



## GRUPO HERDEZ REPORTS FOURTH QUARTER AND FULL YEAR 2017 RESULTS

### Highlights for the year:

- Consolidated net sales increased 10.4 percent to a record MXN 20,065 million.
- Consolidated EBIT and EBITDA margins were 13.9 and 16.4 percent, respectively, both with a 90 basis points expansion.
- Majority net income reached a record MXN 1,046 million, 45.8 percent higher than in 2016, with a margin of 5.2 percent, aided by a lower deferred tax liability in the U.S.

**Mexico City, Mexico, February 22, 2018 – Grupo Herdez, S.A.B. de C.V. (“Grupo Herdez” or the “Company”) (MSE: HERDEZ)** today announced results for the fourth quarter and full year ending December 31, 2017.

“In 2017, our focus on results allowed us to break new records in sales and profits. Despite the initial volatility of the exchange rate, the increase in inflation and different natural phenomena that impacted the country during the year, the resilience of our business model enabled us to achieve outstanding results,” said Héctor Hernández-Pons Torres, Chairman and Chief Executive Officer.

### NET SALES

Net sales in the fourth quarter increased 14.1 percent compared to the same period of last year to MXN 5,565 million. Net sales in the Preserves division grew 14.4 percent, showing solid volume performance coupled with pricing actions implemented during the year. Sales outperformed in convenience, food service and wholesalers. By category, homestyle salsa, marmalade and pasta sales surpassed average growth boosted by an increase in sales volume, a higher price and innovation initiatives.

The Frozen division reached MXN 601 million in sales, 13.4 percent higher than the fourth quarter of 2016, a strong performance considering the tough comparison base and a slow start of the quarter as a result of the earthquakes in September. The growth was mainly due

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

Grupo Herdez consolidates 100 percent of its Frozen division, Herdez Del Fuerte -Mexico-, Barilla Mexico and McCormick de Mexico in its financial statements. The proportional stake of Herdez Del Fuerte in MegaMex is registered in Equity Investment in Associates.

to the development of new sales channels for Helados Nestlé, as well as double-digit same-store sales growth at Nutrisa driven by higher traffic and average ticket growth.

Exports reached MXN 376 million, 11.6 percent higher than the same quarter of last year due to a strong performance of the portfolio among the two most relevant clients for this segment.

For the full year, consolidated net sales rose 10.4 percent to MXN 20,065 million primarily driven by price increases in the Preserves segment and an improved performance in the Frozen division.

By channel, net sales in Preserves outperformed in food service, traditional and wholesalers. By category, canned vegetables, homestyle salsa, and pasta surpassed average growth boosted by higher pricing and innovation initiatives such as new product launches and marketing campaigns aimed at engaging our final consumers in responsible consumption initiatives, as well as the co-creation of new products with end consumers.

Net sales in the Frozen division rose 11.2 percent mainly due to: i) strong performance in Nutrisa due to same-store sales and traffic growth; ii) channel diversification at Helados Nestlé; and iii) outperformance of recently launched products such as Danesa 33 specialties.

Exports grew 6.2 percent as a result of soft volume performance in the third quarter.

By year-end, as a percentage of total sales, Preserves represented 80 percent, Frozen represented 14 percent, and Exports represented the remaining 6 percent.

NET SALES	4Q17	4Q16	% Change	2017	2016	% Change
Consolidated	5,565	4,879	14.1	20,065	18,180	10.4
Preserves	4,588	4,012	14.4	15,953	14,431	10.5
Frozen	601	530	13.4	2,882	2,592	11.2
Exports	376	337	11.6	1,230	1,158	6.2

Figures in million MXN

## GROSS PROFIT

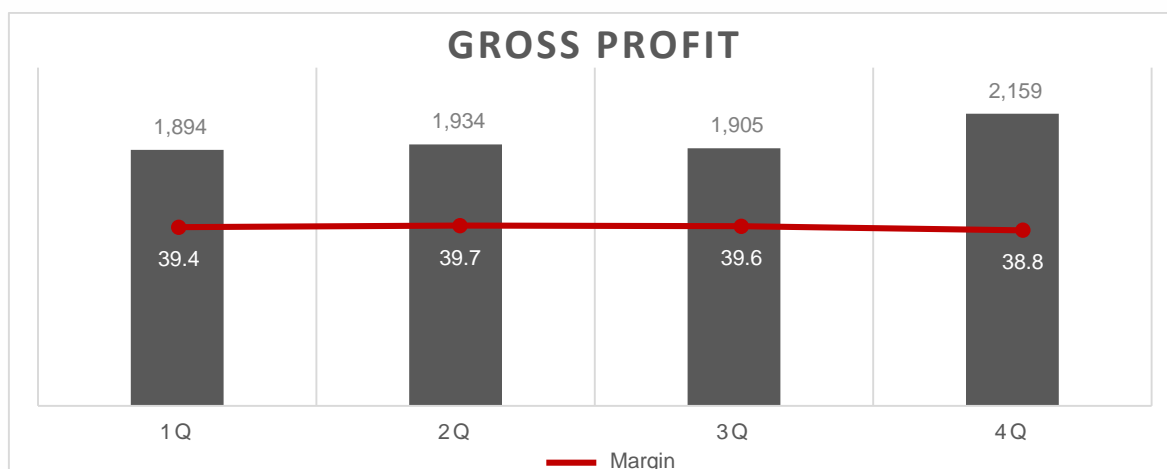
Consolidated gross margin in the quarter reached 38.8 percent, a 3.0 percentage point decline when compared to the same period in 2016. This decline resulted mainly from higher dollar-denominated costs resulting from the FX levels.

On a cumulative basis, the consolidated gross margin reached 39.3 percent, only 60 basis points lower when compared to last year due to the impact mentioned previously.

GROSS PROFIT	4Q17	4Q16	% Change	2017	2016	% Change
Consolidated	2,159	2,039	5.9	7,891	7,252	8.8
Preserves	1,729	1,662	4.0	5,926	5,483	8.1
Frozen	380	339	12.1	1,802	1,642	9.7
Exports	50	38	34.2	163	127	29.0

Figures in million MXN

GROSS MARGIN	4Q17	4Q16	pp Chg	2017	2016	pp Chg
Consolidated	38.8	41.8	(3.0)	39.3	39.9	(0.6)
Preserves	37.7	41.4	(3.7)	37.1	38.0	(0.9)
Frozen	63.2	63.9	(0.7)	62.5	63.4	(0.9)
Exports	13.4	11.1	2.3	13.3	10.9	2.4



## **SALES, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)**

Consolidated SG&A relative to net sales dropped, as expected, to 25.2 percent in the fourth quarter compared to 28.3 percent in the last year.

This margin difference resulted from a 2.1 percentage points decrease in Preserves benefited by higher sales, and an 11.7 percentage points decline in the Frozen segment as a result of the restructuring process carried out during the year at Nutrisa as well as the benefit from a better sales mix.

On a cumulative basis, SG&A represented 25.9 percent of net sales, a 1.3 percentage points improvement from last year mainly explained by a 5.3 percentage points SG&A decline in the Frozen segment and a higher expense absorption in the Preserves division.

## **EARNINGS BEFORE INTEREST AND TAXES (EBIT)**

EBIT in the quarter totaled MXN 814 million, with a margin of 14.6 percent, or 50 basis points higher than in the same period of 2016. EBIT margin in the Preserves segment decreased by 1.2 percentage points mainly due to higher costs and a tough comparison base.

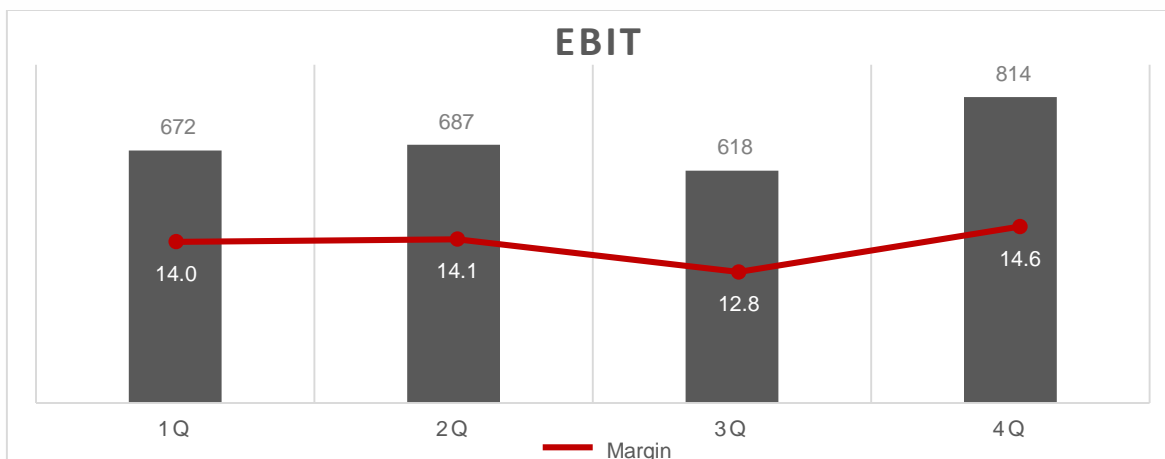
EBIT in the Frozen segment registered a loss of MXN 26 million due to the seasonality of Helados Nestlé. It is important to highlight that when compared to last year, this loss experienced a reduction of 68.1% due to Nutrisa's improvement when compared to the same period of last year.

On a cumulative basis, EBIT totaled MXN 2,790 million or an 18.1 percent growth when compared to last year, with an EBIT margin expansion of 90 basis points to 13.9 percent. The above is mainly the result of the improvement experienced at the Frozen division coupled with a lower SG&A in Preserves.

<b>EBIT</b>	<b>4Q17</b>	<b>4Q16</b>	<b>% Change</b>	<b>2017</b>	<b>2016</b>	<b>% Change</b>
Consolidated	814	690	18.0	2,790	2,363	18.1
Preserves	810	757	7.0	2,614	2,378	9.9
Frozen	(26)	(81)	68.1	81	(61)	N.A.
Exports	29	13	119.4	96	46	107.7

Figures in million MXN

<b>EBIT MARGIN (%)</b>	<b>4Q17</b>	<b>4Q16</b>	<b>pp Chg</b>	<b>2017</b>	<b>2016</b>	<b>pp Chg</b>
Consolidated	14.6	14.1	0.5	13.9	13.0	0.9
Preserves	17.7	18.9	(1.2)	16.4	16.5	(0.1)
Frozen	(4.3)	(15.2)	10.9	2.8	(2.3)	5.1
Exports	7.8	4.0	3.8	7.8	4.0	3.8



### COMPREHENSIVE FINANCING RESULT

Net financing cost totaled MXN 88 million in the fourth quarter, 40.1 percent lower than the same period of last year. This decrease was mainly due to a currency exchange gain of MXN 19 million compared to a loss of MXN 30 million in the same quarter of 2016, as well as higher interest gains.

Net financing cost for 2017 totaled MXN 496 million, 6.4 percent higher than the previous year mainly explained by additional MXN 64 million of net interest paid.

### EQUITY INVESTMENT IN ASSOCIATES

Equity investment in associates totaled MXN 375 million, benefited by an extraordinary income of MXN 151 million as a result of the U.S. tax reform that lowered the rate of differed taxes. Excluding this effect, equity investment in associates would have increased by 23.8 percent.

On a cumulative basis, equity investment in associates was MXN 834 million, 39.2 percent higher than in 2016 due to a strong organic performance of MegaMex coupled with the one-time benefit explained previously. Excluding this effect, equity investment in associates would have increased by 14.0 percent.

EQUITY INVESTMENT IN ASSOCIATES	4Q17	4Q16	% Change	2017	2016	% Change
Consolidated	375	181	107.8	834	599	39.2
MegaMex	370	178	107.9	791	577	37.1
Others	5	2	150.0	43	22	95.5

Figures in million MXN

### MegaMex Consolidated Results (100%)

Net sales totaled MXN 12,168 million in 2017, a 12.3 percent increase compared to last year driven by strong performance of the guacamole and salsa categories across channels.

For the same period, gross margin reached 30.2 percent, 1.9 percentage points lower than last year due to a 15.4 percent increase in the cost, primarily avocado. EBIT margin decreased by 80 basis points to 11.9 percent, and EBITDA margin reached 13.0 percent.

MegaMex	Income Statement									
	4Q17	%	4Q16	%	%Chg	2017	%	2016	%	% Chg
Net Sales	3,034	100.0	3,089	100.0	(1.8)	12,168	100.0	10,840	100.0	12.3
Gross Profit	1,029	33.9	963	31.2	6.8	3,678	30.2	3,485	32.1	5.5
EBIT	524	17.3	422	13.7	24.1	1,448	11.9	1,375	12.7	5.3
EBITDA	618	20.4	517	16.8	19.4	1,827	15.0	1,772	16.3	3.1
Net Income	740	24.4	358	11.6	106.5	1,581	13.0	1,155	10.7	36.9

Figures in million MXN

### NET INCOME

For the quarter, consolidated net income totaled MXN 823 million, an 89.9 percent increase compared to the same quarter of last year. Net income margin reached 14.8 percent, which represented an improvement of 5.9 percentage points, mainly due to solid performance in Preserves and Frozen, coupled with the increase in the pre-tax income of MegaMex.

Majority net income totaled MXN 396 million in the quarter with a majority net margin of 7.1 percent, 3.7 percentage points higher when compared to the same period in 2016.

For the year, consolidated net margin was 10.8 percent, 2.0 percentage points higher than in 2016, while majority net margin improved 1.3 percentage points to 5.2 percent.

NET INCOME	4Q17	4Q16	% Change	2017	2016	% Change
Consolidated Net Income	823	434	89.9	2,166	1,593	36.0
Consolidated Net Mg (%)	14.8	8.9	5.9 pp	10.8	8.8	2.0 pp
Minority Interest	427	268	59.6	1,120	875	27.9
Majority Net Income	396	166	138.8	1,046	717	45.8
Majority Net Mg (%)	7.1	3.4	3.7 pp	5.2	3.9	1.3 pp

Figures in million MXN

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

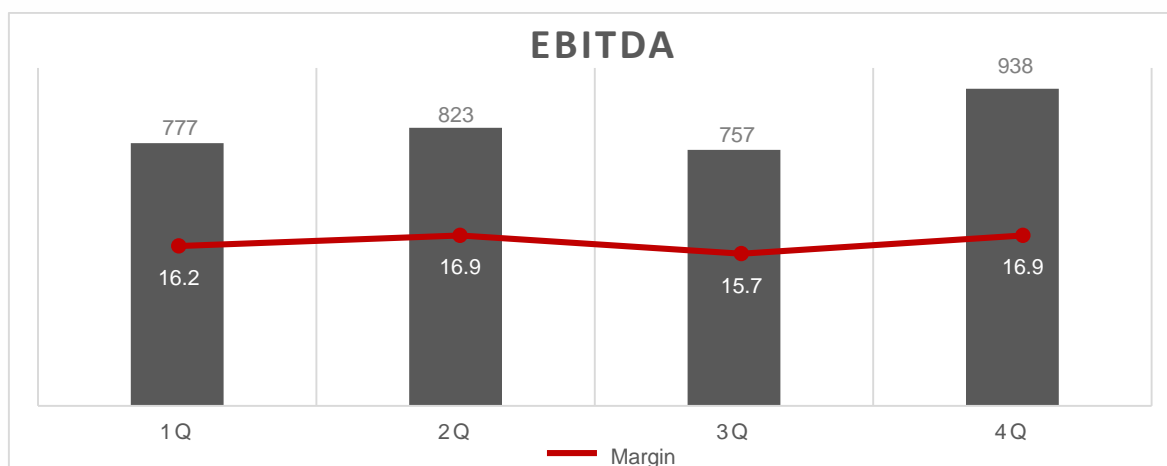
EBITDA totaled MXN 938 million in the fourth quarter, 17.5 percent higher than the same period in 2016. This performance is explained by a 7.2% increase in Preserves combined with the improvement of the Frozen segment which achieved an EBITDA margin of 3.8 percent, or 11.8 percentage points higher than in 2016.

For the year, EBITDA totaled MXN 3,295 million, a 17.0 percent growth, with a margin of 16.4 percent. This margin expansion represents an increase of 90 basis points when compared to 2016.

EBITDA	4Q17	4Q16	% Change	2017	2016	% Change
Consolidated	938	799	17.5	3,295	2,816	17.0
Preserves	877	819	7.2	2,888	2,634	9.7
Frozen	23	(43)	153.3	277	103	168.5
Exports	39	23	70.4	130	79	64.4

Figures in million MXN

EBITDA MARGIN (%)	4Q17	4Q16	pp Chg	2017	2016	pp Chg
Consolidated	16.9	16.4	0.5	16.4	15.5	0.9
Preserves	19.1	20.4	(1.3)	18.1	18.3	(0.2)
Frozen	3.8	(8.0)	11.8	9.6	4.0	5.6
Exports	10.2	6.7	3.5	10.6	6.8	3.8



### CAPITAL EXPENDITURES (CAPEX)

Net CAPEX in the quarter totaled MXN 109 million which was primarily allocated to new freezers for Helados Nestlé and the expansion of the tea production capacity in San Luis Potosí.

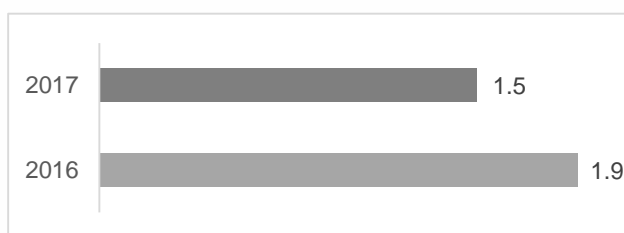
For the year CAPEX totaled \$431 million and was mainly allocated to the capacity expansion of the salsa line in San Luis Potosí and new freezers for the Frozen segment.

## FINANCIAL STRUCTURE

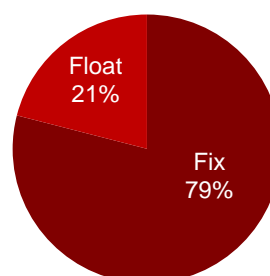
As of December 31, 2017, consolidated cash totaled MXN 1,485 million, and interest-bearing liabilities reached MXN 6,330 million. As a result of the debt restructuring process executed during the year, the average maturity of the Company's debt stands at 6.0 years, is 100 percent Mexican Peso denominated, and 97 percent is long-term.

Consolidated net debt to EBITDA in 2017 remained at 1.5 times, while net debt to consolidated stockholder's equity reached 0.31 times.

**NET DEBT / EBITDA**



**INTEREST RATE MIX**



## CASH FLOW

Cash flow from operations totaled MXN 781 million in 2017.

## 4Q & FULL YEAR 2017 EARNINGS CONFERENCE CALL INFORMATION

Date: Friday, February 23, 2018

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

To participate, please dial:

- Toll-Free U.S. and Canada: +1 (800) 281 7973
- Toll International: +1 (323) 794 2093
- Conference ID#: 2869106

To access the call online, follow the link at <http://grupoherdez.mx/investors/?lang=en> or go directly to <http://public.viavid.com/index.php?id=127905>

If you are unable to participate live, a replay of the conference call will be available from February 23 through March 11, 2018. To access the replay, please dial domestic U.S. and Canada +1 (844) 512 2921, or from other countries +1 (412) 317 6671; conference ID: 2869106.



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**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 puree, and tuna fish, among others. These products are commercialized through an exceptional portfolio of brands, which include Aires de Campo®, Barilla®, Búfalo®, Chi-Chi's®, Del Fuerte®, Don Miguel®, Doña María®, Embasa®, Helados Nestlé®, Herdez®, La Victoria®, McCormick®, Nutrisa®, Wholly Guacamole® and Yemina®. Additionally, the Company has distribution agreements in Mexico for Kikkoman®, Ocean Spray® and Reynolds®. Grupo Herdez has 16 plants, 22 distribution centers, 7 tuna vessels, 471 Nutrisa stores and a workforce of more than 9,100 associates. The Company was founded in 1914 and has been listed on the Mexican Stock Exchange since 1991 and in the OTC market since 1997. For more information, visit <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 affiliated 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 and/or its respective officers, employees or agents, assume no responsibility or liability for any discrepancy in the Information. In particular, but without prejudice to the generality of the foregoing, no warranty is given as to the accuracy of the statements or the future variation of the Information or any other written or oral Information issued by Grupo Herdez. The Information has been delivered for informative purposes only. The issuance of this Information shall not be taken as any form of commitment on the part of Grupo Herdez to proceed with any transaction.

INCOME STATEMENT	Fourth Quarter					As of Dec 31				
	2017	%	2016	%	% Chg	2017	%	2016	%	% Chg
Net Sales	5,565	100.0	4,879	100.0	14.1	20,065	100.0	18,180	100.0	10.4
Preserves	4,588	100.0	4,012	100.0	14.4	15,953	100.0	14,431	100.0	10.5
Frozen	601	100.0	530	100.0	13.4	2,882	100.0	2,592	100.0	11.2
Exports	376	100.0	337	100.0	11.6	1,230	100.0	1,158	100.0	6.3
Cost of Goods Sold	3,406	61.2	2,840	58.2	19.9	12,174	60.7	10,929	60.1	11.4
Preserves	2,859	62.3	2,350	58.6	21.7	10,027	62.9	8,948	62.0	12.1
Frozen	221	36.8	191	36.1	15.5	1,080	37.5	949	36.6	13.8
Exports	326	86.6	300	88.9	8.8	1,067	86.7	1,031	89.1	3.5
Gross Profit	2,159	38.8	2,039	41.8	5.9	7,891	39.3	7,252	39.9	8.8
Preserves	1,729	37.7	1,662	41.4	4.0	5,926	37.1	5,483	38.0	8.1
Frozen	380	63.2	339	63.9	12.1	1,802	62.5	1,642	63.4	9.7
Exports	50	13.4	38	11.1	34.2	163	13.3	127	10.9	29.0
Operating Expenses	1,403	25.2	1,382	28.3	1.5	5,204	25.9	4,945	27.2	5.2
Preserves	969	21.1	931	23.2	4.1	3,400	21.3	3,168	22.0	7.3
Frozen	413	68.7	426	80.4	(3.2)	1,736	60.2	1,696	65.5	2.3
Exports	21	5.6	24	7.2	(13.3)	67	5.5	80	6.9	(16.2)
EBIT before Other Income and Expenses	756	13.6	657	13.5	15.1	2,687	13.4	2,307	12.7	16.5
Preserves	759	16.6	731	18.2	3.9	2,526	15.8	2,315	16.0	9.1
Frozen	(33)	(5.5)	(88)	(16.5)	62.6	65	2.3	-54	(2.1)	220.7
Exports	29	7.8	13	4.0	119.4	96	7.8	46	4.0	107.7
Other Income/Expenses, Net	(58)	(1.0)	(33)	(0.7)	N.A.	(103)	(0.5)	(57)	(0.3)	(81.7)
EBIT	814	14.6	690	14.1	18.0	2,790	13.9	2,363	13.0	18.1
Preserves	810	17.7	757	18.9	7.0	2,614	16.4	2,378	16.5	9.9
Frozen	(26)	(4.3)	(81)	(15.2)	68.1	81	2.8	-61	(2.3)	N.A.
Exports	29	7.8	13	4.0	119.4	96	7.8	46	4.0	107.7
Comprehensive Financing Result	(88)	(1.6)	(147)	(3.0)	(40.1)	(496)	(2.5)	(466)	(2.6)	(6.4)
Interest Earned and (Paid), Net	(107)	(1.9)	(117)	(2.4)	(8.5)	(499)	(2.5)	(435)	(2.4)	(14.6)
Exchange (Loss) Gain	19	0.3	(30)	(0.6)	N.A.	3	0.0	(31)	(0.2)	N.A.
Equity Investment in Associates	375	6.7	181	3.7	107.8	834	4.2	599	3.3	39.2
MegaMex	370	6.6	178	3.6	107.9	791	3.9	577	3.2	37.1
Others	5	0.1	2	0.0	150.0	43	0.2	22	0.1	96.6
Income Before Income Taxes	1,100	19.8	724	14.8	52.0	3,127	15.6	2,497	13.7	25.2
Income Tax Provision	277	5.0	290	5.9	(4.7)	961	4.8	904	5.0	6.3
Consolidated Net income	823	14.8	434	8.9	89.9	2,166	10.8	1,593	8.8	36.0
Minority Interest	427	7.7	268	5.5	59.6	1,120	5.6	875	4.8	27.9
Majority Net Income	396	7.1	166	3.4	138.8	1,046	5.2	717	3.9	45.8
EBITDA	938	16.9	799	16.4	17.5	3,295	16.4	2,816	15.5	17.0
Preserves	877	19.1	819	20.4	7.2	2,888	18.1	2,634	18.3	9.7
Frozen	23	3.8	(43)	(8.0)	153.3	277	9.6	103	4.0	168.5
Exports	39	10.2	23	6.7	70.4	130	10.6	79	6.8	64.4

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	Dec 31 2017	%	Sep 30 2017	%	Change \$	%
<b>TOTAL ASSETS</b>	<b>27,846</b>	<b>100.0</b>	<b>26,784</b>	<b>100.0</b>	<b>1,062</b>	<b>4.0</b>
Domestic	26,006	93.4	24,924	89.5	1,082	4.3
USA	1,840	6.6	1,860	6.7	-20	(1.1)
Current Assets	8,255	29.6	7,789	29.1	466	6.0
Cash and Equivalents	1,485	5.3	1,233	4.6	252	20.4
Accounts Receivable	2,501	9.0	2,080	7.8	421	20.2
Other Accounts Receivable	907	3.3	1,099	4.1	-192	(17.5)
Inventories	3,221	11.6	3,301	12.3	-80	(2.4)
Other Current Assets	141	0.5	76	0.3	65	85.5
Non-Current Assets	19,591	70.4	18,995	70.9	596	3.1
Property, Plant and Equipment, Net	5,543	19.9	5,543	20.7	0	0.0
Investment In Subsidiaries	6,626	23.8	6,004	22.4	622	10.4
Intangible Assets	6,783	24.4	6,828	25.5	-45	(0.7)
Other Assets	639	2.3	620	2.3	19	3.1
<b>TOTAL LIABILITIES</b>	<b>10,505</b>	<b>37.7</b>	<b>10,648</b>	<b>39.8</b>	<b>-143</b>	<b>(1.3)</b>
Domestic	10,012	36.0	10,124	37.8	-112	(1.1)
USA	492	1.8	508	1.9	-16	(3.1)
Current Liabilities	3,123	11.2	3,504	13.1	-381	(10.9)
Accounts Payable	1,846	6.6	1,650	6.2	196	11.9
Short-Term Debt	200	0.7	200	0.7	0	0.0
Other Short-Term Liabilities	1,077	3.9	1,654	6.2	-577	(34.9)
Long-Term Liabilities	7,382	26.5	7,144	26.7	238	3.3
Long-Term Debt	6,130	22.0	5,930	22.1	200	3.4
Other Liabilities	21	0.1	26	0.1	-5	(19.2)
Other Long-Term Liabilities w/o Cost	1,231	4.4	1,188	4.4	43	3.6
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>17,342</b>	<b>62.3</b>	<b>16,152</b>	<b>60.3</b>	<b>1,190</b>	<b>7.4</b>
Minority Stockholder's Equity	9,413	33.8	8,837	33.0	576	6.5
Majority Stockholder's Equity	7,929	28.5	7,315	27.3	614	8.4

Figures expressed in millions of Mexican pesos