



## SECOND QUARTER 2019 REPORT

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 69 plants in 18 countries across its four key regions: Mexico, Europe, the United States, and Latin America.

### SELECTED FINANCIAL INFORMATION (US \$ MILLION)

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD '19	YTD '18	Ch. %
				1Q19	2Q18			
<b>Revenues</b>	<b>1,609</b>	<b>1,516</b>	<b>1,587</b>	<b>6</b>	<b>1</b>	<b>3,126</b>	<b>3,139</b>	<b>-</b>
Mexico	678	653	647	4	5	1,331	1,283	4
Europe	550	509	558	8	(2)	1,059	1,118	(5)
United States	262	239	264	10	(1)	501	504	(1)
LatAm	119	116	118	3	1	235	234	-
<b>EBITDA</b>	<b>179</b>	<b>166</b>	<b>168</b>	<b>8</b>	<b>7</b>	<b>345</b>	<b>330</b>	<b>5</b>
Mexico	103	91	88	14	18	194	173	12
Europe	23	28	39	(16)	(40)	51	75	(32)
United States	41	36	33	15	26	77	64	20
LatAm	11	12	8	(2)	38	23	19	24
<b>CAPEX &amp; Acquisitions<sup>1</sup></b>	<b>31</b>	<b>26</b>	<b>39</b>	<b>20</b>	<b>(20)</b>	<b>56</b>	<b>66</b>	<b>(14)</b>
<b>Net Debt</b>	<b>2,050</b>	<b>2,020</b>	<b>2,030</b>	<b>1</b>	<b>1</b>	<b>2,050</b>	<b>2,030</b>	<b>1</b>
Net Debt / LTM EBITDA*	2.9	2.9	2.9					
LTM Interest Coverage*	6.2	5.3	5.2					

\* Times. LTM = Last 12 months

<sup>1</sup> Gross amount; does not include divestments

**Revenues** amounted to US \$1.609 billion, 1% higher than 2Q18. On a currency neutral basis, revenues were up 3% year-on-year. Mexico sales increased 4% in Pesos, European sales increased 4% in Euros, U.S. sales were 1% lower and LatAm sales were 1% lower in local currencies when compared to 2Q18. Accumulated Revenues were US \$3.126 billion, flat when compared to the same period in 2018 (see table 2).

**EBITDA** was US \$179 million, up 7% versus 2Q18, supported by strong results in Mexico, U.S. and LatAm. Margin improvements in these regions were partially offset by lower margins in Europe, which were impacted by higher pork prices due to the African Swine Fever (ASF) and the depreciation of the Euro against the US Dollar, among others. On a currency neutral basis, Sigma's 2Q19 EBITDA was up 6% year-over-year. Accumulated EBITDA was US \$345 million, up 5% versus the first half of 2018 (see table 3).

**Capital expenditures (CAPEX) & Acquisitions** totaled US \$31 million, mainly for maintenance and expansion projects across all regions.

**Net Debt** was US \$2.050 billion, up 1% when compared to 2Q18 and 1Q19. On an absolute basis, Sigma's Net Debt increased US \$191 million year-to-date which includes a US \$100 million impact from the adoption of a new accounting standard for long term leases (IFRS 16) beginning in January. During 2Q19 Net Debt increased US \$20 million versus 2Q18 as the impact from IFRS16 was almost fully offset by strong cash generation. Financial ratios at the end of 2Q19 were Net Debt to EBITDA of 2.9 times and Interest Coverage of 6.2 times (see table 4).

## INDUSTRY COMMENTS - SIGMA

During 2Q19, food retail sales increased in all regions in which Sigma operates, whereas consumer confidence showed mixed results. In Mexico, the average consumer confidence index reported by INEGI (Instituto Nacional de Estadística y Geografía – National Institute for Statistics and Geography) increased 24% vs 2Q18, but decreased 4% vs 1Q19, while same-store-sales reported by the National Association of Supermarkets and Department Stores (ANTAD) increased 4.9% year-on-year in nominal Pesos.

In the U.S., the average consumer confidence index reported by The Conference Board remained flat when compared to 2Q18, while food retail sales reported by the U.S. Census Bureau increased 2% year-on-year.

In Europe, according to the European Commission, the average consumer confidence index worsened from negative 4.7 in 2Q18 to negative 7.0 during 2Q19. By contrast, food retail sales according to Eurostat increased 1% year-on-year.

Key raw material prices were higher during the quarter in all regions. In Europe, compared to 2Q18, prices for pork ham and pork shoulder increased 25% and 22%, respectively, impacted by higher exports to China due to ASF.

In the Americas, the price of pork ham increased 28% year-on-year, also primarily due to ASF. Turkey breast and turkey thigh were 13% and 6% higher, respectively, while chicken was 2% lower, when compared to 2Q18. By quarter's end, pork ham prices posted a significant decline.

In Mexico, import tariffs imposed on U.S. pork and cheese products were lifted during the quarter, partially offsetting pressure from raw material price increases.

## RESULTS BY REGION - SIGMA

During 2Q19, sales in Mexico accounted for 42% of the quarter's total, while Europe represented 34%, the U.S. 16%, and Latin America 8%.

**Mexico** sales and EBITDA in Pesos increased 4% and 16%, when compared to 2Q18 respectively. Higher average prices combined with the lifting of import tariffs on U.S. pork and cheese products contributed to higher EBITDA margins.

**Europe** sales in Euros increased 4% compared to 2Q18, however, EBITDA decreased 37% year-on-year, mainly impacted by a temporary lag between cost and price increases across the region and higher pork prices due to ASF. The fresh meat business in Spain posted some margin recovery reflecting higher international pork prices.

**United States** sales and EBITDA were 1% lower and 26% higher year-on-year, respectively. Price increases in the region offset higher raw material costs due to ASF, leading to margin expansion during the quarter. Additionally, the Hispanic business posted strong results mainly due to higher sales and operating efficiencies during the quarter.

**LatAm** sales and EBITDA in local currencies decreased 1% and increased 33% when compared to 2Q18, respectively, supported by margin expansion across all countries.

## RECENT DEVELOPMENTS - SIGMA

Footprint Optimization	<ul style="list-style-type: none"> <li>• Closure of a production facility in The Netherlands as part of Sigma's initiatives for margin improvement in Europe</li> </ul>
Raw Materials	<ul style="list-style-type: none"> <li>• Pork prices showed significant volatility during 2Q19 due to the ASF virus</li> <li>• In the Americas, pork ham price market reference decreased in June. However, as the disease has not yet been controlled, potential volatility and the risk of higher prices remains</li> <li>• Sigma is closely monitoring this situation and implementing various initiatives to offset the potential impact of higher pork prices on its operations</li> </ul>
Raw Material Hedges	<ul style="list-style-type: none"> <li>• In July, Sigma commenced a financial program to partially hedge its pork needs</li> <li>• As of today, the company has future contracts that mature from November 2019 to April 2020</li> </ul>
Exchange Rate Hedges	<ul style="list-style-type: none"> <li>• Continued FX hedging strategy to cover the U.S. dollar needs for the Mexican operations</li> <li>• Forward contracts amount to US \$600 million, equivalent to approximately nine months of U.S. dollar needs</li> </ul>

Table 1 | SIGMA - VOLUME AND PRICE CHANGES (%)

	2Q19 vs.		YTD '19 vs.
	1Q19	2Q18	YTD '18
Total Volume	4.2	(1.7)	(1.2)
Avg. Ps. Prices	1.4	1.8	1.3
Avg. US \$ Prices	1.9	3.2	0.8

Table 2 | SIGMA - REVENUES

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD '19	YTD '18	Ch. %
				1Q19	2Q18			
<b>Total Revenues</b>								
Ps. Millions	30,776	29,146	30,755	6	-	59,922	59,866	-
US \$ Millions	1,609	1,516	1,587	6	1	3,126	3,139	-
<b>Domestic Revenues</b>								
Ps. Millions	12,966	12,544	12,525	3	4	25,510	24,454	4
US \$ Millions	678	653	647	4	5	1,331	1,283	4
<b>Foreign Revenues</b>								
Ps. Millions	17,810	16,602	18,230	7	(2)	34,412	35,412	(3)
US \$ Millions	931	864	940	8	(1)	1,795	1,856	(3)
Foreign / Total (%)	58	57	59			57	59	

Table 3 | SIGMA - OPERATING INCOME AND EBITDA

	2Q19	1Q19	2Q18	(% ) 2Q19 vs.		YTD '19	YTD '18	Ch. %
				1Q19	2Q18			
<b>Operating Income</b>								
Ps. Millions	2,354	2,094	2,210	12	6	4,448	4,235	5
US \$ Millions	123	109	114	13	8	232	222	4
<b>EBITDA</b>								
Ps. Millions	3,425	3,195	3,250	7	5	6,619	6,294	5
US \$ Millions	179	166	168	8	7	345	330	5

Table 4 | SIGMA - SELECTED BALANCE SHEET INFORMATION &amp; FINANCIAL RATIOS (US \$ Million)

	2Q19	1Q19	2Q18
Assets	5,155	5,056	5,166
Liabilities	4,263	4,228	4,235
Stockholders' Equity	892	828	931
Majority Equity	863	799	898
Net Debt	2,050	2,020	2,030
Net Debt/EBITDA*	2.9	2.9	2.9
Interest Coverage*	6.2	5.3	5.2

\* 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)	
	Jun '19	Jun '18	Jun '19 <sup>(1)</sup>	Jun '18 <sup>(2)</sup>
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents	9,779,759	10,846,554	510,199	546,060
Restricted cash	23,003	85,405	1,200	4,300
Customers, net	7,606,019	7,652,147	396,798	385,240
Income tax recoverable	346,158	450,233	18,059	22,667
Inventories	16,211,606	15,386,952	845,742	774,642
Other current assets	337,118	396,667	17,587	19,970
Derivative financial instruments	161,030	0	8,401	0
<b>Total current assets</b>	<b>34,464,692</b>	<b>34,817,958</b>	<b>1,797,986</b>	<b>1,752,879</b>
<b>NON-CURRENT ASSETS:</b>				
Property, plant and equipment, net	32,612,459	34,426,822	1,701,357	1,733,187
Intangible assets, net	15,658,850	15,623,377	816,905	786,545
Goodwill	13,161,456	14,090,280	686,619	709,363
Deferred income tax	2,246,204	2,665,821	117,182	134,208
Derivative financial instruments	432,000	725,090	22,537	36,504
Investments in associates and joint ventures	97,122	88,522	5,067	4,457
Other non-current assets	124,938	135,767	6,518	6,835
Restricted cash	23,003	47,674	1,200	2,400
<b>Total non-current assets</b>	<b>64,356,032</b>	<b>67,803,352</b>	<b>3,357,385</b>	<b>3,413,499</b>
<b>Total assets</b>	<b>98,820,723</b>	<b>102,621,311</b>	<b>5,155,371</b>	<b>5,166,378</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Current debt	5,866,728	2,234,371	306,061	112,487
Suppliers	25,775,760	25,112,626	1,344,694	1,263,131
Income tax payable	1,605,144	1,652,160	83,739	83,177
Provisions	105,098	130,220	5,483	6,556
Other current liabilities	37,414	(18,753)	1,952	(945)
<b>Total current liabilities</b>	<b>33,390,145</b>	<b>29,110,624</b>	<b>1,741,928</b>	<b>1,464,405</b>
<b>NON-CURRENT LIABILITIES:</b>				
Non-current debt	41,243,781	48,303,962	2,151,644	2,432,122
Notes payables	1,564,507	292,479	81,619	14,423
Deferred income taxes	3,487,988	3,599,336	181,965	181,205
Employees benefits	1,406,832	1,416,661	73,393	71,321
Provisions	74,657	98,095	3,895	4,939
Income tax payable	509,116	1,263,965	26,560	63,633
Other non-current liabilities	40,949	36,706	2,136	2,990
<b>Total non-current liabilities</b>	<b>48,327,830</b>	<b>55,011,203</b>	<b>2,521,211</b>	<b>2,770,632</b>
<b>Total liabilities</b>	<b>81,717,975</b>	<b>84,121,827</b>	<b>4,263,139</b>	<b>4,235,038</b>
<b>STOCKHOLDERS' EQUITY</b>				
Total controlling interest:	16,544,219	17,837,431	863,094	898,008
Total non-controlling interest:	558,529	662,053	29,138	33,331
<b>Total stockholders' equity</b>	<b>17,102,749</b>	<b>18,499,484</b>	<b>892,232</b>	<b>931,340</b>
<b>Total liabilities and stockholders' equity</b>	<b>98,820,723</b>	<b>102,621,311</b>	<b>5,155,371</b>	<b>5,166,378</b>

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 19.1685 per U.S. Dollar, the exchange rate published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars on June 30, 2019.

(2) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 19.8633 per U.S. Dollar, the exchange rate published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars on June 30, 2018.

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

## STATEMENT OF INCOME

Information in thousands	(Thousands of pesos)		(Thousands of pesos)		(Thousands of U.S. Dollars)		(Thousands of U.S. Dollars)	
	II Quarter 19	II Quarter 18	YTD 19	YTD 18	II Quarter 19 <sup>(1)</sup>	II Quarter 18 <sup>(1)</sup>	YTD 19 <sup>(1)</sup>	YTD 18 <sup>(1)</sup>
Revenue	30,776,160	30,754,784	59,921,973	59,865,764	1,609,192	1,586,999	3,125,553	3,138,917
Cost of sales	(22,137,386)	(22,164,668)	(42,938,067)	(43,101,005)	(1,157,476)	(1,143,310)	(2,239,669)	(2,259,409)
<b>Gross profit</b>	<b>8,638,774</b>	<b>8,590,116</b>	<b>16,983,906</b>	<b>16,764,759</b>	<b>451,717</b>	<b>443,689</b>	<b>885,884</b>	<b>879,507</b>
Selling expenses	(5,090,306)	(5,061,284)	(10,004,191)	(9,907,875)	(266,170)	(261,418)	(521,831)	(519,803)
Administrative expenses	(1,258,728)	(1,343,071)	(2,641,773)	(2,730,167)	(65,850)	(69,329)	(137,810)	(143,273)
Other income (expenses), net	63,924	24,283	109,808	108,732	3,349	1,166	5,735	5,674
<b>Operating profit</b>	<b>2,353,664</b>	<b>2,210,043</b>	<b>4,447,750</b>	<b>4,235,449</b>	<b>123,046</b>	<b>114,108</b>	<b>231,978</b>	<b>222,105</b>
Financial Income	71,338	60,627	135,658	150,833	3,733	3,109	7,078	7,909
Financial expenses	(630,310)	(940,623)	(1,237,812)	(1,515,857)	(32,952)	(49,346)	(64,557)	(80,005)
Gain (loss) due to exchange fluctuation, net	(416,110)	675,837	(445,822)	444,849	(21,742)	35,040	(23,286)	23,100
Equity in income (loss) of associates	(658)	(24)	(1,283)	(556)	(34)	(1)	(67)	(30)
<b>Profit before income tax</b>	<b>1,377,924</b>	<b>2,005,859</b>	<b>2,898,491</b>	<b>3,314,718</b>	<b>72,050</b>	<b>102,909</b>	<b>151,146</b>	<b>173,079</b>
Income tax	(608,584)	(84,993)	(1,335,719)	(1,117,747)	(31,935)	(4,135)	(69,755)	(59,080)
<b>Net consolidated profit</b>	<b>769,340</b>	<b>1,920,866</b>	<b>1,562,772</b>	<b>2,196,972</b>	<b>40,115</b>	<b>98,774</b>	<b>81,391</b>	<b>113,999</b>
Profit (loss) attributable to:								
<b>Controlling interest</b>	<b>770,375</b>	<b>1,935,517</b>	<b>1,574,869</b>	<b>2,210,799</b>	<b>40,172</b>	<b>98,387</b>	<b>82,024</b>	<b>113,603</b>
<b>Non-controlling interest</b>	<b>(1,035)</b>	<b>(14,650)</b>	<b>(12,097)</b>	<b>(13,827)</b>	<b>(57)</b>	<b>387</b>	<b>(633)</b>	<b>396</b>

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using the average exchange rate published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars for each of the months that comprise the quarter.



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