

Sigma is a leading multinational 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 and operates 70 plants in 18 countries across its four key regions: Mexico, Europe, the United States, and Latin America.

## Key figures (US \$ million)

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	<b>3Q18</b>	<b>2Q18</b>	<b>3Q17</b>	Ch % vs. 2Q18	Ch % vs. 3Q17	<b>YTD.'18</b>	<b>YTD.'17</b>	YTD. Chg. %
<b>Total Revenues</b>	<b>1,601</b>	1,587	1,608	1	-	4,740	4,461	6
<b>Total EBITDA</b>	<b>180</b>	168	179	7	-	510	481	6
<b>Capex</b>	<b>41</b>	39	34	8	21	107	117	(8)
<b>Net Debt/ EBITDA</b>	<b>2.7</b>	2.9	3.1			2.7	3.1	

Revenues amounted to US \$1,601 million, similar to 3Q17. Mexico sales increased 7% in pesos. European sales in euros increased 1%, benefiting from the consolidation of the September 2017 acquisition of Caroli. U.S. and Latin American sales were 1% and 2% lower than 3Q17, respectively. Accumulated 2018 revenues totaled US \$4,740 million, a 6% increase from the first nine months of 2017.

Sigma reported 3Q18 EBITDA of US \$180 million, similar year-on-year. Excluding Europe's extraordinary items explained below, EBITDA increased 3%. EBITDA benefited from a solid performance of the Mexican and European operations. Accumulated 2018 EBITDA totaled US \$510 million, up 6% from the same period in 2017.

During 3Q18, capital expenditures totaled US \$41 million. The funds were utilized for expansion and maintenance projects across the company.

Sigma had strong cash flow generation during 3Q18, reducing its Net Debt to US \$1,932 million, 5% lower than 3Q17. Net Debt to EBITDA improved from 3.1x in 3Q17 to 2.7x, while Interest Coverage improved from 4.6x in 3Q17 to 5.3x.

## Industry comments

Consumer confidence was mixed during the quarter, while food retail sales increased across all regions. In Europe, according to the European Commission, the average consumer confidence index decreased slightly from -1.5 in 3Q17 to -1.8 during 3Q18, and food retail sales according to Eurostat increased 1%. In Mexico, the average consumer confidence index reported by INEGI (Instituto Nacional de Estadística y Geografía – National Institute for Statistics and Geography) grew 17% year-on-year and 18% vs 2Q18, while same-store-sales reported by the National Association of Supermarkets and Department Stores (ANTAD) increased 5% year-on-year in nominal pesos. In the U.S., the average consumer confidence index increased 11% year-on-year as reported by The Conference Board, and food retail sales increased 4% year-on-year, reported by the U.S. Census Bureau.

Key raw material prices were varied during the quarter. In Europe, prices for pork ham during 3Q18 remained stable and pork shoulder decreased 3% vs previous quarter. Year-on-year, 3Q18 pork ham and pork shoulder prices were 14% and 16% lower, respectively.

In the U.S., compared to the previous quarter, pork ham, chicken and turkey thigh prices were similar on average, while turkey breast increased 9%. Compared to 3Q17, pork ham prices were 19% lower. By contrast, chicken was 7% higher and turkey breast and turkey thighs were 30% and 27% higher year on year, respectively. For Mexico, pork prices were impacted by the tariffs imposed on June 5<sup>th</sup>.

Additionally, prices for pork belly and pork trims, which are mainly used for the U.S. operations increased 6% and 30% vs 2Q18, respectively.

## Financial results by region

For 3Q18, sales in Mexico accounted for 42% of the quarter's total, while Europe represented 35%, the U.S. 16%, and Latin America 7%.

### Europe

Sales in Europe during 3Q18 in euros increased 1% year-on-year. 3Q18 EBITDA in euros increased 2% vs. 3Q17, this includes 3.4 M € in a nonrecurring provision from the closure of one manufacturing facility, as well as extraordinary gains of approximately 8 M € in both 3Q17 and 3Q18 related to the September 2017 acquisition of Caroli. Excluding these extraordinary items, 3Q18 EBITDA was 15% higher year-on-year, benefiting from better margins due to lower raw material costs, production efficiencies from the new Bureba plant and the Caroli acquisition which is exceeding management's expectations.

### México

The Mexican operations continue reporting solid results. During 3Q18 Mexican sales and EBITDA in pesos increased 7% and 16% year-on-year, respectively. In turn, EBITDA margin increased 120 basis points year over year to 14.5%.

### USA

3Q18 U.S. sales decreased 1% year-on-year and EBITDA decreased 24% year-on-year. The U.S. results were significantly impacted by higher raw materials costs, along with continued high freight costs associated with the new transportation regulation, and a non-recurring stoppage at one of our main facilities in the U.S. related to necessary updates.

### Latam

Third quarter 2018 Latin America sales in USD terms decreased 2% year-on-year. By contrast, EBITDA increased 18% year-on-year. This improvement includes solid results at the Peruvian operations, with better than expected PMI results, and improved performance in Dominican Republic.

## Selected financial information

### Selected Financial Information (US \$ million)

	3Q18	2Q18	3Q17	Ch % vs. 2Q18	Ch % vs. 3Q17	YTD.'18	YTD.'17	YTD. Ch. %
<b>Total Revenues</b>	<b>1,601</b>	1,587	1,608	1	-	4,740	4,461	6
Europe	568	558	571	2	(1)	1,686	1,539	10
Mexico	668	647	668	3	-	1,951	1,860	5
USA	248	264	251	(6)	(1)	752	739	2
Latam	117	118	119	(1)	(2)	351	323	9
<b>Total EBITDA</b>	<b>180</b>	168	179	7	-	510	481	6
Europe	45	39	45	15	-	120	113	6
Mexico	97	88	90	11	9	270	238	14
USA	27	33	36	(16)	(24)	92	104	(12)
Latam	10	8	9	22	18	29	27	7
<b>Capex</b>	<b>41</b>	39	34	8	21	107	117	(8)
<b>Net Debt</b>	<b>1,932</b>	2,030	2,037	(5)	(5)	1,932	2,037	(5)
Net Debt / EBITDA	2.7	2.9	3.1			2.7	3.1	
LTM Interest Coverage	5.3	5.2	4.6			5.3	4.6	

## SIGMA

Table 1 | Volume and Price Changes (%)

	3Q18 vs.		YTD. '18 vs.
	2Q18	3Q17	YTD. '17
Total Volume	(2.0)	0.6	2.7
Avg. Ps. Prices	0.8	5.4	4.6
Avg. US \$ Prices	2.9	(1.0)	3.5

Table 2 | Revenues

	3Q18	2Q18	3Q17	(% ) 3Q18 vs.		YTD. '18	YTD. '17	Chg.%
				2Q18	3Q17			
<b>Total Revenues</b>								
Ps. Millions	<b>30,384</b>	30,755	28,658	(1)	6	90,249	84,060	7
US \$ Millions	<b>1,601</b>	1,587	1,608	1	-	4,740	4,461	6
<b>Domestic Revenues</b>								
Ps. Millions	<b>12,682</b>	12,525	11,902	1	7	37,136	35,037	6
US \$ Millions	<b>668</b>	647	668	3	-	1,951	1,860	5
<b>Foreign Revenues</b>								
Ps. Millions	<b>17,701</b>	18,230	16,757	(3)	6	53,113	49,024	8
US \$ Millions	<b>933</b>	940	940	(1)	(1)	2,789	2,601	7
Foreign / Total (%)	<b>58</b>	59	58			59	58	

Table 3 | Operating Income and EBITDA

	3Q18	2Q18	3Q17	(% ) 3Q18 vs.		YTD. '18	YTD. '17	Chg.%
				2Q18	3Q17			
<b>Operating Income</b>								
Ps. Millions	<b>2,433</b>	2,210	2,229	10	9	6,668	6,096	9
US \$ Millions	<b>128</b>	114	125	12	3	350	326	7
<b>EBITDA</b>								
Ps. Millions	<b>3,412</b>	3,250	3,192	5	7	9,706	9,026	8
US \$ Millions	<b>180</b>	168	179	7	-	510	481	6

Table 4 | Selected Balance Sheet Information &amp; Financial Ratios (US \$ millions)

	3Q18	2Q18	3Q17	YTD. '18	YTD. '17
Assets	<b>5,185</b>	5,166	5,365	5,185	5,365
Liabilities	<b>4,215</b>	4,235	4,407	4,215	4,407
Stockholders' Equity	<b>970</b>	931	958	970	958
Majority Equity	<b>936</b>	898	925	936	925
Net Debt	<b>1,932</b>	2,030	2,037	1,932	2,037
Net Debt/EBITDA*	<b>2.7</b>	2.9	3.1	2.7	3.1
Interest Coverage*	<b>5.3</b>	5.2	4.6	5.3	4.6

\* Times: LTM = Last 12 months

## SIGMA

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

## STATEMENT OF FINANCIAL POSITION

	(Thousands of pesos)		Var.		(Thousands of U.S. Dollars)		Var.	
	Sept '18	Sept '17	(\$)	(%)	Sept '18 (1)	Sept '17 (2)	(\$)	(%)
<b>Information in thousands</b>								
<b>ASSETS</b>								
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents	10,602,631	10,098,380	504,251	5.0	563,610	554,920	8,690	1.6
Restricted cash	50,543	149,219	(98,676)	(66.1)	2,687	8,200	(5,513)	(67.2)
Customers, net	4,940,506	6,201,437	(1,260,931)	(20.3)	262,625	340,778	(78,153)	(22.9)
Income tax recoverable	335,623	826,823	(491,200)	(59.4)	17,841	45,435	(27,594)	(60.7)
Inventories	14,831,399	14,583,982	247,417	1.7	788,401	801,410	(13,009)	(1.6)
Other current assets	2,808,838	3,168,138	(359,300)	(11.3)	149,311	174,096	(24,785)	(14.2)
<b>Total current assets</b>	<b>33,569,540</b>	<b>35,027,979</b>	<b>(1,458,439)</b>	<b>(4.2)</b>	<b>1,784,475</b>	<b>1,924,839</b>	<b>(140,364)</b>	<b>(7.3)</b>
<b>NON-CURRENT ASSETS:</b>								
Property, plant and equipment, net	32,969,228	32,807,778	161,450	0.5	1,752,564	1,802,833	(50,269)	(2.8)
Intangible assets, net	15,453,053	14,516,197	936,856	6.5	821,447	797,685	23,762	3.0
Goodwill	12,940,707	12,946,049	(5,342)	0.0	687,896	711,403	(23,507)	(3.3)
Deferred income tax	2,237,794	2,100,858	136,936	6.5	118,956	115,445	3,511	3.0
Investments in associates and joint ventures	102,944	89,253	13,691	15.3	5,472	4,905	567	11.6
Other non-current assets	262,740	141,838	120,902	85.2	13,967	7,793	6,174	79.2
<b>Total non-current assets</b>	<b>63,966,466</b>	<b>62,601,973</b>	<b>1,364,493</b>	<b>2.2</b>	<b>3,400,302</b>	<b>3,440,064</b>	<b>(39,762)</b>	<b>(1.2)</b>
<b>Total assets</b>	<b>97,536,006</b>	<b>97,629,952</b>	<b>(93,946)</b>	<b>(0.1)</b>	<b>5,184,777</b>	<b>5,364,903</b>	<b>(180,126)</b>	<b>(3.4)</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>								
<b>CURRENT LIABILITIES:</b>								
Current debt	652,434	2,470,052	(1,817,618)	(73.6)	34,682	135,733	(101,051)	(74.4)
Notes payables	81,829	65,091	16,738	25.7	4,350	3,577	773	21.6
Suppliers	18,247,835	18,220,841	26,994	0.1	970,010	1,001,261	(31,251)	(3.1)
Income tax payable	1,889,277	1,739,837	149,440	8.6	100,429	95,606	4,823	5.0
Provisions	188,698	181,787	6,911	3.8	10,031	9,990	41	0.4
Other current liabilities	5,545,504	5,044,442	501,062	9.9	294,786	277,199	17,587	6.3
<b>Total current liabilities</b>	<b>26,605,577</b>	<b>27,722,050</b>	<b>(1,116,473)</b>	<b>(4.0)</b>	<b>1,414,288</b>	<b>1,523,366</b>	<b>(109,078)</b>	<b>(7.2)</b>
<b>NON-CURRENT LIABILITIES:</b>								
Non-current debt	45,688,039	44,108,759	1,579,280	3.6	2,428,665	2,423,838	4,827	0.2
Notes payables	249,998	314,423	(64,425)	(20.5)	13,288	17,278	(3,990)	(23.1)
Deferred income taxes	3,473,798	4,113,576	(639,778)	(15.6)	184,659	226,047	(41,388)	(18.3)
Employees benefits	1,403,877	1,190,334	213,543	17.9	74,627	65,411	9,216	14.1
Provisions	96,124	153,733	(57,609)	(37.5)	5,110	8,447	(3,337)	(39.5)
Income tax payable	1,276,623	2,120,911	(844,288)	(39.8)	67,862	116,547	(48,685)	(41.8)
Other non-current liabilities	499,896	467,828	32,068	6.9	26,573	25,708	865	3.4
<b>Total non-current liabilities</b>	<b>52,688,355</b>	<b>52,469,564</b>	<b>218,791</b>	<b>0.4</b>	<b>2,800,784</b>	<b>2,883,276</b>	<b>(82,492)</b>	<b>(2.9)</b>
<b>Total liabilities</b>	<b>79,293,932</b>	<b>80,191,614</b>	<b>(897,682)</b>	<b>(1.1)</b>	<b>4,215,072</b>	<b>4,406,642</b>	<b>(191,570)</b>	<b>(4.3)</b>
<b>STOCKHOLDERS' EQUITY</b>								
Capital stock	27,081	27,081	0	0.0	0	0	0	0.0
Share premium	666,988	666,988	0	0.0	0	0	0	0.0
<b>CONTRIBUTED CAPITAL</b>								
Contributed capital	694,069	694,069	0	0.0	0	0	0	0.0
Earned surplus	17,548,006	16,744,269	803,737	4.8	969,704	958,261	11,443	1.2
<b>Total stockholders' equity</b>	<b>18,242,075</b>	<b>17,438,338</b>	<b>803,737</b>	<b>4.6</b>	<b>969,704</b>	<b>958,261</b>	<b>11,443</b>	<b>1.2</b>
Total controlling interest:	17,607,232	16,828,274	778,958	4.6	935,958	924,737	11,221	1.2
Total non-controlling interest:	634,842	610,064	24,778	4.1	33,747	33,524	223	0.7
<b>Total stockholders' equity</b>	<b>18,242,074</b>	<b>17,438,338</b>	<b>803,736</b>	<b>4.6</b>	<b>969,705</b>	<b>958,260</b>	<b>11,445</b>	<b>1.2</b>
<b>Total liabilities and stockholders' equity</b>	<b>97,536,006</b>	<b>97,629,952</b>	<b>(93,946)</b>	<b>(0.1)</b>	<b>5,184,777</b>	<b>5,364,903</b>	<b>(180,126)</b>	<b>(3.4)</b>

- (1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 18.8120 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, 2018.
- (2) 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.

## SIGMA

## 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.	
	III Quarter 18	III Quarter 17	(\$)	(%)	III Quarter 18 (1)	III Quarter 17(2)	(\$)	(%)
Revenue	30,383,554	28,658,206	1,725,348	6.0	1,601,182	1,608,068	(6,886)	(0.4)
Cost of sales	(21,815,016)	(20,695,299)	(1,119,717)	5.4	(1,149,642)	(1,161,254)	11,612	(1.0)
<b>Gross profit</b>	<b>8,568,538</b>	<b>7,962,907</b>	<b>605,631</b>	<b>7.6</b>	<b>451,540</b>	<b>446,814</b>	<b>4,726</b>	<b>1.1</b>
Selling expenses	(4,974,443)	(4,653,978)	(320,465)	6.9	(262,105)	(261,136)	(969)	0.4
Administrative expenses	(1,314,303)	(1,272,425)	(41,878)	3.3	(69,236)	(71,392)	2,156	(3.0)
Other income (expenses), net	153,048	192,170	(39,122)	(20.4)	8,049	10,791	(2,742)	(25.4)
<b>Operating profit</b>	<b>2,432,840</b>	<b>2,228,674</b>	<b>204,166</b>	<b>9.2</b>	<b>128,248</b>	<b>125,077</b>	<b>3,171</b>	<b>2.5</b>
Comprehensive financial expenses, net	(531,400)	(888,586)	357,186	(40.2)	(27,752)	(49,820)	22,068	(44.3)
Equity in income (loss) of associates	16,988	9,258	7,730	83.5	904	519	385	74.2
<b>Profit before income tax</b>	<b>1,918,428</b>	<b>1,349,346</b>	<b>569,082</b>	<b>42.2</b>	<b>101,400</b>	<b>75,776</b>	<b>25,624</b>	<b>33.8</b>
Income tax	(1,292,734)	(330,002)	(962,732)	291.7	(67,914)	(18,513)	(49,401)	266.8
<b>Net consolidated profit</b>	<b>625,694</b>	<b>1,019,344</b>	<b>(393,650)</b>	<b>(38.6)</b>	<b>33,486</b>	<b>57,263</b>	<b>(23,777)</b>	<b>(41.5)</b>
Profit (loss) attributable to:								
<b>Controlling interest</b>	<b>614,255</b>	<b>1,006,523</b>	<b>(392,268)</b>	<b>(39.0)</b>	<b>32,883</b>	<b>56,543</b>	<b>(23,660)</b>	<b>(41.8)</b>
<b>Non-controlling interest</b>	<b>11,439</b>	<b>12,821</b>	<b>(1,382)</b>	<b>(10.8)</b>	<b>603</b>	<b>720</b>	<b>(117)</b>	<b>(16.3)</b>

(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 September 30, 2018.

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