



HERDEZ

GRUPO HERDEZ REPORTS SECOND QUARTER 2010 EARNINGS

Highlights from the quarter

- Sales grew 2.4% as a result of stable domestic sales and solid performance in the international operations
- Operating income rose a strong 22.1%, while the margin expanded 2.7 pp
- Net majority income increased 31.5% to Ps. 175 million

Mexico City, Mexico, July 22, 2010 – Grupo Herdez, S.A.B de C.V. (BMV: HERDEZ, OTC: GUZBY), today announced its results for the quarter ended June 30, 2010.¹

“Despite the limited sales growth that primarily reflected continued weakness in consumption across our markets, we delivered healthy gains on the operating side due to a more favorable raw materials environment, better product mix and greater efficiencies in the supply chain. We see continued top line improvement in the second half, and our outlook for the year remains on track,” said Héctor Hernández-Pons Torres, Chairman and Chief Executive Officer of Grupo Herdez.

Net Sales

Net sales in the second quarter of the year rose 2.4% to Ps. 1,975.4 million, reflecting a 1.1% increase in domestic sales and 11.7% in the international front. On a cumulative basis, sales rose 3.7% to Ps. 4,108.8 million, as a result of a 3.3% increase in Mexico and 6.8% internationally.

Net sales (in millions of pesos)

	2Q 10	2Q 09	Change	6M 10	6M 09	Change
Consolidated	1,975.4	1,930.0	2.4%	4,108.8	3,960.8	3.7%
Domestic	1,723.4	1,704.3	1.1%	3,618.2	3,501.6	3.3%
International	252.0	225.7	11.7%	490.6	459.2	6.8%

Sales growth in Mexico was driven by slightly higher volumes when compared to the same period of last year, mainly in the staple products of the Company’s product portfolio.

The double-digit growth rate experienced in international sales, comprised of Grupo Herdez’s proportional share of MegaMex Foods LLC, the 50% joint venture between Herdez Del Fuerte and Hormel Foods that was formed in the fourth quarter of 2009, was mainly the result of strong performance in the tortilla category, which more than offset the negative impact of a lower US dollar exchange rate. By channel, retail sales outperformed foodservice channels during the period due to continued pressure on restaurant and institutional spending in the current economic environment.

¹ All financial information contained in this report is prepared in accordance Mexican financial reporting standards (NIF).

Costs and Expenses

The cost of goods sold fell 3.6 and 4.4 percentage points in the quarter and on a cumulative basis when compared to the same periods of last year, respectively, primarily as a result of lower average raw material prices, particularly soybean oil, combined with the benefit of a lower exchange rate for the dollar-denominated inputs. As a result, gross profit rose 13.1% in the quarter and 16.8% in the first half of the year.

On the operating side, sales and administrative expenses experienced slight increases in the quarter and the first half of the year, mainly due to higher expenditures for advertising and promotion aimed at sustain volume growth. On a percentage basis, operating expenses comprised 21.2% of net sales in the quarter and 21.0% in the first six months of the year, 0.9 and 0.3 percentage points higher than in the same periods of 2009.

Operating Income

Operating income rose 22.1% to Ps. 330.1 million in the second quarter, and 34.1% to Ps. 740.2 million in the first half, in both cases as a result of the aforementioned gross profit improvement. The operating margin expanded by 2.7 percentage points in the quarter to 16.7%, while in the first six months of the year the margin expanded 4.1 percentage points to 18.0%.

Operating Income (in millions of pesos)

	2Q 10	2Q 09	Change	6M 10	6M 09	Change
Operating income	330.1	270.3	22.1%	740.2	551.9	34.1%
Operating margin	16.7%	14.0%	2.7pp	18.0%	13.9%	4.1pp

Net Majority Income

Net majority income in the second quarter totaled Ps. 175.2 million, a rise of 31.5% over the year ago period. This primarily reflects the following factors: i) growth in gross profit; and ii) lower comprehensive cost of financing, explained by an accounting change as of October 2009 when the mark to market value of derivatives, previously registered in the P&L, was transferred to the balance sheet according to hedge accounting. Net margin in the period expanded by 2.0 percentage points, to 8.9%. On a cumulative basis, net income rose 37.0% to Ps. 389.7 million, while the margin expanded by 2.3 percentage points to 9.5%.

Net Majority Income (in millions of pesos)

	2Q 10	2Q 09	Change	6M 10	6M 09	Change
Consolidated net income	233.5	178.0	31.2%	523.0	378.7	38.1%
Minority interest	58.3	44.8	30.1%	133.3	94.3	41.4%
Net majority income	175.2	133.2	31.5%	389.7	284.4	37.0%
Net majority margin	8.9%	6.9%	2.0pp	9.5%	7.2%	2.3pp

Other Financial Measures

EBITDA (earnings before interest, taxes, depreciation and amortization) in the second quarter totaled Ps. 360.5 million, a rise of 20.2% over the year ago period, while the margin expanded 2.7 percentage points, to 18.2%. On a cumulative basis, EBITDA totaled Ps. 798.7 million, while the margin expanded 4.0 percentage points, to 19.4%.

Net capital expenditures in the second quarter and first six months of the year totaled Ps. 43.6 million and Ps. 106.2 million, respectively, primarily allocated to new investments in the Santa Rosa plant located in Sinaloa, Mexico and to the ongoing construction of the Teoloyucan distribution center located in the State of Mexico. These investments are expected to increase the efficiency and profitability of the domestic operation. It is important to highlight that the new distribution center will become fully operational in the third quarter of 2011.

Financial Structure

Net debt at June 30, 2010 totaled Ps. 559.7 million, 29.7% lower than in the year ago period, mainly as a result of higher cash generation. The Company's leverage ratios remain strong, with net debt to equity at 0.20 times, compared to 0.32 times in 2009. In terms of net debt to EBITDA, the ratio at the end of the second quarter was 0.35 times compared to 0.72 registered in June, 2009.

Recent Events

On June 4, the Company announced a distribution agreement with Reynolds Foil Inc., a leading producer of food packaging products such as wax paper, re-sealable storage bags, aluminum foil and plastic wrap, among others. Under the agreement, which will take effect in September 2010, the Company's Herdez Del Fuerte subsidiary will distribute a full range of Reynolds products in Mexico.

On June 30, the Company announced a contract with UBS Casa de Bolsa, S.A. de C.V. for market maker services aimed at promoting the liquidity of its shares in the market.

Conference Call Information

Management will host a call to review second quarter results as follows:

Date: Friday, July 23, 2010
Time: 11:00 a.m. New York / 10:00 a.m. Mexico City
Dial-in: US or Canada: (877) 381-6448, Mexico or other: +1 (706) 679-3873
Call Id#: 88114357

About Grupo Herdez

Grupo Herdez is a leading food and beverage company headquartered in Mexico City. The Company's portfolio of exceptional brands includes *Herdez*, *Del Fuerte*, *Barilla*, *Búfalo*, *Chi-Chi's*, *Doña María*, *Embasa*, *La Victoria*, *McCormick*, *Nair*, *Yemina*, *Kikkoman* and *Ocean Spray*, among others. Through its associated companies, it is the leading producer and distributor of shelf stable foods in Mexico, and one of the leading producers of authentic Mexican foods in the United States.

Founded in 1914, the company's shares trade on the Mexican Stock Exchange under the ticker HERDEZ*, and over the counter in the United States as GUZBY. Grupo Herdez generated over US\$600 million in sales in 2009, and employs more than 6,400 people. Visit grupoherdez.com.mx for more information.

The statements contained in this report regarding the financial and operating performance of Grupo Herdez, S.A.B de C.V. and its affiliates ("The Company") are based on financial information, operating levels and market conditions as of today's date. The Company's results may vary from those expressed in this report due to a number of factors beyond the Company's control, such as: price adjustments, changes in raw material costs, legal and regulatory changes, or unanticipated economic and political conditions of countries where the Company operates. The Company does not assume responsibility for changes in information and recommends that readers view such statements with caution. Furthermore, the Company is not obligated to publicly release revisions to these statements arising from any such factors after the publication date of this document.

Consolidated Income Statement

	Second Quarter					Six months as of June 30				
	2010	%	2009	%	% Change	2010	%	2009	%	Cambio %
Net Sales	1,975.4	100.0%	1,930.0	100.0%	2.4%	4,108.8	100.0%	3,960.8	100.0%	3.7%
Cost of Goods Sold	1,226.7	62.1%	1,268.0	65.7%	-3.3%	2,507.2	61.0%	2,590.1	65.4%	-3.2%
Gross Profit	748.7	37.9%	662.0	34.3%	13.1%	1,601.6	39.0%	1,370.7	34.6%	16.8%
Operating Expenses	418.6	21.2%	391.7	20.3%	6.9%	861.4	21.0%	818.8	20.7%	5.2%
Operating Income	330.1	16.7%	270.3	14.0%	22.1%	740.2	18.0%	551.9	13.9%	34.1%
Comprehensive Financing Result	16.4	0.8%	49.6	2.6%	-66.9%	47.5	1.2%	77.6	2.0%	-38.8%
Other expenses (Income)	(3.9)	-0.2%	(2.9)	-0.2%	34.5%	-4.9	-0.1%	1.6	0.0%	NC
Income before income taxes	317.6	16.1%	223.6	11.6%	42.0%	697.6	17.0%	472.7	11.9%	47.6%
Income tax provision	87.3	4.4%	50.9	2.6%	71.5%	181.7	4.4%	113.8	2.9%	59.7%
Income from unconsolidated affiliates	5.3	0.3%	10.9	0.6%	-51.4%	12.7	0.3%	25.3	0.6%	-49.8%
Income before discontinued ops.	235.6	11.9%	183.6	9.5%	28.3%	528.6	12.9%	384.2	9.7%	37.6%
Discontinued Operations	2.1	0.1%	5.6	0.3%	-62.5%	5.6	0.1%	5.5	0.1%	1.8%
Consolidated net income	233.5	11.8%	178.0	9.2%	31.2%	523.0	12.7%	378.7	9.6%	38.1%
Minority Interest	58.3	3.0%	44.8	2.3%	30.1%	133.3	3.2%	94.3	2.4%	41.4%
Net Majority Income	175.2	8.9%	133.2	6.9%	31.5%	389.7	9.5%	284.4	7.2%	37.0%
EBITDA	360.5	18.2%	299.8	15.5%	20.2%	798.7	19.4%	610.2	15.4%	30.9%

NC: Not comparable

Consolidated Balance Sheet

	2010	%	2009	%	Change	
					\$	%
TOTAL ASSETS	6,038.3	100.0%	5,287.6	100.0%	750.7	14.2%
Current Assets	3,265.9	54.1%	2,730.4	51.6%	535.5	19.6%
Cash and cash equivalents	751.6	12.4%	302.2	5.7%	449.4	148.7%
Accounts receivable, net	1,478.8	24.5%	1,383.2	26.2%	95.6	6.9%
Inventories	981.1	16.2%	1,003.2	19.0%	(22.1)	-2.2%
Other current assets	54.4	0.9%	41.8	0.8%	12.6	30.2%
Property, Plant and Equipment, net	1,758.6	29.1%	1,628.4	30.8%	130.2	8.0%
Intangible Assets	1,013.8	16.8%	928.8	17.6%	85.0	9.2%
TOTAL LIABILITIES	2,465.4	40.8%	2,179.1	41.2%	286.3	13.1%
Current Liabilities	1,575.1	26.1%	1,229.9	23.3%	345.2	28.1%
Accounts payable	525.6	8.7%	559.7	10.6%	(34.1)	-6.1%
Short-Term Debt	705.0	11.7%	398.1	7.5%	306.9	77.1%
Other Short-Term liabilities	344.5	5.7%	272.1	5.1%	72.4	26.6%
Non-Current Liabilities	890.3	14.7%	949.2	18.0%	(58.9)	-6.2%
Long-Term Debt	606.3	10.0%	700.8	13.3%	(94.5)	-13.5%
Other Debt with cost	125.0	2.1%	134.3	2.5%	(9.3)	-6.9%
Deferred Credits	145.2	2.4%	95.3	1.8%	49.9	52.4%
Other Liabilities	13.8	0.2%	18.8	0.4%	(5.0)	-26.6%
Minority Stockholder's equity	747.7	12.4%	647.3	12.2%	100.4	15.5%
Majority Stockholder's equity	2,825.2	46.8%	2,461.2	46.5%	364.0	14.8%
TOTAL STOCKHOLDER'S EQUITY	3,573.0	59.2%	3,108.5	58.8%	464.5	14.9%