



FOURTH QUARTER 2018 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.

Key figures (US \$ million)

	4Q18	3Q18	4Q17	Ch % vs. 3Q18	Ch % vs. 4Q17	YTD.'18	YTD.'17	YTD. Chg. %
Total Revenues	1,596	1,601	1,593	-	-	6,336	6,054	5
Total EBITDA	174	180	195	(3)	(11)	684	676	1
Capex	73	41	71	75	3	180	188	(4)
Net Debt/ EBITDA	2.7	2.7	2.9			2.7	2.9	

Revenues amounted to US \$1,596 million, similar to 4Q17. On a currency neutral basis, revenues were up 4%. Mexico sales increased 8% in pesos, European sales in euros increased 2% and U.S. and Latin American sales were 1% lower than 4Q17, in each region. Accumulated 2018 revenues totaled US \$6,336 million, a 5% increase over 2017.

Sigma reported 4Q18 EBITDA of US \$174 million, 11% lower year-on-year. Excluding Europe's extraordinary items related to the acquisition of Caroli in 4Q17, EBITDA decreased 5%, impacted mainly by US operations. Accumulated 2018 EBITDA totaled US \$684 million, up 1% from 2017. Excluding Europe's extraordinary items, accumulated EBITDA increased 4%.

During 4Q18, capital expenditures totaled US \$73 million. Funds were used for expansion and maintenance projects across the company. Accumulated capital expenditures for the year were US \$180 million.

Strong cash flow generation during 4Q18 enabled Sigma to reduce Net Debt by 4% year-in-year to US \$1,859 million. Net Debt to EBITDA improved from 2.9 times in 4Q17 to 2.7 times, while Interest Coverage improved from 4.7 times in 4Q17 to 5.3 times.

On 4Q18, Sigma updated the value of some assets, resulting in a non-cash impairment of US \$79 million, which impacted operating income and not EBITDA. These impairments resulted from the revaluation of Sigma's assets in Italy and the closure of one of Sigma's manufacturing facilities in Europe.

Industry comments

Consumer confidence was mixed during the quarter, while food retail sales increased moderately across all regions. In Europe, according to the European Commission, the average consumer confidence index decreased from negative 0.2 in 4Q17 to negative 4.3 during 4Q18, and food retail sales according to Eurostat increased 1%. In Mexico, the average consumer confidence index reported by INEGI (Instituto Nacional de Estadística y Geografía – National Institute for Statistics and Geography) rose 17% year-on-year and 1% vs 3Q18, while same-store-sales reported by the National Association of Supermarkets and Department Stores (ANTAD) increased 4% year-on-year in nominal pesos. In the U.S., the average consumer confidence index increased 6% 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.

Key raw material prices varied during the quarter. In Europe, prices for pork ham and pork shoulder during 4Q18 decreased 2% and 3%, respectively versus the previous quarter. Year-on-year, pork ham and pork shoulder prices were 3% and 6% lower, respectively.

In the U.S., main raw materials remained high during the quarter. Compared to 4Q17, chicken, turkey thighs and turkey breast were 13%, 28% and 36% higher, respectively. By contrast, pork ham prices were 19% lower. In Mexico, however, pork prices were impacted by the 20% tariffs imposed on June 5th.

Financial results by region

During 4Q18, sales in Mexico accounted for 41% of the quarter's total, while Europe represented 37%, the U.S. 14%, and Latin America 8%.

Europe

Sales in Europe during 4Q18 in euros increased 2% and EBITDA decreased 17% year-on-year. Excluding extraordinary items related to the Caroli acquisition in Romania in 4Q17 EBITDA was 2% higher year-on-year.

The Bureba plant continued to operate as planned and its efficiencies were reflected in better margins for Sigma's Spanish operation. In Romania, Caroli's results continued exceeding management's expectations due to an effective integration process. By contrast, margins from buying live hogs and selling pork carcasses were significantly disrupted during the quarter impacting the fresh meat business during 4Q18.

For full year 2018, excluding extraordinary items, EBITDA was 4% higher vs. 2017.

Mexico

The Mexican operations continued reporting solid results throughout the year. During 4Q18 Mexican sales and EBITDA in pesos increased 8% and 2% year-on-year, respectively. Accumulated EBITDA in pesos for 2018 was 12% higher vs. 2017.

USA

4Q18 U.S. sales decreased 1% due to lower sales volume and EBITDA decreased 25% year-on-year. Results continue to be impacted by higher raw materials costs and higher freight costs associated with the new transportation regulation.

During 4Q18, Sigma began implementing price increases to offset these effects. These price increases contributed to higher margins on a sequential basis and are anticipated to drive further margin improvement going forward. 2018 accumulated EBITDA was 15% lower vs. 2017.

Latam

Fourth quarter 2018 Latin America sales in USD terms decreased 1% year-on-year. By contrast, EBITDA increased 31% year-on-year. 4Q18 margins improved year-on-year throughout the region, benefiting from strong performances of the Peruvian and Dominican Republic operations. Full year 2018 EBITDA was 14% higher vs. 2017.

Recent Developments

Due to MXN/ USD FX volatility concerns, during January 2019, Sigma executed forward currency contracts to reduce potential impact from a short-term peso devaluation. The amount of these transactions was for US \$330 million, covering Mexican operations dollars needs for the next four months.

In other news, on January 25, 2019, Sigma announced that Mario H. Páez, Sigma's President, has decided to retire from the organization, effective July 31, 2019. Rodrigo Fernández, currently Sigma's Chief Operating Officer, will be appointed Sigma's President, starting August 1st.

Selected financial information

Selected Financial Information (US \$ million)

	4Q18	3Q18	4Q17	Ch % vs. 3Q18	Ch % vs. 4Q17	YTD.'18	YTD.'17	YTD. Ch. %
Total Revenues	1,596	1,601	1,593	-	0	6,336	6,054	5
Europe	595	568	607	5	(2)	2,281	2,146	6
Mexico	656	668	636	(2)	3	2,607	2,496	4
USA	224	248	227	(10)	(1)	976	966	1
Latam	122	117	123	4	(1)	473	446	6
Total EBITDA	174	180	195	(3)	(11)	684	676	1
Europe	50	45	64	11	(22)	170	177	(4)
Mexico	83	97	84	(14)	(1)	353	322	10
USA	27	27	36	-	(25)	118	140	(16)
Latam	14	10	11	40	27	43	38	13
Capex	73	41	71	75	3	180	188	(4)
Net Debt	1,859	1,932	1,936	(4)	(4)	1,859	1,936	(4)
Net Debt / EBITDA	2.7	2.7	2.9					
LTM Interest Coverage	5.3	5.3	4.7					

SIGMA

Table 1 | Volume and Price Changes (%)

	4Q18 vs.		YTD. '18 vs.
	3Q18	4Q17	YTD. '17
Total Volume	(0.4)	0.5	2.1
Avg. Ps. Prices	4.6	4.5	4.5
Avg. US \$ Prices	0.1	(0.2)	2.5

Table 2 | Revenues

	4Q18	3Q18	4Q17	4Q18 vs.		YTD. '18	YTD. '17	Chg.%
				3Q18	4Q17			
Total Revenues								
Ps. Millions	31,651	30,384	30,162	4	5	121,900	114,222	7
US \$ Millions	1,596	1,601	1,593	-	-	6,336	6,054	5
Domestic Revenues								
Ps. Millions	12,992	12,682	12,042	2	8	50,129	47,078	6
US \$ Millions	655	668	636	(2)	3	2,607	2,496	4
Foreign Revenues								
Ps. Millions	18,658	17,701	18,120	5	3	71,771	67,144	7
US \$ Millions	941	933	957	1	(2)	3,730	3,558	5
Foreign / Total (%)	59	58	60			59	59	

Table 3 | Operating Income and EBITDA

	4Q18	3Q18	4Q17	4Q18 vs.		YTD. '18	YTD. '17	Chg.%
				3Q18	4Q17			
Operating Income								
Ps. Millions	770	2,433	2,495	(68)	(69)	7,438	8,591	(13)
US \$ Millions	40	128	132	(69)	(69)	391	458	(15)
EBITDA								
Ps. Millions	3,448	3,412	3,699	1	(7)	13,154	12,725	3
US \$ Millions	174	180	195	(3)	(11)	684	676	1

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

	4Q18	3Q18	4Q17	YTD. '18	YTD. '17
Assets	5,102	5,185	5,350	5,102	5,350
Liabilities	4,235	4,215	4,423	4,235	4,423
Stockholders' Equity	867	970	927	867	927
Majority Equity	837	936	892	837	892
Net Debt	1,859	1,932	1,936	1,859	1,936
Net Debt/EBITDA*	2.7	2.7	2.9	2.7	2.9
Interest Coverage*	5.3	5.3	4.7	5.3	4.7

* Times: LTM = Last 12 months

SIGMA

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

STATEMENT OF FINANCIAL POSITION

Information in thousands

	(Thousands of pesos)		(Thousands of U.S. Dollars)	
	Dic'18	Dic '17	Dic'18 ⁽¹⁾	Dic '17 ⁽²⁾
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	12,213,324	12,807,070	620,504	648,939
Restricted cash	88,312	132,222	4,487	6,700
Customers, net	5,102,850	5,776,360	259,253	292,690
Income tax recoverable	514,381	819,476	26,133	41,523
Inventories	14,223,870	14,687,050	722,651	744,198
Other current assets	2,699,363	2,626,694	137,142	133,098
Total current assets	34,842,100	36,848,872	1,770,170	1,867,148
NON-CURRENT ASSETS:				
Property, plant and equipment, net	33,952,525	35,268,405	1,724,976	1,787,063
Intangible assets, net	14,502,648	15,714,594	736,815	796,264
Goodwill	13,567,178	14,742,249	689,288	746,995
Deferred income tax	2,261,926	2,792,463	114,918	141,495
Investments in associates and joint ventures	103,682	92,996	5,268	4,712
Other non-current assets	1,189,884	126,639	60,453	6,416
Total non-current assets	65,577,843	68,737,346	3,331,718	3,482,945
Total assets	100,419,943	105,586,218	5,101,888	5,350,093
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Current debt	5,503,497	2,380,863	279,608	120,639
Notes payables	95,877	70,146	4,871	3,554
Suppliers	20,254,689	20,866,955	1,029,050	1,057,336
Income tax payable	1,679,617	1,783,816	85,334	90,387
Provisions	137,485	323,565	6,985	16,395
Other current liabilities	5,449,564	5,200,980	276,869	263,539
Total current liabilities	33,120,729	30,626,325	1,682,717	1,551,850
NON-CURRENT LIABILITIES:				
Non-current debt	42,707,749	48,033,480	2,169,789	2,434,462
Notes payables	251,624	309,957	12,784	15,118
Deferred income taxes	3,704,457	4,068,122	188,207	206,133
Employees benefits	1,395,158	1,339,070	70,882	67,851
Provisions	96,966	110,133	4,926	5,579
Income tax payable	1,620,357	2,341,907	82,323	118,665
Other non-current liabilities	460,793	467,828	23,411	23,705
Total non-current liabilities	50,237,104	56,670,497	2,552,322	2,871,513
Total liabilities	83,357,833	87,296,822	4,235,039	4,423,363
STOCKHOLDERS' EQUITY				
Total controlling interest:	16,471,633	17,597,330	836,850	891,663
Total non-controlling interest:	590,477	692,066	29,999	35,067
Total stockholders' equity	17,062,110	18,289,396	866,849	926,729
Total liabilities and stockholders' equity	100,419,943	105,586,218	5,101,888	5,350,093

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 19.6829 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, 2018.

(2) 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.

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)	
	IV Quarter 18	IV Quarter 17	YTD 18	YTD 17	IV Quarter 18 (1)	IV Quarter 17(2)	YTD 18(1)	YTD 17(2)
Revenue	31,650,501	30,161,640	121,899,819	114,222,039	1,596,371	1,592,743	6,336,470	6,053,942
Cost of sales	(22,865,297)	(21,941,195)	(87,781,317)	(82,748,224)	(1,153,077)	(1,158,575)	(4,562,128)	(4,385,054)
Gross profit	8,785,204	8,220,445	34,118,502	31,473,815	443,294	434,168	1,774,342	1,668,888
Selling expenses	(5,106,442)	(4,676,555)	(19,988,760)	(18,266,369)	(257,555)	(247,059)	(1,039,463)	(968,119)
Administrative expenses	(1,348,139)	(1,072,429)	(5,392,609)	(4,780,769)	(68,043)	(56,787)	(280,552)	(252,875)
Other income (expenses), net	(1,561,109)	23,155	(1,299,329)	164,064	(77,468)	1,255	(63,745)	9,929
Operating profit	769,514	2,494,616	7,437,804	8,590,741	40,228	131,577	390,582	457,823
Comprehensive financial expenses, net	(423,806)	(1,057,380)	(1,875,380)	(4,388,910)	(20,999)	(55,617)	(97,747)	(234,997)
Equity in income (loss) of associates	(1,236)	(383)	15,196	15,976	(62)	(20)	812	881
Profit before income tax	344,472	1,436,853	5,577,620	4,217,807	19,167	75,940	293,647	223,707
Income tax	(308,468)	257,876	(2,718,948)	(2,143,965)	(14,594)	13,471	(141,588)	(110,422)
Net consolidated profit	36,004	1,694,729	2,858,672	2,073,842	4,573	89,411	152,059	113,285
Profit (loss) attributable to:								
Controlling interest	101,203	1,672,641	2,926,260	2,031,890	7,828	88,252	155,471	111,010
Non-controlling interest	(65,199)	22,088	(67,588)	41,952	(3,255)	1,159	(3,412)	2,275

(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 and twelve month period ended December 31, 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 and twelve month period ended December 31, 2017.



JOSÉ VIVANCO
CLAUDIA VERÁSTEGUI

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