



## GRUPO HERDEZ REPORTS THIRD QUARTER 2016 RESULTS

### Highlights from the quarter:

- Consolidated net sales rose 7.0% primarily driven by solid growth in Mexico core and strong performance in the Frozen division.
- EBIT and EBITDA margins were 13.9% and 16.6%, respectively, reflecting an expected sequential improvement.
- CAPEX in the quarter totaled Ps. 128 million.

**Mexico City, Mexico, October 20, 2016 – Grupo Herdez, S.A.B. de C.V. (“Grupo Herdez” or the “Company”)** (MSE: HERDEZ, OTC: GUZBY) today announced results for the third quarter ended September 30, 2016.

“We are pleased to report continued sales growth in Mexico and solid performance in our Frozen division, with healthier margins thanks to excellent commercial execution,” said Héctor Hernández-Pons Torres, Chairman and Chief Executive Officer.

### NET SALES

Net sales in the third quarter rose 7.0% over the year ago period to Ps. 4,543 million. In Mexico core sales grew 5.7%, mainly on pricing actions.

The outperforming sales channels were convenience, foodservice and wholesalers, while category leaders were canned vegetables, home-style salsa, jams, mole, teas and tomato puree, supported by the pricing strategy, point-of-sale activations and regional penetration.

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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% of the Frozen division, Herdez Del Fuerte, 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.

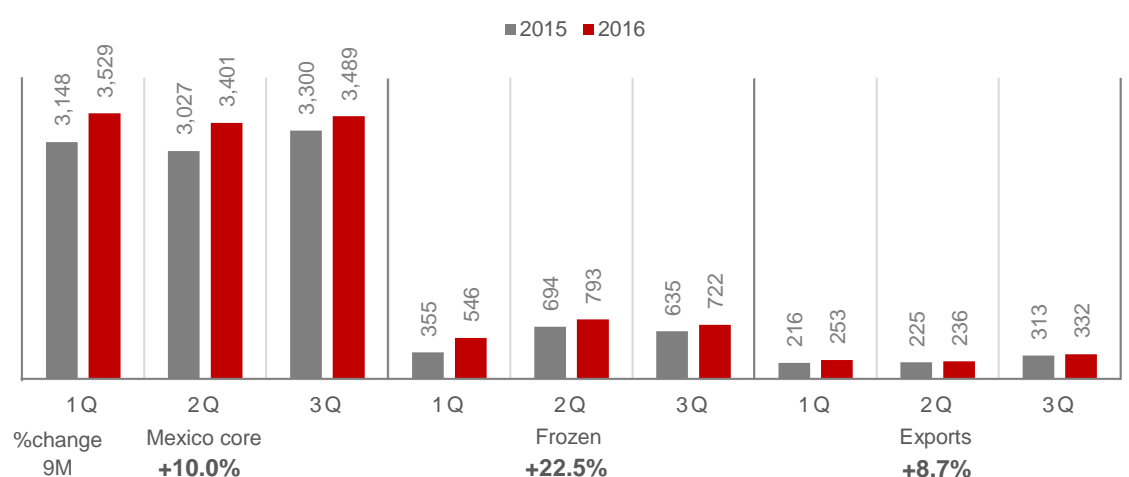
In the Frozen division, sales grew 13.8% due to improved efficiency per freezer and new routes at Helados Nestlé, coupled with a continued increase in Nutrisa's average ticket. Exports sales rose 6.1% affected by ongoing shortages of raw materials for MegaMex products.

On a cumulative basis, consolidated net sales rose 11.7% to Ps. 13,301 million, primarily driven by solid performance in Mexico core and volume growth at Helados Nestlé.

NET SALES	3Q16	3Q15	% Change	9M16	9M15	% Change
Consolidated	4,543	4,248	7.0	13,301	11,912	11.7
Mexico Core	3,489	3,300	5.7	10,420	9,475	10.0
Frozen	722	635	13.8	2,061	1,683	22.5
Exports	332	313	6.1	820	754	8.7

Figures in million pesos

### CUMULATIVE NET SALES



### GROSS PROFIT

Consolidated gross margin in the quarter was 40.5%, a decline of 1.1 percentage points compared to the same period of 2015, mainly due to the impact of higher dollar-denominated costs in Mexico core and and higher fixed costs at the tuna operation due to lower catching levels. It should be noted that on a sequential basis, gross margin improved 90 basis points at the consolidated level.

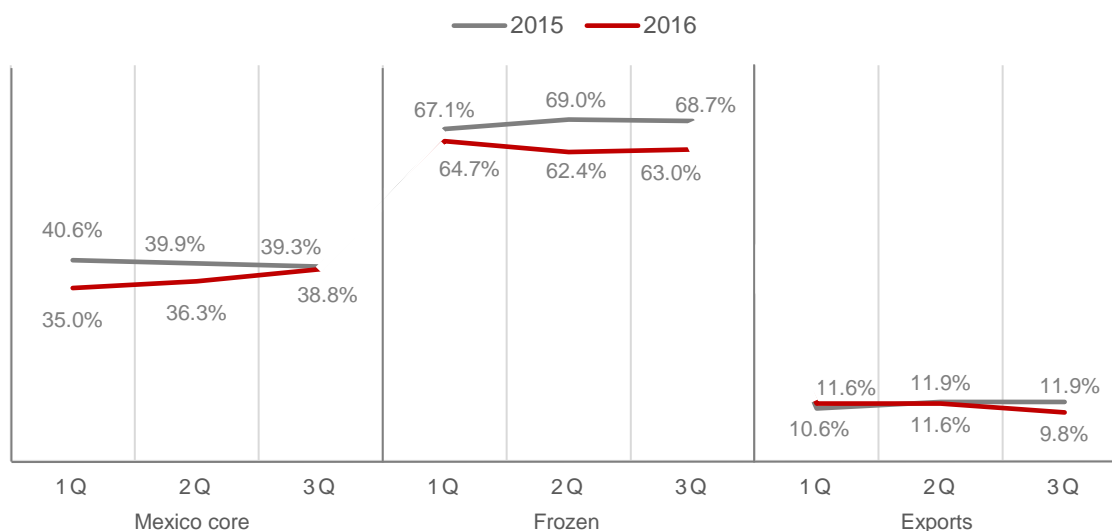
On a cumulative basis, the margin was 39.2%, 2.9 percentage points lower than in the first nine months of 2015.

GROSS PROFIT	3Q16	3Q15	% Change	9M16	9M15	% Change
Consolidated	1,840	1,769	4.0	5,213	5,021	3.8
Mexico Core	1,353	1,296	4.4	3,821	3,781	1.1
Frozen	455	436	4.4	1,303	1,153	13.0
Exports	32	37	(12.9)	89	87	2.6

Figures in million pesos

GROSS MARGIN	3Q16	3Q15	pp Chg	9M16	9M15	pp Chg
Consolidated	40.5	41.6	(1.1)	39.2	42.1	(2.9)
Mexico Core	38.8	39.3	(0.5)	36.7	39.9	(3.2)
Frozen	63.0	68.7	(5.7)	63.2	68.5	(5.3)
Exports	9.8	11.9	(2.1)	10.9	11.5	(0.6)

### GROSS MARGIN



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

At the consolidated level, SG&A as a proportion of net sales was 26.6%, compared to 25.8% registered in the year ago period. In Mexico core SG&A increased 90 basis points due to higher administrative expenses. At the Frozen division, SG&A decreased 90 basis points as a percentage of net sales to 58.4% as a result of the integration of Helados Nestlé and a higher absorption of the fix expense due to sales growth.

On a cumulative basis, SG&A represented 26.8% of net sales, 40 basis points higher than the year ago figure due to lower absorption of fixed expenses at the Frozen division.

### EARNINGS BEFORE INTEREST AND TAXES (EBIT)

EBIT in the quarter totaled Ps. 633 million, with a margin of 13.9%, 2.1 percentage points lower than in the same period of 2015. This was attributable to gross margin pressure and lower operating profit at the Frozen division.

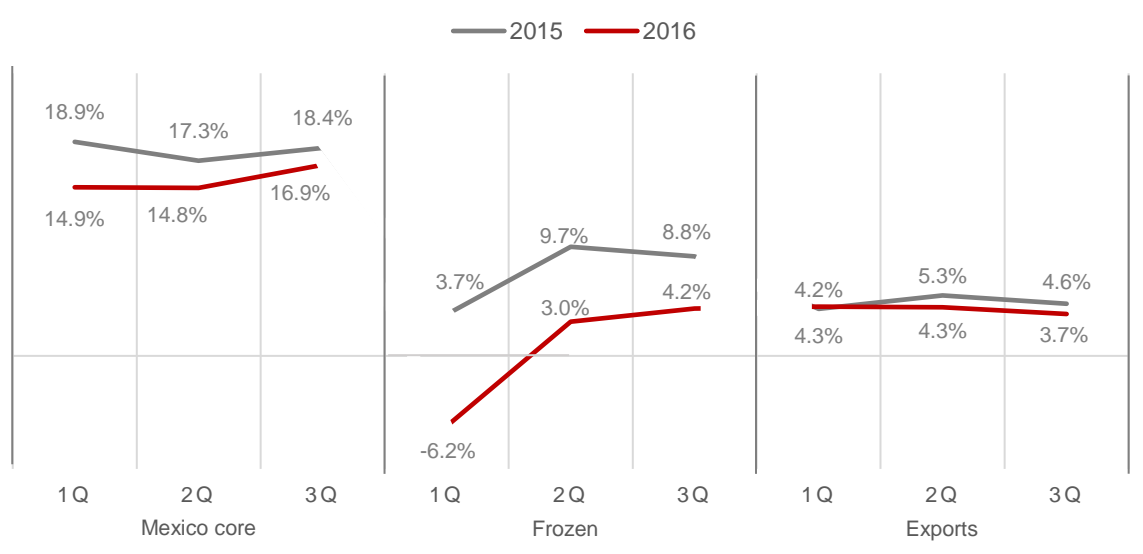
On a cumulative basis, consolidated EBIT totaled Ps. 1,673 million with a margin of 12.6%, 3.3 percentage points lower than in 2015 as a result of the aforementioned factors.

EBIT	3Q16	3Q15	% Change	9M16	9M15	% Change
Consolidated	633	679	(6.8)	1,673	1,898	(11.9)
Mexico Core	590	609	(3.1)	1,621	1,728	(6.2)
Frozen	30	56	(45.4)	19	136	(86.0)
Exports	12	14	(15.3)	33	35	(4.7)

Figures in million pesos

EBIT MARGIN (%)	3Q16	3Q15	pp Chg	9M16	9M15	pp Chg
Consolidated	13.9	16.0	(2.1)	12.6	15.9	(3.3)
Mexico Core	16.9	18.4	(1.5)	15.6	18.2	(2.6)
Frozen	4.2	8.8	(4.6)	0.9	8.1	(7.2)
Exports	3.7	4.6	(0.9)	4.0	4.6	(0.6)

### EBIT MARGIN



## COMPREHENSIVE FINANCING RESULT

The Company registered a net financing cost of Ps. 100 million in the quarter, 20.7% lower than in the same period of last year. This primarily reflects a net foreign exchange gain of Ps. 8 million compared to a loss of Ps. 31 million in the same quarter of 2015, explained by the gain on net monetary position.

## EQUITY INVESTMENT IN ASSOCIATES

In the quarter, equity investment in associates totaled Ps. 123 million, 30.9% higher than the year ago figure driven by solid performance at MegaMex, reflecting the benefit of the Don Miguel restructuring, higher sales of the Herdez brand, and channel penetration in the guacamole category, combined with the strengthening of the US dollar.

On a cumulative basis, equity investment in associates was Ps. 419 million, 29.4% higher than in 2015.

EQUITY INVESTMENT IN ASSOCIATES	3Q16	3Q15	% Change	9M16	9M15	% Change
Consolidated	123	94	30.9	419	324	29.4
MegaMex	117	87	34.5	399	300	32.8
Others	6	7	(14.3)	20	24	(15.0)

Figures in million pesos

## CONSOLIDATED NET INCOME

Consolidated net income totaled Ps. 426 million in the quarter, a decline of 1.6% compared to the same period of 2015, while the margin contracted 80 basis points mainly due to pressure at the gross and EBIT margin levels.

On a cumulative basis, consolidated net income was Ps. 1,159 million with a margin of 8.7%.

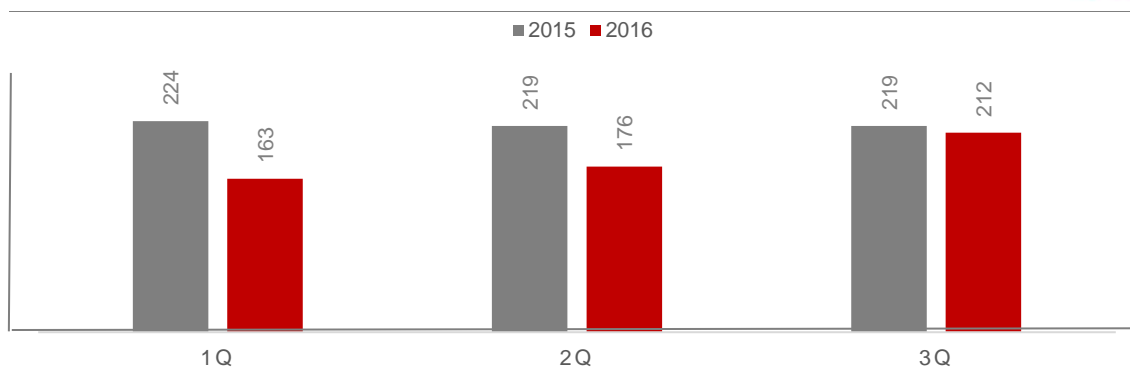
## MAJORITY NET INCOME

Majority net income was Ps. 212 million in the quarter, while the margin was 4.7%. On a cumulative basis, majority net income was Ps. 551 million with a margin of 4.1%.

NET INCOME	3Q16	3Q15	% Change	9M16	9M15	% Change
Consolidated Net Income	426	432	(1.6)	1,159	1,273	(9.0)
Consolidated Net Mg (%)	9.4	10.2	(0.8) pp	8.7	10.7	(2.0) pp
Minority Interest	213	213	0.1	608	611	(0.5)
Majority Net Income	212	219	(3.2)	551	662	(16.8)
Majority Net Mg (%)	4.7	5.2	(0.5) pp	4.1	5.6	(1.5) pp

Figures in million pesos

## MAJORITY NET INCOME



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

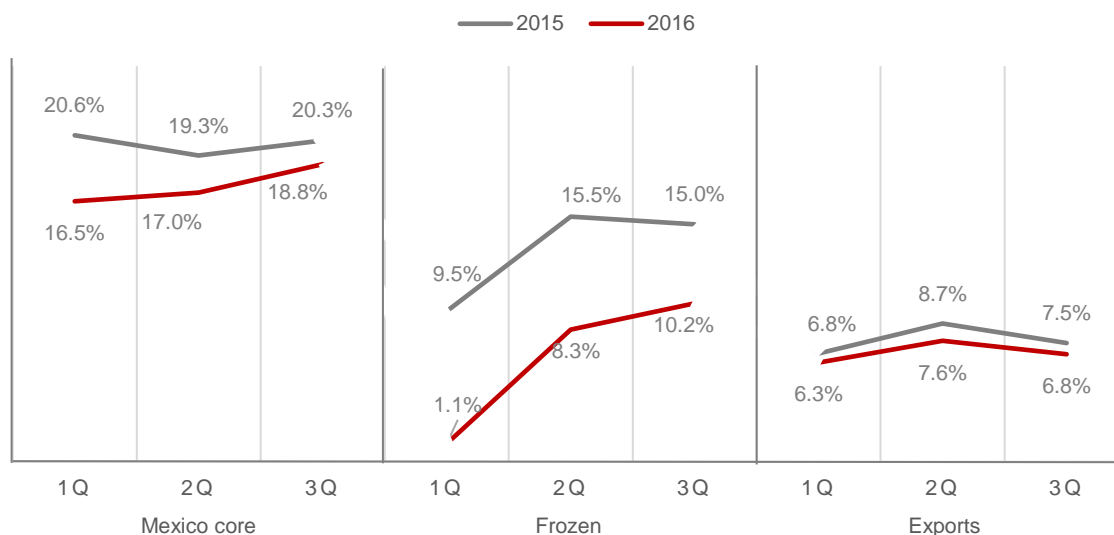
EBITDA in the quarter totaled Ps. 753 million, 4.4% less than in the year ago period, while on a cumulative basis it declined 8.2% to Ps. 2,018 million. The margin declined in the third quarter and nine months, respectively, to 18.5% and 15.2%. In both cases this reflected consolidated gross margin pressure and lower margins at the Frozen division.

EBITDA	3Q16	3Q15	% Change	9M16	9M15	% Change
Consolidated	753	787	(4.4)	2,018	2,197	(8.2)
Mexico Core	657	668	(1.8)	1,815	1,903	(4.6)
Frozen	73	95	(22.9)	146	237	(38.4)
Exports	23	23	(2.7)	57	57	(0.8)

Figures in million pesos

EBITDA MARGIN (%)	3Q16	3Q15	pp Chg	9M16	9M15	pp Chg
Consolidated	16.6	18.5	(1.9)	15.2	18.4	(3.2)
Mexico Core	18.8	20.3	(1.5)	17.4	20.1	(2.7)
Frozen	10.2	15.0	(4.8)	7.1	14.1	(7.0)
Exports	6.8	7.5	(0.7)	7.0	7.6	(0.6)

## EBITDA MARGIN



## CAPITAL EXPENDITURES (CAPEX)

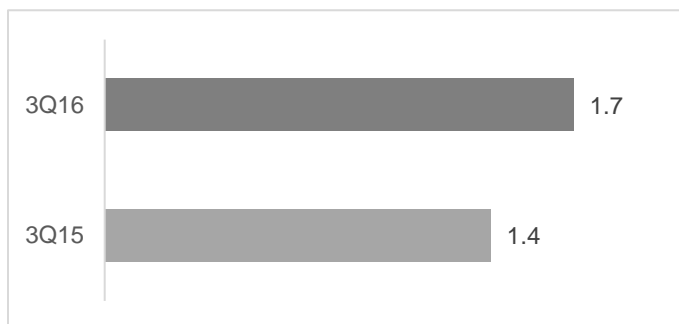
Net CAPEX in the quarter was Ps. 128 million. Funds were mainly allocated to new freezers for Helados Nestlé, new stores at Nutrisa, ongoing investments in the distribution center in Los Mochis and expansion of the salsa line in San Luis Potosí.

## FINANCIAL STRUCTURE

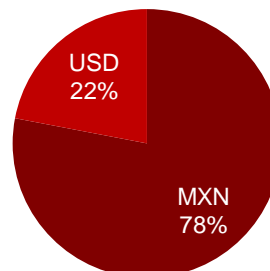
At September 30, 2016, the Company's consolidated cash position totaled Ps.1,378 million. Interest-bearing liabilities, excluding corporate debt<sup>1</sup>, was Ps. 6,109 million.

Twelve-month consolidated EBITDA to net debt was 1.7 times while net debt to consolidated stockholder's equity was 0.33 times.

## NET DEBT / EBITDA



## CURRENCY MIX



<sup>1</sup> Corporate debt includes interest-bearing liabilities of the associated company Herdez Del Fuerte that cannot be eliminated since its results are consolidated fully into Grupo Herdez financial statements. It is important to note that in the Unconsolidated Statement of Financial Position, Grupo Herdez recognizes an account receivable of the same amount.

## **NUTRISA STORES**

As of September 30, 2016, Nutrisa had 493 stores.

## **3Q16 EARNINGS CONFERENCE CALL INFORMATION**

Date: Friday, October 21, 2016

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

To participate, please dial:

- Toll-Free US and Canada: +1 (800) 967 7140
- Toll International: +1 (719) 325 2249
- Conference ID#: 7010306

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=121225>

If you are unable to participate live, a replay of the conference call will be available from October 21 until November 4, 2016. To access the replay, please dial domestic US and Canada +1 (844) 512 2921, or from other countries +1 (412) 317 6671; conference ID: 7010306.

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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, jam, ketchup, 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®, Reynolds® and Truvia®. Grupo Herdez has 15 plants, 12 distribution centers, 8 tuna vessels, 493 Nutrisa stores and a workforce of more than 8,500 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 <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	Third Quarter					As of September 30				
	2016	%	2015	%	% Chg	2016	%	2015	%	% Chg
Net Sales	4,543	100.0	4,248	100.0	7.0	13,301	100.0	11,912	100.0	11.7
Mexico Core	3,489	100.0	3,300	100.0	5.7	10,420	100.0	9,475	100.0	10.0
Frozen	722	100.0	635	100.0	13.8	2,061	100.0	1,683	100.0	22.5
Exports	332	100.0	313	100.0	6.1	820	100.0	754	100.0	8.7
Cost of Goods Sold	2,703	59.5	2,479	58.4	9.0	8,088	60.8	6,891	57.9	17.4
Mexico Core	2,136	61.2	2,004	60.7	6.6	6,599	63.3	5,694	60.1	15.9
Frozen	267	37.0	199	31.3	34.5	758	36.8	530	31.5	43.1
Exports	300	90.2	276	88.1	8.7	731	89.1	668	88.5	9.5
Gross Profit	1,840	40.5	1,769	41.6	4.0	5,213	39.2	5,021	42.1	3.8
Mexico Core	1,353	38.8	1,296	39.3	4.4	3,821	36.7	3,781	39.9	1.1
Frozen	455	63.0	436	68.7	4.4	1,303	63.2	1,153	68.5	13.0
Exports	32	9.8	37	11.9	(12.9)	89	10.9	87	11.5	2.6
Operating Expenses	1,208	26.6	1,096	25.8	10.2	3,564	26.8	3,139	26.4	13.5
Mexico Core	766	22.0	697	21.1	9.9	2,237	21.5	2,085	22.0	7.3
Frozen	422	58.4	376	59.3	12.1	1,271	61.7	1,002	59.5	26.9
Exports	20	6.1	23	7.3	(11.4)	56	6.8	52	6.9	7.0
EBIT before Other Income and Expenses	632	13.9	672	15.8	(6.0)	1,649	12.4	1,882	15.8	(12.4)
Mexico Core	586	16.8	598	18.1	(2.0)	1,584	15.2	1,696	17.9	(6.6)
Frozen	33	4.6	60	9.4	(44.4)	32	1.6	151	9.0	N.A.
Exports	12	3.7	14	4.6	(15.3)	33	4.0	34	4.6	(4.2)
Other Income/Expenses, Net	(1)	(0.0)	-6	(0.2)	N.A.	(24)	(0.2)	(17)	(0.1)	N.A.
EBIT	633	13.9	679	16.0	(6.8)	1,673	12.6	1,898	15.9	(11.9)
Mexico Core	590	16.9	609	18.4	(3.1)	1,621	15.6	1,728	18.2	(6.2)
Frozen	30	4.2	56	8.8	(45.4)	19.0	0.9	136	8.1	(86.0)
Exports	12	3.7	14	4.6	(15.3)	33	4.0	35	4.6	(4.7)
Comprehensive Financing Result	100	2.2	126	3.0	(20.7)	319	2.4	338	2.8	(5.9)
Interest Earned and Paid, Net	108	2.4	95	2.2	13.8	318	2.4	275	2.3	(99.6)
Exchange Loss (Gain)	(8)	(0.2)	31	0.7	-125.7	1	0.0	62	0.5	-
Equity Investment in Associates	123	2.7	94	2.2	30.9	419	3.2	324	2.7	29.4
MegaMex	117	2.6	87	2.0	34.5	399	3.0	300	2.5	32.8
Others	6	0.1	7	0.2	(14.3)	20	0.2	24	0.2	(15.0)
Income Before Income Taxes	655	14.4	647	15.2	1.4	1,773	13.3	1,884	15.8	(5.9)
Income Tax Provision	230	5.1	214	5.0	7.3	614	4.6	611	5.1	0.5
Consolidated Net income	426	9.4	432	10.2	(1.6)	1,159	8.7	1,273	10.7	(9.0)
Minority Interest	213	4.7	213	5.0	0.1	608	4.6	611	5.1	(0.5)
Majority Net Income	212	4.7	219	5.2	(3.2)	551	4.1	662	5.6	(16.8)
EBITDA	753	16.6	787	18.5	(4.4)	2,018	15.2	2,197	18.4	(8.2)
Mexico Core	657	18.8	668	20.3	(1.8)	1,815	17.4	1,903	20.1	(4.6)
Frozen	73	10.2	95	15.0	(22.9)	146	7.1	237	14.1	(38.4)
Exports	23	6.8	23	7.5	(2.7)	57	7.0	57	7.6	(0.8)

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	Sept 30 2016	%	June 30 2016	%	Change \$	%
<b>TOTAL ASSETS</b>	<b>25,983</b>	<b>100.0</b>	<b>25,705</b>	<b>100.0</b>	<b>278</b>	<b>1.1</b>
Domestic	24,398	93.9	24,327	93.6	71	0.3
USA	1,586	6.1	1,380	5.3	205	14.9
Current Assets	7,042	27.1	6,878	26.8	164	2.4
Cash and Equivalents	1,378	5.3	1,119	4.4	259	23.1
Accounts Receivable	1,817	7.0	1,844	7.2	-27	(1.4)
Other Accounts Receivable	110	0.4	119	0.5	-9	(7.6)
Inventories	2,900	11.2	2,792	10.9	108	3.9
Other Current Assets	838	3.2	1,004	3.9	-166	(16.6)
Non-Current Assets	18,941	72.9	18,827	73.2	114	0.6
Property, Plant and Equipment, Net	5,329	20.5	5,344	20.8	-15	(0.3)
Investment In Subsidiaries	6,113	23.5	5,995	23.3	118	2.0
Intangible Assets	6,814	26.2	6,812	26.5	2	0.0
Other Assets	685	2.6	676	2.6	9	1.3
<b>TOTAL LIABILITIES</b>	<b>11,484</b>	<b>44.2</b>	<b>11,787</b>	<b>45.9</b>	<b>-303</b>	<b>(2.6)</b>
Domestic	10,827	41.7	11,190	43.5	-363	(3.2)
USA	658	2.5	598	2.3	60	10.0
Current Liabilities	3,676	14.1	3,456	13.4	220	6.4
Accounts Payable	1,524	5.9	1,683	6.5	-159	(9.4)
Short-Term Debt	900	3.5	350	1.4	550	157.1
Other Short-Term Liabilities	1,252	4.8	1,423	5.5	-171	(12.0)
Long-Term Liabilities	7,808	30.1	8,331	32.4	-523	(6.3)
Long-Term Debt	5,196	20.0	5,799	22.6	-603	(10.4)
Other Liabilities	1,392	5.4	1,336	5.2	56	4.2
Other Long-Term Liabilities w/o Cost	1,220	4.7	1,196	4.7	24	2.0
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>14,499</b>	<b>55.8</b>	<b>13,920</b>	<b>54.2</b>	<b>579</b>	<b>4.2</b>
Minority Stockholder's Equity	7,417	28.5	7,131	27.7	286	4.0
Majority Stockholder's Equity	7,082	27.3	6,789	26.4	293	4.3

Figures expressed in millions of Mexican pesos