



THIRD 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 \$ MILLIONS)

	3Q19	2Q19	3Q18	(%) 3Q19 vs.		YTD '19	YTD '18	Ch. %
				2Q19	3Q18			
Revenues	1,632	1,609	1,601	1	2	4,758	4,740	-
Mexico	678	678	668	-	1	2,009	1,951	3
Europe	573	550	568	4	1	1,632	1,686	(3)
United States	261	262	248	(1)	5	762	752	1
LatAm	120	119	117	1	2	354	351	1
EBITDA	182	179	180	1	1	527	510	3
Mexico	99	103	97	(4)	2	293	270	9
Europe	37	23	45	57	(18)	88	120	(27)
United States	35	41	27	(15)	27	112	92	22
LatAm	11	11	10	(3)	9	34	29	19
CAPEX & Acquisitions¹	55	31	41	79	32	111	107	4
Net Debt	2,040	2,050	1,932	-	6	2,040	1,932	6
Net Debt / LTM EBITDA*	2.9	2.9	2.7					
LTM Interest Coverage*	6.0	6.2	5.3					

* Times. LTM = Last 12 months

¹ Gross amount; does not include divestments

Revenues amounted to US \$1.632 billion, an increase of 2% when compared to 3Q18. On a currency neutral basis, revenues were up 5% year-on-year. During 3Q19, revenues in local currencies increased 4% in Mexico, 5% in Europe, 5% in the U.S. and 3% in LatAm, when compared to 3Q18. Accumulated Revenues were US \$4.758 billion, flat when compared to the same period in 2018 (see table 2).

EBITDA was US \$182 million, up 1% year on year. Adjusting for an extraordinary, non-cash net gain of US \$6 million in 3Q18, Comparable EBITDA increased 4% driven by higher margins in the U.S., Mexico and LatAm. On a currency neutral basis, Sigma's 3Q19 Comparable EBITDA was up 7% year-over-year. Accumulated EBITDA was US \$527 million, up 3% versus the first nine months of 2018 (see table 3).

Capital expenditures (CAPEX) & Acquisitions totaled US \$55 million, utilized mainly for maintenance and expansion projects across all regions. Accumulated Capex was US \$111 million, up 4% versus the same period in 2018.

Net Debt was US \$2.040 billion, up 6% when compared to 3Q18 and flat versus 2Q19. On an absolute basis, Sigma's Net Debt increased US \$181 million year-to-date due to a US \$119 million impact from the adoption of IFRS16 beginning in January 2019, as well as seasonality and higher raw material inventories as part of the strategy to mitigate the impact of the African Swine Fever (ASF) on its results. Year-on-year, Sigma's Net Debt increased US \$108 million which includes the US \$119 impact from IFRS16. Financial ratios at the end of 3Q19 were Net Debt to EBITDA of 2.9 times and Interest Coverage of 6.0 times (see table 4).

INDUSTRY COMMENTS - SIGMA

During 3Q19, food retail sales slightly increased in all regions where Sigma operates, while consumer confidence presented mixed results. In Mexico, the average consumer confidence index reported by National Institute for Statistics and Geography (INEGI) increased 2% when compared to 3Q18, but decreased 3% vs 2Q19. Additionally, same-store-sales reported by the National Association of Supermarkets and Department Stores (ANTAD) were up 3% year-on-year in nominal Pesos.

In the U.S., the average consumer confidence index reported by The Conference Board decreased 1% year-on-year, whereas food retail sales reported by the U.S. Census Bureau increased 4% year-on-year.

In Europe, according to the European Commission, the average consumer confidence index worsened from negative 5.1 in 3Q18 to negative 6.7 during 3Q19. 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, prices for pork cuts continued to be affected by ASF during 3Q19. As a result, the prices of pork shoulder and pork ham increased 33% and 30% versus 3Q18, respectively. However, when compared to 2Q19, pork shoulder and pork ham increased 6% and 4%, respectively.

In the Americas, pork ham price increased 21% when compared to 3Q18, also due to ASF. In regards of poultry prices, turkey thigh, turkey breast and chicken were 19%, 5% and 2% higher year-on-year, respectively.

RESULTS BY REGION - SIGMA

During 3Q19, sales in Mexico accounted for 42% of the quarter's total, while Europe represented 35%, the U.S. 16%, and Latin America 7%.

Mexico Peso-denominated 3Q19 sales and EBITDA increased 4% year-on-year, driven by higher average prices as well as the lifting of import tariffs on U.S. pork and cheese products which reduced pressure on raw material prices.

Europe 3Q19 sales and EBITDA in euros increased 5% and decreased 15% year-on-year, respectively. Adjusting for an extraordinary, non-cash net gain in 3Q18, Comparable Europe EBITDA in euros decreased 3% versus the same period last year reflecting higher costs associated with ASF. When compared to 2Q19, EBITDA margin in Europe improved more than 200 basis points driven mainly by higher average prices.

United States 3Q19 sales and EBITDA increased 5% and 27% year-on-year, respectively, driven by higher average prices. Additionally, the performance of the mainstream and Hispanic businesses showed solid results during the quarter.

LatAm 3Q19 sales in local currencies increased 3% year-on-year. EBITDA in local currencies increased 10% in 3Q19 when compared to the same period last year, supported by margin expansion in all countries, specifically Costa Rica and Dominican Republic.

RECENT DEVELOPMENTS - SIGMA

New President	<ul style="list-style-type: none"> Rodrigo Fernández assumed his new position as Sigma’s President & CEO on August 1st. During his 21-year career at Sigma, Rodrigo has served as COO, CEO of Sigma Americas, CFO and Central Marketing Officer, among others. He holds a B.A. in Economics from the University of Virginia and an MBA from the Wharton School of the University of Pennsylvania
New Business Unit – “Global Snacking”	<ul style="list-style-type: none"> Sigma created a new “Global Snacking” business unit that will work across geographies and together with central areas to boost its protein-based snack category In 2018, the snacking category represented 3% of Sigma sales in 2018
Innovation	<ul style="list-style-type: none"> Products developed through Sigma’s innovation platform represented 11% of accumulated sales in 2019 Year-to-date, Sigma has launched more than 200 new products Currently, its innovation platform has a pipeline of approximately 700 new products
Raw Material Hedges	<ul style="list-style-type: none"> Sigma continued its financial program to partially hedge its pork needs with lean hog future contracts that mature from November 2019 to April 2020
Financial Hedges	<ul style="list-style-type: none"> Sigma unwound its Cross-Currency Swaps that hedge its December 2019 Bond, and \$30 million out of the \$250 million hedge for its 2026 Bond At the close of 3Q19, forward contracts to cover the U.S. dollar needs for the Mexican operations amount to US \$415 million, equivalent to approximately six months of U.S. dollar needs

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

	3Q19 vs.		YTD '19 vs. YTD '18
	2Q19	3Q18	
Total Volume	0.8	1.1	(0.5)
Avg. Ps. Prices	2.1	3.2	2.0
Avg. US \$ Prices	0.6	0.9	0.8

Table 2 | SIGMA - REVENUES

	3Q19	2Q19	3Q18	(%) 3Q19 vs.		YTD '19	YTD '18	Ch. %
				2Q19	3Q18			
Total Revenues								
Ps. Millions	31,688	30,776	30,384	3	4	91,610	90,249	2
US \$ Millions	1,632	1,609	1,601	1	2	4,758	4,740	-
Domestic Revenues								
Ps. Millions	13,389	12,966	12,682	3	6	38,900	37,136	5
US \$ Millions	690	678	668	2	3	2,021	1,951	4
Foreign Revenues								
Ps. Millions	18,299	17,810	17,701	3	3	52,710	53,113	(1)
US \$ Millions	942	931	933	1	1	2,737	2,789	(2)
Foreign / Total (%)	58	58	58			58	59	

Table 3 | SIGMA - OPERATING INCOME AND EBITDA

	3Q19	2Q19	3Q18	(%) 3Q19 vs.		YTD '19	YTD '18	Ch. %
				2Q19	3Q18			
Operating Income								
Ps. Millions	2,424	2,354	2,433	3	-	6,872	6,668	3
US \$ Millions	125	123	128	1	(3)	357	350	2
EBITDA								
Ps. Millions	3,525	3,425	3,412	3	3	10,144	9,706	5
US \$ Millions	182	179	180	1	1	527	510	3

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

	3Q19	2Q19	3Q18
Assets	5,038	5,155	5,185
Liabilities	4,212	4,263	4,215
Stockholders' Equity	826	892	970
Majority Equity	798	863	936
Net Debt	2,040	2,050	1,932
Net Debt/EBITDA*	2.9	2.9	2.7
Interest Coverage*	6.0	6.2	5.3

* 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)	
	Sept '19	Sept '18	Sept '19 ⁽¹⁾	Sept '18 ⁽²⁾
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	10,136,271	10,602,631	516,201	563,610
Restricted cash	11,781	50,543	600	2,687
Customers, net	7,303,292	7,292,827	371,928	387,669
Income tax recoverable	330,855	335,623	16,849	17,841
Inventories	16,691,767	14,831,399	850,046	788,401
Other current assets	486,167	456,520	24,759	24,267
Derivative financial instruments	132,399	0	6,743	0
Total current assets	35,092,532	33,569,543	1,787,126	1,784,475
NON-CURRENT ASSETS:				
Property, plant and equipment, net	32,213,395	32,969,228	1,640,502	1,752,564
Intangible assets, net	15,749,489	15,453,053	802,060	821,447
Goodwill	12,987,239	12,940,707	661,389	687,896
Deferred income tax	1,986,840	2,237,794	101,182	118,956
Derivative financial instruments	392,389	101,951	19,983	5,419
Investments in associates and joint ventures	347,878	102,944	17,716	5,472
Other non-current assets	128,227	126,928	6,531	6,747
Restricted cash	23,563	33,862	1,200	1,800
Total non-current assets	63,829,020	63,966,467	3,250,563	3,400,301
Total assets	98,921,552	97,536,010	5,037,689	5,184,776
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Current debt	6,249,487	652,434	318,262	34,682
Suppliers	25,731,421	24,296,862	1,310,401	1,291,559
Income tax payable	1,662,605	1,889,277	84,670	100,429
Provisions	85,898	188,698	4,374	10,031
Other current liabilities	(24,620)	(7,483)	(1,253)	(399)
Total current liabilities	33,704,791	27,019,788	1,716,454	1,436,302
NON-CURRENT LIABILITIES:				
Non-current debt	41,738,387	45,689,675	2,125,573	2,428,753
Notes payables	1,816,018	248,361	92,483	13,201
Deferred income taxes	3,365,408	3,479,434	171,387	184,958
Employees benefits	1,459,950	1,403,877	74,350	74,627
Provisions	70,620	96,124	3,596	5,110
Income tax payable	513,438	1,276,623	26,147	67,862
Other non-current liabilities	41,000	36,705	2,088	1,956
Derivative financial instruments	0	43,349	0	2,304
Total non-current liabilities	49,004,821	52,274,148	2,495,624	2,778,769
Total liabilities	82,709,612	79,293,936	4,212,078	4,215,071
STOCKHOLDERS' EQUITY				
Total controlling interest:	15,670,282	17,607,232	798,026	935,957
Total non-controlling interest:	541,658	634,842	27,584	33,749
Total stockholders' equity	16,211,940	18,242,074	825,611	969,705
Total liabilities and stockholders' equity	98,921,552	97,536,010	5,037,689	5,184,776

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 19.6363 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, 2019.

(2) 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.

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)	
	III Quarter 19	III Quarter 18	YTD 19	YTD 18	III Quarter 19 ⁽¹⁾	III Quarter 18 ⁽¹⁾	YTD 19 ⁽¹⁾	YTD 18 ⁽¹⁾
Revenue	31,687,979	30,383,554	91,609,951	90,249,318	1,632,215	1,601,182	4,757,768	4,740,099
Cost of sales	(22,778,872)	(21,815,016)	(65,716,939)	(64,916,021)	(1,173,332)	(1,149,642)	(3,413,001)	(3,409,051)
Gross profit	8,909,107	8,568,538	25,893,013	25,333,298	458,883	451,541	1,344,767	1,331,048
Selling expenses	(5,131,004)	(4,974,443)	(15,135,195)	(14,882,318)	(264,246)	(262,105)	(786,077)	(781,908)
Administrative expenses	(1,395,671)	(1,314,303)	(4,037,444)	(4,044,470)	(71,904)	(69,236)	(209,714)	(212,509)
Other income (expenses), net	41,738	153,048	151,546	261,780	2,156	8,049	7,891	13,723
Operating profit	2,424,170	2,432,841	6,871,920	6,668,290	124,888	128,249	356,867	350,354
Financial Income	73,243	65,133	208,901	215,966	3,773	3,427	10,851	11,336
Financial expenses	(636,188)	(555,097)	(1,874,000)	(2,070,954)	(32,756)	(29,255)	(97,313)	(109,260)
Gain (loss) due to exchange fluctuation, net	67,665	(41,438)	(378,157)	403,411	3,020	(1,923)	(20,265)	21,176
Equity in income (loss) of associates	(447)	16,988	(1,730)	16,433	(23)	904	(90)	874
Profit before income tax	1,928,444	1,918,427	4,826,935	5,233,146	98,903	101,400	250,049	274,479
Income tax	(660,422)	(1,292,734)	(1,996,141)	(2,410,480)	(34,184)	(67,914)	(103,939)	(126,994)
Net consolidated profit	1,268,022	625,693	2,830,793	2,822,665	64,719	33,486	146,111	147,486
Profit (loss) attributable to:								
Controlling interest	1,274,933	614,254	2,849,802	2,825,054	65,080	32,766	147,104	146,370
Non-controlling interest	(6,912)	11,439	(19,009)	(2,388)	(360)	720	(993)	1,116

(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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