



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

SELECTED FINANCIAL INFORMATION (US \$ MILLIONS)

	1Q19	4Q18	1Q18	Ch. % vs. 4Q18	Ch. % vs. 1Q18
Revenues	1,516	1,596	1,552	(5)	(2)
Mexico	653	656	636	-	3
Europe	509	595	559	(15)	(9)
United States	239	224	240	7	(1)
Latam	116	122	117	(5)	(1)
EBITDA	166	174	162	(4)	2
Mexico	91	83	85	10	7
Europe	28	50	36	(45)	(22)
United States	36	27	31	33	14
Latam	12	14	10	(17)	13
CAPEX & Acquisitions¹	26	73	27	(65)	(6)
Net Debt	2,020	1,859	2,078	9	(3)
Net Debt / LTM EBITDA*	2.9	2.7	3.0		
LTM Interest Coverage*	5.3	5.3	6.0		

* Times. LTM = Last 12 months

¹ Gross amount; does not include divestments

Revenues amounted to US \$1,516 million, 2% lower than 1Q18. On a currency neutral basis, revenues were up 2% year-on-year. Mexico sales increased 5% in Pesos, European sales decreased 2% in Euros, U.S. sales were 1% lower and Latin American sales were 3% higher in local currencies when compared to 1Q18 (see table 2).

EBITDA was US \$166 million, up 2% versus 1Q18, supported by margin improvement in Mexico, U.S. and Latam. The 22% year-over-year decrease in Europe's EBITDA was primarily due to weak results from the fresh meat business in Spain and the depreciation of the Euro against the US Dollar, among others. On a currency neutral basis, Sigma's 1Q19 EBITDA was up 5% year-over-year (see table 3).

Capital expenditures (CAPEX) & Acquisitions totaled US \$26 million, mainly for maintenance and expansion projects across all regions.

Net Debt was US \$2.020 billion, down 3% when compared to 1Q18 and up 9% when compared to 4Q18. On an absolute basis, Sigma's Net Debt increased US \$161 million year-to-date which includes a US \$97 million impact from the adoption of a new accounting standard for long term leases (IFRS 16) beginning in January. Despite the IFRS16 impact, Net Debt decreased US \$58 million vs 1Q18 supported by strong cash generation. Financial ratios at the end of 1Q19 were Net Debt to EBITDA of 2.9 times and Interest Coverage of 5.3 times (see table 4).

INDUSTRY COMMENTS - SIGMA

Consumer confidence was varied during the quarter, while food retail sales increased slightly across all regions. In Mexico, the average consumer confidence index reported by INEGI (Instituto Nacional de Estadística y Geografía – National Institute for Statistics and Geography) rose 37% year-on-year and 9% vs 4Q18, while same-store-sales reported by the National Association of Supermarkets and Department Stores (ANTAD) increased only 2% year-on-year in nominal Pesos. In the U.S., the average consumer confidence index decreased 1% year-on-year as reported by The Conference Board, and food retail sales increased 3% year-on-year, reported by the U.S. Census Bureau. In Europe, according to the European Commission, the average consumer confidence index decreased from positive 0.5 in 1Q18 to negative 7.5 during 1Q19, and food retail sales according to Eurostat increased 1%.

Key raw material prices were mixed during the quarter and varied by region. In the Americas, the price for turkey thigh and chicken decreased 1% and 4% year-on-year, respectively. By contrast, pork ham and turkey breast prices changed significantly, being 13% lower and 33% higher, respectively, when compared to 1Q18. These figures do not include the 20% tariffs imposed by the Mexican government to pork imports on June 2018.

In Europe, compared to 1Q18, price for pork ham was 1% higher, while price for pork shoulder was 5% lower.

RESULTS BY REGION - SIGMA

During 1Q19, sales in Mexico accounted for 43% of the quarter's total, while Europe represented 33%, the U.S. 16%, and Latin America 8%.

Mexico sales and EBITDA in Pesos increased 5% and 10%, year-on-year, respectively. Higher average prices and a favorable currency environment contributed to higher EBITDA margins.

Europe sales and EBITDA in euros decreased 2% and 16% year-on-year, respectively. Margin improvement from the La Bureba plant efficiencies was offset by lower results from the fresh meat business in Spain, mainly due to pressures in margins from buying live hogs and selling pork cuts. Additionally, results were impacted by lower sales volume in Italy.

United States operations experienced margin improvement mainly supported by price increases that were implemented since the end of 4Q18. 1Q19 U.S. sales decreased 1% year-on-year mainly due to lower sales volume. EBITDA increased 14% year-on-year due to higher average prices and a favorable cost structure.

Latam sales in US Dollars during 1Q19 decreased 1% year-on-year. In contrast, EBITDA increased 13% year-on-year mainly due to a significant margin expansion in the Peruvian and Costa Rican operations. On a currency neutral basis, sales and EBITDA increased 3% and 17% respectively, when compared to 1Q18.

RECENT DEVELOPMENTS - SIGMA

Raw Materials	<ul style="list-style-type: none"> • Recent rise in pork prices due to African Swine Fever (ASF) cases reported mainly in China • ASF is a viral disease in pork, not a threat to humans • China's pork production is expected to continue decreasing • Sigma is closely monitoring this situation and working on different fronts to offset the potential impact on its operations
Exchange Rate Hedges	<ul style="list-style-type: none"> • Continued hedging strategy, executing forward Mexican Peso contracts • Forward contracts amount to US \$550 million • Cover six months of Mexican operations' dollar needs
New CFO	<ul style="list-style-type: none"> • In February, Sigma announced that Eugenio Caballero, Sigma's CFO, would take a new role as CEO Sigma Mexico. • Roberto Olivares was appointed Sigma's CFO. Over the past 11 years, Roberto has engaged in different areas within Sigma and ALFA. Prior to the announcement, he served as Sigma's Finance VP. He holds a B.S. in Economics from Universidad de Monterrey and an MBA from Duke University • Changes were effective as of March 15, 2019

(See "Financial Statements" for Sigma's 1Q19 Balance Sheet and Income Statement)

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

	1Q19 vs.	
	4Q18	1Q18
Total Volume	(3.4)	(0.7)
Avg. Ps. Prices	(4.7)	0.8
Avg. US \$ Prices	(1.7)	(1.6)

Table 2 | SIGMA - REVENUES (US \$ Millions)

	1Q19	4Q18	1Q18	(%) 1Q19 vs.	
				4Q18	1Q18
Total Revenues					
Ps. Millions	29,146	31,651	29,111	(8)	-
US \$ Millions	1,516	1,596	1,552	(5)	(2)
Domestic Revenues					
Ps. Millions	12,544	12,992	11,929	(3)	5
US \$ Millions	653	656	636	-	3
Foreign Revenues					
Ps. Millions	16,602	18,658	17,182	(11)	(3)
US \$ Millions	864	941	916	(8)	(6)
Foreign / Total (%)	57	59	59		

Table 3 | SIGMA - OPERATING INCOME AND EBITDA (US \$ Millions)

	1Q19	4Q18	1Q18	(%) 1Q19 vs.	
				4Q18	1Q18
Operating Income					
Ps. Millions	2,095	770	2,025	172	3
US \$ Millions	109	40	108	171	1
EBITDA					
Ps. Millions	3,195	3,448	3,044	(7)	5
US \$ Millions	166	174	162	(4)	2

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

	1Q19	4Q18	1Q18
Assets	5,056	5,102	5,864
Liabilities	4,228	4,235	4,915
Stockholders' Equity	828	867	949
Majority Equity	799	837	913
Net Debt	2,020	1,859	2,078
Net Debt/EBITDA*	2.9	2.7	3.0
Interest Coverage*	5.3	5.3	6.0

*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)	
	Mar '19	Mar '18	Mar '19 ⁽¹⁾	Mar '18 ⁽²⁾
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	10,453,907	19,151,363	539,437	1,043,984
Restricted cash	11,627	78,872	600	4,299
Customers, net	7,239,304	7,868,588	373,559	428,934
Income tax recoverable	504,592	404,486	26,038	22,049
Inventories	14,734,571	14,751,418	760,325	804,133
Other current assets	309,174	341,550	15,954	18,619
Derivative financial instruments	193,847	0	10,003	0
Total current assets	33,447,023	42,596,277	1,725,915	2,322,019
NON-CURRENT ASSETS:				
Property, plant and equipment, net	32,690,047	33,714,027	1,686,854	1,837,828
Intangible assets, net	15,930,966	14,766,506	822,061	804,956
Goodwill	13,129,202	14,073,086	677,486	767,156
Deferred income tax	2,093,836	2,159,408	108,045	117,714
Derivative financial instruments	436,395	0	22,519	0
Investments in associates and joint ventures	100,985	90,253	5,211	4,920
Other non-current assets	117,811	128,761	6,077	7,019
Restricted cash	34,881	44,027	1,800	2,400
Total non-current assets	64,534,124	64,976,068	3,330,052	3,541,992
Total assets	97,981,147	107,572,345	5,055,967	5,864,011
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Current debt	5,699,875	2,254,914	294,122	122,920
Suppliers	24,498,376	23,538,129	1,264,152	1,283,661
Income tax payable	1,526,813	1,974,484	78,786	107,634
Provisions	125,657	151,326	6,484	8,249
Other current liabilities	(21,886)	(12,848)	(1,128)	(700)
Total current liabilities	31,828,835	27,906,006	1,642,415	1,521,765
NON-CURRENT LIABILITIES:				
Non-current debt	41,716,926	54,342,689	2,152,654	2,962,199
Notes payables	1,766,765	299,155	91,168	16,452
Deferred income taxes	3,489,113	3,626,954	180,043	197,713
Employees benefits	1,374,737	1,345,726	70,938	73,359
Provisions	73,313	106,936	3,783	5,829
Income tax payable	1,633,470	2,362,994	84,289	128,812
Other non-current liabilities	40,951	40,944	2,113	1,687
Derivative financial instruments	8,893	132,004	459	7,196
Total non-current liabilities	50,104,168	62,257,402	2,585,448	3,393,247
Total liabilities	81,933,003	90,163,408	4,227,863	4,915,012
STOCKHOLDERS' EQUITY				
Total controlling interest:	15,490,760	16,748,345	799,346	912,989
Total non-controlling interest:	557,383	660,594	28,762	36,011
Total stockholders' equity	16,048,143	17,408,940	828,107	949,001
Total liabilities and stockholders' equity	97,981,146	107,572,348	5,055,970	5,864,013

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 19.3793 per U.S. Dollar, the exchange rate published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars on March 31, 2019.

(2) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 18.3445 per U.S. Dollar, the exchange rate published by the Mexican Central Bank for payment of obligations denominated in U.S. dollars on March 31, 2018.

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

STATEMENT OF INCOME

Information in thousands	(Thousands of pesos)		(Thousands of U.S. Dollars)	
	I Quarter 19	I Quarter 18	I Quarter 19 ⁽¹⁾	I Quarter 18 ⁽²⁾
Revenue	29,145,812	29,110,981	1,516,361	1,551,918
Cost of sales	(20,800,681)	(20,936,337)	(1,082,194)	(1,116,099)
Gross profit	8,345,132	8,174,644	434,167	435,819
Selling expenses	(4,913,884)	(4,846,590)	(255,661)	(258,385)
Administrative expenses	(1,383,045)	(1,387,096)	(71,960)	(73,944)
Other income (expenses), net	45,883	84,449	2,386	4,508
Operating profit	2,094,086	2,025,407	108,933	107,997
Financial Income	64,320	90,206	3,345	4,800
Financial expenses	(607,501)	(575,234)	(31,606)	(30,659)
Gain (loss) due to exchange fluctuation, net	(29,712)	(230,989)	(1,543)	(11,941)
Equity in income (loss) of associates	(626)	(531)	(33)	(29)
Profit before income tax	1,520,567	1,308,859	79,096	70,170
Income tax	(727,135)	(1,032,756)	(37,820)	(54,945)
Net consolidated profit	793,432	276,104	41,276	15,225
Profit (loss) attributable to:				
Controlling interest	804,494	275,280	41,852	15,216
Non-controlling interest	(11,062)	823	(576)	9

(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 March 31, 2019.

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