



## GRUPO HERDEZ REPORTS SECOND QUARTER 2014 RESULTS

### Highlights from the quarter:

- Consolidated net sales rose 5.5% on the integration of Nutrisa.
- EBIT margin before other expenses remained flat at 14.3%.
- Net consolidated margin of 10.0% reflected extraordinary expenses and higher interest.

**Mexico City, Mexico, July 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 second quarter ended June 30, 2014.

“Although the consumer environment remains challenging, we were able to maintain our top line due to our point of sale initiatives to help boost volumes. We expect sequential improvement towards the second half of the year based on our commercial activities and the improvement of Nutrisa and Don Miguel results” said Héctor Hernández-Pons Torres, Chairman and Chief Executive Officer.

### Net Sales

Net sales in the second quarter rose 5.5% from the year ago period, to Ps. 3,318 million, reflecting the integration of a full quarter of Nutrisa and double-digit growth in export sales. On a segment basis, sales in Mexico core remained stable in the quarter, reflecting mid-single digit growth in most key categories, helping to offset weak tuna performance resulting from a highly competitive environment in which pricing has been under pressure since the beginning of the year. In Nutrisa, comparable sales declined 3.9% due to the elimination of certain SKUs as part of the strategic focus on the key category, an initiative that began in late 1Q14. Export sales rose 25.5% with strong growth in exports to the United States.

Similarly, on a cumulative basis, total net sales rose 7.4% to Ps. 6,569 million, primarily driven by the integration of Nutrisa, and to a lesser extent by export sales growth. The 1.1% decline in Mexico core sales is fully attributable to the aforementioned performance of the tuna category, as the rest of the portfolio registered an increase of 1.2% when compared to the previous year.

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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. As of 2Q 2014, the Company has expanded its segment reporting to include performance in the Mexico, Nutrisa and International businesses.

<b>Net Sales</b>	<b>2Q14</b>	<b>2Q13</b>	<b>% Change</b>	<b>6M14</b>	<b>6M13</b>	<b>% Change</b>
Consolidated	3,318	3,145	5.5	6,569	6,117	7.4
Mexico Core	2,811	2,815	(0.1)	5,515	5,574	(1.1)
Nutrisa	305	169	80.4	614	169	263.7
Exports	202	161	25.5	439	373	17.7

Figures in million pesos

### Gross Profit

Gross margin expanded 2.9 percentage points from the second quarter of last year, to 39.3%, while on a cumulative basis, the margin was 38.4%, 3.1 percentage points higher than in the previous year. Both expansions are attributable to lower prices for key raw materials such as soybean oil and wheat, and to a better sales mix in Nutrisa's portfolio; which combined were able to offset higher depreciation rates resulting from the new plant opened in the 1Q14.

<b>Gross Profit</b>	<b>2Q14</b>	<b>2Q13</b>	<b>% Change</b>	<b>6M14</b>	<b>6M13</b>	<b>% Change</b>
Consolidated	1,304	1,144	14.0	2,523	2,159	16.9
Mexico Core	1,082	1,024	5.6	2,088	2,019	3.4
Nutrisa	200	105	90.8	392	105	273.9
Exports	22	15	44.7	43	35	24.5

Figures in million pesos

<b>Gross Margin</b>	<b>2Q14</b>	<b>2Q13</b>	<b>pp Chg</b>	<b>6M14</b>	<b>6M13</b>	<b>pp Chg</b>
Consolidated	39.3	36.4	2.9	38.4	35.3	3.1
Mexico Core	38.5	36.4	2.1	37.8	36.2	1.6
Nutrisa	65.7	62.1	3.6	63.8	62.1	1.7
Exports	10.7	9.3	1.4	9.8	9.3	0.5

### Operating Expenses

Sales, General and Administrative Expenses (SG&A) rose 2.8 percentage points as a proportion of net sales to 24.9% due to lower absorption of fixed expenses. The above is explained by the softness in core domestic sales growth, as well as in Nutrisa, in addition to higher average fuel costs in line with market increases. Furthermore, Nutrisa's SG&A includes Ps. 6 million of extraordinary expenses related to restructuring charges.

In the first six months of the year, SG&A as a percentage of net sales increased 3.1 percentage points to 24.5% resulting from the aforementioned factors.

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

EBIT Before Other Expenses totaled Ps. 476 million in the quarter, 6.1% higher than in the same period of last year, while the margin remained stable at 14.3%. In Mexico core, the margin grew 50 basis points as a result of gross margin expansion. In Nutrisa, the margin contracted 1.3 percentage points as a result of the sales mix restructure, low fixed expense absorption and extraordinary charges. For the first six months of the year, EBIT Before Other Expenses rose 7.2%, with the margin unchanged at 13.9%.

### Other Income and Expenses

The Company registered Ps. 28 million of net expenses in the second quarter related to the ongoing write off of certain assets in conjunction with the consolidation of production underway in Sinaloa, Mexico. Cumulative net income/expenses in 2014 totaled Ps. 37 million compared to other income of Ps. 8 million registered as of the second quarter of 2013.

### EBIT (Earnings Before Interest and Taxes)

EBIT in the quarter totaled Ps. 447 million, 1.7% lower than in the same period of last year. EBIT margin in the quarter declined 1.0 percentage point to 13.5%. On a cumulative basis, EBIT rose 1.9% to Ps. 875 million, with a 70 basis point contraction in the margin to 13.3%.

EBIT	2Q14	2Q13	% Change	6M14	6M13	% Change
Consolidated	447	455	(1.7)	875	858	1.9
Mexico Core	406	425	(4.5)	795	821	(3.2)
Nutrisa	33	25	34.6	63	25	158.2
Exports	8	5	58.7	16	13	29.0

Figures in million pesos

EBIT Margin (%)	2Q14	2Q13	pp Chg	6M14	6M13	pp Chg
Consolidated	13.5	14.5	(1.0)	13.3	14.0	(0.7)
Mexico Core	14.5	15.1	(0.6)	14.4	14.7	(0.3)
Nutrisa	10.9	14.6	(3.7)	10.3	14.6	(4.3)
Exports	3.9	3.1	0.8	3.7	3.3	0.4

### Comprehensive Financing Result

The Company registered a net cost of Ps. 89 million in the quarter and Ps. 184 million in the first six months of 2014, both figures higher than in their respective periods of last year due to the additional Ps. 3 billion in debt secured in May of 2013 in relation to the Nutrisa acquisition and a 88.9% reduction in the exchange gain when compared to last year.

### Equity Investment in Associates

As a result of IFRS adjustments, starting this quarter, equity investment in associates will reflect the pre-tax income of Herdez Del Fuerte in MegaMex. Previously, the net income figure of MegaMex was registered on this line. Figures for the first semester of 2014 have been restated accordingly.

On a comparable basis, equity investment in associates would have declined 4.0% in the quarter resulting from lower income before taxes at MegaMex explained by: i) soft net sales performance arising from the Don Miguel integration process that began in the first quarter of 2014; and ii) higher raw materials costs, particularly avocado.

Equity Investment in Associates	2Q14	2Q13	% Change	6M14	6M13	% Change
Equity Investment in Associates	104	108	(4.0)	201	229	(12.1)
MegaMex	96	98	(2.5)	181	212	(14.6)
Others	8	10	(19.4)	20	16	21.8

### Consolidated Net Income

Consolidated net income totaled Ps. 330 million in the quarter, 5.8% lower than in the same period of last year. This decline is the result of aforementioned lower EBIT as well as higher comprehensive financing cost. Similarly, for the first half of 2014 net consolidated income fell 5.6% to Ps. 646 million, while the margin registered a 1.4 percentage point reduction to 9.8%.

### Net Majority Income

Net majority income for the quarter and first six months of the year totaled Ps. 178 million and Ps. 351 million, respectively, which represented decreases of 9.2% and 7.2% when compared to the same periods of last year.

Net Income	2Q14	2Q13	% Change	6M14	6M13	% Change
Net Consolidated Income	330	351	(5.8)	646	685	(5.6)
Net Consolidated Margin (%)	10.0	11.1	(1.1) pp	9.8	11.2	(1.4) pp
Minority Interest	153	155	(1.4)	296	307	(3.7)
Net Majority Income	178	196	(9.2)	351	378	(7.2)
Net Net Margin (%)	5.4	6.2	(0.8) pp	5.3	6.2	(0.9) pp

Figures in million pesos

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

Despite lower EBIT, EBITDA for the quarter totaled Ps. 525 million, 2.7% higher than in the previous year which reflects an increase in depreciation. EBITDA margin declined 40 basis points in the period to 15.8%. On a cumulative basis, EBITDA grew 6.8%, while the margin remained stable at 15.6%.

EBITDA	2Q14	2Q13	% Change	6M14	6M13	% Change
Consolidated	525	511	2.7	1,028	962	6.8
Mexico Core	466	472	(1.4)	911	910	0.0
Nutrisa	45	29	56.8	86	29	200.1
Exports	15	10	47.3	31	23	34.6

Figures in million pesos

EBITDA Margin (%)	2Q14	2Q13	pp Chg	6M14	6M13	pp Chg
Consolidated	15.8	16.3	(0.5)	15.6	15.7	(0.1)
Mexico Core	16.6	16.8	(0.2)	16.5	16.3	0.2
Nutrisa	14.7	17.0	(2.3)	14.0	17.0	(3.0)
Exports	7.3	6.2	1.1	7.1	6.2	0.9

### Capital Expenditures (CAPEX)

Net CAPEX in the second quarter and first half was Ps. 160 million and Ps. 230 million, respectively. The majority was allocated to the ongoing consolidation of production capacity in Sinaloa, Mexico.

### Nutrisa Points of Sale

In the quarter, net closings were 14 for a total of 412 points of sale.

### Financial Structure

Despite higher working capital requirements, at June 30, 2014 the Company's cash position increased on a sequential basis by Ps. 239 million, to Ps. 1,221 million, while interest bearing debt totaled Ps. 5,000 million. Consequently, net debt at the end of the second quarter was Ps. 3,779 million, 5.9% lower than in the previous quarter of the year. Leverage ratios remain healthy, with net debt to consolidated EBITDA at 1.8 times, and net debt to total stockholders' equity at 0.3 times.



## 1Q14 Earnings Conference Call Information

Date: Friday, July 25, 2014

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

To participate, please dial:

Toll Free US and Canada: +1 (888) 401-4668

Toll International: +1 (719) 325-2472

Conference ID#: 1385136

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=109810>

If you are unable to participate live, a replay of the conference call will be available through August 8, 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: 1385136.

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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 STATEMENT	Second Quarter					As of June 30				
	2014	%	2013	%	% Chg	2014	%	2013	%	% Chg
Net Sales	3,318	100.0	3,145	100.0	5.5	6,569	100.0	6,117	100.0	7.4
Mexico Core	2,811	100.0	2,815	100.0	(0.1)	5,515	100.0	5,574	100.0	(1.1)
Nutrisa	305	100.0	169	100.0	80.4	614	100.0	169	100.0	263.7
Exports	202	100.0	161	100.0	25.5	439	100.0	373	100.0	17.7
Cost of Goods Sold	2,015	60.7	2,002	63.6	0.6	4,046	61.6	3,958	64.7	2.2
Mexico Core	1,730	61.5	1,792	63.7	(3.5)	3,428	62.2	3,556	63.8	(3.6)
Nutrisa	105	34.3	64	37.9	63.5	222	36.2	64	37.9	247.0
Exports	180	89.3	146	90.7	23.5	396	90.2	339	90.7	17.0
Gross Profit	1,304	39.3	1,144	36.4	14.0	2,523	38.4	2,159	35.3	16.9
Mexico Core	1,082	38.5	1,024	36.4	5.6	2,088	37.8	2,019	36.2	3.4
Nutrisa	200	65.7	105	62.1	90.8	392	63.8	105	62.1	273.9
Exports	22	10.7	15	9.3	44.7	43	9.8	35	9.3	24.5
Operating Expenses	828	24.9	695	22.1	19.0	1,612	24.5	1,308	21.4	23.2
Mexico Core	646	23.0	601	21.3	7.6	1,256	22.8	1,201	21.5	4.6
Nutrisa	168	55.1	85	50.2	98.2	329	53.5	85	50.2	287.9
Exports	14	6.8	10	6.2	37.7	27	6.2	22	6.0	22.0
O. Profit before Other Income and Expenses	476	14.3	448	14.3	6.1	911	13.9	850	13.9	7.2
Mexico Core	436	15.5	423	15.0	2.9	832	15.1	818	14.7	1.7
Nutrisa	32	10.6	20	11.9	59.8	63	10.3	20	11.9	215.1
Exports	8	3.9	5	3.1	58.7	16	3.7	13	3.3	29.0
Other Income/Expenses, Net	28	0.9	-7	(0.2)	N.A.	37	0.6	-8	(0.1)	N.A.
Operating Income	447	13.5	455	14.5	(1.7)	875	13.3	858	14.0	1.9
Mexico Core	406	14.5	425	15.1	(4.5)	795	14.4	821	14.7	(3.2)
Nutrisa	33	10.9	25	14.6	34.6	63	10.3	25	14.6	158.2
Exports	8	3.9	5	3.1	58.7	16	3.7	13	3.3	29.0
Comprehensive Financing Result	89	2.7	30	1.0	198.9	184	2.8	90	1.5	105.2
Interest Earned and Paid, Net	94	2.8	69	2.2	34.9	186	2.8	112	1.8	65.9
Exchange Gain (Loss)	-4	(0.1)	-40	(1.3)	88.9	-2	(0.0)	-22	(0.4)	91.5
Others Gain (Loss)	0	0.0	0	0.0	-	0	0.0	0	0.0	-
Equity Investment in Associates	104	3.1	81	2.6	27.7	201	3.1	178	2.9	12.9
MegaMex	96	2.9	71	2.3	34.1	181	2.8	162	2.6	12.0
Others	8	0.2	10	0.3	(19.4)	20	0.3	16	0.3	21.8
Income Before Income Taxes	462	13.9	507	16.1	(8.9)	892	13.6	947	15.5	(5.8)
Income Tax Provision	131	4.0	156	5.0	(15.8)	245	3.7	262	4.3	(6.4)
Income Before Discontinued Operations	330	10.0	351	11.1	(5.8)	646	9.8	685	11.2	(5.6)
Discontinued Operations	0	0.0	0	0.0		0	0.0	0	0.0	
Net Consolidated Income	330	10.0	351	11.1	(5.8)	646	9.8	685	11.2	(5.6)
Minority Interest	153	4.6	155	4.9	(1.4)	296	4.5	307	5.0	(3.7)
Net Majority Income	178	5.4	196	6.2	(9.2)	351	5.3	378	6.2	(7.2)
EBITDA	525	15.8	511	16.3	2.7	1,028	15.6	962	15.7	6.8
Mexico Core	466	16.6	472	16.8	(1.4)	911	16.5	910	16.3	0.0
Nutrisa	45	14.7	29	17.0	56.8	86	14.0	29	17.0	200.1
Exports	15	7.3	10	6.2	47.3	31	7.1	23	6.2	34.6

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	Jun 30		Mar 31		Change	
	2014	%	2014	%	\$	%
<b>TOTAL ASSETS</b>	<b>21,412</b>	<b>100.0</b>	<b>21,181</b>	<b>100.0</b>	<b>231</b>	<b>1.1</b>
Domestic	20,084	93.8	19,737	92.2	347	1.8
USA	1,328	6.2	1,445	6.7	-117	(8.1)
Current Assets	5,757	26.9	5,607	26.5	150	2.7
Cash and Equivalents	1,221	5.7	982	4.6	239	24.4
Accounts Receivable	1,441	6.7	1,447	6.8	-6	(0.4)
Other Accounts Receivable	779	3.6	878	4.1	-99	(11.3)
Inventories	2,193	10.2	2,067	9.8	126	6.1
Other Current Assets	124	0.6	233	1.1	-110	(47.1)
Non-Current Assets	15,655	73.1	15,574	73.5	81	0.5
Property, Plant and Equipment, Net	4,126	19.3	4,105	19.4	21	0.5
Investment In Subsidiaries	4,636	21.7	4,568	21.6	68	1.5
Intangible Assets	6,613	30.9	6,606	31.2	7	0.1
Other Assets	280	1.3	295	1.4	-15	(5.2)
<b>TOTAL LIABILITIES</b>	<b>8,740</b>	<b>40.8</b>	<b>8,844</b>	<b>41.8</b>	<b>-104</b>	<b>(1.2)</b>
Domestic	8,701	40.6	8,812	41.6	-111	(1.3)
USA	38	0.2	32	0.2	6	19.9
Current Liabilities	2,404	11.2	2,439	11.5	-34	(1.4)
Accounts Payable	1,167	5.4	1,094	5.2	72	6.6
Short-Term Debt	800	3.7	800	3.8	0	0.0
Other Short-Term Liabilities	438	2.0	544	2.6	-107	(19.6)
Long-Term Liabilities	6,335	29.6	6,405	30.2	-70	(1.1)
Long-Term Debt	4,200	19.6	4,200	19.8	0	0.0
Other Liabilities	965	4.5	970	4.6	-5	(0.5)
Other Long-Term Liabilities w/o Cost	1,170	5.5	1,235	5.8	-65	(5.2)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>12,672</b>	<b>59.2</b>	<b>12,338</b>	<b>58.2</b>	<b>334</b>	<b>2.7</b>
Minority Stockholder's Equity	6,665	31.1	6,514	30.8	151	2.3
Majority Stockholder's Equity	6,007	28.1	5,824	27.5	183	3.1

Figures expressed in millions of Mexican pesos