



## GRUPO HERDEZ REPORTS FIRST QUARTER 2014 RESULTS

### Highlights from the quarter:

- Consolidated net sales rose 9.4% due to the incorporation of Nutrisa.
- Operating margin of 13.1% reflected low absorption of fixed costs and expenses at Nutrisa as a result of soft sales performance.
- Net margin was 5.3% mainly affected by higher interest expenses and an increase in the effective tax rate.

**Mexico City, Mexico, April 24, 2014 – Grupo Herdez, S.A.B. de C.V. (“Grupo Herdez” or the “Company”)** (MSE: HERDEZ, OTC: GUZBY), today announced its results for the first quarter ended March 31, 2014.

“Despite the challenges of the economy and particularly in the consumption environment, we had some bright spots in the quarter. We are confident that by the second half of the year, top line performance will improve, allowing us to meet the targets we set for the year”, said Héctor Hernández-Pons Torres, Chairman and Chief Executive Officer.

### Net Sales

Net sales in the first three months of the year rose 9.4% over the year ago period to Ps. 3,251 million, due to the incorporation of Nutrisa. In Mexico, excluding Nutrisa, sales would have remained nearly flat despite the negative calendar effect of Holy Week and the expected impact on consumption resulting from fiscal reforms. Exports rose 11.8% over 2013, mainly due to double-digit growth in sales to MegaMex and Central America.

| Net Sales    | 1Q14  | 1Q13  | % Change |
|--------------|-------|-------|----------|
| Consolidated | 3,251 | 2,971 | 9.4      |
| Domestic     | 3,014 | 2,759 | 9.2      |
| Exports      | 237   | 212   | 11.8     |

Figures in million pesos

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Note: The information contained in this document is prepared in accordance with International Financial Reporting Standards (IFRS) applicable since January 1, 2013 and expressed in Mexican pesos unless otherwise stated.

### Gross Profit

Gross margin expanded 3.3 percentage points from the year ago figure, to 37.5%, mainly reflecting lower prices of soybean oil and the incorporation of Nutrisa's cost structure. Excluding Nutrisa, the margin would have expanded 78 basis points to 34.9 per cent.

| Gross Profit | 1Q14  | 1Q13  | % Change |
|--------------|-------|-------|----------|
| Consolidated | 1,220 | 1,015 | 20.2     |
| Domestic     | 1,198 | 995   | 20.4     |
| Exports      | 22    | 20    | 7.2      |

Figures in million pesos

| Gross Margin | 1Q14 | 1Q13 | pp Chg |
|--------------|------|------|--------|
| Consolidated | 37.5 | 34.2 | 3.3    |
| Domestic     | 39.7 | 36.1 | 3.6    |
| Exports      | 9.1  | 9.5  | (0.4)  |

### Operating Expenses

Sales, General and Administrative Expenses (SG&A) as a proportion of net sales represented 24.1%, a rise of 3.5 percentage points from the first quarter of last year. This increase reflects: i) the incorporation of Nutrisa's higher SG&A when compared to Grupo Herdez's structure; and ii) a 42 basis points increase in the organic operation resulting from the combination of lower absorption of fixed expenses due to soft sales growth, and higher fuel costs in line with Mexican regulation.

### Other Income, Net

In the quarter, a Ps. 8 million expense was registered at the other income line, related to the write-off of certain assets resulting from the consolidation of production underway in Sinaloa, Mexico.

### Operating Income

Operating income in the quarter rose 6.0% to Ps. 427 million, while the margin contracted 50 basis points from the year ago period to 13.1%. Excluding Nutrisa, the margin would have remained unchanged at 13.5 per cent.

| Operating Income | 1Q14 | 1Q13 | % Change |
|------------------|------|------|----------|
| Consolidated     | 427  | 403  | 6.0      |
| Domestic         | 419  | 395  | 6.0      |
| Exports          | 8    | 8    | 5.5      |

Figures in million pesos

| Operating Margin (%) | 1Q14 | 1Q13 | pp Chg |
|----------------------|------|------|--------|
| Consolidated         | 13.1 | 13.6 | (0.5)  |
| Domestic             | 13.9 | 14.3 | (0.4)  |
| Exports              | 3.5  | 3.7  | (0.2)  |

### Financial Result

The financial result in the quarter totaled Ps. 94 million, which represents an increase of Ps. 34 million compared to the same period of last year. This rise is the result of higher interest payments arising from the financing of the Nutrisa acquisition.

### Equity Investment in Associates

It is important to note that this line item corresponds to the net income of equity investment in associates, most notably the Company's 50% stake in MegaMex.

Equity investment in associates of Ps. 97 remained in line with the same period of last year, mainly as a consequence of the following effects in MegaMex: i) a 2.8% sales growth in US dollars, reflecting steady performance, with notable growth in the salsas and guacamole categories; ii) a contraction in the gross margin as a result of raw material shortages and higher than expected avocado prices; and iii) higher marketing and advertising expenses due to the competitive market environment.

### Majority Net Income

Majority net income for the quarter totaled Ps. 316 million, a decline of 5.6% when compared to the first quarter of 2013, while the margin contracted 82 basis points to 5.3%. This performance reflects the following factors described previously: i) other expenses registered in the quarter; ii) higher interest payments; iii) stable income from equity investment in associates; and iv) an increased effective tax rate.

| Majority Net Income     | 1Q14 | 1Q13 | % Change |
|-------------------------|------|------|----------|
| Consolidated Net Income | 316  | 335  | (5.6)    |
| Minority Interest       | 143  | 152  | (6.0)    |
| Majority Net Income     | 173  | 182  | (5.2)    |
| Majority Net Margin (%) | 5.3  | 6.1  | (0.8) pp |

Figures in million pesos

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

EBITDA in the first quarter of the year rose 11.5% to Ps. 502 million, with a 20 basis point expansion in the margin to 15.4%. This margin increase is mainly explained by higher depreciation resulting

from the incorporation of the new mayonnaise plant. Excluding Nutrisa, EBITDA margin would have expanded 51 basis points to 15.7 per cent.

| EBITDA       | 1Q14 | 1Q13 | % Change |
|--------------|------|------|----------|
| Consolidated | 502  | 451  | 11.5     |
| Domestic     | 486  | 437  | 11.2     |
| Exports      | 16   | 13   | 21.1     |

Figures in million pesos

| EBITDA Margin (%) | 1Q14 | 1Q13 | pp Chg |
|-------------------|------|------|--------|
| Consolidated      | 15.4 | 15.2 | 0.2    |
| Domestic          | 16.1 | 15.8 | 0.3    |
| Exports           | 6.9  | 6.3  | 0.6    |

### Capital Expenditures

Net capex in the quarter was Ps. 70 million, mainly allocated to the ongoing consolidation of the three plants in Sinaloa, Mexico, and the opening of six new own points of sale for Nutrisa.

### Nutrisa Points of Sale

As of March 31, 2014, Nutrisa operated 426 units, of which eight were added in the quarter, including two franchises.

### Financial Structure

At March 31, 2014 the Company's cash position increased Ps. 95 million on a sequential basis, to Ps. 982 million, while consolidated debt, including other liabilities, remained unchanged at Ps. 6.0 billion. Leverage ratios remain healthy, with net debt to consolidated EBITDA at 2.4 times, and net debt to total stockholders' equity at 0.5 times.

### Recent Events

- On February 24, 2014 Grupo Herdez signed a market maker agreement with UBS Casa de Bolsa, S.A. de C.V, effective since that date.
- On March 5, 2014 Grupo Herdez inaugurated the new McCormick® mayonnaise plant, located in the State of Mexico, Mexico. The plant represented an investment of approximately Ps. 560 million and has an installed capacity of 120,000 tons per year distributed between 6 production lines and 4 lines of PET (polyethylene terephthalate) packaging production for self-consumption.



## 1Q14 Earnings Conference Call Information

Date: Friday, April 25, 2014

Time: 12:00 pm E.T. / 11:00 am C.T.

To participate, please dial:

Toll Free US and Canada: +1 (888) 417-8533

Toll International: +1 (719) 325-2469

Conference ID#: 2509090

To access on the internet, follow the link available at [www.inversionistasgrupoherdez.com/english/](http://www.inversionistasgrupoherdez.com/english/) or go directly to <http://public.viavid.com/index.php?id=108567>

If you are unable to participate live, a replay of the conference call will be available through May 9, 2014. To access the replay, please dial domestic US and Canada +1 (877) 870-5176, or from other countries +1 (858) 384-5517, conference ID#: 2509090.

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### About Grupo Herdez

Grupo Herdez is a leading producer of shelf-stable foods and frozen yogurt in Mexico, and a leader in the Mexican food category in the United States. The Company participates in a wide range of categories including burritos, coffee, guacamole, frozen yogurt, gelatins, homemade salsas, honey, jam, ketchup, mayonnaise, mini tacos, mole, mustard, organic foods, pasta, spices, tea, tomato puree, tuna and vegetables, among others. These products are commercialized through an exceptional portfolio of brands, including Aires de Campo<sup>®</sup>, Barilla<sup>®</sup>, Chi-Chi's<sup>®</sup>, Del Fuerte<sup>®</sup>, Don Miguel<sup>®</sup>, Doña María<sup>®</sup>, Embasa<sup>®</sup>, Herdez<sup>®</sup>, La Victoria<sup>®</sup>, McCormick<sup>®</sup>, Nutrisa<sup>®</sup>, Wholly Guacamole<sup>®</sup> and Yemina<sup>®</sup>. In addition, the Company has distribution agreements for the Herdez GoGo Squeeze<sup>®</sup>, Kikkoman<sup>®</sup>, Ocean Spray<sup>®</sup>, Reynolds<sup>®</sup> and Truvia<sup>®</sup> products in Mexico. Grupo Herdez has 14 plants, 9 distribution centers, 7 tuna vessels, 426 points of sale of Grupo Nutrisa and a workforce of more than 8,000 associates. The Company was founded in 1914 and has been listed in the Mexican Stock Exchange since 1991 and in the OTC market since 1997. For more information, visit [www.grupoherdez.com.mx](http://www.grupoherdez.com.mx)



### **Forward-Looking Statement**

The information herein contained ("Information") has been prepared by Grupo Herdez, S.A.B. de C.V., its associates, subsidiaries and/or affiliates companies ("Grupo Herdez") and may contain forward-looking statements that reflects Grupo Herdez current expectations and views which could differ materially due to different factors, risks and uncertainties. Therefore, Grupo Herdez or any of their respective officers, employees or agents, have no responsibility or liability for such differences in the Information. In particular, but without prejudice to the generality of the foregoing, no warranty is given as to the achievement or success of any future variation of such Information or other written or oral Information. This Information has been delivered only for informative purposes. The issue of this Information shall not be taken as any form of commitment on the part of Grupo Herdez to proceed with any transaction.

## FINANCIAL INFORMATION

| FINANCIAL STATEMENT                     | 2014  |       | First Quarter 2013 |       | % Chg  |
|---|-------|-------|--------------------|-------|--------|
|   |       | %     |                    | %     |        |
| Net Sales                               | 3,251 | 100.0 | 2,971              | 100.0 | 9.4    |
| Domestic                                | 3,014 | 100.0 | 2,759              | 100.0 | 9.2    |
| Exports                                 | 237   | 100.0 | 212                | 100.0 | 11.8   |
| Cost of Goods Sold                      | 2,032 | 62.5  | 1,957              | 65.8  | 3.8    |
| Gross Profit                            | 1,220 | 37.5  | 1,015              | 34.2  | 20.2   |
| Domestic                                | 1,198 | 39.7  | 995                | 36.1  | 20.4   |
| Exports                                 | 22    | 9.1   | 20                 | 9.5   | 7.2    |
| Operating Expenses                      | 784   | 24.1  | 613                | 20.6  | 27.9   |
| Income Before Other Income and Expenses | 435   | 13.4  | 402                | 13.5  | 8.4    |
| Other Income, Net                       | 8     | 0.3   | -1                 | (0.0) |        |
| Operating Income                        | 427   | 13.1  | 403                | 13.6  | 6.0    |
| Domestic                                | 419   | 13.9  | 395                | 14.3  | 6.0    |
| Exports                                 | 8     | 3.5   | 8                  | 3.7   | 5.5    |
| Financial Result                        | 94    | 2.9   | 60                 | 2.0   | 58.2   |
| Interest Earned and Paid, Net           | 92    | 2.8   | 42                 | 1.4   | 116.9  |
| Exchange Gain (Loss)                    | 2     | 0.1   | 17                 | 0.6   | (85.7) |
| Others Gain (Loss)                      | 0     | 0.0   | 0                  | 0.0   |        |
| Equity Investment in Associates         | 97    | 3.0   | 97                 | 3.3   | 0.4    |
| Income Before Income Taxes              | 430   | 13.2  | 440                | 14.8  | (2.3)  |
| Income Taxes                            | 114   | 3.5   | 106                | 3.6   | 7.9    |
| Income Before Discontinued Operations   | 316   | 9.7   | 335                | 11.3  | (5.6)  |
| Discontinued Operations                 | 0     | 0.0   | 0                  | 0.0   |        |
| Consolidated Net Income                 | 316   | 9.7   | 335                | 11.3  | (5.6)  |
| Minority Interest                       | 143   | 4.4   | 152                | 5.1   | (6.0)  |
| Majority Net Income                     | 173   | 5.3   | 182                | 6.1   | (5.2)  |
| EBITDA                                  | 502   | 15.4  | 451                | 15.2  | 11.5   |
| Domestic                                | 486   | 16.1  | 437                | 15.8  | 11.2   |
| Exports                                 | 16    | 6.9   | 13                 | 6.3   | 21.1   |

Figures expressed in millions of Mexican pesos

The proportions of COGS, Gross Profit, Operating Income and EBITDA of the segments are calculated accordingly

| BALANCE SHEET                              | Mar 31        |              | Dec 31        |              | Change     |            |
|--|---------------|--------------|---------------|--------------|------------|------------|
|  | 2014          | %            | 2013          | %            | \$         | %          |
| <b>TOTAL ASSETS</b>                        | <b>21,181</b> | <b>100.0</b> | <b>20,837</b> | <b>100.0</b> | <b>344</b> | <b>1.7</b> |
| Domestic                                   | 19,737        | 93.2         | 19,658        | 92.8         | 78         | 0.4        |
| Exports                                    | 1,445         | 6.8          | 1,179         | 5.6          | 266        | 22.5       |
| Current Assets                             | 5,607         | 26.5         | 5,318         | 25.5         | 289        | 5.4        |
| Cash and Cash Equivalents                  | 982           | 4.6          | 887           | 4.3          | 95         | 10.7       |
| Trade Receivables                          | 1,447         | 6.8          | 1,648         | 7.9          | -201       | (12.2)     |
| Other Accounts Receivable                  | 878           | 4.1          | 718           | 3.4          | 160        | 22.3       |
| Inventories                                | 2,067         | 9.8          | 1,986         | 9.5          | 81         | 4.1        |
| Other Current Assets                       | 233           | 1.1          | 80            | 0.4          | 154        | 192.9      |
| Non-Current Assets                         | 15,574        | 73.5         | 15,519        | 74.5         | 55         | 0.4        |
| Property, Machinery and Equipment          | 4,105         | 19.4         | 4,111         | 19.7         | -6         | (0.1)      |
| Investment in Shares of Associated Parties | 4,568         | 21.6         | 4,599         | 22.1         | -30        | (0.7)      |
| Intangible Assets and Goodwill             | 6,606         | 31.2         | 6,608         | 31.7         | -3         | (0.0)      |
| Other Assets                               | 295           | 1.4          | 201           | 1.0          | 94         | 46.6       |
| <b>TOTAL LIABILITIES</b>                   | <b>8,843</b>  | <b>41.8</b>  | <b>8,707</b>  | <b>41.8</b>  | <b>136</b> | <b>1.6</b> |
| Domestic                                   | 8,812         | 41.6         | 8,657         | 41.5         | 155        | 1.8        |
| Exports                                    | 32            | 0.1          | 50            | 0.2          | -19        | (37.3)     |
| Short-Term Liabilities                     | 2,439         | 11.5         | 1,590         | 7.6          | 849        | 53.4       |
| Suppliers                                  | 1,094         | 5.2          | 1,094         | 5.3          | 0          | (0.0)      |
| Short-Term Debt                            | 800           | 3.8          | 0             | 0.0          | 800        |            |
| Other Short-Term Liabilities               | 544           | 2.6          | 495           | 2.4          | 49         | 9.9        |
| Long-Term Liabilities                      | 6,405         | 30.2         | 7,117         | 34.2         | -712       | (10.0)     |
| Long-Term Debt                             | 4,200         | 19.8         | 5,000         | 24.0         | -800       | (16.0)     |
| Other Liabilities                          | 970           | 4.6          | 969           | 4.6          | 1          | 0.1        |
| Other Long-Term Liabilities w/o Cost       | 1,235         | 5.8          | 1,149         | 5.5          | 86         | 7.5        |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>          | <b>12,338</b> | <b>58.2</b>  | <b>12,130</b> | <b>58.2</b>  | <b>208</b> | <b>1.7</b> |
| Minority Stockholder's Equity              | 6,514         | 30.8         | 6,465         | 31.0         | 48         | 0.8        |
| Majority Stockholder's Equity              | 5,824         | 27.5         | 5,665         | 27.2         | 159        | 2.8        |

Figures expressed in millions of Mexican pesos