

mabe

Q2, 2014

Q2, 2014 Results

CONTROLADORA MABE, S.A. DE C.V.

Mabe's net sales in the second quarter of 2014 were US\$697 million, a decrease of 6% compared to 2013. Net sales were primarily impacted by the devaluation of Latin American currencies. Mabe continued being favored by the positive trends in the US Market with exports to the US up 6% compared to the same quarter of 2013. Exports outside of the Americas increased 28% during this period due to a more comprehensive market coverage.

Operating profit was US\$34 million or 16.8% less than in 2013 driven by the devaluation of Latin American currencies. Fixed costs and expenses decreased 19.0% compared to 2013 due to the execution of efficiency plans.



US\$ Millions	Q2 2014	% vs LY B/(W)	YTD 2014	% vs LY B/(W)
Net Sales	697	(6)	1,317	(4)
Operating Profit	34	(17)	60	(4)
EBITDA	60	(20)	110	(14)
Net Interest Expense	19	1	36	2
Net Income	9	FAV	6	FAV
Net Leverage*	2.9	(0.38x)	2.9	(0.38x)
Net Worth	433	(3)	433	(3)
Net Interest Coverage Ratio **	3.3	(0.97x)	3.3	(0.97x)
Capex	16	38.3	34.2	30.9
Unit Sales ('000s)	2,495	(5)	4,742	(5)

(*) Net leverage = Net debt / LTM EBITDA

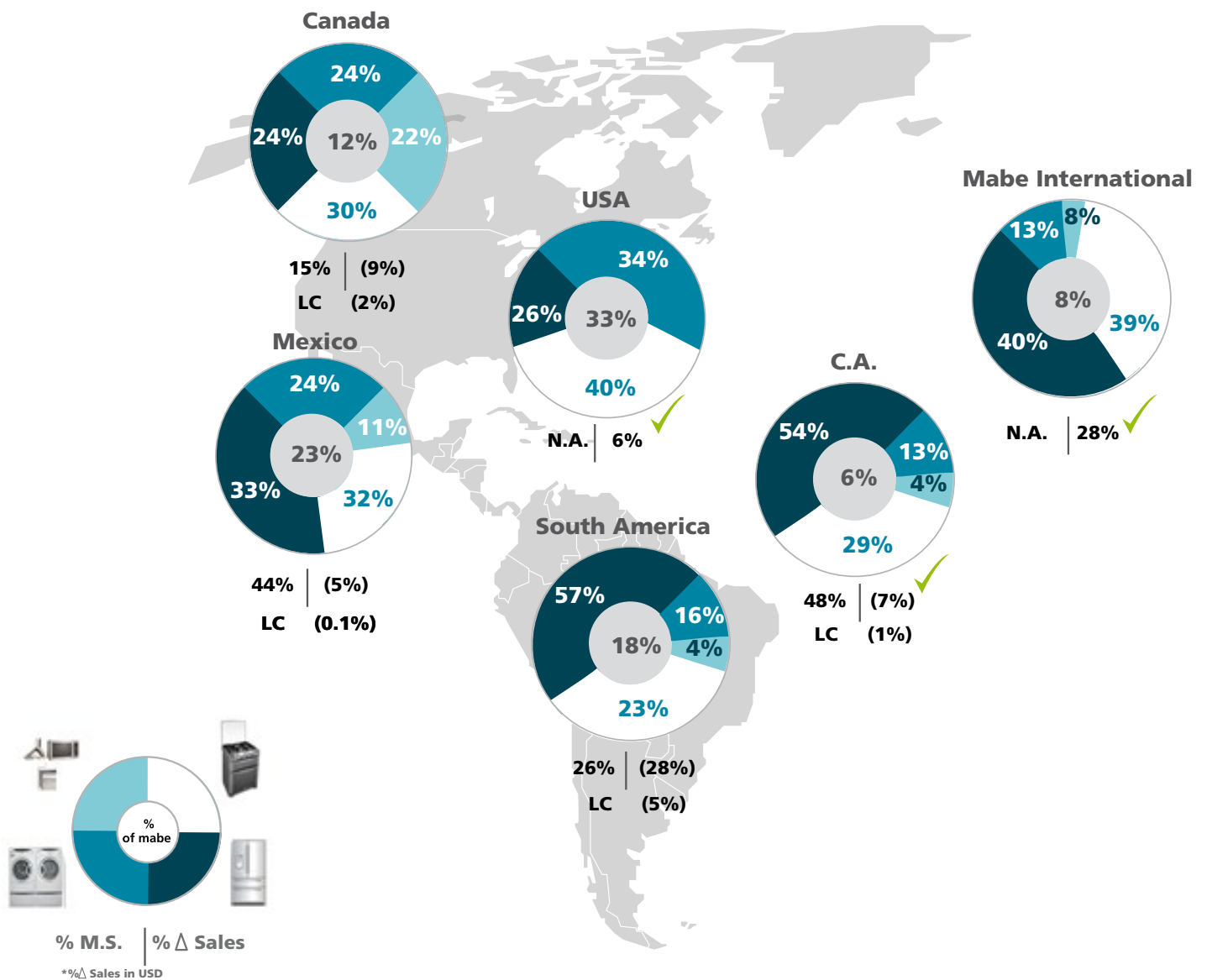
(**) Net interest coverage ratio = LTM EBITDA / Net interest expense

Results of operations for the three months ended June 30th, 2014 (Unaudited)

Net sales:

Top-line results during Q2 2014 were US\$697 million or 6% lower compared to Q2 2013, impacted by adverse currency fluctuations. The number of units sold during the quarter was 2.495 million, 5% down compared to the same period of 2013. Exports to the US keep growing as evidenced by a 6% increase versus a year ago. Exports outside the Americas grew 28% due to a broader coverage. Net sales during the first half of the year stood at US\$ 1.31 billion, down 4% compared to same period of 2013.

Q2 2014 Market Share and Sales Growth by Region



Contribution Margin:

The contribution margin generated in Q2 2014 was US\$123 million or 17.6% of net sales versus 20.3% in Q2 2013. For the first half of the year, the contribution margin generated was US\$235 million or 14.7% less than the same period of 2013.

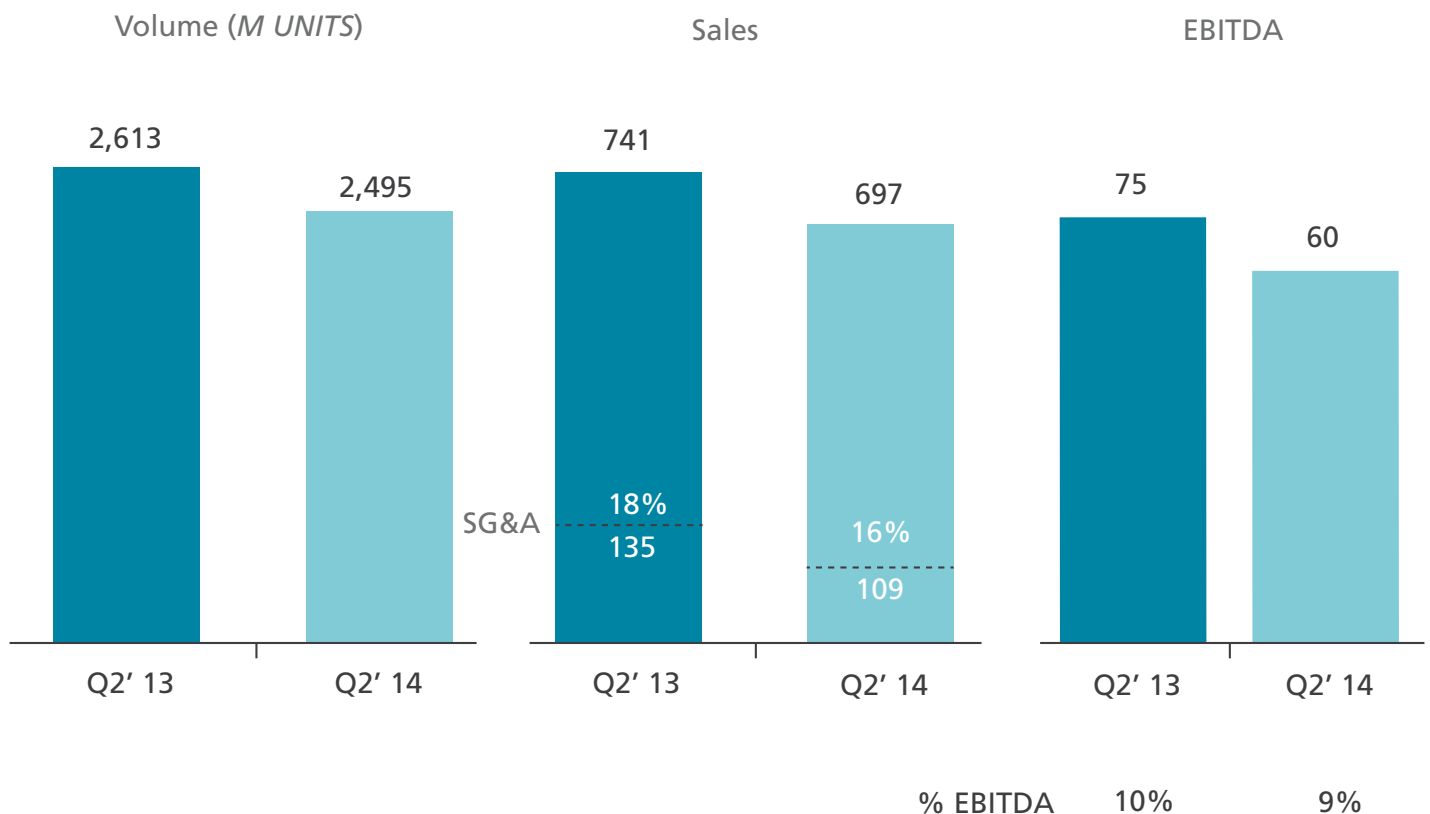
Fixed Costs and Expenses:

Fixed costs and expenses decreased 19.0% compared to the second quarter of 2013 for a total of US\$89 million. Fixed costs and expenses represented 12.8% of Q2 2014 net sales versus 15.8% of Q2 2013. This 300 basis point saving is the result of productivity plans implemented in the manufacturing footprint of the Company. For the first half of the year, fixed costs and expenses totalled US\$176 million, improving 18.0% versus the same period of 2013.

Operating Profit and EBITDA:

Operating profit decreased 16.8% compared to Q2 2013 to reach US\$34 million. Operating profit margin was down 60 basis points standing at 4.9%. This indicator was also impacted by foreign exchange fluctuations in Latin American markets. EBITDA was US\$60 million or 19.9% less than the same quarter of 2013. EBITDA margin stood at 8.7%.

Volume ('000 units) Sales (US\$ million) and EBITDA Margin (%)



Cost of Financing:

Net comprehensive financing cost decreased 49.1% in the second quarter of 2014 to a total of US\$16 million.

Net interest expense and commissions were flat compared to one year ago, however, this year saw major stability in the financial markets versus last year giving a favorable result in the Exchange (gain)/loss.

Other Expenses & Restructuring Charges:

Other Expenses & Restructuring charges were US\$7 million or US\$2 million less than a year ago. This variation is primarily explained by restructuring costs, due to the fact that beginning in 2013 Mabe began implementing efficiency plans in order to reduce Fixed Costs.

Capex:

During the second quarter of 2014, Mabe's capex was US\$16.0 million. This expenditure focused on several key projects. Mabe invested US\$4.0 in new projects in the Saltillo laundry facility and US\$1.1 million was channeled towards expansion of the facility to support the dryer production relocation from Canada to Mexico. In the Celaya refrigeration facility Mabe spent US\$0.6 million to relocate a production line of refrigerators from the Queretaro facility.

Mabe invested US\$2.3 million in Q2 in the organizational initiative "Mabe Way". SAP has now been implemented in most of the Company's operations and all of them are conducting business as usual.

Working Capital:

Mabe reached as of the end of the second quarter, a working capital level of US\$134 million. This represents an improvement of US\$11 million compared with December 2013. The breakdown is as follows: 1) Accounts receivable increased US\$4 million, to US\$402 million; 2) Inventories decreased 5.2% or US\$17 million, to US\$315 million; and 3) Accounts payable decreased US\$2 million, to US\$583 million.

Controladora Mabe, S.A. de C.V.
 Consolidated Condensed Statements of Income (Unaudited)
 Millions of U.S. Dollars

	Three months ended June 30 th		Six months ended June 30 th	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Net Sales	697	741	1,317	1,367
Variable costs and expenses	<u>574</u>	<u>590</u>	<u>1,082</u>	<u>1,091</u>
Contribution Margin	123	151	235	276
Fixed costs and expenses	<u>89</u>	<u>110</u>	<u>176</u>	<u>214</u>
Operating profit	34	41	60	62
Interest (income)/expense, net	19	18	36	35
Commissions	1	2	3	4
Exchange (gain)/(loss)	<u>(4)</u>	<u>12</u>	<u>1</u>	<u>17</u>
Net comprehensive financing cost	16	32	39	56
Restructuring & other charges	<u>7</u>	<u>9</u>	<u>14</u>	<u>13</u>
Income/(loss) before provisions for income tax	10	(1)	7	(8)
Provisions for income tax expense/(benefit)	<u>1</u>	<u>4</u>	<u>1</u>	<u>7</u>
Income/(loss) after provisions for income tax	9	(5)	6	(15)
Consolidated net income / (loss)	9	(5)	6	(15)

Controladora Mabe, S.A. de C.V.
 Consolidated Condensed Balance Sheets (Unaudited)
 Millions of U.S. Dollars

	June 30 th <u>2014</u>	June 30 th <u>2013</u>
Assets		
Current assets:		
Cash and temporary investments	80	60
Accounts receivable– net	402	432
Tax receivables	135	105
Inventories – net	315	346
Prepaid expenses	<u>4</u>	<u>6</u>
Total current assets	937	949
Property, plant and equipment, net	815	795
Goodwill	213	221
Other assets, net	<u>289</u>	<u>314</u>
Total assets	<u>2,253</u>	<u>2,278</u>
Liabilities and stockholders' equity		
Current liabilities:		
Bank loans and short term debt	26	161
Notes and accounts payable to suppliers	583	553
Other accounts payable and accrued liabilities	<u>175</u>	<u>226</u>
Total current liabilities	783	941
Long-term debt	820	670
Employee retirement obligations	74	68
Financial Instruments	36	39
Other long-term liabilities	<u>107</u>	<u>141</u>
Total liabilities	<u>1,820</u>	<u>1,859</u>
Total stockholders' equity	<u>433</u>	<u>419</u>
Total	<u><u>2,253</u></u>	<u><u>2,278</u></u>

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COMMENTS ON OUR FINANCIAL STATEMENTS:

This Press Release contains our unaudited condensed consolidated financial statements as of June 30th, 2014 and June 30th, 2013. Since January 1st, 2010 we have prepared our condensed financial statements in U.S. Dollars, which represent the functional currency applicable to Controladora Mabe. Other periods were translated by using the average foreign exchange rate of the reported period for income statement accounts. Furthermore, since January 1st, 2012, our financial statements are reported in accordance with the International Financial Reporting Standards, referred to as "IFRS". Before January 1st, 2012 our condensed financial statements were prepared according to the Mexican Financial Reporting Standards, referred to as "MFRS". MFRS differs in certain significant respects from IFRS and from the generally accepted accounting principles applied in the United States, referred to as "U.S. GAAP". The latter might be material to the financial information contained herein. We have not prepared a reconciliation of our financial statements and related notes from IFRS to MFRS, MFRS to U.S. GAAP or IFRS to U.S. GAAP and we have not quantified those differences; therefore, we cannot assure that a reconciliation would not identify material quantitative differences. EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net income or operating income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. You should review EBITDA, along with net income and cash flow from operating activities, investing activities and financing activities, when trying to understand our operating performance.

INDUSTRY & MARKET DATA:

Certain data and other statistical information used throughout this Press Release are based on independent industry publications, government publications, reports by market research firms or other published independent sources. Other data is based on our estimates, which are derived from our review of internal surveys, as well as independent sources. Our estimates for South America and Central America are based exclusively on our beliefs and information we have obtained ourselves and not from independent sources. Although we believe our sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness. All market share information presented in this press release is based on unit sales.