

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

Selected financial information

Selected Financial Information (US \$ million)

	2Q18	1Q18	2Q17	Ch % vs. 1Q18	Ch % vs. 2Q17	YTD.18	YTD.17	YTD. Chg. %
Total Revenues	1,587	1,552	1,503	2	6	3,139	2,853	10
Europe	558	559	511	0	9	118	968	15
Mexico	647	636	633	2	2	1,283	1,192	8
USA	264	240	257	10	3	504	489	3
Latam	118	117	102	1	15	234	204	15
Total EBITDA	168	162	167	3	1	330	302	9
Europe	39	36	38	10	4	75	68	10
Mexico	88	85	84	3	3	173	148	16
USA	33	31	36	4	(9)	64	68	-5
Latam	8	10	9	(19)	(7)	19	18	1
Capex	39	27	50	41	(22)	66	83	(20)
Net Debt	2,030	2,078	1,940	(2)	5	2,030	1,940	5
Net Debt / EBITDA	2.9	3.0	3.1					
LTM Interest Coverage	5.2	6.0	4.4					

* Times: LTM = Last 12 months

Industry comments

During 2Q18, consumer confidence was higher year-on-year across Sigma’s main regions. In Mexico, the average consumer confidence index reported by INEGI (Instituto Nacional de Estadística y Geografía – National Institute for Statistics and Geography) grew 1% year-on-year and 5% vs 1Q18, while same-store-sales reported by the National Association of Supermarkets and Department Stores (ANTAD) increased 8% year-on-year in nominal pesos. In the U.S., the average consumer confidence index increased 7% year-on-year as reported by The Conference Board, the highest level since 2000. In Europe, according to the European Commission, the average consumer confidence index increased to 0.0 in 2Q18 from -2.7 during 2Q17. Food retail sales in the U.S. increased 4% 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 Americas, compared to the previous quarter, pork ham decreased 7%, turkey breast and thighs increased 17% and 6%, respectively, while chicken prices were stable. During 2Q18, pork ham prices were 15% lower year-on-year and chicken was 14% lower than the same period of the prior year. By contrast, turkey breast and turkey thighs were 20% and 8% higher year on year, respectively. In Europe, prices for ham and pork shoulder decreased on average 18% year on year.

On June 5th, the Mexican Government imposed retaliatory tariffs of 10% on U.S. pork ham and on July 5th the tariff increased to 20%. For Sigma’s Mexican operations, pork ham imported from the U.S., represents approximately 5%

of the cost of sales. Sigma is currently working to substitute these imports from regions such as Europe Canada and South America.

Financial results by region

Europe

During 2Q18, European sales in euros increased 2% year-on-year, benefiting from the consolidation of the September 2017 acquisition of Caroli in Romania. 2Q18 EBITDA in euros decreased 2%, affected by additional marketing and brand building investments, as well as R&D expenses related to the Company's innovation strategy. During the quarter, the Company launched several products within its innovation platforms: Health & Nutrition, Indulgence, Sustainability and Convenience. The new Bureba plant is fully operational according to plan, bringing enhanced productivity, as well as synergies and savings which should continue to improve profitability in the coming quarters. EBITDA margin improvements are expected during the second half of the year.

México

Mexican operations continue reporting solid results. During second quarter 2018 Mexican sales and EBITDA in pesos increased 6% and 8% year-on-year, respectively, driven by an increase in volume and higher average prices, that resulted in higher margins.

USA

2Q18 U.S. sales increased 3% year-on-year, as sales from all three businesses (National, Hispanic and European) grew year-on-year. EBITDA decreased 9% year-on-year, mainly due to one-time costs from the implementation of a new ERP system, as well as continued higher freight costs associated with the new transportation regulation.

Latam

Second quarter 2018 Latin America sales in USD terms increased 15% year-on-year, benefitting from the acquisition of Supemsa at the end of 2Q17. Supemsa has been exceeding expectations and Sigma is in the early stages of capturing the anticipated synergies. 2Q18 EBITDA decreased 7% year-on-year impacted by a temporary plant stoppage in Costa Rica during 1Q18 that affected sales this quarter. Also, the sociopolitical situation in Nicaragua impacted the trade of products between Central American countries.

Consolidated financial results

During 2Q18, Sigma's revenues were US \$1,587 million, an increase of 6% versus 2Q17 with growth across all regions. Sigma sold approximately 450 thousand tons of food products, up 4% versus 2Q17. In dollar terms, average prices increased 2% year-on-year. Accumulated 2018 revenues totaled US \$3,139 million, a 10% increase from the first half of 2017.

Sales in Mexico accounted for 41% of the quarter's total, while Europe represented 35%, the U.S. 17%, and Latin America 7%.

In 2Q18, operating income was US \$114 million, 2% lower year-on-year and EBITDA was US \$168 million up 1% year-on-year. This EBITDA increase was primarily due to a solid performance of Mexican operations, the consolidation of Supemsa and Caroli and a stronger euro against the dollar. Accumulated 2018 EBITDA totaled US \$330 million, up 9% from the same period 2017.

Capital expenditures and acquisitions; net debt

During 2Q18, capital expenditures were US \$39 million. These funds were utilized for maintenance and minor projects across the company.

At the end of 2Q18, Net Debt was US \$2,030 million, up 5% from 2Q17, mainly explained by the outflows related to the Bureba facility and the acquisitions of Supemsa and Caroli. Financial ratios at the end of 2Q18 were: Net Debt to EBITDA, 2.9 times; Interest Coverage, 5.2 times. These ratios compare to 3.1 times and 4.4 times, respectively in 2Q17.

Recent developments

On July 12, 2018, Sigma paid its *certificados bursátiles* with ticker symbols “SIGMA08” y “SIGMA08U” dated July 24, 2008, for a total accumulated amount of \$1,747’674,720 pesos utilizing internally generated funds.

Table 1 | Volume and Price Changes (%)

	2Q18 vs.		YTD. 18 vs.
	1Q18	2Q17	YTD. 17
Total Volume	5.3	3.9	3.8
Avg. Ps. Prices	0.4	5.9	4.1
Avg. US \$ Prices	(2.8)	1.6	6.0

Table 2 | Revenues

	2Q18	1Q18	2Q17	(%) 2Q18 vs.		YTD. '18	YTD.'17	Chg.%
				1Q18	2Q17			
Total Revenues								
Ps. Millions	30,755	29,111	27,940	6	10	59,866	55,402	8
US \$ Millions	1,587	1,552	1,503	2	6	3,139	2,853	10
Domestic Revenues								
Ps. Millions	12,525	11,929	11,766	5	6	24,454	23,135	6
US \$ Millions	647	636	633	2	2	1,283	1,192	8
Foreign Revenues								
Ps. Millions	18,230	17,182	16,175	6	13	35,412	32,267	10
US \$ Millions	940	916	871	3	8	1,856	1,661	12
Foreign / Total (%)	59	59	58			59	58	

Table 3 | Operating Income and EBITDA

	2Q18	1Q18	2Q17	(%) 2Q18 vs.		YTD. '18	YTD.'17	Chg.%
				1Q18	2Q17			
Operating Income								
Ps. Millions	2,210	2,025	2,159	9	2	4,235	3,867	10
US \$ Millions	114	108	116	6	(2)	222	201	10
EBITDA								
Ps. Millions	3,250	3,044	3,097	7	5	6,294	5,834	8
US \$ Millions	168	162	167	3	1	330	302	9

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

	2Q18	1Q18	2Q17	YTD.'18	YTD.'17
Assets	5,166	5,864	5,207	5,166	5,207
Liabilities	4,235	4,915	4,328	4,235	4,328
Stockholders' Equity	931	949	879	931	879
Majority Equity	898	913	847	898	847
Net Debt	2,030	2,078	1,940	2,030	1,940
Net Debt/EBITDA*	2.9	3.0	3.06	2.9	3.06
Interest Coverage*	5.2	6.0	4.4	5.2	4.4

* Times: LTM = Last 12 months

Sigma Alimentos, S.A. de C.V. y Subsidiarias

STATEMENT OF FINANCIAL POSITION

Information in thousands

	(Thousands of pesos)		Var.		(Thousands of U.S. Dollars)		Var.	
	Jun '18	Jun '17	(\$)	(%)	Jun '18 (1)	Jun '17 (2)	(\$)	(%)
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	10,846,554	10,466,550	380,004	3.6	546,060	584,812	(38,752)	(6.6)
Restricted cash	85,405	107,374	(21,969)	(20.5)	4,300	5,999	(1,699)	(28.3)
Customers, net	5,351,157	5,482,393	(131,236)	(2.4)	269,399	306,325	(36,926)	(12.1)
Income tax recoverable	450,233	697,277	(247,044)	(35.4)	22,667	38,960	(16,293)	(41.8)
Inventories	15,386,952	14,545,328	841,624	5.8	774,642	812,711	(38,069)	(4.7)
Other current assets	2,697,656	3,522,590	(824,934)	(23.4)	135,811	196,822	(61,011)	(31.0)
Total current assets	34,817,957	34,821,512	(3,555)	0.0	1,752,879	1,945,629	(192,750)	(9.9)
NON-CURRENT ASSETS:								
Property, plant and equipment, net	34,426,822	31,286,851	3,139,971	10.0	1,733,187	1,748,132	(14,945)	(0.9)
Intangible assets, net	15,623,377	14,069,822	1,553,555	11.0	786,545	786,142	403	0.1
Goodwill	14,090,280	10,040,651	4,049,629	40.3	709,363	561,015	148,348	26.4
Deferred income tax	2,665,821	1,985,167	680,654	34.3	134,208	110,920	23,288	21.0
Investments in associates and joint ventures	88,522	872,457	(783,935)	(89.9)	4,457	48,748	(44,291)	(90.9)
Other non-current assets	908,531	108,121	800,410	740.3	45,739	6,042	39,697	657.0
Total non-current assets	67,803,353	58,363,069	9,440,284	16.2	3,413,499	3,260,999	152,500	4.7
Total assets	102,621,310	93,184,581	9,436,729	10.1	5,166,378	5,206,628	(40,250)	(0.8)
LIABILITIES AND STOCKHOLDERS' EQUITY								
CURRENT LIABILITIES:								
Current debt	2,234,371	408,511	1,825,860	447.0	112,487	22,825	89,662	392.8
Notes payables	87,173	53,396	33,777	63.3	4,389	2,983	1,406	47.1
Suppliers	19,019,668	18,568,983	450,685	2.4	957,528	1,037,530	(80,002)	(7.7)
Income tax payable	1,652,160	1,497,891	154,269	10.3	83,177	83,694	(517)	(0.6)
Provisions	130,220	198,164	(67,944)	(34.3)	6,556	11,072	(4,516)	(40.8)
Other current liabilities	5,572,838	4,594,371	978,467	21.3	280,559	256,708	23,851	9.3
Total current liabilities	28,696,430	25,321,316	3,375,114	13.3	1,444,696	1,414,812	29,884	2.1
NON-CURRENT LIABILITIES:								
Non-current debt	48,322,671	44,123,567	4,199,104	9.5	2,432,761	2,465,086	(32,325)	(1.3)
Notes payables	273,771	333,596	(59,825)	(17.9)	13,783	18,929	(5,146)	(27.2)
Deferred income taxes	3,593,686	3,854,831	(261,145)	(6.8)	180,921	215,386	(34,465)	(16.0)
Employees benefits	1,416,661	1,132,982	283,679	25.0	71,321	63,305	8,016	12.7
Provisions	98,095	149,522	(51,427)	(34.4)	4,939	8,354	(3,415)	(40.9)
Income tax payable	1,263,965	2,094,624	(830,659)	(39.7)	63,633	117,036	(53,403)	(45.6)
Other non-current liabilities	456,547	441,428	15,119	3.4	22,984	24,665	(1,681)	(6.8)
Total non-current liabilities	55,425,396	52,130,550	3,294,846	6.3	2,790,342	2,912,761	(122,419)	(4.2)
Total liabilities	84,121,826	77,451,866	6,669,960	8.6	4,235,038	4,327,573	(92,535)	(2.1)
STOCKHOLDERS' EQUITY								
Total controlling interest:	17,837,431	15,164,012	2,673,419	17.6	898,009	847,279	50,730	6.0
Total non-controlling interest:	662,053	568,703	93,350	16.4	33,330	31,776	1,554	4.9
Total stockholders' equity	18,499,484	15,732,715	2,766,769	17.6	931,339	879,055	52,284	5.9
Total liabilities and stockholders' equity	102,621,310	93,184,581	9,436,729	10.1	5,166,378	5,206,628	(40,250)	(0.8)

(1) 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.

(2) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 17.8973 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, 2017.

Sigma Alimentos, S.A. de C.V. y Subsidiarias

INCOME STATEMENT

Information in thousands of nominal mexican pesos

	(Thousands of pesos)		Var.		(Thousands of U.S. Dollars)		Var.	
	II Trim 18	II Trim 17	(\$)	(%)	II Trim 18(1)	II Trim 17(2)	(\$)	(%)
Revenue	30,754,784	27,940,331	2,814,453	10.1	1,586,999	1,503,484	83,515	5.6
Cost of sales	(22,164,668)	(20,194,717)	(1,969,951)	9.8	(1,143,310)	(1,086,738)	(56,572)	5.2
Gross profit	8,590,116	7,745,614	844,502	10.9	443,689	416,746	26,943	6.5
Selling expenses	(5,061,284)	(4,459,118)	(602,166)	13.5	(261,418)	(239,843)	(21,575)	9.0
Administrative expenses	(1,343,071)	(1,145,562)	(197,509)	17.2	(69,329)	(61,516)	(7,813)	12.7
Other income (expenses), net	24,283	17,893	6,390	35.7	1,166	985	181	18.4
Operating profit	2,210,044	2,158,827	51,217	2.4	114,108	116,372	(2,264)	(1.9)
Comprehensive financial expenses, net	(204,159)	(2,185,272)	1,981,113	(90.7)	(11,197)	(117,157)	105,960	(90.4)
Equity in income (loss) of associates	(24)	5,775	(5,799)	(100.4)	(1)	312	(313)	(100.3)
Profit before income tax	2,005,861	(20,670)	2,026,531	(9,804)	102,910	(473)	103,383	(21,856.9)
Income tax	(84,992)	(549,841)	464,849	(84.5)	(4,135)	(29,671)	25,536	(86.1)
Net consolidated profit	1,920,869	(570,511)	2,491,380	(436.7)	98,775	(30,144)	128,919	(427.7)
Attributable Net income (loss) to:								
Equity Attributable to Owners of Parent	1,935,519	(577,590)	2,513,109	(435.1)	99,578	(30,531)	130,109	(426.2)
Non-Controlling Interests	(14,650)	7,079	(21,729)	(307.0)	(803)	387	(1,190)	(307.5)

(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 June 30, 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 June 30, 2017.



JOSÉ VIVANCO
CLAUDIA VERÁSTEGUI

jvivanco@sigma-alimentos.com
cjverastegui@sigma-alimentos.com