2,166,754
Long term debt		507,053	-	507,053
Labor obligations	b	126,457	(69,359)	57,098
Deferred income tax	e	2,029,150	(71,732)	1,957,418
Total liabilities		$ 4,829,414	$ (141,091)	$ 4,688,323
STOCKHOLDERS' EQUITY				
Capital Stock	d	$ 2,294,927	$ (902,051)	$ 1,392,876
Additional paid- in capital	d	744,753	(286,244)	458,509
Retained earnings	c,d	13,122,387	987,031	14,109,418
Other equity captions	d	206,287	(61,208)	145,079
Total stockholders' equity		$ 16,368,354	$ (262,472)	$ 16,105,882

ii) Short-term debt payment

On January 25, 2012, the Company paid the debt of $200,000 mentioned in note 12a.

iii) Stockholders meeting

At the stockholders meeting held on April 25, 2012 the stockholders approved, among others:

a- Ratification of the membership of Board of Directors.

b- Dividend decree of $0.50 per share in nominal pesos.

(23) Differences between Mexican Financial Reporting Standards and United States Generally Accepted Accounting Principles

The Company's consolidated financial statements are prepared in accordance with Mexican Financial Reporting Standards ("MexFRS"), which differ in certain respects from accounting principles generally accepted in the United States ("U.S. GAAP").

The principal differences between MexFRS and U.S. GAAP, as they relate to us, are described below with an explanation, where appropriate, of the method used to determine the adjustments that affect net income and stockholders' equity, or additional disclosures as applicable.

Business Combination

OK Industries acquisition

Bachoco applies the purchase method as the sole recognition alternative for a business combination by allocating the purchase price to all assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date.

As it is mentioned in note 1 "Significant transaction", to the consolidated financial statements, on November 1, 2011 the Company acquired 100% percent of the voting stock of OK Industries, Inc., the aggregate purchase price that was paid in cash, amounted to 93,400 thousand USD.

As of December 31, 2011 Bachoco was in the process of allocating the fair values to the assets acquired and liabities asumed. The consolidated financial statements of Bachoco include the balance sheet of OK Industries, Inc., as of December 31, 2011, based on the best estimate of its net asset's fair value as of the acquisition date, and its results of operations for the two-month period ended December 31, 2011. The fair values of these net assets acquired were determined using the cost and market approaches. The following summarizes the difference between the purchase price and the fair value of the identifiable net assets acquired at the purchase date:

Allocated to:	US GAAP US dollars	USGAAP pesos
Cash and cash equivalents	$ 21	$ 288
Accounts receivable	25,051	340,443
Inventories	69,869	949,518
Refundable income taxes	894	12,155
Other current assets	2,234	30,358
Property, plant and equipment	124,649	1,693,980
Investment in life insurance contracts	2,539	34,505
Investment in unconsolidated entity	2,722	36,993
Other long-term receivable	6,024	81,866
Total assets acquired	234,003	3,180,106
Accounts payable	(14,985)	(203,631)
Other current liabilities	(13,303)	(180,773)
Deferred compensation liability	(412)	(5,597)
Deferred income taxes	(38,206)	(519,189)
Total liabilities assumed	(66,906)	(909,190)
Noncontrolling interest in consolidated entity	(516)	(7,025)
Net assets acquired	166,581	2,263,891
Less cost to acquire	93,400	1,269,306
Gain on bargain purchase	$ 73,181	$ 994,585

Under MexFRS B-7 "Business acquisitions", if the fair value of net assets acquired exceeds the aggregate purchase price amount (bargain purchase), then the fair value of the net assets value shall be adjusted up to the purchase price amount as it is considered the fair value of the transaction between two independent parties in a free market.

Adjustment to the fair value of the net assets acquired should be applied by reducing the fair value of certain assets until exhausting its value in the following order: a) firstly, intangible assets, b) then, long-term monetary assets as property, plant and equipment, and c) finally, any other long-term assets as permanent investments. Once the fair value of such asset is exhausted the remaining amount, if any, should be recognized as a gain on bargain purchase in the income statement on the acquisition date.
In accordance with the provision of MexFRS B-7, the Company reduced the fair value of the property, plant and equipment and the related deferred income taxes up to the amount of the gain on bargain purchase ($994,585 (73,181 thousand USD)).

For U.S. GAAP purposes, ASC Topic 805, Business Combinations, mentions that occasionally, an acquirer will make a bargain purchase, which is a business combination in which the fair value of the net assets acquired exceeds the aggregate purchase price amount. If that excess remains after the acquirer, reassess whether it has correctly identified and determined the fair value of all assets acquired, and liabilities assumed, any non-controlling interest in the acquired entity, any previously held equity interest in the acquired entity, and the consideration transferred, then the acquirer shall recognize the resulting gain in earnings on the acquisition date. The gain shall be attributed to the acquirer. Therefore, for U.S. GAAP purposes, the Company recognized in earnings the amount of $994,585 (73,181 thousand USD) as a gain on bargain purchase.

For U.S. GAAP purposes, the Company recognized in the 2011 income statements, a depreciation expense of $18,546 and a deferred tax benefit of $7,000 related to the depreciation of the fair values assigned to property, plant and equipment that come from OK Industries, Inc. acquisition.

Moreover, an additional amount of $27,535 related to translation effect of foreign subsidiary (OK Industries, Inc.) was recognized for U.S. GAAP purposes in other comprehensive income, to reach a total amount of $63,171 related to such translation effect of foreign subsidiary ($35,636 recognized under Mex FRS)

In addition, Accounting Standards Update (ASU) 2010-29 "Business Combination (Topic 805) Disclosures of Supplementary Pro Forma Information for Business Combinations," requests to public entities that presents comparative financial statements to disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had been as of the beginning of the comparable prior annual reporting period. ASU also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination. This unaudited disclosure is shown as follow:

	Combined Figures	
	Thousands USD Jan 1, through December 31, 2010 (Unaudited)	Thousands USD Jan 1, through December 31, 2011 (Unaudited)
Results of operations:		
Net Sales	$ 2,382,735	$ 2,605,050
Operating income	128,941	214,707
Net income	58,916	157,939

No proforma adjustments were deemed necessary by the Company.

Effects of inflation
MexFRS B-10 "Effects of inflation" (applicable for years beginning on or after January 1, 2008), supersedes Bulletin B-10 of MexFRS "Recognition of the effects of inflation on the financial information", and its fifth amendment documents as well as the related circulars and Mexican Interpretation of Financial Reporting Standards. The main consideration established by this MexFRS is the recognition of the effects of inflation when an entity operates in an inflationary economic environment (defined as when cumulative inflation over the immediately preceding three year period is equal to or greater than 26%) applicable as from January 1, 2008. Therefore, the last restatement factor applied to financial statements for the year ended December 2007 was 1.0376, which corresponds to the annual rate of inflation from December 31, 2006 to December 31, 2007, based on the Mexican National Consumer Price Index (NCPI) published by Banco de Mexico.

The reconciliation to U.S. GAAP does not include the reversal of the adjustments to the financial statements for the effects related to the inflation required under MexFRS because the application of MexFRS B-10 represents a comprehensive measure of the effects of price level changes in the Mexican economy and, as such, it is considered a more meaningful presentation than historical cost base over financial reporting for both Mexican and U.S. accounting purposes as permitted by the "Securities and Exchange Commission" (SEC).

Cash flow information
MexFRS B-2 "Statement of cash flow" was revised and changes are effective beginning January 1, 2010. The changes in the presentation were recognized retrospectively and are related to "available on demand-investment" that should be highly liquid (original maturities of three months or less).

At December 31, 2009, 2010 and 2011, restricted cash amounting to $8,270, $8,899, and $1,641 respectively, are being reclassified for U.S. GAAP purposes from the line-item "cash and cash equivalents" to "restricted cash", within investing activities, since such restricted cash does not meet the definition of cash equivalents according to FASB ASC Topic 230 *Statement of cash flows* (SFAS 95 *Statement of cash flows*).

Consolidated statements of cash flows derived from information prepared in accordance with U.S. GAAP would be as presented as follows:

Cash Flow Information	**Years ended December 31,**		
	2009	2010	**2011**
OPERATING ACTIVITIES:			
Net income under U.S. GAAP	$ 798,440	$ 1,977,951	**$ 1,180,685**
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	667,354	697,364	**749,334**
Bargain purchase	-	-	**(994,585)**
Deferred income tax	291,459	50,949	**(155,502)**
Unrealized loss (gain) on derivative financial instruments	(785,398)	(1,625)	**2,689**
Foreign exchange loss on loans	-	-	**34,500**
Loss on sale of property, plant and equipment	88,186	148,571	**46,671**
Labor obligations, net period cost	46,682	42,865	**43,427**
	1,106,723	2,916,075	**907,219**
Changes in assets and liabilities:			
Accounts receivable	$ (44,359)	$ (60,654)	**$ (199,177)**
Inventories and biological assets	274,541	(945)	**(877,238)**
Prepaid expenses and other accounts receivable	(934)	16,265	**(67,166)**
Accounts payable	2,058	(81,696)	**565,424**
Related parties payable	17,277	(6,740)	**17,670**
Other taxes payable and other accruals	109,168	(44,048)	**(242,673)**
Labor obligations, net	(40,452)	(18,749)	**(35,201)**
Cash flows provided by (used in) operating activities to next page	$ 1,424,022	$ 2,719,508	**$ 68,858**

	Years ended December 31,		
	2009	2010	**2011**
Cash flows provided by (used in) operating activities from previous page	$ 1,424,022	$ 2,719,508	**$ 68,858**
INVESTING ACTIVITIES:			
Acquisition of property, plant and Equipment	$ (988,250)	$ (560,586)	**$ (849,334)**
Proceeds from sale of property, plant and Equipment	16,541	42,179	**83,946**
Restricted cash	215,651	(629)	**7,258**
Investment securities	316,162	(57,507)	**(201,373)**
Business acquisition	-	-	**(1,326,741)**
Other assets	(650)	(1,497)	**(4,589)**
Cash flows used in investing activities	$ (440,546)	$ (578,040)	**$ (2,290,833)**
FINANCING ACTIVITIES:			
Proceeds from issuance of notes payable to Banks	$ 1,044,611	$ 778,955	**$ 1,930,541**
Repayment of long-term debt and notes payable	(706,668)	(1,095,870)	**(774,598)**
Cash dividends paid	(250,045)	(250,082)	**(299,926)**
Dividends paid to non-controlling interest	(1,035)	(1,186)	**(912)**
Additional paid-in capital	1,079	(5,167)	**(209)**
Cash flows provided by (used in) financing activities	87,942	(573,350)	**854,896**
Translation effect of foreign subsidiary	-	-	**32,124**
Net increase (decrease) in cash and equivalents	1,071,418	1,568,118	**(1,334,955)**
Cash and cash equivalents at beginning of year	1,319,439	2,390,857	**3,958,975**
Cash and cash equivalents at end of year	$ 2,390,857	$ 3,958,975	**$ 2,624,020**

Supplemental disclosure of cash flows information:

	Years ended December 31,		
	2009	2010	2011
Interest paid during the year	$ (90,192)	$ (73,519)	**$ (60,809)**
Payment of valuation effects of financial instruments	177,740	-	-
Income taxes paid during the year	$ (107,158)	$ (495,846)	**$ (121,982)**

Agriculture:

The Company follows the requirements of the MexFRS bulletin E-1, *Agriculture*, which establishes the rules for recognizing, valuing, presenting and disclosing biological assets and agricultural products.

This bulletin establishes that biological assets and the agricultural products (the latter at the time of their harvesting) are to be valued at their fair value, net of estimated costs at point of sale. Also, the bulletin establishes that whenever the fair value cannot be determined in a reliable, verifiable and objective manner, the assets are to be valued at their production cost, net of accumulated impairment, if any.

In accordance with U.S. GAAP, under FASB ASC 905 Topic "*Agriculture*", *sub-topic 330 Inventory* biological assets and agricultural products are to be valued at cost. Accordingly, the reconciliation between MexFRS and U.S. GAAP income for 2009, 2010 and 2011 includes a reversal of the unrealized gain (loss) on valuation of biological assets and agricultural products at fair value, which shows an increases of $7,214 and increases of $32,016 and a decrease of ($2,558), respectively.

Capitalized interest:
Under MexFRS D-6 starting January 1, 2007, capitalized interest is comprehensively measured in order to include: (i) the interest expense, plus (ii) any foreign exchange fluctuations, and less (iii) the related monetary position result, which was applicable until December 31, 2007, because of the adoption of the new MexFRS B-10 that came into effect on January 1, 2008. Although the Company adopted the policy of capitalizing the comprehensive result of financing on assets under construction, as a result of MexFRS D-6, during 2009, 2010 and 2011, there were no construction projects identified with interest expense related to debt, as described in Note 2j.

Under U.S. GAAP, interest expense incurred during the qualifying construction period must be considered as an additional cost of qualifying constructed assets to be capitalized in property, plant and equipment and depreciated over the lives of the related assets. The amount of the capitalized interest for U.S. GAAP purposes was determined by applying the weighted average interest rate of financing. During 2009, 2010 and 2011, there were no qualifying construction projects.

Deferred income tax and deferred employee statutory profit sharing:

Under MexFRS, the Company determines deferred income taxes in a manner similar to U.S. GAAP, using the asset and liability method, by applying the enacted statutory income tax rate. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for operating loss and tax credit carry forwards. The effect on deferred taxes of a change in tax rates is recognized in results of operations in the period that includes the enactment date. For MexFRS presentation purposes, deferred tax assets and liabilities are long-term items, while under U.S. GAAP, deferred tax assets and liabilities should be classified as short-term or long-term items depending on the nature of the caption that gives rise to such deferred tax assets and liabilities.

Under U.S. GAAP, as of December 31, 2010 and 2011, the long term deferred tax liability is $1,825,344 and $2,132,907 respectively. Short term deferred tax liability is $526,395 and $608,009 as of December 31, 2010 and 2011, respectively.

The deferred tax adjustment included in the net income and stockholders' equity reconciliations includes the effect of deferred taxes on all U.S. GAAP adjustments reflected in the reconciliation from MexFRS to U.S. GAAP. Under U.S. GAAP, the Company recognizes a deferred tax liability associated with profits originated during the simplified regime that have not paid income tax previously, but would be subject to taxation upon future distributions under the Mexican tax law. Due to the accounting change under MexFRS in 2009, this concept generates a reconciling difference to U.S. GAAP. The deferred tax liability under this concept amounted $309,106 and $270,029 as of December 31, 2010 and 2011, respectively.

The Company is required to pay Employee Statutory Profit Sharing (ESPS) in accordance with Mexican labor law. In accordance with MexFRS D-3 "Employee Benefits", deferred ESPS is determined under the asset and liability method at the statutory rate of 10%. This methodology is similar to the approach under FASB ASC Topic 740 "*Income Taxes*" (SFAS 109 *Accounting for Income Taxes*).

The Company's reconciliations between MexFRS and U.S. GAAP do not include deferred ESPS since there is no amount to be booked.

Under MexFRS, current ESPS is recorded within other expenses, net. Under U.S. GAAP, ESPS is classified as selling, general and administrative expenses.

Severance indemnities

MexFRS D-3 "Labor Obligations" requires among other things, that employee benefits should be classified in four main categories; direct short-term and long term, termination and post-employment benefits. MexFRS D-3 establishes a maximum five-year period for amortizing unrecognized/unamortized items while actuarial gains or losses may be recognized as earned or incurred. Unlike termination benefits, post-employment benefit actuarial gains or losses may be immediately recognized in results of operations or amortized over the expected service life of the employees.

Under U.S. GAAP, FASB ASC Topic 712 "*Compensation-Non retirement Post employment Benefits*" required that a liability for certain termination benefits provided under an ongoing benefit arrangement such as statutorily mandated severance indemnities should be recognized in results of operations when the employers' obligations relates to rendered services, the likelihood of future settlement is probable and the liability can be reasonably estimated. Therefore, as of December 31, 2009, 2010 and 2011, the amounts of past service cost amortized under MexFRS was $4,828, $4,828 and $4,667, respectively. Such amounts have been reversed for U.S. GAAP since these amounts had been already recognized in the results of operations under U.S. GAAP. These amounts were included in the U.S. GAAP reconciliation of net income and equity.

FASB ASC Topic 715 *"Compensation-Retirement Benefits"*

Under MexFRS D-3, companies must amortize transition obligations/benefits, over a maximum period of 5 years. This requirement has resulted in an increase in net periodic pension cost under MexFRS which is being reversed for US GAAP purposes.

FASB ASC Topic 715 "*Compensation-Retirement Benefits*", requires companies to recognize the funded or unfunded status of defined benefit pension and other postretirement plans as a net asset or liability and to recognize changes in that funded or unfunded status in the year in which the changes occur through accumulated other comprehensive income to the extent those changes are included in the net periodic cost. The funded status reported on the balance sheet as of December 31, 2009, 2010 and 2011 under FASB ASC Topic 715 "*Compensation-Retirement Benefits*" was measured as the difference between the fair value of plan assets and the projected benefit obligation on a plan-by-plan basis.

The components of the plan funded status that is reflected in the consolidated balance sheets as of December 31, 2010 and 2011 are as follows:

		2010						
		Pension plan	Seniority premium		Severance		Total
Projected benefit obligation	$	229,609	83,871	$	57,286	$	370,766
Market value of plan assets		(256,382)	-		-		(256,382)
(Funded) unfunded defined benefit plan (asset) liability	$	(26,773)	83,871	$	57,286	$	114,384

		2011					
		Pension plan	Seniority premium		Severance		Total
Projected benefit obligation	$	203,164	76,382	$	61,025	$	340,571
Market value of plan assets		(250,855)	-		-		(250,855)
(Funded) unfunded defined benefit plan (asset) liability	$	(47,691)	76,382	$	61,025	$	89,716

The asset allocations of the Company's pension benefits as of December 31, 2010 and 2011 measurement dates were as follows:

		Pension benefits (Level 2)		
Asset category:		2010		**2011**
Debt securities	$	256,382	$	250,855
Total	$	256,382	$	250,855

Goodwill:

Beginning January 1, 2005, due to the adoption of MexFRS B-7, goodwill is no longer amortized, but rather is subject to annual impairment test, and also in interim periods when impairment indicators are noted.

For U.S. GAAP purposes, goodwill is reviewed for impairment at least annually in accordance with the provisions of FASB ASC Topic 350, "Intangibles – Goodwill and Other". Up to December 31, 2004, the Company recognized an accumulated effect (increase in equity) of $58,716 due to the reversal of amortization of goodwill recognized under MexFRS, restoring the goodwill amount in order to comply with U.S. GAAP. The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

The Company performs its annual impairment review of goodwill at December 31, and when a triggering event occurs between annual impairment tests. In 2009, 2010 and 2011, no triggering events occurred and the annual impairment test did not reflect any impairment concern.

Reporting comprehensive income:

For U.S. GAAP reconciliation purposes, the Company has adopted the FASB ASC Topic 220 "*Comprehensive Income*", which establishes rules for reporting and disclosure of comprehensive income and its components. Comprehensive income consists of current year net (loss) income plus (less) the change in stockholders' equity resulting from transactions and other events and circumstances from non-owner sources. For the 2009, 2010 and 2011 fiscal years the components of comprehensive income are the net income, and labor obligation under FASB ASC Topic 715 "*Compensation-Retirement Benefits*" net of taxes. In addition, for the 2011 fiscal year there is a translation effect of foreign subsidiary as part of the comprehensive income. Comprehensive income effects and amounts under US GAAP are disclosed in the consolidated statements of stockholder´s equity in accordance with US GAAP.

Impairment of long-lived assets:

Under US GAAP, an impairment test on long-lived assets requires a two-step process to determine the amount of any impairment loss to be recognized when events and circumstances indicated that the carrying amount may not be recoverable. The first step of this test requires the determination of whether the carrying amount of the long-lived asset is recoverable through the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group). The second step requires the determination of the amount of impairment loss to be recognized by comparing the carrying amount of the asset (asset group) to its fair value. Mexican FRS does not require a two-step impairment evaluation process for long-lived assets but rather, a direct comparison is made between the recoverable amount (higher of value in use and fair value less cost to sale) and carrying value. Since there were no impairment indicators or triggering events, no impairment losses on long-lived assets have been recorded in 2009, 2010 and 2011.

Valuation and Qualifying accounts:

Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Write-off's for 2009, 2010 and 2011 were as follows:

		Balance at beginning of period	Business Acquisition (OK Industries)	Charged to cost and expenses	Deductions	Balance at end of period
Allowance for doubtful accounts	2011	$ 32,990	$ 699	$ 15,298	$ (10,450)	$ 38,537
	2010	$ 29,801	$ -	$ 18,743	$ (15,554)	$ 32,990
	2009	$ 28,320	$ -	$ 12,647	$ (11,166)	$ 29,801

The Company does not have any off-balance-sheet credit exposure related to its customers.

Investment Securities

All rights and obligations arising from primary investment securities are recognized on the balance sheet and the company classifies its investment securities depending on the purpose for which the securities were acquired: (i) held-to-maturity, (ii) trading, or (iii) available for sale. Investments in these instruments are reflected on the line-item "current primary investment securities" within cash and investments, denominated in Mexican peso and US dollar.

Trading securities, except held-to-maturity, are recorded at fair value, where peso-denominated debt securities are taken from the bank statements which are based on the information of the local price vendors, while US-denominated debt securities are based on diversified sources. Held-to-maturity securities are recorded at amortized cost. Changes in the carrying amounts of trading securities, including the related costs and yields are included under comprehensive financial results. Gains or losses arising from changes in the fair value of available-for-sale securities (less the corresponding yield) non functional currency denominated and foreign exchange gain or loss, in the case of equity securities, as well as the related monetary position gain or loss, as applicable, are reported as a comprehensive income (loss) item within stockholders' equity.
Furthermore, where evidence exists that a financial asset held-to-maturity shall not be recovered in full, the expected loss (impairment) is recognized in the statement of operations.

Several securities were no longer traded actively in the financial markets, hence the Company, in accordance with FASB ASC Topic 320 "*Investment-Debt and Equity Securities*", transferred Commercial Paper classified as trading securities to the Held-To-Maturity category starting October 1, 2008.

Derivative Financial Instruments and Risk Hedging Activities
The Company accounts for derivatives and hedging activities in accordance with *FASB ASC Topic 815, "Derivatives and Hedging"*, which requires entities to recognize all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values. For derivatives designated into qualified fair value hedging relationships, changes in the fair value are either offset through earnings against the change in fair value of the hedged item attributable to the risk being hedged or if a qualified cash flow hedging relationship is designated, the effective portion changes on the fair value of the derivatives are recognized in accumulated other comprehensive income. Amounts are reclassified from accumulated other comprehensive income into earnings when the hedged item is recognized in earnings affecting the same revenue or expense item where the hedged item impacts.

The Company enters into transactions denominated in foreign currencies, buying and selling options. These derivatives are not designated as hedging instruments for financial reporting purposes, thus the changes in their fair values are recorded in earnings each period.

Relative to grain usage, the Company enters into derivative contracts designated to hedge firm commitments not recognized as assets or liabilities in the balance sheet (fair value hedges). However, derivatives not designated under a hedging relationship or those do not qualify under strict hedge accounting criteria, are accounted for as trading instruments with changes in fair value recorded in earnings each period. As of November 1st, 2011, the Company acquired OK Industries Inc., and with this acquisition the Company acquired open positions on grain options listed in CBOT (Chicago Board of Trade). The changes in the fair value of these instruments have been also recorded in earnings each period since that date.

For all qualifying hedging relationships, the Company formally documents the hedging relationship, including its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness.

For derivative instruments that are designated and qualify for a hedging relationship under the fair value hedge accounting model, the Company recognizes the changes in fair value of the derivative directly in earnings each period, as well as the changes in fair value attributable to the hedged risk of the hedged item, that is grain firm commitments (off-balance sheet executory contracts) which latter become recognized assets (grain inventory).

The Company discontinues hedge accounting prospectively when it determines that the derivative is no longer effective in offsetting changes in fair value or if the derivative expires or is sold, terminated, or exercised, or if the derivative is no longer designated as a hedging instrument because the management determines that designation of the derivative as a hedging instrument is no longer appropriate.

In all situations in which hedge accounting is discontinued and the derivative instrument remains outstanding, the Company continues to carry the derivative instrument at its fair value on the balance sheet and recognizes any subsequent changes in its fair value within current earnings.

On January 1, 2009, the Company adopted the provisions of SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities* (included in Topic 815-10: *Derivatives and Hedging – Overall*), which amends the disclosure requirements for derivative instruments and hedging activities.

The Company has implemented fair value hedge relationships with firm commitments as hedged item, using bought options on grain futures. Hedge accounting for these relationships does require the recognition of either an asset (gain) or a liability (loss) attributable to the hedged risk (intrinsic changes only) on the balance sheet against current earnings where the changes in the fair value hedge derivatives effects are also recognized and do compensate.

When the same bought options on corn grain futures are redesigned as to hedge a portion of corn/sorghum inventories, once these became recognized assets, the changes in these inventory's portion fair values adjust the carrying value of such grain inventories against current earnings, where the changes in fair value of the designated derivatives offset in current earnings these decreases in the inventories' fair value. The cash flow statement is affected when the derivatives' cash flow from early exercises or those that end up with intrinsic value are collected from ASERCA.

During 2011, the Company took long positions in 6,767 put option contracts on corn futures listed in the CBOT (each conveys 5,000 bushels), which gave the right to the Company for selling 859,477 metric tons at certain strike price 5,493 of these put option contracts reached their maturity during 2011 and provided to the Company a realized gain at correspondent expirations of $1.9 millions of dollars which was recognized in current earnings into cost of goods sold.

Derivative Financial Instruments and Risk Hedging Activities:
As of December 31, 2011 and 2010, the Company used commodity derivatives to manage its exposure to commodity prices, and foreign exchange rate derivatives. The Company does not enter into derivative instruments for any purpose other than hedging its exposure to these commodity prices and foreign currency exchange rate fluctuations, however, derivatives that did not qualify for hedge accounting were accounted as trading instruments. By the end of 2008 and amended in 2010, the Company did establish a Corporate Policy associated to the use of foreign exchange derivatives, where instruments entered in the amount of up to 30 Million USD are approved by the Risk Committee, while entering into an amount higher than this amount does require Board's approval.

By using derivative financial instruments to hedge exposures to changes in commodity prices and exchange rate fluctuations, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty and, therefore, the Company is not exposed to the counterparty's credit risk in those circumstances. Positive fair value derivatives are carried as financial assets on the balance sheet, while negative fair values are presented as current liabilities on the balance sheet.

The Company maintains a commodity-price-risk management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations caused by commodity-price volatility. The manufacturing of the Company's products requires a significant volume of grain. Price fluctuations in grain cause market values of grain inventory to differ from its cost and cause the actual purchase price of the grain to differ from the anticipated price.

As of December 31, 2011 and 2010, the Company has periodically entered into grain futures and options on futures (F&O) contracts traded at the CBOT through New Edge, and Jefferies Bache a F&O brokers on behalf of the Company, to economically hedge a portion of its anticipated purchases of grains, against the risk associated with fluctuations in market prices. These F&O contracts were not designated as hedges; thus, changes in fair value were recognized directly in earnings each period.

Also, the Company has entered into options on futures of corn, as to hedge the downward changes in the prices of grains, corn and sorghum, when the pricing of these are fixed through firm commitments, based on a Mexican Government sponsored program named "Agricultura por Contrato" managed by ASERCA (Apoyos y Servicios a la Comercialización Agropecuaria), a governmental entity ascribed to Mexico's Secretary of Farming and Agriculture (SAGARPA, Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación). This program basically represents a subsidy to the Company, through which, a commodities-related price hedging program scheme is offered to both farmers and agro-business entities such as the Company. The ASERCA program had two participating modalities: during 2011 for which the Company applied (i) 10% of the payment of the option's premium and 100% of the benefit with a 60% discount on the amount of the initial premium, or (ii) 50% of the payment of the option's premium, and 100% of the benefit in the payment of the premium of the bought options with a 38% discount on the amount of the initial premium.

Also, in this program ASERCA plays the role of the intermediary between the Company and the CBOT, but stands as the counterparty. These are put options on futures listed at the CBOT and are designated as fair value hedging relationships. The changes in the fair value of these options and the fair value of the hedged item (firm commitments) are recognized in earnings. Changes in the fair value of the hedged item attributable to the hedged risk, that were recognized within the consolidated balance sheet as either an asset or liability from the grain firm commitment's valuation or as an adjustment to the carrying value of the inventory when the edged item is the grain inventory during the hedging relationship, where the firm commitment's fair value effects are subsequently reclassified as hedge adjustments to cost of goods sold when the related inventory layer affect earnings as cost of goods sold.

As of December 31, 2010 and 2011, the Company had entered into foreign currency exchange rate derivatives, traded with the following financial institutions as of December 31, 2010: UBS Group and Santander (México) and as of December 31, 2011: UBS Group Morgan Stanley and Morgan Stanley, S. A. These structured derivatives were not designated in a hedging relationship, hence changes in the fair value for these instruments were recognized in earnings each period. Likewise, the Company entered into over-the-counter (OTC) grain derivatives with Cargill Incorporated and exchange traded derivatives through, New Edge and Jefferies Bache which were not designated as hedges and consequently, the changes in their fair values were also recognized in earnings each period.

As of December 31, 2010 and 2011, the Company had not established any current hedging relationship under the cash flow hedge model; hence there is no derivatives effect in other comprehensive income as of these dates.

Fair Value Measurements and the Fair Value Option of Financial Instruments:
The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When feasible, the Company uses quoted market prices to determine fair values. Where quoted market prices are not available, the fair value is internally derived based upon valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates adjusted for both counterparty and entity's own risk. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates including both counterparty and entity's own risk adjustment are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange, but those are proxy estimates. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value information presented herein is based on information available as of December 31, 2010 and 2011. Fair values vary from period to period based on changes in a wide range of risk factors, including interest rates, credit quality, and market perceptions of value and as existing assets and liabilities run off and new transactions are entered into.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash, trade accounts receivable, other account receivables, other assets (nonderivatives), trade accounts payable, due to affiliated company, and accrued expenses (nonderivatives): The carrying amounts, at face value or cost plus accrued interest, reported in the consolidated balance sheets equal or approximate fair values, due to the short maturity of these instruments.

Investment securities: The Company classifies its investment securities depending on the purpose for which the securities were acquired, its holding period objective and the Company's ability to hold them until maturity as either: (i) trading, (ii) held-to-maturity or (iii) available for sale. Trading securities and available for sale securities are recognized at fair value, determined by using quoted market prices multiplied by the quantity held when quoted market prices are available. Held-to-maturity securities are reported at amortized cost.

Futures and Options on Futures of Grains: Exchange listed futures and options on futures are valued using the closing (settlement) price observed at the CBOT on the last business day of the year.

Currency exchange rate options: The fair value of these over-the-counter options is determined using option pricing models that value the potential for the option to become "in the money" through changes in currency exchange rate prices during the remaining term of the derivative. Inputs to that option pricing model reflect observable market data, including implied volatility determined by reference to exchange traded options on futures.

Note payables to banks, long and short term debt: The fair value of the Company's long-term debt is measured using quoted offered-side prices when quoted market prices are available. If quoted market prices are not available, the fair value is determined by discounting the future cash flows of each instrument at rates that reflect, among other things, market interest rates and the Company's credit standing. For long-term debt measurements, where there are not rates currently observable in publicly traded debt markets of similar terms to companies with comparable credit, the Company uses market interest rates and adjusts that rate for all necessary risks, including its own credit risk. In determining an appropriate spread to reflect its credit standing, the Company considers credit default swap spreads, bond yields of other long-term debt offered by the Company, and interest rates currently offered to the Company for similar debt instruments of comparable maturities by the Company's bankers as well as other banks that regularly compete to provide financing to the Company.

In accordance to FASB ASC Topic 825 "*Financial Instruments*" (SFAS 107 *Disclosures about Fair Value of Financial Instruments*), the following table presents both the carrying and estimated fair value of assets and liabilities considered financial instruments under this Statement. Others items like short and long term debt not carried and recognized originally at fair value are also presented in the table at their fair

value. The disclosure excludes leases, pension and benefit obligations, as well as insurance policy reserve. Also as required, the disclosures excludes the effect of taxes, any premium or discount that could result from offering for sale at one time the entire holdings of a particular instrument, excess fair value associated with deposit with no fixed maturity and other expenses that would be incurred in a market transaction.

According to the FASB ASC Topic 825, certain items are excluded from this table, such as receivables and payables that arises from the ordinary course of business.

	2010		**2011**	
	Carrying amount	Fair value	**Carrying amount**	**Fair value**
Cash	$ 513,076	$ 513,076	$ **472,318**	$ **472,318**
Investment Securities	3,655,247	3,655,247	**2,565,661**	**2,565,661**
Short term debt	(139,867)	(163,405)	**(1,452,993)**	**(1,477,537)**
Long term debt	(507,053)	(466,930)	**(384,370)**	**(363,146)**

Fair Value Hierarchy:

FASB ASC Topic 820 "*Fair Value Measurements and Disclosures*" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC Topic 820 also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The Company adopted FASB ASC Topic 820 on January 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. On January 1, 2009, the Company adopted the provisions of FASB ASC Topic 820 for fair value measurements of nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. FASB ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

> Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
>
> Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Assets and liabilities utilizing Level 2 inputs include investment securities that are not actively traded and derivative contracts.
>
> Level 3 inputs for the asset or liability are unobservable and significant to the overall fair value measurement.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The hierarchy requires the use of observable market data when available. In the case of investment securities, the instruments are classified in Level 2. The CBOT derivatives (counterparties New Edge and Jefferies Bache) are classified in Level 1. Currency options and OTC grain derivatives (Cargill and ASERCA) are classified in Level 2.

The following fair value hierarchy table presents assets and liabilities that are measured at fair value on a recurring basis at December 31, 2010 and 2011 (including only items that are required to be measured at fair value, items for which the fair value option has be elected, are not presented due that the Company did not elect the Fair Value Option):

At December 31, 2010		Total asset/ liabilities at Fair Value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Trading Securities	$	3,655,247	-	3,655,247	-
Derivative instruments		3,841	3,573	268	-
Total	$	3,659,088	3,573	3,655,515	-
Liabilities:					
Derivative instruments	$	(568)	(282)	(286)	-

At December 31, 2011		Total asset/ liabilities at Fair Value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:					
Trading Securities	$	2,565,661	-	2,565,661	-
Derivative instruments		10,975	760	10,216	-
Total	$	2,576,636	760	2,575,877	-
Liabilities:					
Derivative instruments		(768)	(768)	-	-
Total	$	(768)	(768)	-	-

Fair Value Option

FASB ASC Topic 825-10 provides entities with an option to measure many financial instruments and certain other items at fair value. Under ASC Topic 825-10, unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each reporting period. This fair value option must be applied on an instrument-by-instrument basis with changes in fair value reported in earnings. After initial adoption, the election can be made at the acquisition of an eligible financial asset, financial liability, or firm commitment or when certain specified reconsideration events occur. The fair value election may not be revoked once an election is made. The adoption of FASB ASC Topic 825-10 did not have an impact to the Company's financial position and results of operations, as the Company did not elect the fair value option for eligible items.

Income taxes

a) Tax rate reconciliation:

Until December 31, 2010, all income before income tax and related income tax expense (benefit) are from Mexican sources. As it is mentioned in note 1 "Significant transaction" to the consolidated financial statements, on November 1, 2011 the Company acquired 100% of the voting stock of OK Industries Inc., entity located in the United States of America.

Pre-tax income from domestic and foreign operations is comprised as follow:

		2009	2010	2011
Pre-tax income from domestic operations	$	1,193,751	2,524,746	122,283
Pre-tax income from foreign operations		-	-	972,486
Total	$	1,193,751	2,524,746	1,094,769

Income tax (IT) expense (benefit) attributable to income before income tax differed from the amounts computed by applying the Mexican statutory rate of 19% for 2009 and 21% for 2010 and 2011, respectively, to income before income tax, as a result of the items shown in the following page:

		2009	2010	2011
Computed "expected" tax (benefit) expense	$	226,813	530,197	**229,902**
Increase (decrease) in income taxes resulting from:				
Effects of inflation, net		(50,596)	(66,504)	**(71,189)**
Non-deductible expenses		4,538	8,032	**3,411**
Adjustment to deferred tax assets and liabilities for enacted changes in tax laws and rates		192,614	-	-
Effect of companies outside simplified regime		38,163	31,661	**210,009**
Change in the valuation allowance of deferred tax assets		8,130	17,164	**(32,312)**
(Reversal) addition of deferred tax liability related to simplified regime		(9,273)	34,153	**(39,077)**
Gain resulting from Bargain Purchase		-	-	**(385,799)**
Other, net		(15,078)	(7,908)	**(861)**
IT expense (benefit)	$	395,311	546,795	**(85,916)**

Income tax expense (benefit) for the years ended December 31, 2009, 2010, 2011 is comprised as follows:

	2009	2010	2011
Current tax	$ 103,853	$ 495,846	$ **69,586**
Deferred tax	291,458	50,949	**(155,502)**
	$ 395,311	$ 546,795	$ **(85,916)**

Deferred tax benefit for the year ended December 31, 2011, includes an amount of ($123,723) related to the benefit of tax loss carryforwards.

b) Deferred income tax-

Based on the financial projections of taxable income, the Company estimated that it will pay income tax (IT) in future years; therefore, deferred income tax effects as of December 31, 2010 and 2011 have been accounted for reflecting the IT basis.

The tax effects of temporary differences that give rise to significant portions of deferred tax assets and liabilities at December 31, 2010 and 2011, are presented below:

	2010	2011
Deferred tax assets:		
Accounts payable	$ 493,645	**649,678**
Labor obligations	29,785	**42,949**
ESPS payable	11,311	**9,002**
Effects on derivative financial instruments	1,635	-
Others	1,006	-
Recoverable AT	4,859	**5,044**
Tax loss carryforwards	17,698	**141,421**
Total gross deferred tax assets	559,939	**848,094**
Less valuation allowance	53,309	**20,997**
Net deferred tax assets	506,630	**827,097**
Deferred tax liabilities:		
Inventories	827,540	**1,040,562**
Accounts receivable	190,082	**204,213**
Property, plant and equipment, net	1,515,271	**2,031,296**
Other deductions	16,370	**20,211**
Effects on derivative financial instruments	-	**1,702**
Additional deferred income tax liability related to simplified regime	309,106	**270,029**
Total deferred tax liabilities	2,858,369	**3,568,013**
Net deferred tax liability	$ 2,351,739	**2,740,916**

The valuation allowance for deferred tax assets as of January 1, 2010 and 2011 amounted to $36,145 and $53,309 respectively. The net change in the total valuation allowance for the years ended December 31, 2010 and 2011, was an increase of $17,164 and a decrease of $(32,312), respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The valuation allowance at December 31, 2011 is related to cover asset tax, and part of labor obligations that, in the judgment of management, are not more likely that not to be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Taxable income of the Company on a consolidated basis for the year ended December 31, 2011 was $1,094,770. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at December 31, 2011. The amount of the deferred tax asset considered realizable, however, could be reduced in the near future if estimates of future taxable income during the carryforward period are reduced.

The Company has not accounted for deferred income taxes on the temporary differences resulting from investments in subsidiaries since it meets the criteria provided by ASC 740 "Income taxes" (Accounting Principles Board Opinion 23 (APB 23)). The Company considers these investments to be indefinitely held. A deferred tax liability will be recognized once the Company expects to dispose such investments, and as long as the sale price is higher than the tax cost of such investments. The taxable temporary difference related to such investments amounts approximately to $1,044,000, and it is no practicable to compute the unrecognized deferred tax liability.

Accounting for uncertainty in income taxes:

FASB Interpretation No. 48 *"Accounting for Uncertainty in Income Taxes, an interpretation of Statement of Financial Accounting Standards No.109"* (included in FASB ASC Topic 740 *Income taxes – Overall)* (FIN 48) requires that an entity recognizes in the consolidated financial statements the effect of income tax positions, only if those positions are more likely than not of being sustained upon examination, based on the technical merits of the position. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company's accounting policy is to accrue interest and penalties related to unrecognized tax benefits, if and when required, as a component of other income (expense), in the consolidated statements of operations.

For the years ended December 31, 2009, 2010 and 2011, the Company did not have any unrecognized tax benefits and thus no interest and penalties related to unrecognized tax benefits were recorded. In addition, the Company does not expect that the amount of unrecognized tax benefits will change significantly within the next 12 months. The income tax returns of the Company and its Mexican subsidiaries remain subject to examination by the Mexican tax authorities for the tax years beginning in 2007. In regards to the US subsidiaries the income tax returns for the tax years beginning in 2007 remain subject to examination by the US tax authorities.

Business and credit concentrations:

The Company's products are sold to a large number of customers without significant concentration with any of them; likewise, there is no significant supplier concentration.

Summary of adjustments to reconcile MexFRS and U.S. GAAP:

The following is a summary of net income adjusted to take into account certain material differences between MexFRS and U.S. GAAP:

	Years ended December 31,		
	2009	2010	**2011**
Net income as reported under MexFRS	$ 809,045	$ 1,986,326	**$ 159,138**
Adjustments to reconcile net income to U.S. GAAP:			
Biological assets and agricultural products valuation at fair value	7,214	32,016	**(2,558)**
Depreciation of capitalized interest	(4,724)	(4,724)	**(4,724)**
Severance cost	4,828	4,828	**4,667**
Pensions plan and Seniority Premium	2,882	2,885	**2,738**
Bargain purchase	-	-	**994,585**
Deferred income tax on US GAAP adjustments	1,774	(9,227)	**6,308**
Fair value credit valuation adjustment effect	(31,852)	-	-
Additional deferred income tax liability related to simplified regime	9,273	(34,153)	**39,077**
Depreciation of fair values of property, plant and equipment of OK Industries, Inc.	-	-	**(18,546)**
Less: non-controlling interest income	(11,445)	(2,976)	**(2,097)**
Net controlling interest income under U.S. GAAP	$ 786,995	$ 1,974,975	**$ 1,178,588**
Other comprehensive income, net of tax	4,469	3,910	**86,198**
Comprehensive income	791,464	1,978,885	**1,264,786**
Weighted average number of shares outstanding (thousands)	600,000	600,000	**600,000**
Net income per basic and diluted share	$ 1.31	$ 3.29	**$ 2.11**

Classification differences:

There are certain other classification differences between MexFRS and U.S. GAAP, which are as follows:

- Effective beginning January 1, 2011, with retrospective application; under Mex FRS, advances for purchase of inventories (current assets) or property, plant and equipment and intangible assets (non-current assets), among others, must be reported under prepayments provided the benefits and risks inherent in the assets to be acquired or the services to be received have not yet been transferred to the entity. Furthermore, prepaid expenses must be reported based on the nature of the item to be acquired, either under current assets or non-current assets. Under US GAAP, advances for purchase of inventory, or property plant and equipment are still recorded as inventory or property plant and equipment, respectively.

- Employee statutory profit sharing expenses are classified as other expenses under MexFRS and as selling, general and administrative expenses under U.S. GAAP.

- Tax incentives for 2009 are presented as other income under MexFRS and as a reduction of selling, general and administrative expenses under U.S. GAAP. There were no tax incentives in 2010 and 2011

The reconciliation of the controlling interest between MexFRS and U.S. GAAP is as follows:

	Years ended December 31	
	2010	**2011**
Controlling interest' equity as reported under MexFRS	$ 16,316,355	**$ 16,208,897**
Adjustments to reconcile controlling interest' equity to U.S. GAAP:		
Biological assets and agricultural products valuation at fair value	(72,512)	**(75,070)**
Accumulated differences between the financing cost capitalized for MexFRS and U.S. GAAP purposes	94,481	**94,481**
Accumulated depreciation on capitalized interest	(33,726)	**(38,450)**
Severance cost	(8,714)	**(4,048)**
Pension plan and Seniority Premium	20,787	**56,421**
Reversal of accumulated amortization of goodwill	58,716	**58,716**
Deferred income taxes on U.S. GAAP adjustments	(13,483)	**(17,044)**
Additional deferred income tax liability related to simplified regime	(309,106)	**(270,029)**
Translation effect of foreign subsidiary	-	**27,536**
Depreciation of fair value of property, plant and equipment of OK Industries, Inc.	-	**(18,546)**
Bargain purchase	-	**994,585**
Controlling interest' equity as reported under U.S. GAAP	$ 16,052,798	**$ 17,017,449**

The effects of the above adjustments do not have any impact on non-controlling interest.

The consolidated statements of stockholders' equity in accordance with U.S. GAAP is as follows:

	Capital stock	Additional Paid in-capital	Reserve for repurchas e of shares	Retained earnings	Accumulated other comprehensiv e income	Comprehensiv e income	Total controlling interest equity	Non-controlling interest	Total stockholders ´ equity
Balance at December 31, 2008	$ 2,294,927	$ 743,674	$ 159,455	$ 10,585,770	$ 2,838	$ -	$ 13,786,664	$ 39,799	$ 13,826,463
Cash dividends paid	-	-	-	(250,045)	-	-	(250,045)	-	(250,045)
Cash dividends paid to non-controlling interest	-	-	-	-	-	-	-	(1,035)	(1,035)
Comprehensive income:									
Net income for the year	-	-	-	786,995	-	786,995	786,995	11,445	798,440
Components of other comprehensive income: Labor obligations under FASB ASC Topic 715 effect	-	-	-	-	-	4,469	-	-	-
Other comprehensive income, net of taxes	-	-	-	-	4,469	4,469	4,469	-	4,469
Repurchase of shares	-	1,079	-	-	-	-	1,079	-	1,079
Comprehensive income	-	-	-	-	-	791,464	-	-	-
Balance at December 31, 2009	$ 2,294,927	$ 744,753	$ 159,455	$ 11,122,720	$ 7,307	$ -	$ 14,329,162	$ 50,209	$ 14,379,371

	Capital stock	Additional Paid in-capital	Reserve for repurchase of shares	Retained earnings	Accumulated other comprehensive income	Comprehensive income	Total controlling interest equity	Non-controlling interest	Total stockholders´ equity
Balance at December 31, 2009	$ 2,294,927	$ 744,753	$ 159,455	$ 11,122,720	$ 7,307	$ -	$ 14,329,162	$ 50,209	$ 14,379,371
Cash dividends paid	-	-	-	(250,082)		-	(250,082)	-	(250,082)
Cash dividends paid to non-controlling interest	-	-	-	-	-	-	-	(1,186)	(1,186)
Comprehensive income:									
Net income for the year	-	-	-	1,974,975	-	1,974,975	1,974,975	2,976	1,977,951
Components of other comprehensive income:									
Labor obligations under FASB ASC Topic 715 effect	-	-	-	-	-	3,910	-	-	-
Other comprehensive income, net of taxes	-	-	-	-	3,910	3,910	3,910	-	3,910
Repurchase of shares	-	-	(5,167)	-	-	-	(5,167)	-	(5,167)
Comprehensive income	-	-	-	-	-	1,978,885	-	-	-
Balance at December 31, 2010	2,294,927	$ 744,753	$ 154,288	$ 12,847,613	$ 11,217	$ -	$ 16,052,798	$ 51,999	$ 16,104,797

	Capital stock	Additional Paid in-capital	Reserve for repurchase of shares	Retained earnings	Accumulated Other comprehensive income	Comprehensive income	Total controlling interest equity	Non-controlling interest	Total stockholders´equity
Balance at December 31, 2010	2,294,927 $	744,753 $	154,288 $	12,847,613 $	11,217 $	- $	16,052,798 $	51,999 $	16,104,797
Cash Dividends paid	-	-	-	**(299,926)**	-	-	**(299,926)**	-	(299,926)
Cash dividends paid to non-controlling interest	-	-	-		-	-	-	(912)	(912)
Comprehensive income:	-	-	-		-				
Net income for the year	-	-	-	1,178,588	-	1,178,588	1,178,588	2,097	1,180,685
Components of other comprehensive income: Translation effect of foreign subsidiary	-	-	-	-	-	63,171	63,171	-	63,171
Labor obligations under FASB ASC Topic 715 effect, net of tax effect of $9,869	-	-	-	-	-	23,027	23,027	-	23,027
Other comprehensive loss, net of taxes	-	-	-	-	**86,198**	**86,198**		-	
Repurchase of shares	-	-	(209)	-	-	-	(209)	-	(209)
Comprehensive income	-	-	-	-	-	**1,264,786**	-	-	
Non-controlling interest acquired	-	-	-	-	-	-	-	7,025	7,025
Balance at December 31, 2011	2,294,927 $	744,753 $	154,079 $	13,726,275 $	97,415 $	- $	17,017,449 $	60,209 $	17,077,658

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