

FOURTH 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 70 plants across its four key regions: Mexico, Europe, the United States, and Latam.

SELECTED FINANCIAL INFORMATION

SELECTED FINANCIAL INFORMATION (US \$MILLION)

	4Q17	3Q17	4Q16	CH. % VS. 3Q17	CH. % VS. 4Q16	YTD. '17	YTD. '16	YTD Chg. %
	TOTAL REVENUES	1,593	1,608	1,438	(1)	11	6,054	5,698
Europe	607	571	534	6	14	2,146	2,027	6
Mexico	636	668	579	(5)	10	2,496	2,329	7
USA	227	251	219	(9)	4	966	935	3
Latam	123	119	106	4	16	446	407	10
TOTAL EBITDA	195	179	166	9	18	676	663	2
Europe	64	45	44	43	45	177	151	17
Mexico	84	90	76	(6)	11	322	319	1
USA	36	36	34	-	6	139	148	(6)
Latam	11	9	11	25	(7)	38	45	(16)
CAPITAL EXPENDITURES	71	34	157	106	(55)	188	328	(43)
NET DEBT	1,936	2,037	1,724	(5)	12	1,936	1,724	12
Net Debt/LTM EBITDA*	2.9	3.1	2.6			2.9	2.6	
LTM Interest Coverage*	4.7	4.6	5.5			4.7	5.5	

* Times. LTM = Last 12 months

INDUSTRY COMMENTS

During 4Q17, 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) recovered steadily throughout the year and was up 4% year-on-year, but at similar levels with 3Q17; 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 4Q17 improved to negative 0.2, from negative 6.5 during 4Q16, reaching a 10-year high. In the U.S., the average consumer confidence index increased to 126 in 4Q17 from 108 during 4Q16 as reported by The Conference Board, the highest level since 2000. Food retail sales reported by the US Census Bureau increased 4% year-on-year. While in Europe, food retail sales increased 1%, according to Eurostat.

Key raw material prices were mixed during the quarter and varied by region. In the Americas, pork prices were flat when compared to 4Q16. In turn, turkey breast and turkey thighs were 21% and 19% lower, respectively, while chicken was 19% higher than the same period of the prior year. Compared to the previous quarter, pork ham decreased 8%, while other raw materials prices were stable. In Mexico, the appreciation of the Peso vis-a-

Sigma Alimentos S.A. de C.V. – 4Q17 Quarterly Report

vis the US Dollar has eased the pressure in the cost of raw materials, as the industry participants import most of its meats from the US. In Europe, prices for ham decreased sharply during 4Q17 and was on average 6% lower than 4Q16, while pork shoulder was similar to 4Q16. For the full year, pork ham and pork shoulder prices in Europe were 8% and 15% higher than 2016, respectively.

FINANCIAL RESULTS BY REGION

Europe

During 4Q17, European revenue in euros increased 4% year-on-year, benefiting from the consolidation of the September 2017 acquisition of Caroli in Romania. 4Q17 EBITDA increased 32% year-on-year, which includes 11 million Euros of extraordinary gain related to the acquisition of Caroli. Excluding this effect EBITDA increased 4%.

For the full year 2017, sales increased 3% and EBITDA 12% compared to 2016. Yearly results in Europe were negatively impacted by start-up costs for the La Bureba plant and higher raw materials and benefited by 20 million Euros by the extraordinary gains related to the Caroli acquisition.

Mexico

Fourth quarter sales in Mexico in pesos increased 5% year-on-year, reflecting a slight increase in volume and higher average prices. 4Q17 EBITDA in pesos increased 6% year-on-year, benefitting from slightly higher margins than 4Q16. Sales in the Foodservice channel had a positive impact on results.

For the year 2017, sales increased 8% due to higher volumes and higher average prices. EBITDA increased 2% compared to 2016. Results were impacted by lower margins at the beginning of the year caused by a sharp peso depreciation, however margins improved as price increases were implemented.

USA

4Q17 U.S. sales increased 4% and EBITDA increased 6% year-on-year, as results benefited from higher average prices. Fourth quarter revenues grew year-on-year for all three main business segments (European Heritage, Bars-S brand and Hispanic) in the region.

For the year 2017, sales increased 3% and EBITDA decreased 6% compared to 2016. Raw materials cost increases during the first half of the year impacted EBITDA as most of the price increases flowed through during the second half of the year, which helped improve margins in the last two quarters.

Latam

Fourth quarter 2017 Latin America sales in USD increased 16% year-on-year, benefited from the acquisition of Supemsa at the end of 2Q17. Excluding this acquisition 4Q17 sales were flat with 4Q16. 4Q17 EBITDA decreased 7% year-on-year, mainly impacted by a reclassification of costs and expenses from Mexican operations.

For the year 2017, sales in USD increased 10% and EBITDA decreased 16%.

CONSOLIDATED FINANCIAL RESULTS

During 4Q17, Sigma's revenues were U.S. \$1,593 million, an increase of 11% versus 4Q16. Sigma sold approximately 437 thousand tons of food products, up 3% from 4Q16, mainly due to growth in Mexico and U.S., and the Caroli and Supemsa acquisitions. In dollar terms, average prices increased 8% year-on-year, stemming from higher prices in Americas regions and a weaker US dollar against the Euro and Peso.

Sales in Mexico accounted for 40% of the quarter's total, while Europe represented 38%, the U.S. 14%, and Latin America 8%. During 2017, revenues were U.S. \$6,054 million, up 6% when compared to the same period of 2016

Operating Income and EBITDA were U.S. \$132 million and U.S. \$195 million in 4Q17, up 24% and 18% year-on-year, respectively. This increase was primarily due to the performance of Mexican and U.S. operations, the consolidation of Supemsa and Caroli, an extraordinary gain related to the acquisition of Caroli and a more favorable currency environment in Europe and Mexico. In 2017, Operating Income and EBITDA were U.S. \$458 million and U.S. \$676 million, unchanged and 2% higher than 2016, respectively.

CAPITAL EXPENDITURES AND ACQUISITIONS; NET DEBT

During 4Q17, capital expenditures were U.S. \$71 million, these funds were utilized for the new plant in Burgos, Spain, other fixed assets and minor projects across the company. The investment in La Bureba plant is complete and during 4Q17 production continued for the Spanish and other European markets.

At the end of 4Q17, Net Debt was U.S. \$1,936 million, up 12% from 4Q16, mainly explained by the outflows related to the Bureba facility and the acquisitions of Supemsa and Caroli. Financial ratios at the end of 4Q17 were: Net Debt to EBITDA, 2.9 times; Interest Coverage, 4.7 times.

TABLE 1 | VOLUME AND PRICE CHANGES (%)

	4Q17 vs.		YTD. 17 VS
	3Q17	4Q16	YTD. 16
Total Volume	(0.2)	2.8	2.5
Avg. Ps. Prices	5.5	2.9	4.8
Avg. US \$ Prices	(0.7)	7.8	3.7

TABLE 2 | REVENUES

				(%) 4Q17 VS.		YTD. 17	YTD. 16	Ch. %
	4Q17	3Q17	4Q16	3Q17	4Q16			
TOTAL REVENUES								
Ps. Millions	30,162	28,658	28,521	5	6	114,222	106,341	7
US \$ Millions	1,593	1,608	1,438	(1)	11	6,054	5,698	6
DOMESTIC REVENUES								
Ps. Millions	12,042	11,902	11,484	1	5	47,078	43,432	8
US \$ Millions	636	668	579	(5)	10	2,496	2,329	7
FOREIGN REVENUES								
Ps. Millions	18,120	16,757	17,037	8	6	67,144	62,908	7
US \$ Millions	957	940	859	2	11	3,558	3,369	6
Foreign / Total (%)	60	58	60			59	59	

TABLE 3 | OPERATING INCOME AND EBITDA

				(%) 4Q17 VS.		YTD. 17	YTD. 16	Ch. %
	4Q17	3Q17	4Q16	3Q17	4Q16			
OPERATING INCOME								
Ps. Millions	2,495	2,229	2,095	12	19	8,591	8,519	1
US \$ Millions	132	125	106	5	24	458	458	-
EBITDA								
Ps. Millions	3,699	3,192	3,295	16	12	12,725	12,374	3
US \$ Millions	195	179	166	9	18	676	663	2

TABLE 4 | SELECTED BALANCE SHEET INFORMATION & FINANCIAL RATIOS (US \$ MILLIONS)

	4Q17	3Q17	4Q16	YTD. 17	YTD. 16
Assets	5,350	5,365	4,876	5,350	4,876
Liabilities	4,423	4,407	4,051	4,423	4,051
Stockholders' Equity	927	958	825	927	825
Majority Equity	892	925	795	892	795
Net Debt	1,936	2,037	1,724	1,936	1,724
Net Debt/EBITDA*	2.9	3.2	2.6	2.9	2.6
Interest Coverage*	4.7	4.6	5.5	4.7	5.5

* 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)	
	Dec '17	Dec '16	Dec '17 ⁽¹⁾	Dec '16 ⁽²⁾
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	12,807,070	12,837,614	648,939	621,255
Restricted cash	84,855	123,973	4,300	5,999
Customers, net	5,776,360	6,662,529	292,690	322,422
Income tax recoverable	819,476	846,056	41,523	40,943
Inventories	14,687,050	13,751,274	744,198	665,470
Other current assets	2,626,694	2,720,783	133,096	131,668
Total current assets	36,801,505	36,942,229	1,864,746	1,787,758
NON-CURRENT ASSETS:				
Property, plant and equipment, net	35,268,405	33,089,282	1,787,063	1,601,301
Intangible assets, net	15,714,594	15,753,001	796,264	762,340
Goodwill	14,742,249	10,911,844	746,995	528,061
Deferred income tax	2,792,463	2,995,464	141,495	144,961
Investments in associates and joint ventures	92,996	945,968	4,712	45,779
Other non-current assets	174,005	122,980	8,817	5,951
Total non-current assets	68,784,712	63,818,540	3,485,347	3,088,392
Total assets	105,586,217	100,760,769	5,350,093	4,876,150
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Current debt	2,379,616	442,238	120,576	21,401
Notes payables	70,146	57,415	3,554	2,779
Suppliers	20,866,955	21,376,345	1,057,336	1,034,473
Income tax payable	1,783,816	667,648	90,387	32,310
Provisions	323,565	211,005	16,395	10,211
Other current liabilities	5,183,749	4,964,414	262,662	240,245
Total current liabilities	30,607,848	27,719,065	1,550,911	1,341,418
NON-CURRENT LIABILITIES:				
Non-current debt	48,029,505	47,400,372	2,433,673	2,293,862
Notes payables	313,932	345,805	15,907	16,735
Deferred income taxes	4,068,122	3,846,026	206,133	186,122
Employees benefits	1,339,070	1,117,998	67,851	54,104
Provisions	110,133	348,473	5,580	16,864
Income tax payable	2,341,907	2,460,047	118,665	119,050
Other non-current liabilities	486,305	475,414	24,641	23,007
Total pasivo a largo plazo	56,688,973	55,994,135	2,872,451	2,709,743
Total liabilities	87,296,821	83,713,200	4,423,362	4,051,161
STOCKHOLDERS' EQUITY				
Total controlling interest:	17,597,331	16,429,586	891,663	795,083
Total non-controlling interest:	692,065	617,983	35,067	29,906
Total stockholders' equity	18,289,396	17,047,569	926,730	824,989
Total liabilities and stockholders' equity	105,586,217	100,760,769	5,350,093	4,876,150

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 19.7354 per U.S. Dollar, the exchange rate published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars on december 31, 2017.

(2) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 20.6640 per U.S. Dollar, the exchange rate published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars on december 31, 2016.

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



STATEMENT OF INCOME

Information in thousands

	(Thousands of pesos)		(Thousands of U.S. Dollars)	
	IV Quarter 17	IV Quarter 16	IV Quarter 17 ⁽¹⁾	IV Quarter 16 ⁽²⁾
Revenue	30,161,640	28,521,486	1,592,743	1,438,166
Cost of sales	(21,941,195)	(20,602,173)	(1,158,575)	(1,038,703)
Gross profit	8,220,446	7,919,312	434,168	399,463
Selling expenses	(4,676,555)	(4,393,911)	(247,059)	(221,863)
Administrative expenses	(1,072,429)	(1,102,005)	(56,787)	(55,861)
Other income (expenses), net	23,155	(328,161)	1,255	(16,047)
Operating profit	2,494,617	2,095,235	131,576	105,692
Comprehensive financial expenses, net	(1,057,380)	(696,620)	(55,617)	(34,975)
Equity in income (loss) of associates	(383)	16,329	(20)	825
Profit before income tax	1,436,854	1,414,943	75,938	71,541
Income tax	257,877	(103,932)	13,471	(6,105)
Net consolidated profit	1,694,732	1,311,011	89,409	65,436
Profit (loss) attributable to:				
Controlling interest	1,672,644	1,297,194	88,250	64,746
Non-controlling interest	22,088	13,816	1,159	690

(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 december 31, 2017.

(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 december 31, 2016.

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