

Sigma is a leading multinational refrigerated food company that produces, markets and distributes quality branded foods, including packaged meats, cheese, yogurt and other refrigerated and frozen foods. Sigma has a diversified portfolio of leading brands, has 70 plants with operations in 18 countries across its four key regions: Mexico, Europe, the United States, and Latin America.

Selected financial information

Selected Financial Information (US \$ million)					
	<u>1Q18</u>	4Q17	1Q17	Ch % vs. 4Q17	Ch % vs. 1Q17
Total Revenues	1,552	1,593	1,350	(3)	15
Europe	559	607	457	(8)	22
Mexico	636	636	559	0	14
USA	240	227	231	6	4
Latam	117	123	102	(5)	14
Total EBITDA	162	195	135	(17)	20
Europe	36	64	30	(44)	18
Mexico	85	84	64	1	33
USA	31	36	32	(13)	(1)
Latam	10	11	9	(4)	10
Capex	27	71	33	(61)	(18)
Net Debt	2,078	1,936	1,838	7	13
Net Debt / EBITDA*	3.0	2.9	2.9		
LTM Interest Coverage*	6.0	4.7	4.2		

* Times: LTM = Last 12 months

Industry comments

During 1Q18, consumer confidence was higher year-on-year across all of Sigma's main regions of operations. In Mexico, the average consumer confidence index reported by INEGI (Instituto Nacional de Estadística y Geografía – National Institute for Statistics and Geography) grew 10% year-on-year but compared to the previous quarter decreased 7%; while same-store sales reported by the National Association of Supermarkets and Department Stores (ANTAD) increased 6% year-on-year in nominal pesos. In Europe, according to the European Commission, the average consumer confidence index for 1Q18 continued improving to 0.5, from negative 5.5 during 1Q17. In the U.S., the average consumer confidence index increased to 127 in 1Q18 from 117 during 1Q17 as reported by The Conference Board, the highest level since 2000. Food retail sales in the US increased 3% year-on-year and in Europe increased 1%, reported by the U.S. Census Bureau and Eurostat, respectively.

Key raw material prices varied during the quarter. In the America's, pork prices increased 3% year-on-year. By contrast, turkey breast and thighs were 3% and 8% lower, respectively, while chicken was 9% higher than the same period of the prior year. Compared to the previous quarter, pork ham decreased 7%, turkey breast and thighs increased 1% and 21%, respectively, while chicken prices were stable. In Mexico, the appreciation of the peso vis-a-vis the U.S. dollar has eased the cost pressure of raw materials, as the industry participants

import most of their meats from the US. In Europe, prices for pork ham and shoulder decreased on average 10% year-on-year.

Financial results by region

Europe

During 1Q18, European sales and EBITDA in euros increased 6% and 2% year-on-year, respectively, benefiting from the consolidation of the acquisition of Caroli in Romania since September 2017. La Bureba plant continued production for the Spanish and European markets. By the end of the quarter, Sigma started showing margin improvements from this facility. These efficiencies were reinvested in additional marketing and R&D expenses. EBITDA margin improvements are expected during the second half of the year.

México

First quarter Mexican sales in pesos increased 5% year-on-year benefiting from an increase in volume and higher average prices. 1Q18 EBITDA increased 23% year-on-year supported mainly by higher margins when compared to 1Q17. Higher average prices and stable average raw material costs in pesos contributed to higher EBITDA margins.

USA

1Q18 U.S. sales increased 4% driven by higher volume and higher average prices year-on-year. Revenue growth was driven by the Bar-S Brand and the Hispanic business. EBITDA decreased 1% year-on-year, due to slightly higher raw material prices and higher freight costs caused in part by new transportation regulations. The European Heritage business' EBITDA was impacted by a one-time fixed asset write-off.

Latam

First quarter 2018 Latin America sales in USD increased 14% year-on-year and EBITDA increased 10% year-on-year, benefited from the acquisition of Supemsa at the end of 2Q17. Supemsa has been exceeding expectations and Sigma is in process of implementing synergies.

Consolidated financial results

During 1Q18, Sigma's revenues were U.S. \$1,552 million, an increase of 15% versus 1Q17. Sigma sold approximately 427 thousand tons of food products, up 4% from 1Q17 with growth across all regions. In dollar terms, average prices increased 11% year-on-year, stemming from higher prices in the USA and Mexico and a stronger peso and euro against the US dollar.

Sales in Mexico accounted for 41% of the quarter's total, while Europe represented 36%, the U.S. 15%, and Latin America 8%.

Operating income and EBITDA were US \$108 million and U.S. \$162 million in 1Q18, up 27% and 20% year-on-year, respectively. This increase was primarily due to a solid performance of Mexican operations, the consolidation of Supemsa and Caroli, and a more favorable currency environment in Europe and Mexico.

Capital expenditures and acquisitions; net debt

During 1Q18, capital expenditures were US \$27 million. These funds were utilized for maintenance and minor projects across the company.

At the end of 1Q18, Net Debt was US \$2,078 million, up 13% from 1Q17, mainly explained by the outflows related to the Bureba facility and the acquisitions of Supemsa and Caroli. Financial ratios at the end of 1Q18 were: Net Debt to EBITDA, 3.0 times; Interest Coverage, 6.0 times. These ratios compare to 2.9 times and 4.2 times, respectively in 1Q17.

Recent developments

On March 22, 2018 Sigma issued a US \$500 million bond. The notes have a coupon of 4.875% and a maturity period of 10 years. The proceeds were used to redeem 2022 notes issued by its European subsidiary Campofrío Food Group. With this transaction, the new average life of Sigma's debt was extended to 7.0 years.

As part of its financial strategy, Sigma entered into cross currency swap transactions to change part of its U.S. dollar debt to pesos. In March 2018, Sigma swapped its U.S. \$250 million 2019 bond and in April 2018, US \$250 million of its 2026 bond.

After these transactions, the debt profile is as follows:

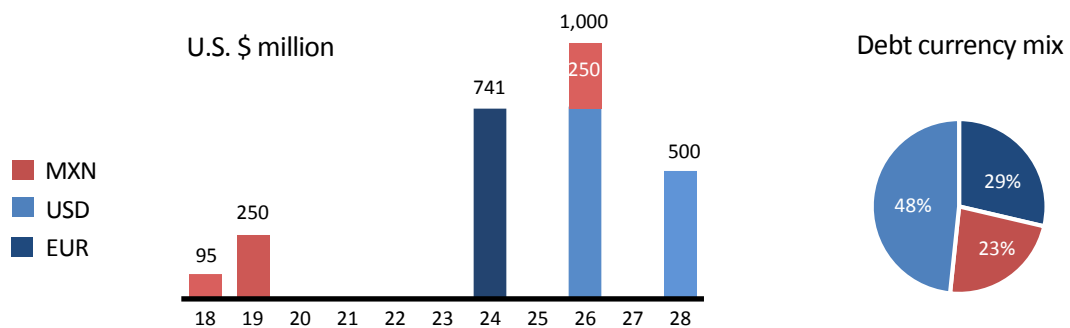


Table 1 | Volume and price changes (%)

	1Q18 vs.	
	4Q17	1Q17
Total Volume	(2.3)	3.6
Avg. Ps. Prices	(1.2)	2.3
Avg. US \$ Prices	(0.3)	11.0

Table 2 | Revenues

	1Q18	4Q17	1Q17	(% 1Q18 vs.)	
				4Q17	1Q17
Total Revenues					
Ps. Millions	29,111	30,162	27,462	(3)	6
US \$ Millions	1,552	1,593	1,350	(3)	15

Table 3 | Operating income and EBITDA

	1Q18	4Q17	1Q17	(% 1Q18 vs.)	
				4Q17	1Q17
Operating Income					
Ps. Millions	2,025	2,495	1,709	(19)	19
US \$ Millions	108	132	85	(18)	27
EBITDA					
Ps. Millions	3,044	3,699	2,738	(18)	11
US \$ Millions	162	195	135	(17)	20

Table 4 | Selected balance sheet information & financial ratios (US \$ millions)

	1Q18	4Q17	1Q17
Assets	5,864	5,350	4,951
Liabilities	4,915	4,423	4,161
Stockholders' Equity	949	927	790
Majority Equity	913	892	760
Net Debt	2,078	1,936	1,838
Net Debt/EBITDA*	3.0	2.9	2.9
Interest Coverage*	6.0	4.7	4.2

* Times: LTM = Last 12 months



Sigma Alimentos, S.A. de C.V. and Subsidiaries

STATEMENT OF FINANCIAL POSITION

Information in thousands

	(Thousands of pesos)				(Thousands of U.S. Dollars)			
	Mar '18	Mar '17	Var. (\$)	Var. (%)	Mar '18 ⁽¹⁾	Mar '17 ⁽²⁾	Var. (\$)	Var. (%)
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	19,151,363	11,457,267	7,694,096	67.2	1,043,984	609,131	434,853	71.4
Restricted cash	78,872	112,850	(33,978)	(30.1)	4,299	6,000	(1,701)	(28.4)
Customers, net	5,466,465	5,228,042	238,423	4.6	297,989	277,951	20,038	7.2
Income tax recoverable	404,486	693,943	(289,457)	(41.7)	22,049	36,894	(14,845)	(40.2)
Inventories	14,751,418	14,276,289	475,129	3.3	804,133	759,006	45,127	5.9
Other current assets	2,743,673	2,705,886	37,787	1.4	149,564	143,860	5,704	4.0
Total current assets	42,596,277	34,474,277	8,122,000	23.6	2,322,019	1,832,841	489,178	26.7
NON-CURRENT ASSETS:								
Property, plant and equipment, net	33,714,027	31,113,356	2,600,671	8.4	1,837,828	1,654,156	183,672	11.1
Intangible assets, net	14,766,506	14,298,686	467,820	3.3	804,955	760,196	44,759	5.9
Goodwill	14,073,086	10,032,671	4,040,415	40.3	767,156	533,392	233,764	43.8
Deferred income tax	2,159,408	2,214,464	(55,056)	(2.5)	117,714	117,733	(19)	(0.0)
Investments in associates and joint ventures	90,253	877,083	(786,830)	(89.7)	4,920	46,631	(41,711)	(89.4)
Other non-current assets	172,788	109,854	62,934	57.3	9,419	5,840	3,579	61.3
Total non-current assets	64,976,068	58,646,114	6,329,954	10.8	3,541,992	3,117,948	424,044	13.6
Total assets	107,572,345	93,120,391	14,451,954	15.5	5,864,011	4,950,790	913,221	18.4
LIABILITIES AND STOCKHOLDERS' EQUITY								
CURRENT LIABILITIES:								
Current debt	2,254,914	504,450	1,750,464	347.0	122,920	26,819	96,101	358.3
Notes payables	77,143	52,145	24,998	47.9	4,205	2,772	1,433	51.7
Suppliers	17,879,432	18,712,024	(832,592)	(4.4)	974,648	994,834	(20,186)	(2.0)
Income tax payable	1,974,484	1,323,816	650,668	49.2	107,634	70,381	37,253	52.9
Provisions	151,326	173,026	(21,700)	(12.5)	8,249	9,199	(950)	(10.3)
Other current liabilities	5,160,873	4,491,464	669,409	14.9	281,331	238,791	42,540	17.8
Total current liabilities	27,498,172	25,256,925	2,241,247	8.9	1,498,987	1,342,796	156,191	11.6
NON-CURRENT LIABILITIES:								
Non-current debt	54,360,681	44,931,590	9,429,091	21.0	2,963,323	2,388,809	574,514	24.1
Notes payables	281,164	313,985	(32,821)	(10.5)	15,327	16,693	(1,366)	(8.2)
Deferred income taxes	3,626,742	3,894,595	(267,853)	(6.9)	197,702	207,058	(9,356)	(4.5)
Employees benefits	1,345,726	1,102,140	243,586	22.1	73,359	58,596	14,763	25.2
Provisions	106,936	231,008	(124,072)	(53.7)	5,829	12,282	(6,453)	(52.5)
Income tax payable	2,362,994	2,088,540	274,454	13.1	128,812	111,038	17,774	16.0
Other non-current liabilities	580,991	441,428	139,563	31.6	31,671	23,469	8,202	34.9
Total non-current liabilities	62,665,234	53,003,286	9,661,948	18.2	3,416,023	2,817,945	598,078	21.2
Total liabilities	90,163,406	78,260,211	11,903,195	15.2	4,915,010	4,160,741	754,269	18.1
STOCKHOLDERS' EQUITY								
Total controlling interest:	16,748,345	14,290,643	2,457,702	17.2	912,990	759,769	153,221	20.2
Total non-controlling interest:	660,594	569,537	91,057	16.0	36,010	30,280	5,730	18.9
Total stockholders' equity	17,408,939	14,860,180	2,548,759	17.2	949,000	790,048	158,952	20.1
Total liabilities and stockholders' equity	107,572,345	93,120,391	14,451,954	15.5	5,864,011	4,950,790	913,221	18.4

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 18.3445 per U.S. Dollar, the exchange rate published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars on March 31, 2018.

(2) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 18.8092 per U.S. Dollar, the exchange rate published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars on March 31, 2017.

Sigma Alimentos, S.A. de C.V. and Subsidiaries



STATEMENT OF INCOME

Information in thousands

	(Thousands of pesos)		Var.		(Thousands of U.S. Dollars)		Var.	
	I Quarter 18	I Quarter 17	(\$)	(%)	I Quarter 18 ⁽¹⁾	I Quarter 17 ⁽²⁾	(\$)	(%)
Revenue	29,110,981	27,461,862	1,649,119	6.0	1,551,918	1,349,647	202,271	15.0
Cost of sales	(20,936,337)	(19,917,014)	(1,019,323)	5.1	(1,116,099)	(978,488)	(137,611)	14.1
Gross profit	8,174,644	7,544,848	629,796	8.3	435,819	371,159	64,660	17.4
Selling expenses	(4,846,590)	(4,476,719)	(369,871)	8.3	(258,385)	(220,080)	(38,305)	17.4
Administrative expenses	(1,387,096)	(1,290,353)	(96,743)	7.5	(73,944)	(63,180)	(10,764)	17.0
Other income (expenses), net	84,449	(69,154)	153,603	(222.1)	4,508	(3,102)	7,610	(245.3)
Operating profit	2,025,407	1,708,622	316,785	18.5	107,998	84,797	23,201	27.4
Comprehensive financial expenses, net	(716,016)	(257,672)	(458,344)	177.9	(37,799)	(12,403)	(25,396)	204.8
Equity in income (loss) of associates	(531)	1,325	(1,856)	(140.1)	(29)	69	(98)	(142.0)
Profit before income tax	1,308,860	1,452,275	(143,415)	(9.9)	70,170	72,463	(2,293)	(3.2)
Income tax	(1,032,755)	(1,522,000)	489,245	(32.1)	(54,945)	(75,709)	20,764	(27.4)
Net consolidated profit	276,105	(69,725)	345,830	(496.0)	15,225	(3,246)	18,471	(569.0)
Profit (loss) attributable to:								
Controlling interest	275,282	(69,689)	344,971	(495.0)	15,181	(3,255)	18,436	(566.4)
Non-controlling interest	823	(36)	859	(2,386.1)	44	9	35	388.9

(1) Translated monthly into U.S. Dollars, solely for the convenience of the reader, using the average exchange rate of each month, published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars for the three month period ended march 31, 2018.

(2) Translated monthly into U.S. Dollars, solely for the convenience of the reader, using the average exchange rate of each month, published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars for the three month period ended march 31, 2017.



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