



SECOND QUARTER 2020 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 and 210 distribution centers in 18 countries across its four key regions: Mexico, Europe, the United States, and Latin America.

SELECTED FINANCIAL INFORMATION (US \$ MILLIONS)

	2Q20	1Q20	2Q19	(%) 2Q20 vs.		YTD `20	YTD `19	Ch. %
				1Q20	2Q19			
Revenues	1,470	1,637	1,609	(10)	(9)	3,107	3,126	(1)
Mexico	527	679	678	(22)	(22)	1,206	1,331	(9)
Europe	535	572	550	(7)	(3)	1,107	1,059	5
United States	298	268	262	11	14	567	501	13
LatAm	110	118	119	(7)	(8)	228	235	(3)
EBITDA	159	169	179	(6)	(11)	327	345	(5)
Mexico	73	90	103	(19)	(29)	163	194	(16)
Europe	21	25	23	(17)	(11)	46	51	(10)
United States	56	42	41	32	36	98	77	28
LatAm	9	11	11	(16)	(21)	20	23	(14)
CAPEX & Acquisitions	35	23	31	53	15	58	56	3
Net Debt	1,996	2,037	2,050	(2)	(3)	1,996	2,050	(3)
Net Debt / LTM EBITDA*	2.9	2.9	2.9					
LTM Interest Coverage ^{1*}	5.5	5.9	6.2					

* Times. LTM = Last 12 months

¹ Interest Coverage = EBITDA/Net Financial Expenses

During the quarter, Sigma's operations continued facing the COVID-19 global contingency, one of the biggest challenges in its history. The company's priority continued to be protecting the health and safety of its employees as they continue "bringing communities everywhere favorite food to love", as stated by the institutional purpose. To achieve this, strict preventive measures and protocols are being implemented and constantly updated across geographies in order to better protect employees, customers, suppliers and consumers. Thanks to its dedicated and talented team, Sigma has rapidly adapted to minimize the impact of COVID-19.

Revenues amounted to US \$1.470 billion, down 9% when compared to 2Q19. Results were mainly impacted by the FX conversion effect in Mexico and a decrease in Foodservice sales across regions, amid the temporary closure of hotels and restaurants. On a currency neutral basis and excluding Foodservice results, sales during 2Q20 were 7% higher year-on-year. During 2Q20, revenues in local currencies and excluding Foodservice results increased 8% in Mexico, 3% in Europe, 13% in the U.S. and 10% in Latin America, all versus 2Q19. Accumulated Revenues were US \$3.107 billion, slightly below when compared to the same period in 2019 (see table 2). On a currency neutral basis and excluding Foodservice results, accumulated sales were up 9% year-on-year.

EBITDA was US \$159 million, down 11% year-on-year mainly due to the FX conversion effect in Mexico and the impact on the results of the Foodservice distribution channel. On a currency neutral basis and excluding results from Foodservice, 2Q20 Proforma EBITDA increased 12% when compared to 2Q19. Accumulated EBITDA was US \$327 million, down 5% versus the first half of 2019. On a currency neutral basis and excluding Foodservice results, accumulated Proforma EBITDA was up 9% year-on-year (see table 3).

Capital expenditures (CAPEX) & Acquisitions amounted to US \$35 million in 2Q20, mainly for maintenance projects across all regions. Accumulated CAPEX totaled US \$58 million.

Net Debt was US \$1.996 billion, down 3% and 2% when compared to 2Q19 and 1Q20, respectively. Cash totaled US \$655 million at the end of the second quarter, up US \$135 million versus year end 2019, as Sigma reinforced its liquidity by drawing down a portion of its credit lines as a precautionary measure amid COVID-19. Sigma also reinforced its liquidity by increasing available committed credit lines from US \$289 million to US \$739 million during the quarter. Financial ratios at the end of 2Q20 were Net Debt to EBITDA of 2.9 times and Interest Coverage of 5.5 times (see table 4).

INDUSTRY COMMENTS

During the second quarter, COVID-19 presented a challenge to the global economy due to the effects of the preventive lockdown on consumer behavior and on the operations of some companies, leading to lower economic growth expectations and higher unemployment. As a result, in 2Q20, consumer confidence was lower across the globe, when compared to last year.

In Mexico, the average consumer confidence indicator reported by INEGI (Instituto Nacional de Estadística y Geografía – National Institute for Statistics and Geography) was 29% and 27% lower when compared to 2Q19 and 1Q20, respectively. Additionally, same-store-sales reported by the National Association of Supermarkets and Department Stores (ANTAD) decreased 21% year-on-year in nominal Pesos, mainly due to lower sales from department and non-essential goods stores.

In the U.S., the average consumer confidence index reported by The Conference Board in 2Q20 decreased 30% year-on-year, due to effects of COVID-19 on the economy. In contrast, food retail sales reported by the U.S. Census Bureau were 13% higher when compared to 2Q19 primarily reflecting a change in consumer behavior from eating out to eating more at home.

In Europe, the average consumer confidence index reported by the European Commission decreased from negative 7.0 in 2Q19 to negative 18.5 in 2Q20. Similar to the other regions, food retail sales, according to Eurostat, increased 3% year-on-year.

During 2Q20, key raw material prices remained below 2Q19 and 1Q20 levels due to high inventory levels in the U.S. and lower commercial activity worldwide associated with the COVID-19 lockdown. In Europe, both pork ham and pork shoulder prices decreased 4% and 3% year-on-year, respectively. When compared to 1Q20, prices for pork ham and pork shoulder were down 12% and 16%, respectively.

In the U.S., pork ham prices decreased 47% versus 2Q19 and 39% versus 1Q20. In regards to poultry prices, turkey breast and turkey thigh were 20% and 17% lower, respectively, year-on-year, whereas chicken was 5% higher year-on-year. When compared to 1Q20, turkey breast and turkey thigh prices decreased 7% and 23%, respectively, while chicken prices increased 5%.

Given that Sigma's operations in Mexico source most of its raw materials from the U.S., the decrease on raw materials prices was offset by a 22% year-on-year depreciation of the Mexican peso against the dollar.

RESULTS BY REGION

During 2Q20, sales in Mexico accounted for 36% of the quarter's total, while Europe represented 36%, the U.S. 20%, and Latin America 8%.

Mexico Peso-denominated 2Q20 sales and EBITDA decreased 5% and 14% year-on-year, respectively, mainly impacted by lower results from the Foodservice channel due to the temporary closure of hotels and restaurants as a COVID-19 preventive measure. Excluding Foodservice results, sales and EBITDA in pesos increased 8% and 6% versus 2Q19, respectively.

Europe 2Q20 sales and EBITDA in Euros were 1% and 9% lower, respectively, when compared to 2Q19, mostly due to a lower sales volume on the Foodservice channel caused by the contingency, particularly in Spain. Excluding Foodservice results, sales and EBITDA in Euros increased 3% and decreased 5% versus 2Q19, respectively.

United States had an outstanding performance in 2Q20. Sales and EBITDA increased 14% and 36% year-on-year, respectively, boosted by record-high volume. The Mainstream and Hispanic business segments posted strong results supported by an effective ramp-up of operations amid higher demand.

LatAm 2Q20 sales and EBITDA in local currencies were down 5% and 19%, respectively, versus 2Q19. Lower sales in the Foodservice channel, mainly in Peru, impacted the results of the region. Excluding Foodservice results, revenues and EBITDA increased 10% and 12% versus 2Q19, respectively.

RECENT DEVELOPMENTS

COVID-19	<p>Global and regional task forces continue working on the following workstreams:</p> <ul style="list-style-type: none"> • Safety & Business continuity <ul style="list-style-type: none"> - As of today, all production plants and distribution centers continue operating following strict health & safety protocols to prevent the spread of the virus - Sigma has developed and applied +90 safety protocols and procedures in order to take care of employees, customers, suppliers and consumers - Sigma’s supply chain has not presented disruptions • Liquidity <ul style="list-style-type: none"> - Strong cash position of US \$655 million <ul style="list-style-type: none"> ▪ Short-term debt of US \$305 million maturing 3Q20, that was disbursed during 1Q20 as a precautionary measure to ensure cash position, was prepaid during 2Q20 ▪ US \$177 million were disbursed maturing April 2021 - New committed credit lines for US \$450 million <ul style="list-style-type: none"> ▪ Total available: US \$739 million - Comfortable debt profile – next long-term maturity in 2024 - Financial Discipline (Cost, Expenses & CAPEX)
New Business Unit – “Global Plant-based”	<ul style="list-style-type: none"> • Sigma created a new “Global Plant-based” business unit that will work across geographies and together with central areas to boost its plant-based foods category
Innovation	<ul style="list-style-type: none"> • During the first half of 2020, +250 new products were launched through Sigma’s innovation platform • Currently, the company has an innovation pipeline of +750 products • Some of the most relevant launches of the first six months were the Veggie balls in Europe and Mexican traditional cheeses in the U.S.
Tastech by Sigma	<ul style="list-style-type: none"> • Tastech, Sigma’s first worldwide acceleration program, postponed to September, via online, its presentation of pilot test results due to COVID-19 • During May, a special edition of the program was launched to address challenges presented by COVID-19. Currently, one startup is working on a pilot test related to digital connections with customers and consumers in Europe
Financial Hedges	<ul style="list-style-type: none"> • Sigma continued its hedging strategy to cover the US dollar needs for the Mexican operations. At the end of 2Q20, FX forwards amounted US \$445 million @22.58 MXN/USD, equivalent to approximately seven months of US dollar needs

Table 1 | VOLUME AND PRICE CHANGES (%)

	2Q20 vs.		YTD '20 vs.
	1Q20	2Q19	YTD '19
Total Volume	(4.4)	(4.5)	(0.3)
Avg. Ps. Prices	10.1	16.6	11.9
Avg. US \$ Prices	(6.1)	(4.4)	(0.3)

Table 2 | REVENUES

	2Q20	1Q20	2Q19	(%) 2Q20 vs.		YTD '20	YTD '19	Ch.%
				1Q20	2Q19			
Total Revenues								
Ps. Millions	34,287	32,569	30,776	5	11	66,856	59,922	12
US \$ Millions	1,470	1,637	1,609	(10)	(9)	3,107	3,126	(1)
Domestic Revenues								
Ps. Millions	12,304	13,394	12,966	(8)	(5)	25,698	25,510	1
US \$ Millions	527	678	678	(22)	(22)	1,205	1,331	(9)
Foreign Revenues								
Ps. Millions	21,983	19,175	17,810	15	23	41,158	34,412	20
US \$ Millions	942	960	931	(2)	1	1,902	1,795	6
Foreign / Total (%)	64	59	58			61	57	

Table 3 | OPERATING INCOME AND EBITDA

	2Q20	1Q20	2Q19	(%) 2Q20 vs.		YTD '20	YTD '19	Ch.%
				1Q20	2Q19			
Operating Income								
Ps. Millions	2,458	2,282	2,354	8	4	4,741	4,448	7
US \$ Millions	106	114	123	(7)	(14)	219	232	(6)
EBITDA								
Ps. Millions	3,695	3,375	3,425	9	8	7,070	6,619	7
US \$ Millions	159	169	179	(6)	(11)	327	345	(5)

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

	2Q20	1Q20	2Q19
Assets	5,274	5,388	5,155
Liabilities	4,256	4,439	4,263
Stockholders' Equity	1,018	949	892
Majority Equity	1,018	949	863
Net Debt	1,996	2,037	2,050
Net Debt/EBITDA*	2.9	2.9	2.9
Interest Coverage*	5.5	5.9	6.2

* 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 '20	Jun '19	Jun '20 ⁽¹⁾	Jun '19 ⁽²⁾
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	14,982,369	9,779,759	652,216	510,199
Restricted cash	41,350	23,003	1,800	1,200
Customers, net	7,365,156	7,606,019	320,621	396,798
Income tax recoverable	554,514	346,158	24,139	18,059
Inventories	20,340,540	16,211,606	885,469	845,742
Other current assets	656,349	337,118	28,572	17,587
Derivative financial instruments	425,497	161,030	18,523	8,401
Total current assets	44,365,775	34,464,693	1,931,340	1,797,986
NON-CURRENT ASSETS:				
Property, plant and equipment, net	36,351,959	32,612,459	1,582,481	1,701,357
Intangible assets, net	18,741,508	15,658,850	815,859	816,905
Goodwill	15,751,723	13,161,456	685,707	686,619
Deferred income tax	4,271,267	2,246,204	185,938	117,182
Derivative financial instruments	1,421,973	432,000	61,902	22,537
Investments in associates and joint ventures	118,374	97,122	5,153	5,067
Other non-current assets	104,001	124,938	4,527	6,518
Restricted cash	32,500	23,003	1,415	1,200
Total non-current assets	76,793,305	64,356,032	3,342,982	3,357,385
Total assets	121,159,080	98,820,725	5,274,322	5,155,371
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Current debt	5,139,451	5,866,728	223,732	306,061
Suppliers	29,642,690	25,775,760	1,290,412	1,344,694
Income tax payable	802,410	1,605,144	34,931	83,739
Provisions	114,114	105,098	4,968	5,483
Derivative financial instruments	221,348	66,403	9,636	3,464
Other current liabilities	10,064	(28,989)	438	(1,512)
Total current liabilities	35,930,077	33,390,144	1,564,117	1,741,928
NON-CURRENT LIABILITIES:				
Non-current debt	53,056,449	41,243,781	2,309,664	2,151,644
Notes payables	2,237,729	1,564,507	97,413	81,619
Deferred income taxes	4,273,313	3,487,988	186,027	181,965
Employees benefits	1,813,369	1,406,832	78,940	73,393
Provisions	92,976	74,657	4,047	3,895
Income tax payable	369,886	509,116	16,102	26,560
Other non-current liabilities	3,809	40,952	165	2,135
Derivative financial instruments	0	0	0	0
Total non-current liabilities	61,847,531	48,327,833	2,692,358	2,521,211
Total liabilities	97,777,608	81,717,977	4,256,475	4,263,139
STOCKHOLDERS' EQUITY				
Total controlling interest:	23,381,472	16,544,220	1,017,847	863,094
Total non-controlling interest:	0	558,528	0	29,138
Total stockholders' equity	23,381,472	17,102,748	1,017,847	892,232
Total liabilities and stockholders' equity	121,159,080	98,820,725	5,274,322	5,155,371

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 22.9715 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, 2020.

(2) 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.

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 20	II Quarter 19	YTD 20	YTD 19	II Quarter 20 ⁽¹⁾	II Quarter 19 ⁽¹⁾	YTD 20 ⁽¹⁾	YTD 19 ⁽¹⁾
Revenue	34,286,994	30,776,160	66,856,457	59,921,973	1,469,757	1,609,192	3,107,207	3,125,553
Cost of sales	(24,601,147)	(22,137,386)	(48,196,752)	(42,938,067)	(1,054,796)	(1,157,476)	(2,241,390)	(2,239,669)
Gross profit	9,685,847	8,638,774	18,659,705	16,983,906	414,961	451,716	865,817	885,884
Selling expenses	(5,680,042)	(5,090,306)	(10,938,798)	(10,004,191)	(243,181)	(266,170)	(508,077)	(521,831)
Administrative expenses	(1,502,896)	(1,258,728)	(2,976,023)	(2,641,773)	(64,455)	(65,850)	(138,894)	(137,810)
Other income (expenses), net	(44,574)	63,924	(4,115)	109,808	(1,779)	3,349	287	5,735
Operating profit	2,458,335	2,353,664	4,740,769	4,447,750	105,546	123,045	219,133	231,978
Financial income	93,762	71,338	137,951	135,658	4,034	3,733	6,237	7,078
Financial expenses	(921,056)	(630,310)	(1,637,171)	(1,237,812)	(39,322)	(32,952)	(75,005)	(64,557)
Gain (loss) due to exchange fluctuation, net	831,068	(416,110)	1,538,037	(445,822)	35,231	(21,742)	66,780	(23,286)
Equity in income (loss) of associates	(905)	(658)	(1,080)	(1,283)	(39)	(34)	(47)	(67)
Profit before income tax	2,461,204	1,377,924	4,778,506	2,898,491	105,450	72,050	217,098	151,146
Income tax	(837,434)	(608,585)	(160,766)	(1,335,719)	(35,995)	(31,935)	(6,680)	(69,755)
Net consolidated profit	1,623,770	769,339	4,617,740	1,562,772	69,455	40,115	210,418	81,391
Profit (loss) attributable to:								
Controlling interest	1,623,770	770,374	4,617,740	1,574,869	69,455	40,172	210,418	82,024
Non-controlling interest	0	(1,035)	0	(12,097)	0	(57)	0	(633)

(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 or year.



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