

## THIRD QUARTER 2017 REPORT



Sigma is a leading global company in the refrigerated food industry, focused on the production, marketing and distribution of packaged meats, cheese, yogurt and other refrigerated and frozen foods. Sigma has a diversified portfolio of leading brands and operates in 18 countries, with 69 plants across its four key regions: Mexico, Europe, the United States, and Latam.

### Operations

During 3Q17, Sigma sold approximately 441 thousand tons of food products, up 4% from 3Q16, supported by growth in all regions. In dollar terms, average prices increased 6% year-on-year, stemming from higher prices in all regions, and a more favorable currency environment in Mexico and Europe.

### Financial results

Sigma's revenues amounted to U.S. \$1,608 million, an increase of 10% versus 3Q16. By region, sales in Mexico increased 13% year-on-year, reflecting higher volume and higher average prices. U.S. sales increased 6% driven by higher sales volumes due to increased distribution in mainstream products, and growth in the heritage premium segment. European sales continued to improve, increasing 8% in U.S. dollars, benefiting from the appreciation of the Euro. Latin America sales increased 17%, reflecting the acquisition of Supemsa at the end of 2Q17.

Sales in Mexico accounted for 42% of the quarter's total, while Europe represented 35%, the U.S. 16%, and Latin America 7%. During the first three quarters of 2017, revenues were U.S. \$4,461 million, up 5% when compared to the same period of 2016.

Operating Income and EBITDA were U.S. \$125 million and U.S. \$179 million in 3Q17, up 9% and 8% year-on-year, respectively. This was primarily due to a solid performance of Mexican and U.S. operations, with sales growing this quarter while maintaining similar margins with 3Q16, resulting in increases in EBITDA of 10% and 8% y-o-y respectively. In Europe, results from Caroli started consolidating in September.

### Capital expenditures and acquisitions; net debt

On September 1st, Sigma acquired the remaining 51% of the shares of Caroli Foods Group, BV. ("Caroli"), that it did not already own, for €49 million, making Sigma the sole owner. Caroli, a Romanian company, produces and markets packaged meats and ready to eat meals and generated sales of €88 million in 2016 and employs more than 1,200 people.

During 3Q17, capital expenditures were U.S. \$34 million, invested in the new plant in Burgos, other fixed assets and minor projects across the company.

At the end of 3Q17, Net Debt was U.S. \$2,037 million, up 11% from 3Q16, mainly explained by the payment of the construction of the Bureba facility and the acquisitions of Supemsa and Caroli. Financial ratios at the end of 3Q17 were: Net Debt to EBITDA, 3.1 times; Interest Coverage, 4.6 times. These ratios compare with those reported in 3Q16, of 2.4 times and 7.0 times, respectively, which benefitted from the insurance gains recorded in 4Q15 related to the Bureba fire.

## Industry comments

During 3Q17, consumer confidence is higher year-on-year across 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) has been recovering steadily since February and was up 2% year-on-year, while same-store sales reported by the National Association of Supermarkets and Department Stores (ANTAD) increased 4% year-on-year in nominal pesos. In Europe, according to the European Commission, the average consumer confidence index for 3Q17 improved to negative 1.5, from negative 8.2 during 3Q16, reaching a 10-year high. In the U.S., the average consumer confidence index increased to 120 in 3Q17 from 101 during 3Q16 as reported by The Conference Board, the highest since 2000. Food retail sales reported by the U.S. Census Bureau increased 2% year-on-year.

Key raw material prices were mixed during the quarter and varied by region. In the Americas, most raw material prices such as pork, turkey thigh and milk were similar during 3Q17 when compared to 3Q16. In turn, turkey breast was 29% lower and chicken was 22% higher than the same period of the prior year. Compared to the previous quarter, turkey thigh and chicken have decreased 15% and 10%, respectively. In Europe, pork ham prices were 4% higher than 3Q16, with increases beginning during the second half of 2016 resulting in current prices above historical figures. In Mexico, the recent appreciation of the Peso vis-a-vis the U.S. Dollar has eased the pressure in the cost of raw materials, as the industry participants import most of its meats from the U.S.

**TABLE 1 | VOLUME AND PRICE CHANGES (%)**

	3Q17 vs.		YTD. '17 vs.
	2Q17	3Q16	YTD. '16
Total Volume	1.0	3.9	3.0
Avg. U.S. \$ Prices	5.9	5.9	1.6

**TABLE 2 | SELECTED FINANCIAL INFORMATION (U.S. MILLIONS)**

	(% 3Q17 VS.)							
	3Q17	2Q17	3Q16	2Q17	3Q16	YTD.17	YTD.16	Ch.%
REVENUES	1,608	1,503	1,461	7	10	4,461	4,259	5
OPERATING INCOME	125	116	114	7	9	326	352	(7)
EBITDA	179	167	166	7	8	481	497	(3)

**TABLE 3 | SELECTED BALANCE SHEET INFORMATION & FINANCIAL RATIOS (U.S. \$ MILLIONS)**

	3Q17	2Q17	3Q16
Assets	5,365	5,207	4,935
Liabilities	4,407	4,328	4,051
Stockholders' Equity	958	879	885
Majority Equity	925	847	854
Net Debt	2,037	1,940	1,843
Net Debt/EBITDA*	3.1	3.1	2.4
Interest Coverage*	4.6	4.4	7.0

\* 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)	
	Sept '17	Sept '16	Sept '17 <sup>(1)</sup>	Sept '16 <sup>(2)</sup>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	10,098,380	10,982,089	554,920	563,178
Restricted cash	149,219	146,241	8,200	7,499
Customers, net	6,201,437	6,464,179	340,778	331,493
Income tax recoverable	826,823	659,623	45,435	33,826
Inventories	14,583,982	13,754,931	801,410	705,374
Other current assets	3,168,138	2,700,585	174,096	138,490
<b>Total current assets</b>	<b>35,027,980</b>	<b>34,707,648</b>	<b>1,924,838</b>	<b>1,779,861</b>
<b>NON-CURRENT ASSETS:</b>				
Property, plant and equipment, net	32,807,778	30,574,686	1,802,833	1,567,917
Intangible assets, net	14,516,197	15,813,821	797,685	810,957
Goodwill	12,946,049	10,905,249	711,403	559,238
Deferred income tax	2,100,858	3,055,169	115,445	156,674
Investments in associates and joint ventures	89,253	1,008,057	4,905	51,695
Other non-current assets	141,838	175,196	7,794	8,984
<b>Total non-current assets</b>	<b>62,601,972</b>	<b>61,532,177</b>	<b>3,440,066</b>	<b>3,155,464</b>
<b>Total assets</b>	<b>97,629,952</b>	<b>96,239,825</b>	<b>5,364,904</b>	<b>4,935,325</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Current debt	2,470,052	746,115	135,733	38,262
Notes payables	65,091	50,441	3,577	2,587
Suppliers	18,220,841	18,153,092	1,001,261	930,918
Income tax payable	1,739,837	1,118,449	95,606	57,356
Provisions	181,787	183,886	9,990	9,430
Other current liabilities	5,044,442	5,378,714	277,202	275,828
<b>Total current liabilities</b>	<b>27,722,050</b>	<b>25,630,697</b>	<b>1,523,368</b>	<b>1,314,380</b>
<b>NON-CURRENT LIABILITIES:</b>				
Non-current debt	44,108,759	45,382,425	2,423,838	2,327,280
Notes payables	314,423	556,168	17,278	28,521
Deferred income taxes	4,113,576	4,408,766	226,047	226,088
Employees benefits	1,190,334	1,134,318	65,411	58,170
Provisions	153,733	459,508	8,447	23,565
Income tax payable	2,120,911	1,366,151	116,547	70,058
Other non-current liabilities	467,828	48,253	25,708	2,474
<b>Total non-current liabilities</b>	<b>52,469,564</b>	<b>53,355,589</b>	<b>2,883,275</b>	<b>2,736,157</b>
<b>Total liabilities</b>	<b>80,191,614</b>	<b>78,986,286</b>	<b>4,406,643</b>	<b>4,050,537</b>
<b>STOCKHOLDERS' EQUITY</b>				
Total controlling interest:	16,828,274	16,649,066	924,737	853,789
Total non-controlling interest:	610,064	604,473	33,524	30,998
<b>Total stockholders' equity</b>	<b>17,438,338</b>	<b>17,253,539</b>	<b>958,261</b>	<b>884,788</b>
<b>Total liabilities and stockholders' equity</b>	<b>97,629,952</b>	<b>96,239,825</b>	<b>5,364,904</b>	<b>4,935,325</b>

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 18.1979 per U.S. Dollar, the exchange rate published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars on september 30, 2017.

(2) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 19.5002 per U.S. Dollar, the exchange rate published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars on september 30, 2016.

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



### STATEMENT OF INCOME

Information in thousands

	(Thousands of pesos)		(Thousands of U.S. Dollars)	
	III Quarter 17	III Quarter 16	III Quarter 17 <sup>(1)</sup>	III Quarter 16 <sup>(2)</sup>
Revenue	28,658,206	27,342,349	1,608,068	1,460,602
Cost of sales	(20,695,299)	(19,518,520)	(1,161,254)	(1,042,610)
<b>Gross profit</b>	<b>7,962,907</b>	<b>7,823,828</b>	<b>446,815</b>	<b>417,992</b>
Selling expenses	(4,653,978)	(4,510,157)	(261,136)	(240,921)
Administrative expenses	(1,272,425)	(1,146,668)	(71,392)	(61,303)
Other income (expenses), net	192,170	(29,477)	10,791	(1,509)
<b>Operating profit</b>	<b>2,228,675</b>	<b>2,137,527</b>	<b>125,077</b>	<b>114,260</b>
Comprehensive financial expenses, net	(888,586)	(551,458)	(49,820)	(29,527)
Equity in income (loss) of associates	9,258	16,289	519	872
<b>Profit before income tax</b>	<b>1,349,347</b>	<b>1,602,357</b>	<b>75,776</b>	<b>85,604</b>
Income tax	(330,001)	(419,689)	(18,513)	(22,851)
<b>Net consolidated profit</b>	<b>1,019,345</b>	<b>1,182,668</b>	<b>57,263</b>	<b>62,753</b>
Profit (loss) attributable to:				
<b>Controlling interest</b>	<b>1,006,525</b>	<b>1,172,717</b>	<b>56,543</b>	<b>62,224</b>
<b>Non-controlling interest</b>	<b>12,821</b>	<b>9,951</b>	<b>720</b>	<b>529</b>

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

### STATEMENT OF CASH FLOW

Information in thousands

	(Thousands of pesos)		(Thousands of U.S. Dollars)	
	III Quarter 17	III Quarter 16	III Quarter 17 <sup>(1)</sup>	III Quarter 16 <sup>(2)</sup>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before income tax	1,349,347	1,602,357	75,776	85,604
Depreciation and amortization	941,515	929,512	52,830	49,649
Gain on sale of property, plant and equipment	2,673	(11,154)	151	(594)
Interest income	499,258	567,356	28,015	30,275
Foreign exchange, net	395,182	(18,509)	22,134	(886)
(Increase) Decrease in customers and other accounts receivable	(6,309)	(20,780)	(102)	(2,498)
(Increase) decrease in inventories	560,856	(112,805)	31,466	(6,202)
Increase (decrease) in suppliers and other accounts payable	(1,174,275)	973,892	(65,361)	47,315
Income tax paid	(323,513)	(202,490)	(18,161)	(10,676)
Other operating expenses	(182,808)	90,057	(10,229)	4,756
<b>Cash flows from operating activities</b>	<b>2,061,926</b>	<b>3,797,435</b>	<b>116,520</b>	<b>196,742</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Business acquisitions, net of cash acquired	(1,566,588)	30,314	(87,980)	1,586
Interest received	38,771	21,795	2,176	1,162
Acquisition of intangible assets	(7,899)	(6,402)	(444)	(336)
Acquisition of property, plant and equipment	(600,278)	(1,418,893)	(33,673)	(75,548)
Sale of property, plant and equipment	(2,673)	11,154	(151)	594
<b>Cash flows from investing activities</b>	<b>(2,138,667)</b>	<b>(1,362,032)</b>	<b>(120,072)</b>	<b>(72,542)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from loans and debt	19,329	57,022	1,078	3,069
Payments of loans and debt	(206,769)	(200,799)	(11,612)	(10,757)
Interest paid	(265,705)	(290,281)	(14,910)	(15,321)
<b>Cash flows from investing activities</b>	<b>(453,145)</b>	<b>(434,059)</b>	<b>(25,445)</b>	<b>(23,010)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(529,887)</b>	<b>2,001,344</b>	<b>(28,997)</b>	<b>101,191</b>
Exchange gains (losses) in cash and cash equivalents	161,717	388,108	(895)	7,623
Cash and cash equivalents at the beginning of the period	10,466,550	8,592,637	584,812	454,365
<b>Cash and cash equivalents at the end of the period</b>	<b>10,098,380</b>	<b>10,982,089</b>	<b>554,920</b>	<b>563,178</b>

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