



## **GRUPO HERDEZ REPORTS FOURTH QUARTER AND FULL YEAR 2014 RESULTS**

### **Highlights from the year:**

- Consolidated net sales rose 8.6% primarily due to strong results in Mexico core.
- EBIT and EBITDA margins were 14.8% and 16.9%, respectively.
- Consolidated net income increased 31.1% to Ps. 1,504 million.
- Nutrisa opened 53 points of sale in the year for a total of 429.

**Mexico City, Mexico, February 26, 2014 – Grupo Herdez, S.A.B. de C.V. (“Grupo Herdez” or the “Company”) (MSE: HERDEZ, OTC: GUZBY),** today announced its results for the fourth quarter and full year ended December 31, 2014.

“Despite a still challenging consumption environment, we are pleased to have exceeded our growth forecasts thanks to investments in our commercial strategy that drove healthy volume performance while sustaining profitability. Looking ahead, we are cautiously optimistic about the start of 2015,” said Héctor Hernández-Pons Torres, Chairman and Chief Executive Officer.

### **Net Sales**

Net sales in the fourth quarter rose 8.3% from the year ago period, to Ps. 4,096 million, extending strong performance seen since the third quarter of the year and reflecting the Company’s efforts to boost volume performance in Mexico. The best performing categories were mayonnaise, tomato puree, tuna and canned vegetables. Double digit net sales growth in Mexico core more than offset the decline of 8.1% in exports due to inventory adjustments at MegaMex, as well as the 11.6% decline at Nutrisa, which was impacted by still sluggish traffic and the portfolio rationalization that started in April 2014.

On a cumulative basis, consolidated net sales grew 8.6%. In Mexico core, net sales grew 5.5% due to the Company’s aforementioned initiatives that drove growth in the second half of the year, while exports grew at a healthy 13.9% rate. At Nutrisa, sales on a comparable basis declined 5.3% mainly because of the portfolio rationalization that started in the second quarter, as well as sluggish traffic resulting from the weakness in the consumption environment.

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

Net Sales	4Q14	4Q13	% Change	2014	2013	% Change
Consolidated	4,096	3,780	8.3	14,319	13,180	8.6
Mexico Core	3,609	3,239	11.4	12,197	11,558	5.5
Nutrisa	267	302	(11.6)	1,166	783	49.0
Exports	220	239	(8.1)	955	839	13.9

Figures in million pesos

### Gross Profit

Consolidated gross margin for the quarter expanded 7.0 percentage points from the fourth quarter of last year, to 40.8%, while on a cumulative basis, the margin was 39.0%, 3.8 percentage points higher than in 2013. In both periods, the expansion is primarily the result of: i) lower prices for key raw materials such as soybean oil and wheat; ii) a better sales mix, particularly at Mexico core and Nutrisa; and iii) the positive effect of the Company's hedging strategy that limited the impact of a stronger US dollar towards the end of the year.

Gross Profit	4Q14	4Q13	% Change	2014	2013	% Change
Consolidated	1,673	1,276	31.1	5,582	4,639	20.3
Mexico Core	1,479	1,067	38.7	4,737	4,060	16.7
Nutrisa	169	185	(8.4)	742	485	53.1
Exports	25	25	(1.4)	103	94	9.5

Figures in million pesos

Gross Margin	4Q14	4Q13	pp Chg	2014	2013	pp Chg
Consolidated	40.8	33.8	7.0	39.0	35.2	3.8
Mexico Core	41.0	32.9	8.1	38.8	35.1	3.7
Nutrisa	63.4	61.1	2.3	63.7	62.0	1.7
Exports	11.2	10.5	0.7	10.8	11.2	(0.4)

### Operating Expenses

In the quarter, Sales, General and Administrative Expenses (SG&A) increased 0.7 percentage points as a proportion of net sales, to 22.9%, mainly due to a 13.3 percentage point increase at Nutrisa. The latter includes Ps. 10 million of extraordinary expenses related mainly to the restructure of the management team, as announced previously.

On a cumulative basis, SG&A as a percentage of net sales increased 1.7 percentage points to 23.8% resulting mainly from: i) low absorption of fixed expenses at Nutrisa as a result of the decline in sales; ii) cumulative extraordinary expenses of Ps. 51 million at Nutrisa; and iii) higher distribution expenses in Mexico core due to fuel costs inflation.

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

EBIT Before Other Expenses totaled Ps. 733 million in the quarter, 67.8% higher than in the same period of last year, while the margin expanded 6.3 percentage points to 17.9%. This performance is attributable to gross margin expansion at Mexico core, which more than offset weak operating performance at Nutrisa.

For the year, consolidated EBIT Before Other Expenses rose 26.3%, while the margin expanded 2.1 percentage points to 15.2%, also related to the margin expansion in Mexico core.

### Other Income and Expenses

The Company registered Ps. 12 million and Ps. 65 million of other expenses in the quarter and year, respectively. In addition to the expenses related to the consolidation of manufacturing facilities in Sinaloa, Mexico, these figures included Ps. 28 million and Ps. 61 million of one-time charges at Nutrisa in the quarter and year, respectively. As explained throughout the year, these expenses relate to the rationalization of the product portfolio and points of sale, as well as a reinvigorated management team.

### EBIT (Earnings Before Interest and Taxes)

EBIT in the quarter totaled Ps. 721 million, 56.6% higher than in the same period of last year. EBIT margin in the quarter increased 5.4 percentage points to 17.6%. This expansion is explained by strong performance at Mexico core, which more than offset the aforementioned extraordinary expenses and weak results at Nutrisa.

On a cumulative basis, consolidated EBIT totaled Ps. 2,113 million, a 20.2% increase when compared to 2013; while the margin expanded 1.5 percentage points to 14.8%.

EBIT	4Q14	4Q13	% Change	2014	2013	% Change
Consolidated	721	460	56.6	2,113	1,757	20.2
Mexico Core	713	424	68.0	2,006	1,634	22.8
Nutrisa	(1)	27	N.A.	69	89	(22.6)
Exports	9	9	(2.8)	38	34	10.4

Figures in million pesos

EBIT Margin (%)	4Q14	4Q13	pp Chg	2014	2013	pp Chg
Consolidated	17.6	12.2	5.4	14.8	13.3	1.5
Mexico Core	19.7	13.1	6.6	16.4	14.1	2.3
Nutrisa	(0.4)	8.9	(9.3)	5.9	11.4	(5.5)
Exports	4.1	3.9	0.2	3.9	4.1	(0.2)

### Comprehensive Financing Result

The Company registered a net financing cost of Ps. 4 million in the quarter, with net interest expense of Ps. 95 million offset by an exchange gain of Ps. 91 million derived from a favorable US dollar exposure in intercompanies' loans. In the cumulative figure, the exchange gain of Ps. 119 million registered in the fourth quarter was partially offset by a higher interest expense.

### Equity Investment in Associates

In the quarter and full year, equity investment in associates totaled Ps. 124 million and Ps. 414 million, respectively. The increases when compared to last year are explained by the earn-out registered in MegaMex in 2013. Excluding the latter, equity investment in associates for the quarter would have increased 12.1%, while for the year it would have declined 6.2%.

Equity Investment in Associates	4Q14	4Q13	% Change	2014	2013	% Change
Equity Investment in Associates	124	(36)	440.3	414	186	122.4
MegaMex	120	(49)	343.0	381	145	162.3
Others	4	13	(66.9)	34	41	(18.3)

### Net Consolidated Income

Consolidated net income totaled Ps. 485 million in the quarter, compared to Ps. 176 million registered in the same period of last year. This increase is mainly the result of solid top line growth, gross margin expansion and the increase in the equity investment in associates. On a cumulative basis, net consolidated income rose 31.1% to Ps. 1,504 million, while the margin rose 1.8 percentage points to 10.5%, for the same aforementioned factors.

### Net Majority Income

Net majority income totaled Ps. 225 million for the quarter and Ps. 771 million for the year. Margins for the quarter and year were 5.5% and 5.4% respectively, with expansions of 3.6 and 0.8 percentage points.

Net Income	4Q14	4Q13	% Change	2014	2013	% Change
Net Consolidated Income	485	176	176.5	1,504	1,148	31.1
Net Consolidated Margin (%)	11.9	4.6	7.3 pp	10.5	8.7	1.8 pp
Minority Interest	260	102	153.8	733	540	35.8
Net Majority Income	225	73	208.3	771	608	26.9
Net Majority Margin (%)	5.5	1.9	3.6 pp	5.4	4.6	0.8 pp

Figures in million pesos

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

EBITDA for the quarter totaled Ps. 786 million, 35.0% higher than in the previous year, while the margin expanded 3.8 percentage points to 19.2%. This reflected strong top line and operating performance at Mexico core, which more than offset extraordinary expenses derived from the consolidation of the plants in Mexico and one-time charges at Nutrisa. On a cumulative basis, EBITDA totaled Ps. 2,415 million, while the margin was 16.9%, 1.3 percentage points higher than in 2013.

EBITDA	4Q14	4Q13	% Change	2014	2013	% Change
Consolidated	786	582	35.0	2,415	2,050	17.8
Mexico Core	760	525	44.8	2,232	1,876	19.0
Nutrisa	13	36	(64.1)	117	111	5.8
Exports	13	21	(38.8)	66	63	3.8

Figures in million pesos

EBITDA Margin (%)	4Q14	4Q13	pp Chg	2014	2013	pp Chg
Consolidated	19.2	15.4	3.8	16.9	15.6	1.3
Mexico Core	21.1	16.2	4.9	18.3	16.2	2.1
Nutrisa	4.9	11.9	(7.0)	10.0	14.1	(4.1)
Exports	5.9	8.8	(2.9)	6.9	7.6	(0.7)

### Capital Expenditures (CAPEX)

Net CAPEX in the quarter was Ps. 231 million and Ps. 574 million for the full year. The majority of these funds were allocated to the ongoing consolidation of production capacity in Sinaloa, Mexico.

### Nutrisa Points of Sale

In 2014, Nutrisa added 53 points of sale, while 42 stores were closed. At year-end, Nutrisa had 429 points of sale.

### Financial Structure

At December 31, 2014, the Company's cash and equivalents totaled Ps. 2,451 million. Debt totaled Ps. 5,800 million, which includes the issuance of Ps. 1 billion of local bonds in November 2014.

Leverage ratios remain healthy at 1.4x net debt to consolidated EBITDA and 0.4x net debt to stockholder's equity, reflecting strong cash flow generation throughout the year.

### Free Cash Flow

In the quarter, the Company generated Ps. 301 million of free cash flow net of Ps. 123 million of share buybacks. For the year, free cash flow generated was Ps. 530 million after Ps. 216 million spent in share buybacks.

### **Sustainability Highlights**

The *Saber Nutrir* program provided, for the third consecutive year, more than one million hours of nutrition education in elementary schools, benefitting more than 400,000 people. In rural communities 200 productive projects were installed and enabled 40% of the malnourished children to achieve an appropriate weight for their age.

Fundacion Herdez received the “Memoria del Mundo de América Latina y el Caribe” recognition from UNESCO for including the book *Cocinero Mexicano* into their documentary reserve.

### **Recent Events**

- On November 10, 2014, Grupo Herdez successfully issued Ps. 1 billion in local bonds. The bond has a 2.5-year average maturity with five annual amortizations and a floating rate of TIIE 28 + 0.35%.
- On December 19, 2014, Grupo Herdez announced the acquisition of the Nestlé ice-cream assets in Mexico in a Ps. 1 billion transaction that is expected to close in the first semester of 2015.



#### **4Q14 Earnings Conference Call Information**

Date: Friday, February 27th, 2015

Time: 12:00 p.m. E.T. / 11:00 a.m. C.T.

To participate, please dial:

Toll Free US and Canada: +1 (888) 572-7025

Toll International: +1 (719) 457-2645

Conference ID#: 8932689

To Access on the internet, follow the link available at: [www.inversionistasgrupoherdez.com](http://www.inversionistasgrupoherdez.com) or go directly to: <http://public.viavid.com/index.php?id=112896>.

If you are unable to participate live, a replay of the conference call will be available from February 27th, 2015 until March 13th, 2015. To access the replay, please dial domestic US and Canada +1 (877) 870-5176, or from other countries +1 (858) 384-5517; conference ID: 8932689.

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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®, Barilla®, Chi-Chi's®, Del Fuerte®, Don Miguel®, Doña María®, Embasa®, Herdez®, La Victoria®, McCormick®, Nutrisa®, Wholly Guacamole® and Yemina®. In addition, the Company has distribution agreements for the Herdez GoGo Squeeze®, Kikkoman®, Ocean Spray®, Reynolds® and Truvia® products in Mexico. Grupo Herdez has 14 plants, 9 distribution centers, 7 tuna vessels, 429 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 STATEMENT	Fourth Quarter					As of December 31				
	2014	%	2013	%	% Chg	2014	%	2013	%	% Chg
Net Sales	4,096	100.0	3,780	100.0	8.3	14,319	100.0	13,180	100.0	8.6
Mexico Core	3,609	100.0	3,239	100.0	11.4	12,197	100.0	11,558	100.0	5.5
Nutrisa	267	100.0	302	100.0	(11.6)	1,166	100.0	783	100.0	49.0
Exports	220	100.0	239	100.0	(8.1)	955	100.0	839	100.0	13.9
Cost of Goods Sold	2,423	59.2	2,504	66.2	(3.2)	8,737	61.0	8,541	64.8	2.3
Mexico Core	2,130	59.0	2,173	67.1	(2.0)	7,460	61.2	7,498	64.9	(0.5)
Nutrisa	98	36.6	117	38.9	(16.7)	424	36.3	298	38.0	42.4
Exports	195	88.8	214	89.5	(8.9)	853	89.2	745	88.8	14.4
Gross Profit	1,673	40.8	1,276	33.8	31.1	5,582	39.0	4,639	35.2	20.3
Mexico Core	1,479	41.0	1,067	32.9	38.7	4,737	38.8	4,060	35.1	16.7
Nutrisa	169	63.4	185	61.1	(8.4)	742	63.7	485	62.0	53.1
Exports	25	11.2	25	10.5	(1.4)	103	10.8	94	11.2	9.5
Operating Expenses	940	22.9	839	22.2	12.0	3,405	23.8	2,915	22.1	16.8
Mexico Core	742	20.6	658	20.3	12.8	2,653	21.8	2,445	21.2	8.5
Nutrisa	182	68.0	165	54.7	9.9	686	58.8	409	52.3	67.5
Exports	16	7.2	16	6.6	(0.5)	65	6.8	60	7.1	9.0
O. Profit before Other Income and Expenses	733	17.9	437	11.6	67.8	2,177	15.2	1,724	13.1	26.3
Mexico Core	736	20.4	408	12.6	80.3	2,083	17.1	1,615	14.0	29.0
Nutrisa	-12	(4.7)	19	6.4	(164.9)	56	4.8	76	9.7	(25.3)
Exports	9	4.1	9	3.9	(2.8)	38	3.9	34	4.1	10.4
Other Income/Expenses, Net	12	0.3	-24	(0.6)	N.A.	65	0.5	-33	(0.2)	N.A.
Operating Income	721	17.6	460	12.2	56.6	2,113	14.8	1,757	13.3	20.2
Mexico Core	713	19.7	424	13.1	68.0	2,006	16.4	1,634	14.1	22.8
Nutrisa	-1	(0.4)	27	8.9	(103.8)	69	5.9	89	11.4	(22.6)
Exports	9	4.1	9	3.9	(2.8)	38	3.9	34	4.1	10.4
Comprehensive Financing Result	4	0.1	94	2.5	(95.5)	258	1.8	259	2.0	(0.4)
Interest Earned and Paid, Net	95	2.3	86	2.3	10.4	377	2.6	280	2.1	34.7
Exchange Loss (Gain)	-91	(2.2)	8	0.2	-	-119	(0.8)	-21	(0.2)	-
Others Loss (Gain)	0	0.0	0	0.0	-	0	0.0	0	0.0	-
Equity Investment in Associates	124	3.0	-36	(1.0)	440.3	414	2.9	186	1.4	122.4
MegaMex	120	2.9	-49	(1.3)	343.0	381	2.7	145	1.1	162.3
Others	4	0.1	13	0.3	(66.9)	34	0.2	41	0.3	(18.3)
Income Before Income Taxes	841	20.5	329	8.7	155.2	2,268	15.8	1,684	12.8	34.7
Income Tax Provision	355	8.7	154	4.1	130.8	764	5.3	536	4.1	42.5
Income Before Discontinued Operations	485	11.9	176	4.6	176.5	1,504	10.5	1,148	8.7	31.1
Discontinued Operations	0	0.0	0	0.0	-	0	0.0	0	0.0	-
Consolidated Net income	485	11.9	176	4.6	176.5	1,504	10.5	1,148	8.7	31.1
Minority Interest	260	6.3	102	2.7	153.8	733	5.1	540	4.1	35.8
Net Majority Income	225	5.5	73	1.9	208.3	771	5.4	608	4.6	26.9
EBITDA	786	19.2	582	15.4	35.0	2,415	16.9	2,050	15.6	17.8
Mexico Core	760	21.1	525	16.2	44.8	2,232	18.3	1,876	16.2	19.0
Nutrisa	13	4.9	36	11.9	(64.1)	117	10.0	111	14.1	5.8
Exports	13	5.9	21	8.8	(38.8)	66	6.9	63	7.6	3.8

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	Dec 31		Sep 30		Change	
	2014	%	2014	%	\$	%
<b>TOTAL ASSETS</b>	<b>22,911</b>	<b>100.0</b>	<b>21,559</b>	<b>100.0</b>	<b>1,352</b>	<b>6.3</b>
Domestic	21,525	94.0	20,134	87.9	1,391	6.9
USA	1,386	6.0	1,425	6.2	-39	(2.8)
Current Assets	6,769	29.5	5,711	26.5	1,058	18.5
Cash and Equivalents	2,451	10.7	1,314	6.1	1,137	86.5
Accounts Receivable	1,597	7.0	1,426	6.6	172	12.0
Other Accounts Receivable	700	3.1	697	3.2	3	0.4
Inventories	1,939	8.5	2,180	10.1	-241	(11.0)
Other Current Assets	82	0.4	95	0.4	-13	(13.4)
Non-Current Assets	16,142	70.5	15,848	73.5	294	1.9
Property, Plant and Equipment, Net	4,246	18.5	4,114	19.1	132	3.2
Investment In Subsidiaries	5,227	22.8	4,826	22.4	401	8.3
Intangible Assets	6,636	29.0	6,613	30.7	23	0.3
Other Assets	33	0.1	294	1.4	-261	(88.7)
<b>TOTAL LIABILITIES</b>	<b>9,735</b>	<b>42.5</b>	<b>8,623</b>	<b>40.0</b>	<b>1,112</b>	<b>12.9</b>
Domestic	9,195	40.1	8,020	37.2	1,175	14.7
USA	540	2.4	603	2.8	-63	(10.5)
Current Liabilities	2,944	12.8	2,330	10.8	614	26.4
Accounts Payable	1,479	6.5	1,020	4.7	459	45.0
Short-Term Debt	900	3.9	800	3.7	100	12.5
Other Short-Term Liabilities	565	2.5	510	2.4	55	10.8
Long-Term Liabilities	6,791	29.6	6,293	29.2	498	7.9
Long-Term Debt	4,880	21.3	4,200	19.5	680	16.2
Other Liabilities	1,128	4.9	992	4.6	136	13.7
Other Long-Term Liabilities w/o Cost	783	3.4	1,101	5.1	-318	(28.9)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>13,176</b>	<b>57.5</b>	<b>12,936</b>	<b>60.0</b>	<b>240</b>	<b>1.9</b>
Minority Stockholder's Equity	6,867	30.0	6,801	31.5	66	1.0
Majority Stockholder's Equity	6,309	27.5	6,135	28.5	174	2.8

Figures expressed in millions of Mexican pesos