

HORMEL FOODS REPORTS RECORD THIRD QUARTER RESULTS

AUSTIN, Minn. (August 21, 2014) – Hormel Foods Corporation (NYSE: HRL) today reported its performance for the fiscal year 2014 third quarter. All comparisons are to the third quarter of fiscal 2013.

HIGHLIGHTS

Third Quarter

- ◆ Record diluted EPS of \$0.51, up 21 percent from \$0.42 per share
- ◆ Segment operating profit increased 23 percent
- ◆ Record dollar sales of \$2.3 billion, up 6 percent; volume down 1 percent
- ◆ Grocery Products operating profit down 36 percent; volume down 3 percent; dollar sales down 3 percent
- ◆ Refrigerated Foods operating profit up 101 percent; volume flat; dollar sales up 12 percent
- ◆ Jennie-O Turkey Store operating profit up 42 percent; volume down 2 percent; dollar sales up 4 percent
- ◆ Specialty Foods operating profit down 25 percent; volume down 9 percent; dollar sales down 10 percent
- ◆ International & Other operating profit up 12 percent; volume up 12 percent; dollar sales up 18 percent

The company reported record fiscal 2014 third quarter net earnings of \$138.0 million, up 21 percent from net earnings of \$113.6 million a year earlier. Diluted earnings per share for the quarter were \$0.51, up 21 percent compared to \$0.42 last year. Sales for the quarter were \$2.3 billion, up 6 percent from the same period in fiscal 2013.

COMMENTARY

“Our team was able to achieve another quarter of record sales and earnings, with sales up 6% and earnings per share up 21% versus the same quarter a year ago,” said Jeffrey M. Ettinger, chairman of the board, president and chief executive officer.

“Strong demand for pork and turkey, and increased sales of value-added products in our Refrigerated Foods, Jennie-O Turkey Store and International & Other segments more than offset a challenging quarter for our Grocery Products and Specialty Foods segments,” commented Ettinger. “Our balanced model continues to support consistent revenue and earnings growth.”

SEGMENT OPERATING HIGHLIGHTS – THIRD QUARTER

Grocery Products (16% of Net Sales, 15% of Total Segment Operating Profit)

Grocery Products operating profit decreased 36 percent and total segment sales decreased 3 percent, as our core canned meat and microwave meal franchises were impacted by unusually high input costs and related pricing actions taken earlier this year. **SKIPPY**[®] peanut butter, **HORMEL**[®] bacon toppings and the **HERDEZ**[®] line of products within our MegaMex Foods joint venture delivered volume growth.

Refrigerated Foods (52% of Net Sales, 40% of Total Segment Operating Profit)

Refrigerated Foods segment profit increased 101 percent, and sales increased 12 percent. Results were driven by strong pork operating margins and growth of retail and foodservice value-added products. **BLACK LABEL**[®] bacon, **HORMEL**[®] **REV**[®] snack wraps, **LLOYD'S**[®] ribs and **HORMEL**[®] **FIRE BRAISED**[™] meats experienced sales growth.

Jennie-O Turkey Store (17% of Net Sales, 29% of Total Segment Operating Profit)

Jennie-O Turkey Store segment profit increased 42 percent this quarter and sales were up 4 percent. Increased sales of value-added products along with strong commodity turkey prices and lower feed costs more than offset lower live production performance and higher fuel expenses as the last winter flocks moved through our system this quarter. **JENNIE-O**[®] ground turkey and **JENNIE-O**[®] deli products contributed to sales growth during the quarter.

Specialty Foods (9% of Net Sales, 8% of Total Segment Operating Profit)

The Specialty Foods segment posted operating profits 25 percent lower than last year with a 10 percent decrease in sales. As expected, lower segment results were largely due to the July 2013 expiration of the agreement allowing Diamond Crystal Brands to sell certain sugar substitutes into foodservice trade channels.

International & Other (6% of Net Sales, 8% of Total Segment Operating Profit)

The International & Other segment reported profits up 12 percent and a sales increase of 18 percent. Results were driven by strong growth in our China pork foodservice sales along with the addition of **SKIPPY**[®] peanut butter in China. **SPAM**[®] luncheon meat exports were impacted by high input costs.

OUTLOOK

“Heading into the fourth quarter we will build on the momentum of **SKIPPY**[®] peanut butter and **HORMEL**[®] **REV**[®] snack wraps with advertising campaigns during the back-to-school season,” commented Ettinger. “We are excited to enhance our portfolio of leading brands with the addition of **MUSCLE MILK**[®] premium protein products in the high-growth sports nutrition category.”

“We anticipate a strong finish to the year from our Jennie-O Turkey Store segment, aided by beneficial grain markets and growing value-added sales, and from our International & Other and Specialty Foods segments,” remarked Ettinger. “The impact of cost pressures in our Grocery Products segment is likely to continue in the fourth quarter, and pork operating margins are not expected to be as beneficial to Refrigerated Foods. Taking all of these factors into account, we expect to finish fiscal 2014 within our previously stated guidance range of \$2.17 to \$2.27 per share,” stated Ettinger.

DIVIDENDS

Effective August 15, 2014, the company paid its 344th consecutive quarterly dividend, at the annual rate of \$0.80.

CONFERENCE CALL

A conference call will be webcast at 8:00 a.m. CT on Thursday, August 21, 2014. Access is available at www.hormelfoods.com. The call will also be accessible via telephone by dialing 888-329-8877 and providing the access code 2700055. An audio replay is available by calling 888-203-1112 and entering access code 2700055. The audio replay will be available beginning at 11:00 a.m. CT on Thursday, August 21, 2014, through 11:00 a.m. CT on September 4, 2014. The Webcast replay will be available at 11:00 a.m. CT, Thursday, August 21, 2014, and archived for one year.

About Hormel Foods

Hormel Foods Corporation, based in Austin, Minn., is a multinational manufacturer and marketer of consumer-branded food and meat products, many of which are among the best known and trusted in the food industry. The company leverages its extensive expertise, innovation and high competencies in pork and turkey processing and marketing to bring branded, value-added products to the global marketplace. The company is a member of the Standard & Poor's (S&P) 500 Index, S&P 500 Dividend Aristocrats for 2014, was named the 2013 Sustainable Supply Chain of the Year by Refrigerated & Frozen Foods magazine, and was again named one of "The 100 Best Corporate Citizens" by Corporate Responsibility Magazine for the sixth year in a row. Hormel Foods was recognized on the G.I. Jobs magazine list of America's Top 100 Military Friendly Employers in 2012 and 2013, and named one of the 2014 40 Best Companies for Leaders by Chief Executive magazine. The company enjoys a strong reputation among consumers, retail grocers, foodservice and industrial customers for products highly regarded for quality, taste, nutrition, convenience and value. For more information, visit www.hormelfoods.com.

FORWARD-LOOKING STATEMENTS

This news release contains forward-looking information based on management's current views and assumptions. Actual events may differ materially. Please refer to the cautionary statement regarding Forward-Looking Statements and Risk Factors on pages 32 - 38 in the company's Form 10Q for the quarter ended April 27, 2014, which can be accessed at www.hormelfoods.com under "Investors-SEC Filings."

Statements Follow

Segment Data

Fiscal 2014 Third Quarter Segment Operating Results (dollars in thousands)

THIRD QUARTER – 13 WEEKS ENDED

| <u>NET SALES</u> | <u>July 27, 2014</u> | <u>July 28, 2013</u> | <u>% Change</u> |
|-----------------------|----------------------|----------------------|-----------------|
| Grocery Products | \$ 359,549 | \$ 370,297 | (2.9) |
| Refrigerated Foods | 1,192,624 | 1,068,587 | 11.6 |
| Jennie-O Turkey Store | 382,647 | 367,125 | 4.2 |
| Specialty Foods | 216,406 | 240,512 | (10.0) |
| International & Other | 133,721 | 113,004 | 18.3 |
| Total | <u>\$ 2,284,947</u> | <u>\$ 2,159,525</u> | <u>5.8</u> |

OPERATING PROFIT

| | | | |
|--|-------------------|-------------------|-------------|
| Grocery Products | \$ 33,781 | \$ 52,962 | (36.2) |
| Refrigerated Foods | 90,028 | 44,769 | 101.1 |
| Jennie-O Turkey Store | 64,756 | 45,623 | 41.9 |
| Specialty Foods | 17,378 | 23,170 | (25.0) |
| International & Other | 18,696 | 16,692 | 12.0 |
| Total segment operating profit | 224,639 | 183,216 | 22.6 |
| Net interest and investment expense (income) | 1,522 | 3,577 | (57.5) |
| General corporate expense | 11,174 | 2,833 | 294.4 |
| Noncontrolling interest | 1,039 | 270 | 284.8 |
| Earnings before income taxes | <u>\$ 212,982</u> | <u>\$ 177,076</u> | <u>20.3</u> |

YEAR TO DATE – 39 WEEKS ENDED

| <u>NET SALES</u> | <u>July 27, 2014</u> | <u>July 28, 2013</u> | <u>% Change</u> |
|-----------------------|----------------------|----------------------|-----------------|
| Grocery Products | \$ 1,153,099 | \$ 1,097,942 | 5.0 |
| Refrigerated Foods | 3,432,289 | 3,143,358 | 9.2 |
| Jennie-O Turkey Store | 1,162,472 | 1,142,198 | 1.8 |
| Specialty Foods | 629,561 | 720,048 | (12.6) |
| International & Other | 395,064 | 324,906 | 21.6 |
| Total | <u>\$ 6,772,485</u> | <u>\$ 6,428,452</u> | <u>5.4</u> |

OPERATING PROFIT

| | | | |
|--|-------------------|-------------------|-------------|
| Grocery Products | \$ 145,013 | \$ 150,170 | (3.4) |
| Refrigerated Foods | 250,724 | 153,239 | 63.6 |
| Jennie-O Turkey Store | 177,109 | 156,567 | 13.1 |
| Specialty Foods | 57,767 | 72,898 | (20.8) |
| International & Other | 62,116 | 49,421 | 25.7 |
| Total segment operating profit | 692,729 | 582,295 | 19.0 |
| Net interest and investment expense (income) | 6,842 | 6,887 | (0.7) |
| General corporate expense | 27,242 | 19,228 | 41.7 |
| Noncontrolling interest | 2,765 | 2,720 | 1.7 |
| Earnings before income taxes | <u>\$ 661,410</u> | <u>\$ 558,900</u> | <u>18.3</u> |

HORMEL FOODS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

| | <u>Thirteen Weeks Ended</u> | | <u>Thirty-Nine Weeks Ended</u> | |
|--|-----------------------------|--------------------------|--------------------------------|--------------------------|
| | <u>July 27, 2014</u> | <u>July 28, 2013</u> | <u>July 27, 2014</u> | <u>July 28, 2013</u> |
| Net sales | \$ 2,284,947 | \$ 2,159,525 | \$ 6,772,485 | \$ 6,428,452 |
| Cost of products sold | <u>1,920,948</u> | <u>1,829,219</u> | <u>5,631,086</u> | <u>5,401,152</u> |
| GROSS PROFIT: | 363,999 | 330,306 | 1,141,399 | 1,027,300 |
| Selling, general and administrative | 153,035 | 150,999 | 485,009 | 479,896 |
| Equity in earnings of affiliates | <u>3,540</u> | <u>1,346</u> | <u>11,862</u> | <u>18,383</u> |
| OPERATING INCOME: | 214,504 | 180,653 | 668,252 | 565,787 |
| Other income & expenses: | | | | |
| Interest & investment income (expense) | 1,603 | (455) | 2,470 | 2,471 |
| Interest expense | <u>(3,125)</u> | <u>(3,122)</u> | <u>(9,312)</u> | <u>(9,358)</u> |
| EARNINGS BEFORE INCOME TAXES: | 212,982 | 177,076 | 661,410 | 558,900 |
| Provision for income taxes | 73,968 | 63,171 | 227,232 | 187,309 |
| (effective tax rate) | <u>34.73%</u> | <u>35.67%</u> | <u>34.36%</u> | <u>33.51%</u> |
| NET EARNINGS | 139,014 | 113,905 | 434,178 | 371,591 |
| Less: net earnings attributable to noncontrolling interest | <u>1,039</u> | <u>270</u> | <u>2,765</u> | <u>2,720</u> |
| NET EARNINGS ATTRIBUTABLE TO HORMEL FOODS CORPORATION | <u>\$ 137,975</u> | <u>\$ 113,635</u> | <u>\$ 431,413</u> | <u>\$ 368,871</u> |
| NET EARNINGS PER SHARE | | | | |
| Basic | <u>\$.52</u> | <u>\$.43</u> | <u>\$ 1.63</u> | <u>\$ 1.39</u> |
| Diluted | <u>\$.51</u> | <u>\$.42</u> | <u>\$ 1.60</u> | <u>\$ 1.37</u> |
| WEIGHTED AVG SHARES O/S | | | | |
| Basic | 263,983 | 264,605 | 263,887 | 264,472 |
| Diluted | 270,400 | 270,769 | 270,345 | 270,230 |
| DIVIDENDS DECLARED PER SHARE | <u>\$.20</u> | <u>\$.17</u> | <u>\$.60</u> | <u>\$.51</u> |

HORMEL FOODS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands)

| | <u>July 27, 2014</u> | <u>October 27, 2013</u> |
|--------------------------------------|-------------------------|-------------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 530,977 | \$ 434,014 |
| Accounts receivable | 536,505 | 551,500 |
| Inventories | 1,076,892 | 967,977 |
| Income taxes receivable | 6,622 | - |
| Deferred income taxes | 71,741 | 73,543 |
| Prepaid expenses | 13,140 | 13,000 |
| Other current assets | <u>9,164</u> | <u>7,379</u> |
| TOTAL CURRENT ASSETS | 2,245,041 | 2,047,413 |
| INTANGIBLES | 1,336,293 | 1,312,565 |
| OTHER ASSETS | 628,949 | 600,569 |
| PROPERTY, PLANT & EQUIPMENT, NET | <u>978,150</u> | <u>955,333</u> |
| TOTAL ASSETS | <u>\$ 5,188,433</u> | <u>\$ 4,915,880</u> |

LIABILITIES AND SHAREHOLDERS' INVESTMENT

| | | |
|--|-------------------------|-------------------------|
| TOTAL CURRENT LIABILITIES | \$ 785,099 | \$ 784,009 |
| LONG-TERM DEBT – LESS CURRENT MATURITIES | 250,000 | 250,000 |
| OTHER LONG-TERM LIABILITIES | 573,754 | 565,292 |
| SHAREHOLDERS' INVESTMENT | <u>3,579,580</u> | <u>3,316,579</u> |
| TOTAL LIAB. & SHAREHOLDERS' INVESTMENT | <u>\$ 5,188,433</u> | <u>\$ 4,915,880</u> |

HORMEL FOODS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Thirty-Nine Weeks Ended
July 27, 2014 July 28, 2013
(in thousands)

| | | |
|--|--------------------------|--------------------------|
| OPERATING ACTIVITIES | | |
| Net earnings | \$ 434,178 | \$ 371,591 |
| Depreciation and amortization of intangibles | 97,134 | 92,986 |
| Increase in working capital | (138,370) | (41,711) |
| Other | <u>1,424</u> | <u>5,983</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 394,366 | 428,849 |
| INVESTING ACTIVITIES | | |
| Net sale of securities | - | 77,558 |
| Acquisitions of businesses/intangibles | (41,876) | (665,415) |
| Net purchases of property / equipment | (103,259) | (62,212) |
| Decrease (increase) in investments, equity in affiliates, and other assets | <u>905</u> | <u>(4,810)</u> |
| NET CASH USED IN INVESTING ACTIVITIES | (144,230) | (654,879) |
| FINANCING ACTIVITIES | | |
| Dividends paid on common stock | (150,360) | (129,426) |
| Share repurchase | (28,068) | (45,668) |
| Other | <u>26,310</u> | <u>48,198</u> |
| NET CASH USED IN FINANCING ACTIVITIES | (152,118) | (126,896) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | <u>(1,055)</u> | <u>34</u> |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 96,963 | (352,892) |
| Cash and cash equivalents at beginning of year | <u>434,014</u> | <u>682,388</u> |
| CASH AND CASH EQUIVALENTS AT END OF QUARTER | <u>\$ 530,977</u> | <u>\$ 329,496</u> |