



GRUPO HERDEZ

SECOND QUARTER 2019

EARNINGS RELEASE

HIGHLIGHTS FOR THE QUARTER

- Net sales grew 8.5% compared to the same quarter of the previous year, driven by price increases in the Preserves segment and higher sales volumes in the Frozen segment.
- EBIT and EBITDA margins of 13.0% and 16.5%, respectively reflected the impact of an unfavorable sales mix.
- Consolidated net income totaled MXN 575 million, representing a margin of 10.1 percent.



Mexico City, Mexico, July 25, 2019 - Grupo Herdez, S.A.B. de C.V. ("Grupo Herdez" or the "Company") (BMV: HERDEZ) today announced the results of the second quarter of 2019, ended June 30, 2019.

"Our top-line performance in the first six months of the year reflects our focus on commercial execution, which has helped offset the slowdown in the economy. We will continue to invest in innovation to strengthen our leadership and the relevance of our portfolio among consumers," said **Héctor Hernández-Pons Torres**, President and CEO of Grupo Herdez.

The information contained in this document is prepared in accordance with International Financial Reporting Standards ("IFRS"), and numbers are expressed in Mexican pesos unless stated otherwise. As of January 1, the financial statements reflect the implementation of IFRS 16 "Leases."

Grupo Herdez has consolidated 100 percent of its Frozen division, Herdez Del Fuerte, Barilla Mexico and McCormick de Mexico into its financial statements. The proportional stake of Herdez Del Fuerte in MegaMex is registered in Equity Investments in Associated Companies.

IMPACT OF THE APPLICATION OF IFRS 16 ON THE SECOND QUARTER FINANCIAL STATEMENTS

The adoption of IFRS 16 had a negative effect on the Income Statement of MXN 3 million, which represents **0.5% of consolidated net income**. On the other hand, **EBITDA experienced a positive effect of MXN 70 million, which represents 7.5%** of EBITDA. The statement of financial position shows a right-of-use of MXN 640 million and a lease liability of MXN 649 million.

NET SALES

Net sales grew 8.5% during the quarter and 9.6% for the first six months of the year, when compared with the same periods of the previous year. This growth is derived from price increases implemented over the last twelve months in the Preserves segment, as well as volume growth in the Frozen segment.

In the Preserves segment, net sales were MXN 4,293 million, 9.3% higher than in the same quarter of the previous year; for the first six months, growth was 10.6%. The best performing categories for the quarter were jam, mayonnaise, pasta, tuna and vegetables.

In the Frozen segment, Nutrisa sales grew both during the quarter and for the first six months, mainly benefiting from an increase in store traffic. Sales of Helados Nestlé saw double-digit growth, and benefited from outstanding performance in all sales channels.

In the Export segment, net sales fell 6.8% and 1.8% in the quarter and for the first six months, respectively, affected by a difficult comparison base due to an extraordinary sale of fresh tuna registered in the second quarter of last year.

NET SALES	2Q19	2Q18	% change	6M19	6M18	% change
Consolidated	5,662	5,217	8.5	10,874	9,919	9.6
Preserves	4,293	3,929	9.3	8,438	7,626	10.6
Frozen	983	873	12.6	1,703	1,547	10.1
Exports	387	415	(6.8)	732	745	(1.8)

Figures in millions of MXN

GROSS PROFIT

Consolidated gross margin in the quarter was 38.2%, which is 2.3 percentage points lower than the same period in 2018. For the first six months, the margin fell 1.8 percentage points to 38.1%.

In the Preserves segment, gross margin contracted 3.4 percentage points compared to the same quarter of the previous year to 34.6%. In the accumulated indicator, the contraction was 2.5 percentage points to

35.0%. These decreases are explained by double-digit increases in sales of tuna and vegetables, whose profitability is less than the average portfolio.

Gross margin in the Frozen segment increased 50 basis points in the quarter, while it remained almost unchanged for the first six months. This improvement can be explained by: a) greater cost absorption as a result of the sales increase, b) lower promotional expenses for Nutrisa, and c) a favorable sales mix in Helados Nestlé.

On the other hand, gross margin in the Exports segment decreased 3.9 and 1.6 percentage points for the quarter and for the six months, respectively, due to the decrease in sales mentioned above.

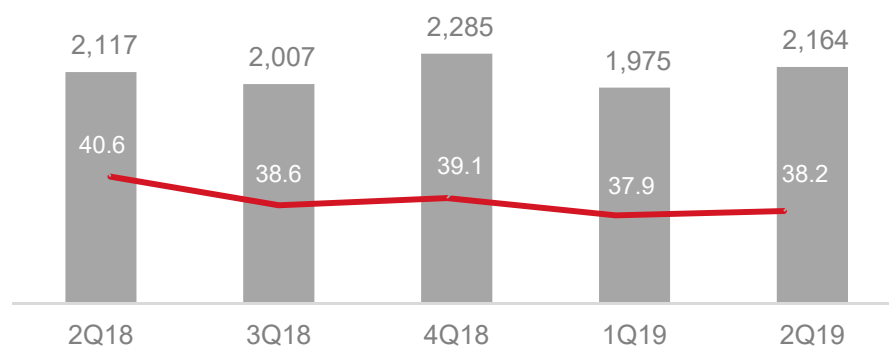
GROSS PROFIT	2Q19	2Q18	% change	6M19	6M18	% change
Consolidated	2,164	2,116	2.3	4,139	3,957	4.6
Preserves	1,486	1,492	(0.4)	2,957	2,862	3.3
Frozen	628	553	13.4	1,083	982	10.3
Exports	51	71	(28.3)	99	113	(11.9)

Figures in millions of MXN

GROSS MARGIN	2Q19	2Q18	pp chg	6M19	6M18	% change
Consolidated	38	41	(2.3)	38	40	(1.8)
Preserves	35	38	(3.4)	35	38	(2.5)
Frozen	64	63	0.5	64	63	0.1
Exports	13	17	(3.9)	14	15	(1.6)

Figures in percentages

GROSS MARGIN PERFORMANCE



SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

Consolidated general expenses for the quarter accounted for 25.7% of net sales, which resulted in a decrease of 50 basis points compared to the same period of 2018. In the accumulated, the proportion of general expenses fell 40 basis points to 25.8% of net sales. These decreases are mainly due to a greater absorption of fixed costs and the positive results of the Company's initiatives to contain SG&A.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

EBIT for this quarter amounted to MXN 736 million, 5.0% lower than the previous year, while the margin decreased 1.9 percentage points to 13.0%. Excluding the effect of IFRS 16 in the quarter, EBIT would have been MXN 726 million.

In the first six months of the year, EBIT was MXN 1,374 million, representing a margin of 12.6%, 1.5 percentage points lower than the EBIT recorded in 2018. Excluding the effect of IFRS 16, EBIT would have been MXN 1,351 million.

EBIT	2Q19	2Q18	% change	6M19	6M18	% change
Consolidated	736	775	(5.0)	1,374	1,400	(1.9)
Preserves	596	636	(6.3)	1,214	1,216	(0.2)
Frozen	118	94	25.4	116	113	2.7
Exports	22	45	(50.6)	44	71	(37.8)

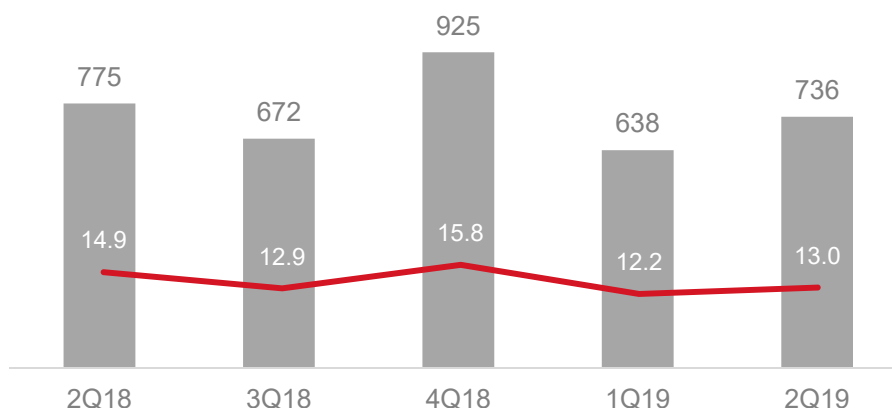
Figures in millions of MXN

EBIT MARGIN (%)	2Q19	2Q18	pp chg	6M19	6M18	% change
Consolidated	13.0	14.9	(1.9)	12.6	14.1	(1.5)
Preserves	13.9	16.2	(2.3)	14.4	15.9	(1.6)
Frozen	12.0	10.8	1.2	6.8	7.3	(0.5)
Exports	5.7	10.8	(5.1)	6.1	9.6	(3.5)

Figures in percentages



EBIT PERFORMANCE



ALL-IN RESULT OF FINANCING

The all-in financing result was MXN 142 million in the quarter, MXN 44 million higher compared to the same period of 2018. This increase is mainly attributed to a MXN 7 million exchange loss recorded this year, in contrast to a gain of MXN 23 million in the previous year. The rest of the variation is explained by recorded interests due to application of IFRS 16. Excluding this effect, the interest paid remained unchanged with respect to 2018.

EQUITY INVESTMENTS IN ASSOCIATED COMPANIES

During the second quarter, participation in the results of associated companies was MXN 205 million, 16.4% lower than in 2018, while for the first six months the fall was 12.4%. These decreases are explained by the increase in avocado prices, which impacted MegaMex's cost of sales.

EQUITY INVESTMENT IN ASSOCIATES	2Q19	2Q18	% change	6M19	6M18	% change
Consolidated	205	245	(16.4)	434	495	(12.4)
MegaMex	197	237	(16.7)	420	474	(11.4)
Others	7	8	(7.0)	14	21	(34.0)

Figures in millions of MXN

MEGAMEX CONSOLIDATED RESULTS (100%)

Net sales totaled MXN 3,530 million in the second quarter, an increase of 5.2% over the same period last year, while for the first six months the increase was 5.4%. Gross margin in the quarter was 31.3%, 5.5 percentage points lower than in 2018; while for the first six months, it registered a decline of 3.5 percentage points to 33.3%. The above is explained by changes in the sales mix, higher cost of avocados, and a lower absorption of fixed expenses.

The EBIT margin decreased 5.7 percentage points to 12.5% during the quarter, and for the first six months of the year, the margin was 13.9%. In addition to the impact to the gross margin mentioned above, EBIT during the year was affected by distribution expenses related to application of the Electronic Logging Device rule, which requires the installation of monitoring devices for service hours and driver breaks. EBITDA margin was 14.7%, 6.3 percentage points lower than in the same period of 2018, and for the first six months it reached 16.3%.

MEGAMEX	2Q19	%	2Q18	%	% change	6M19	%	6M18	%	% change
Net Sales	3,530	100.0	3,355	100.0	5.2	6,902	100.0	6,548	100.0	5.4
Gross Profit	1,106	31.3	1,236	36.8	(10.5)	2,301	33.3	2,411	36.8	(4.5)
EBIT	440	12.5	611	18.2	(28.0)	962	13.9	1,155	17.6	(16.7)
EBITDA	520	14.7	704	21.0	(26.0)	1,125	16.3	1,342	20.5	(16.2)
Net Income	395	11.2	475	14.2	(16.9)	840	12.2	949	14.5	(11.5)

Figures in millions of MXN

NET INCOME

Consolidated net income in the second quarter totaled MXN 575 million, 13.7% lower than that recorded in the same period of the previous year. For the first six months, the drop was 5.3% to MXN 1,092 million. On the other hand, consolidated net margin for the quarter and semester was 10.1% and 10.0%, respectively, reflecting losses of 2.6 and 1.6 percentage points when compared to 2018. These contractions are attributed to the combined effect of the impact of an unfavorable sales mix and the decline in equity investments in the results of associated companies. Majority net income for the quarter was MXN 305 million, and MXN 536 million for the first six months.

The adoption of IFRS 16 resulted in a negative impact of only MXN 3 million and MXN 7 million in consolidated net income for the quarter and the first six months, respectively.

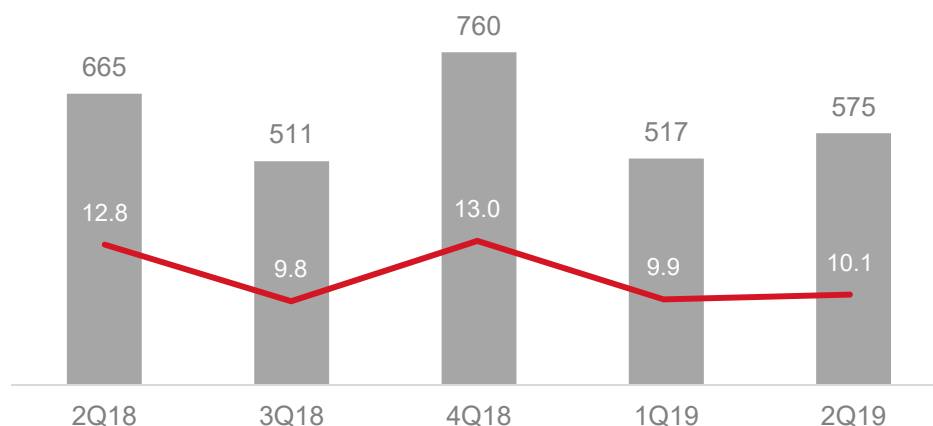
NET INCOME	2Q19	2Q18	% change	6M19	6M18	% change
Consolidated Net Income	575	666	(13.7)	1,092	1,153	(5.3)
Con. Net Margin (%)	10.1	12.8	(2.6)	10.0	11.6	(1.6)
Minority Interest	269	322	(16.3)	556	592	(6.2)
Majority Net Income	305	344	(11.3)	536	561	(4.4)
Maj. Net Margin (%)	5.4	6.6	(1.2)	4.9	5.7	(0.7)

Figures in millions of MXN



GRUPO
HERDEZ

NET INCOME PERFORMANCE



EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AMORTIZATION AND OTHER NON-CASH CHARGES (EBITDA)

Consolidated EBITDA for the quarter amounted to MXN 934 million, 2.8% higher than during the same period of 2018, while the margin decreased 90 basis points to 16.5%. Excluding the incorporation of IFRS 16, EBITDA for the quarter would have been MXN 865 million, 4.8% lower than the previous year and the margin would have decreased 2.1 percentage points.

For the first six months, EBITDA was MXN 1,761 million, with a margin of 16.2%, which was 50 basis points lower than the previous year. Excluding IFRS 16, EBITDA would have been MXN 1,608 million and the margin would have been 14.8%, which is 1.9 percentage points lower than in 2018. As operating performance, the fall in EBITDA was due to pressure on the gross margin derived from the change in the sales mix.

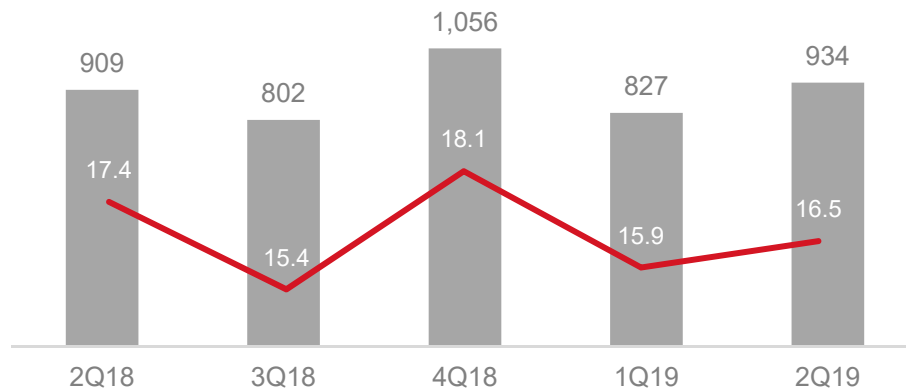
EBITDA	2Q19	2Q18	% change	6M19	6M18	% change
Consolidated	934	909	2.8	1,761	1,659	6.2
Preserves	686	712	(3.6)	1,388	1,360	2.1
Frozen	212	138	53.1	302	203	48.6
Exports	37	59	(37.8)	70	95	(25.9)

Figures in millions of MXN

EBITDA MARGIN (%)	2Q19	2Q18	pp chg	6M19	6M18	% change
Consolidated	16.5	17.4	(0.9)	16.2	16.7	(0.5)
Preserves	16.0	18.1	(2.1)	16.5	17.8	(1.4)
Frozen	21.5	15.8	5.7	17.8	13.2	4.6
Exports	9.5	14.2	(4.7)	9.6	12.8	(3.1)

Figures in percentages

EBITDA PERFORMANCE



CAPITAL INVESTMENTS (CAPEX)

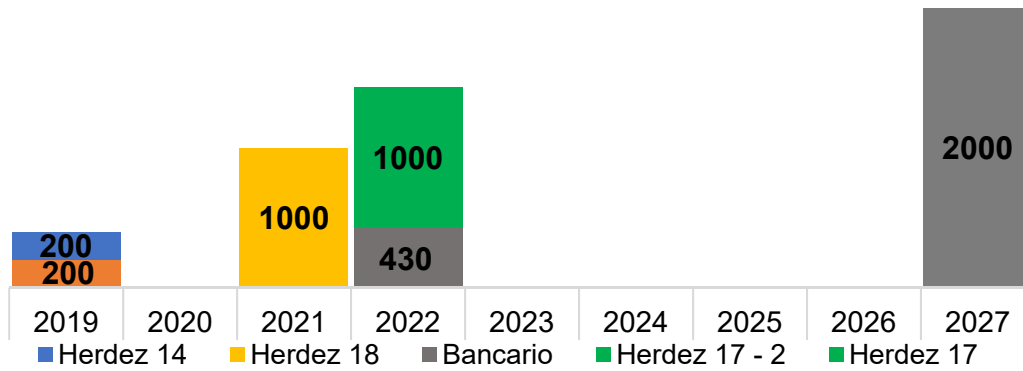
Net CAPEX during the quarter was MXN 135 million, mainly allocated to the expansion of the Frozen division through new freezers and the opening of Nutrisa stores.

FINANCIAL STRUCTURE

As at June 30, 2019, the cash position was MXN 1,642 million, MXN 412 million lower than that recorded on March 30, 2019. Liabilities with cost were MXN 6,830 million; they have an average life of 4.6 years and an average cost of 8.6%.

The consolidated net debt to EBITDA ratio was 1.4 times, while net debt to consolidated equity was 0.29 times.

DEBT PROFILE



2Q 2019 EARNINGS CONFERENCE CALL

Date: Friday July 26, 2019

Time: 12:00 p.m. EST / 11:00 a.m. CT

To participate please dial the following phone numbers:

- Toll-Free US and Canada: +1 (800) 239 9838
- Toll International: +1 (323) 794 2551
- Conference ID: 3862136

To access the call go to <http://public.viavid.com/index.php?id=134835>

If you cannot participate live, the conference call playback will be available from Friday July 26, 2019 through Friday August 9, 2019. To access the replay, in the US and Canada please dial: +1 (844) 512 2921, or from other countries +1 (412) 317 6671; conference ID: 3862136.

CONTACTS

Andrea Amozurrutia

+52 (55) 5201-5636

invrel@herdez.com



ABOUT GRUPO HERDEZ

Grupo Herdez is the leading producer of shelf-stable foods and one of the main players in the ice cream category in Mexico, as well as one of the leaders in the Mexican food category in the United States. The Company participates in a wide range of categories including burritos, canned vegetables, frozen yogurt, guacamole, home-style salsas, honey, ice cream, ketchup, marmalade, mayonnaise, mole, mustard, organic foods, pasta, spices, tea, tomato purée, and tuna fish, among others. These products are sold through an exceptional portfolio of brands, which includes Aires de Campo, Barilla, Búfalo, Chi-Chi's, Del Fuerte, Don Miguel, Doña María, Embasa, Frank's, French's, Helados Nestlé, Herdez, La Victoria, McCormick, Nutrisa, Wholly Guacamole, and Yemina. Additionally, the Company has distribution agreements in Mexico for Kikkoman, Lavazza, Ocean Spray, and Reynolds. Grupo Herdez has 15 manufacturing facilities, 24 distribution centers, 7 tuna vessels, 483 Nutrisa stores and a workforce of more than 10 thousand employees. The Company was founded in 1914 and has been listed on the Mexican Stock Exchange since 1991. For more information, visit <http://www.grupoherdez.com.mx>

FORWARD-LOOKING STATEMENTS

The information contained herein (the "Information") has been prepared by Grupo Herdez, S.A.B. de C.V., its subsidiaries and/or affiliated companies ("Grupo Herdez"), and may contain forward-looking statements that reflect Grupo Herdez's current expectations and views, which may vary materially due to various factors, risks and uncertainties. Therefore, Grupo Herdez and/or its officers, employees or agents, assume no responsibility or liability for any such variations in the Information. In particular, and notwithstanding the foregoing, no guarantee is given as to possible future variations of the Information. The Information has been provided solely for informational purposes. The issuance of this Information shall not be taken as any form of commitment of Grupo Herdez to proceed with any transaction.



INCOME STATEMENT	Second Quarter				
	2019	%	2018	%	% Chg
Net Sales	5,662	100.0	5,217	100.0	8.5
Preserves	4,293	100.0	3,929	100.0	9.3
Frozen	983	100.0	873	100.0	12.6
Exports	387	100.0	415	100.0	(6.9)
Cost of Goods Sold	3,498	61.8	3,101	59.4	12.8
Preserves	2,807	65.4	2,437	62.0	15.2
Frozen	355	36.1	320	36.6	11.1
Exports	336	86.8	344	82.7	(2.3)
Gross Profit	2,164	38.2	2,117	40.6	2.2
Preserves	1,486	34.6	1,491	38.0	(0.4)
Frozen	628	63.9	553	63.4	13.4
Exports	51	13.2	72	17.3	(29.1)
Operating Expenses	1,457	25.7	1,366	26.2	6.6
Preserves	914	21.3	880	22.4	3.8
Frozen	514	52.3	460	52.7	11.8
Exports	29	7.4	26	6.3	9.7
EBIT before Other Income and Expenses	707	12.5	750	14.4	(5.7)
Preserves	572	13.3	611	15.6	(6.5)
Frozen	113	11.5	93	10.7	21.6
Exports	22	5.7	46	11.0	(51.3)
Other Income/Expenses, Net	(29)	(0.5)	(25)	(0.5)	15.1
EBIT	736	13.0	775	14.9	(5.0)
Preserves	596	13.9	635	16.2	(6.2)
Frozen	118	12.0	94	10.8	25.4
Exports	22	5.7	46	11.0	(51.3)
All-in Result of Financing	(142)	(2.5)	(98)	(1.9)	44.4
Interest Earned and (Paid), Net	(135)	(2.4)	(121)	(2.3)	11.5
Exchange (Loss) Gain	(7)	(0.1)	23	0.4	(129.1)
Equity Investment in Associated Companies	205	3.6	245	4.7	(16.4)
MegaMex	197	3.5	237	4.5	(16.7)
Others	7	0.1	8	0.2	(7.0)
Income Before Income Taxes	799	14.1	922	17.7	(13.3)
Income Tax Provision	225	4.0	256	4.9	(12.4)
Consolidated Net Income	575	10.1	665	12.8	(13.6)
Minority Interest	269	4.8	321	6.2	(16.2)
Majority Net Income	305	5.4	344	6.6	(11.2)
EBITDA	934	16.5	909	17.4	2.8
Preserves	686	16.0	712	18.1	(3.6)
Frozen	212	21.5	138	15.8	53.1
Exports	37	9.5	59	14.1	(37.5)

Figures expressed in millions of Mexican Pesos

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

STATEMENT OF FINANCIAL POSITION	Jun 30 2019	%	31 dec 2018	%	Change	
					\$	%
TOTAL ASSETS	31,028	100.0	29,640	100.0	1,388	4.7
Domestic	28,659	92.4	27,541	92.9	1,118	4.1
USA	2,369	7.6	2,099	7.1	270	12.9
Current Assets	10,240	33.0	9,804	33.1	435	4.4
Cash and Equivalents	1,642	5.3	2,027	6.8	(385)	(19.0)
Accounts Receivable	3,219	10.4	2,895	9.8	324	11.2
Other Accounts Receivable	231	0.7	205	0.7	26	12.8
Inventories	3,829	12.3	3,627	12.2	202	5.6
Other Current Assets	1,319	4.2	1,050	3.5	268	25.6
Non-Current Assets	20,788	67.0	19,836	66.9	953	4.8
Property, Plant and Equipment, Net	5,457	17.6	5,449	18.4	9	0.2
Right-of-use Assets	641	2.1	0	0.0	641	
Investment In Subsidiaries	7,113	22.9	6,972	23.5	142	2.0
Intangible Assets	6,749	21.8	6,752	22.8	(3.7)	(0.1)
Other Assets	828	2.7	663	2.2	165	24.9
TOTAL LIABILITIES	13,110	42.3	11,390	38.4	1,720	15.1
Domestic	12,424	40.0	10,836	36.6	1,588	14.7
USA	687	2.2	554	1.9	133	23.9
Current Liabilities	5,002	16.1	3,704	12.5	1,298	35.0
Accounts Payable	2,578	8.3	2,158	7.3	420	19.5
Short-Term Debt	400	1.3	200	0.7	200	100.0
Short-Term Leases	273	0.9	0	0.0	273	
Other Short-Term Liabilities	1,751	5.6	1,346	4.5	404	30.0
Long-Term Liabilities	8,109	26.1	7,687	25.9	422	5.5
Long-Term Debt	6,430	20.7	6,430	21.7	0	0.0
Long-Term Leases	375	1.2	0	0.0	375	
Other Liabilities	(18.5)	(0.1)	8	0.0	(26.8)	NA
Other Long-Term Liabilities w/o Cost	1,322	4.3	1,248	4.2	74	5.9
TOTAL STOCKHOLDERS' EQUITY	17,918	57.7	18,250	61.6	(332.1)	(1.8)
Minority Stockholder's Equity	9,996	32.2	9,900	33.4	96	1.0
Majority Stockholder's Equity	7,921	25.5	8,350	28.2	(428.4)	(5.1)

Figures expressed in millions of Mexican pesos

