OFFERING MEMORANDUM

€600,000,000

SIGMA ALIMENTOS, S.A. DE C.V.

2.625% Senior Notes due 2024

We are offering €600,000,000 aggregate principal amount of our 2.625% Senior Notes due 2024 (the "notes"). Interest will be payable on the notes annually in arrears on February 7 of each year, beginning on February 7, 2018. The notes will mature on February 7, 2024.

We may redeem the notes at our option, in whole or in part, at any time and from time to time, prior to November 7, 2023 (the date that is three months prior to the scheduled maturity of the notes), at a redemption price equal to the greater of 100% of the outstanding principal amount of the notes to be redeemed and the applicable "make-whole" amount, plus in each case accrued and unpaid interest to the redemption date. In addition, we may redeem the notes at our option, in whole or in part, at any time and from time to time, beginning on November 7, 2023 (the date that is three months prior to the scheduled maturity of the notes), at a redemption price equal to 100% of the outstanding principal amount of the notes to be redeemed, plus accrued and unpaid interest to the redemption date. In the event of certain changes in tax laws applicable to payments of interest or amounts deemed interest under the notes, we may redeem all, but not part, of the notes. Upon the occurrence of a change of control triggering event, we will be required to offer to repurchase the notes at 101% of the principal amount thereof, plus accrued and unpaid interest, if any.

The notes will be unconditionally guaranteed by certain of our subsidiaries. The notes and the subsidiary guarantees will be our and our subsidiary guarantors' respective senior unsecured obligations (subject to certain statutory preferences under Mexican law, such as tax, social security and labor obligations), and will rank equally in right of payment to all of our and our subsidiary guarantors' respective existing and future senior unsecured indebtedness. The notes and the subsidiary guarantees will rank effectively junior in right of payment to any of our and our subsidiary guarantors' respective existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness and will be structurally junior to debt obligations of our non-guarantor subsidiaries.

No public market currently exists for the notes. These listing particulars have been approved by the Irish Stock Exchange. Application has been made to the Irish Stock Exchange to admit the notes to listing on the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market. This offering memorandum constitutes a listing particulars for the purposes of listing on the Official List of the Global Exchange Market.

Investing in the notes involves risks. See "Risk Factors" beginning on page 14.

Issue Price: 99.628%, plus accrued interest, if any, from February 7, 2017.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES, OR "RNV"*) MAINTAINED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (*COMISIÓN NACIONAL BANCARIA Y DE VALORES* OR "CNBV"), AND MAY NOT BE OFFERED OR SOLD PUBLICLY IN MEXICO. WE WILL NOTIFY THE CNBV OF THE TERMS AND CONDITIONS OF THE OFFERING OF THE NOTES OUTSIDE OF MEXICO TO COMPLY WITH A LEGAL REQUIREMENT AND FOR INFORMATIONAL PURPOSES ONLY. THEREFORE, THE DELIVERY OF SUCH NOTICE TO, AND THE RECEIPT THEREOF BY, THE CNBV IS NOT A REQUIREMENT FOR THE VALIDITY OF THE NOTES AND DOES NOT CONSTITUTE OR IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES, OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN. THIS OFFERING MEMORANDUM IS SOLELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV. THE NOTES MAY BE OFFERED TO MEXICAN INSTITUTIONAL AND QUALIFIED INVESTORS PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET FORTH IN THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES*).

The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, we are offering the notes to qualified institutional buyers in reliance on Rule 144A under the Securities Act ("Rule 144A") and outside the United States to non-U.S. persons in reliance on Regulation S. You are hereby notified that sellers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Transfer Restrictions" for additional information about eligible offerees and transfer restrictions.

The notes will be represented by global notes in registered form. We expect that delivery of the notes will be made to investors in book-entry form through a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, S.A. ("Clearstream"), on or about February 7, 2017.

BNP PARIBAS	**J.P. Morgan**
MUFG	**Rabobank**

The date of this offering memorandum is March 2, 2017.

	MEXICO	EUROPE	US	CENTRAL & SOUTH AMERICA
PACKAGED MEATS	FUD, San Rafael, Bernina, Tangamanga, San Antonio, Chimex, Supremo, Galicia, Nayar, Tassa, Ibero, Longmont, Viva	Campofrio, Navidul, Cochonou, Stegeman, Fiorucci, Nobre, Aoste, Justin Bridou, Revilla, Marcassou, César Moroni	Bar S, FUD, Fiorucci, Longmont	FUD, Vitta, Zar, Checo, Laska, Juris, Braedt, Zurquí, Don Diego, Superior
DAIRY	Yoplait, Chen, La Villita, FUD, NocheBuena, Camelia, Norteñita, Franja		FUD, Norteñita, La Chona	Yoplait, LekkerLand, Monteverde, Del Prado, Sosua
OTHER	FUD, ComNor, El Cazo, Sugerencias del Chef	Campofrio		FUD, Del Prado, Sosua
THIRD PARTY	Philadelphia, Oscar Mayer, La Vaca que ríe, Hershey's	Oscar Mayer, WeightWatchers	McCormick Grill Mates	

Note: Except for Oscar Mayer®, Philadelphia®, La vaca que ríe®, Yoplait®, WeightWatchers®, Grill Mates®, Anchor® and Hershey's® brands, the above brands are owned by Sigma. The above brands are registered by us or by our licensor in the appropriate jurisdictions where they are used and/or registered and/or pending registration in other jurisdictions, as appropriate to the needs of our relevant businesses.

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You should rely only on the information contained in this offering memorandum. We have not, and the initial purchasers have not, authorized anyone to provide you with information that is different or additional from that contained in this offering memorandum, and we take no responsibility for any other information that others may give you. If anyone provides you with different or additional information, you should not rely on it. You should assume that the information in this offering memorandum is accurate only as of the date on the front cover of this offering memorandum, regardless of time of delivery of this offering memorandum or any sale of the notes. Our business, financial condition, results of operations and prospects may change after the date on the front cover of this offering memorandum. This document may only be used where it is legal to sell the notes. Neither we nor any of the initial purchasers is making an offer to sell the notes in any jurisdiction where such an offer is not permitted.

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to:

- "Sigma," "our company," "we," "our," "us" or similar terms refer to Sigma Alimentos, S.A. de C.V., together with its consolidated subsidiaries; and

- the "Issuer" refer to Sigma Alimentos, S.A. de C.V. on an individual basis.

NOTICE TO INVESTORS

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire the notes.

Neither we nor the initial purchasers are making an offer to sell the notes in any jurisdiction except where such an offer or sale is permitted. You must comply with all applicable laws and regulations in force in your jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the notes under the laws and regulations in force in your jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the initial purchasers will have any responsibility therefor.

We are relying upon an exemption from registration under the Securities Act for an offer and sale of securities which do not involve a public offering. We have submitted this offering memorandum solely to a limited number of qualified institutional buyers in the United States and to investors outside the United States so they can consider a purchase of the notes. This offering memorandum may be used only for the purposes for which it has been published. By accepting delivery of this offering memorandum, you acknowledge that the use of the information in this offering memorandum for any purpose other than to consider a purchase of the notes is strictly prohibited. These undertakings and prohibitions are for our benefit, and we may enforce them. U.S. federal securities laws restrict trading in our securities while in possession of material non-public information with respect to us. By accepting delivery of this offering memorandum and by purchasing the notes, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under "Transfer Restrictions" in this offering memorandum. The notes are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser of the notes, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

This offering memorandum is based on information provided by us and other sources that we believe to be reliable. We and the initial purchasers cannot assure you that the information provided by other sources is accurate or complete. This offering memorandum summarizes certain documents and other information and we refer you to them for a more complete understanding of what we discuss in this offering memorandum. In making an investment decision, you must rely upon your own examination of our company and of the terms of the offering and the notes, including the merits and risks involved. The information set out in relation to sections of this offering memorandum describing clearing and settlement arrangements, including the section entitled "Book-Entry, Delivery and Form," is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear and Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information.

Neither we nor the initial purchasers are making any representation to any purchaser regarding the legality of an investment in the notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, financial, business or tax advice. You should consult your own counsel, accountant, business advisor and tax advisor for legal, accounting, business and tax advice regarding any investment in the notes.

We reserve the right to withdraw this offering of notes at any time and we and the initial purchasers reserve the right to reject any commitment to subscribe for the notes in whole or in part and to allot to any prospective investor less than the full amount of notes sought by that investor. The initial purchasers and certain related entities may acquire for their own account a portion of the notes.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

None of the Securities Exchange Commission ("SEC"), the CNBV or any state or foreign securities commission or any other regulatory authority has approved or disapproved the offering of the notes nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy, adequacy or completeness of this offering memorandum. Any representation to the contrary is a criminal offense.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuer and the majority of the subsidiary guarantors (collectively, the "Non-U.S. Sigma Companies") are incorporated or formed under the laws of countries other than the United States. In addition, almost all of the directors, executive officers and controlling persons of the Non-U.S. Sigma Companies are non-residents of the United States and a majority of our assets and the assets of such non-resident persons are located in Mexico or elsewhere outside the United States. As a result, it may not be possible for investors to effect service of process on the Non-U.S. Sigma Companies or their directors or executive officers, or to enforce judgments obtained in U.S. courts against the Non-U.S. Sigma Companies or such persons predicated on civil liability provisions of the U.S. securities laws. We have appointed CT Corporation System, 111 Eighth Avenue New York, NY 10011, as our agent to receive service of process with respect to any action brought against us in any federal or state court in the State of New York arising from the offering and issuance of the notes.

Uncertainty exists as to whether courts in the jurisdictions of organization of the Non-U.S. Sigma Companies will enforce judgments obtained in other jurisdictions, including the United States, against the Non-U.S. Sigma Companies or their directors or officers under the securities laws of those jurisdictions or entertain actions in those jurisdictions against the Non-U.S. Sigma Companies or their directors or officers under the securities laws of other jurisdictions.

AVAILABLE INFORMATION

We are not subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). To permit compliance with Rule 144A in connection with resales of notes, we will be required under the indenture under which the notes are issued (the "indenture"), upon the request of a holder of Rule 144A notes or Regulation S notes (during the restricted period, as defined in the legend included under "Transfer Restrictions"), to furnish to such holder and any prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act, unless we either furnish information to the SEC in accordance with Rule 12g3-2(b) under the Exchange Act or furnish information to the SEC pursuant to Section 13 or 15(d) of the Exchange Act. Any such request may be made to us in writing at our main office located at Ave. Gómez Morín 1111 Sur, Col. Carrizalejo, San Pedro Garza García, C.P. 66254, Nuevo León, México.

The indenture will further require that we furnish to the trustee (as defined herein) all notices of meetings of the holders of notes and other reports and communications that are generally made available to holders of the notes. At our request, the trustee will be required under the indenture to mail these notices, reports and communications received by it from us to all record holders of the notes promptly upon receipt. See "Description of the Notes."

Application has been made to the Irish Stock Exchange to admit the notes to listing on the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market, a market of the Irish Stock Exchange, in accordance with its rules. We will be required to comply with any undertakings given by us from time to time to the Irish Stock Exchange in connection with the notes, and to furnish to them all such information as the rules of the Irish Stock Exchange may require in connection with the listing of the notes.

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. These statements relate to our future prospects, developments and business strategies and are identified by our use of terms and phrases such as "anticipate," "believe," "could," "would," "will," "estimate," "expect," "intend," "may," "plan," "predict," "project," "goals," "target," "strategy" and similar terms and phrases, and may include references to assumptions. These statements are contained in the sections entitled "Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and other sections of this offering memorandum.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our actual results may differ materially from those contemplated by the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global economic, business, market and regulatory conditions, without limitation, and the following:

- general economic conditions in the countries in which we conduct our business and any significant economic, political or social developments in those countries;
- competition and loss of market shares;
- our ability to implement our strategy;
- the loss of one or more significant customers;
- the performance of our customers which are retailers and any preference they give to products of our competitors;
- loss of reputation of our brands;
- changing consumer preferences, health concerns and perception of our products;
- the loss of any of our licensing, franchise or distribution agreements;
- disruption of our supply chain;
- the buying power of our customers;
- increases in commodity or other raw material costs that may not be timely reflected in the prices of our products;
- the failure of our suppliers to perform in a timely manner;
- health and product liability risks related to the food industry;
- changes in health-related and sanitary regulations and other applicable laws;
- trade barriers, including tariffs;
- the imposition of price controls or additional taxes on our products;
- difficulties, uncertainties, liabilities and regulations related to mergers, acquisitions or joint ventures;
- risks inherent in international operations;
- health epidemics and other outbreaks in the countries in which we operate;
- natural disasters and other events that may affect consumption;
- compliance with laws and regulations, including environmental laws and regulations;
- deterioration of labor relations with our employees or an increase in labor costs;
- loss of key personnel;
- risks related to our control by our parent company, Alfa, S.A.B. de C.V., whose interest may not be aligned with yours;
- interruptions or failures in our information technology systems;
- risks related to fluctuations in currencies or interest rates;

- terrorist and organized criminal activities as well as geopolitical events;
- losses in connection with derivative financial instruments; and
- other factors described under "Risk Factors" and elsewhere in this offering memorandum.

Should one or more of these factors or situations materialize, or should the underlying assumptions prove to be incorrect, the actual results may differ considerably from those that are described, foreseen, considered, estimated, expected, predicted or intended in this offering memorandum.

These forward-looking statements speak only as of the date of this offering memorandum and we undertake no obligation to update our forward-looking statements or risk factors to reflect new information, future events or otherwise. Additional factors affecting our business emerge from time to time and it is not possible for us to predict all of these factors, nor can we assess the impact of all such factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Although we believe that the plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that those plans, intentions or expectations will be achieved. In addition, you should not interpret statements regarding past trends or activities as assurances that those trends or activities will continue in the future. All written, oral and electronic forward-looking statements attributable to us or to the persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

CERTAIN DEFINITIONS

Except where indicated or the context otherwise requires, the following terms used in this offering memorandum have the meanings specified below.

"Alfa" means Alfa, S.A.B. de C.V., the parent company of Sigma.

"Axtel" means Axtel, S.A.B. de C.V., a subsidiary of Alfa.

"Bar-S" means Bar-S Foods Co., a Delaware corporation based in Phoenix, Arizona acquired by Sigma on September 2, 2010, and its subsidiaries.

"Campofrío" means Campofrío Food Group, S.A. (Unipersonal), a packaged meats company based in Madrid, Spain, and its subsidiaries; acquired by us in a series of transactions between the fourth quarter of 2013 and the second quarter of 2015.

"CAGR" means compound annual growth rate.

"Euro" or "€" means the lawful currency of the European Economic and Monetary Union.

"GDP" means the gross domestic product of the indicated country.

"IASB" means the International Accounting Standards Board.

"IFRS" means International Financial Reporting Standards, as issued by the IASB.

"Issuer" means Sigma Alimentos, S.A. de C.V. on an individual basis.

"Mexican Central Bank" means *Banco de México*.

"M&A" means mergers and acquisitions.

"Mexican Pesos," "Pesos" or "Ps." means the lawful currency of Mexico.

"NCPI" means the National Consumer Price Index (*Índice Nacional de Precios al Consumidor*), published from time to time by the Mexican Central Bank, in any official publication selected from time to time.

"Net Debt" means gross debt *less* cash and cash equivalents.

"SAGARPA" means the Mexican Ministry of Agriculture, Livestock, Rural Development, Fishing and Food (*Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación*).

"Sigma," "our company," "we," "us" or "our" mean Sigma Alimentos, S.A. de C.V., a corporation (*sociedad anónima de capital variable*) organized under the laws of Mexico, and its subsidiaries on a consolidated basis, unless otherwise specified or the context otherwise requires.

"Sodima" means Sodima, S.A.S., a French company, which has granted us franchise rights to manufacture, market and distribute Yoplait® brand products.

"tons" means metric tons (one metric ton is equal to 1,000 kilograms, or 2,204.6 pounds).

"U.S. Dollars," "Dollars," "US$" or "$" means the lawful currency of the United States.

"UDIs" means *unidades de inversión,* which are value units that automatically adjust the principal amount of an obligation to the inflation rate officially recognized by the Mexican Central Bank.

"WH Group" means WH Group, Ltd. (formerly Shuanghui International Holdings).

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial Information

Our annual audited consolidated financial statements as of December 31, 2014 and 2015 and for the years ended December 31, 2013, 2014 and 2015, together with the notes thereto (the "Annual Audited Financial Statements"), as well as the other financial information of Sigma included in this offering memorandum related to the Annual Audited Financial Statements, have been prepared in accordance with IFRS. The selected financial information set forth in this offering memorandum for the years ended December 31, 2011 and 2012 have been derived from our audited annual consolidated financial statements prepared in accordance with IFRS that have not been included in this offering memorandum. Our unaudited condensed consolidated interim financial statements as of September 30, 2016 and for the nine months ended September 30, 2015 and 2016, together with the notes thereto (the "Interim Unaudited Financial Statements"), as well as the other financial information of Sigma included in this offering memorandum related to these Interim Unaudited Financial Statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"), as issued by the IASB, applicable to the preparation of interim financial statements.

Prior to 2011, we issued our consolidated financial statements in conformity with Mexican Financial Reporting Standards (*Normas de Información Financiera*, or "MFRS"), as issued from time to time by the Mexican Financial Reporting Standards Board (*Consejo Mexicano de Normas de Información Financiera, A.C.*). In accordance with IFRS 1 "First-time adoption of IFRS" we considered January 1, 2011 as our IFRS transition date and January 1, 2012 as our IFRS adoption date.

The selected financial information set forth in this offering memorandum for the years ended December 31, 2007, 2008, 2009 and 2010 has been derived from our audited annual consolidated financial statements prepared in accordance with MFRS that have not been included in this offering memorandum. Because of the differences between the accounting principles used in the preparation of such financial statements and the accounting principles used in the preparation of the Annual Audited Financial Statements included elsewhere in this offering memorandum, such information is not comparable, and you should use caution when comparing financial information prepared in accordance with MFRS to financial information prepared in accordance with IFRS.

IFRS and MFRS differ in certain significant respects from generally accepted accounting principles in the United States ("U.S. GAAP") and financial reporting standards and generally accepted accounting principles used in other jurisdictions. We have made no attempt to quantify the impact of those differences by a reconciliation of our financial statements or the other financial information included in this offering memorandum to such other generally accepted accounting principles and financial reporting standards.

In making an investment decision, you must rely upon your own examination of the Company, the terms of the offering and the financial information included herein. We urge you to consult your own advisors regarding the differences between MFRS, IFRS and U.S. GAAP and how these differences might affect the financial information included in this offering memorandum.

Exchange Rate Information

This offering memorandum contains translations of certain Peso amounts into U.S. Dollars at specified rates solely for the convenience of the reader. These convenience translations should not be construed as representations that the Peso amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the specified rate or at all. Furthermore, the exchange rate for purposes of the convenience translation is not necessarily the same rate we used in preparing our Annual Audited Financial Statements or Interim Unaudited Financial Statements, which means that U.S. Dollar-denominated items, including U.S. Dollar-denominated expenses and liabilities, may have been translated into Mexican Pesos using one exchange rate (or an average exchange rate) and have been retranslated into U.S. Dollars for the convenience of the reader using the convenience translation exchange rate.

Unless otherwise indicated, the exchange rate used for purposes of the convenience translations is:

- with respect to statement of financial position data, the exchange rate published by the Mexican Central Bank in the Federal Official Gazette (*Diario Oficial de la Federación*) as the rate for the payment of obligations denominated in foreign currency (the "Official Exchange Rate") on December 31, 2015 (Ps. 17.2065 to US$1.00) or on September 30, 2016 (Ps. 19.5002 to US$1.00), as applicable; and

- with respect to financial information other than statement of financial position data, the average exchange rate for the year ended December 31, 2015, which consists of the average of the Official Exchange Rate on each day during the year ended December 31, 2015 (Ps. 15.8542 to US$1.00) or the average exchange rate for the nine months ended September 30, 2016, which consists of the average of the Official Exchange Rate on each day during the nine months ended September 30, 2016 (Ps. 18.2638 to US$1.00), as applicable.

See "Exchange Rates" for further information regarding the rates of exchange between the Mexican Peso and the U.S. Dollar.

Rounding Adjustments

Certain figures included in this offering memorandum have been rounded for ease of presentation. Any discrepancies in tables between the total and the amounts listed are due to rounding. Percentage figures included in this offering memorandum have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, certain percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in our Annual Audited Financial Statements and Interim Unaudited Financial Statements included elsewhere in this offering memorandum. Certain other amounts that appear in this offering memorandum may not sum due to rounding.

Non-GAAP Financial Measures

A body of generally accepted accounting principles is commonly referred to as "GAAP." A non-GAAP financial measure is generally defined as one that purports to measure historical or future financial performance, financial position or cash flows but excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. We present "Adjusted EBITDA" and "Free Cash Flow" in this offering memorandum, which are non-GAAP financial measures. For the years ended December 31, 2007, 2008, 2009 and 2010, we define "Adjusted EBITDA" as operating profit after adding back or subtracting, as the case may be, other income (expenses), depreciation and amortization and write-off from removal of fixed and intangible assets. For the years ended December 31, 2011, 2012, 2013, 2014 and 2015 and for the nine months ended September 30, 2015 and 2016, we define "Adjusted EBITDA" as operating profit after adding back or subtracting, as the case may be, depreciation and amortization and write-off from removal of fixed and intangible assets. For the years ended December 31, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015 and for the nine months ended September 30, 2015 and 2016, we define "Free Cash Flow" as the sum of Adjusted EBITDA, change in working capital, capital expenditures and taxes.

In managing our business we rely on Adjusted EBITDA and Free Cash Flow as a means of assessing our operating performance. We believe that Adjusted EBITDA and Free Cash Flow enhance the understanding of our financial performance and our ability to satisfy principal and interest obligations with respect to our indebtedness as well as to fund capital expenditures and working capital requirements. We also believe Adjusted EBITDA and Free Cash Flow are useful because they presents operating results on a basis unaffected by capital structure and taxes. Adjusted EBITDA and Free Cash Flow, however, are not measures of financial performance under MFRS or IFRS and should not be considered as an alternative to net profit or operating profit as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Adjusted EBITDA and Free Cash Flow have material limitations that impair its value as a measure of our overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as financial expenses, income taxes, depreciation, amortization and the impact of derivative instruments (except when designated as hedge accounting in accordance with MFRS and IFRS). Our calculation of Adjusted EBITDA and Free Cash Flow may not be comparable to other companies' calculation of similarly titled measures. For a reconciliation of Adjusted EBITDA to consolidated profit (loss) for the years ended December 31, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014 and

2015 and for the nine months ended September 30, 2015 and 2016, see "Summary Historical Financial Data and Other Information" and "Selected Historical Financial Data and Other Information."

Industry and Market Data

Market data and other statistical information used throughout this offering memorandum are generally based on independent industry publications, government publications, reports by market research firms or other published independent sources, as well as our internal studies. Some data are also based on our estimates, which are derived from our review of internal surveys, as well as independent sources. Although we believe these sources are reliable, we have not independently verified the information and cannot guarantee its accuracy or completeness.

In addition, in many cases, we have based certain statements contained in this offering memorandum regarding our industry and our position in the industry on certain assumptions concerning our customers and competitors. These assumptions are based on our experience in the industry and our own investigation of market conditions. We cannot assure you as to the accuracy of any such assumptions, and such assumptions may not be indicative of our position in our industry.

Intellectual Property

We own or have rights to use the trademarks, service marks and trade names that we use in conjunction with the operation of our business. Some of the more important trademarks that we own or have rights to use or distribute that appear in this offering memorandum include: FUD®, San Rafael®, Chimex®, Iberomex®, Viva®, Bar-S®, Campofrío®, Tangamanga®, Bernina®, Oscar Mayer®, San Antonio®, Supremo®, Galicia®, Nayar®, Iassa®, Longmont®, Yoplait®, Chen®, La Villita®, Noche Buena®, Camelia®, Franja®, Norteñita® , La Chona®, El Cazo Mexicano®, Sugerencias del Chef®, Braedt®, Juris®, Don Diego®, Aoste®, Nobre®, Stegeman®, Justin Bridou®, Cochonou®, Caroli®, César Moroni®, Navidul®, Fiorucci®, Revilla®, Marcassou®, Hershey's®, Philadelphia® and Weight Watchers®, each of which are registered by us or by our licensor in the appropriate jurisdictions where they are used and/or registered and/or pending registration in other jurisdictions, as appropriate to the needs of our relevant businesses. Solely for convenience, we may refer to our trademarks, service marks and trade names in this offering memorandum without the ™ and ® symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent permitted under applicable law, our rights to our trademarks, service marks and trade names. Each trademark, trade name or service mark of any other company appearing in this offering memorandum is, to our knowledge, owned by such other company.

SUMMARY

This summary highlights certain information contained in this offering memorandum and may not include all the information relevant to you. For a more complete understanding of our business, you should read the following summary together with the more detailed information appearing elsewhere in this offering memorandum, including that set forth under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the notes thereto included elsewhere in this offering memorandum.

Overview

We are one of the largest branded refrigerated foods companies in the world (based on industry-wide financial data) focused on the production, marketing and distribution of quality branded foods, including packaged meats, cheese, yogurt and other refrigerated and frozen foods. We have a diversified portfolio of over 10,000 products with more than 100 brands, including Bar-S®, Campofrío®, Yoplait® and FUD®. As of September 30, 2016, we reached over 580,000 points of sale (approximately 47,000 in Europe, 100,000 in Central and South America, 390,000 in Mexico and 46,000 in the United States) in the markets where we have a presence through our extensive refrigerated distribution network comprised of 67 production facilities (46 packaged meat plants, 13 dairy products plants, four fresh meat plants, three pre-cooked meal plants and one beverage plant), 190 distribution centers and more than 7,000 vehicles operating approximately 4,500 active delivery routes.

Through brand development, fresh and quality products and continuous innovation, we have established a leading market position for our products in the United States, Europe, Mexico and other countries. According to industry reports and our own market research, we were the number-one or number-two market participant with respect to many of our products in our primary markets in the United States, Europe and Mexico. According to Nielsen Scantrack ("Nielsen"), Bar-S® has been the number one selling frank (hot dog) brand by volume for ten years in a row in the United States, and in Europe, Campofrío was the largest producer of packaged meat products in 2015.

As of September 30, 2016, we had operations in 17 countries and generated sales in more than 100 countries worldwide, including sales through our independent distributors, providing us with highly diversified cash flow generation. Our net sales in the United States, Europe, Mexico and the other countries where we operate, represented 15.0%, 36.9%, 41.1% and 7.1%, respectively, of our total net sales in the nine months ended September 30, 2016.

Since Alfa acquired us in 1980, we have expanded broadly through organic growth as well as through acquisitions, and have experienced significant development in our business over the last few years. In the three years ended December 31, 2015, our Adjusted EBITDA increased from Ps. 6,710 million (US$525 million) in 2013 to Ps. 13,891 million (US$876 million) in 2015, or at a CAGR of 44%. Adjusted EBITDA included a non-recurrent gain in 2015 of Ps. 2,621 million (US$159 million) from an insurance collection related to a fire in the Burgos facility in Spain as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Burgos Incident—Non-Recurrent Proceeds from Insurance." In the same period, our net sales grew at a CAGR of 38%. With the support of our experienced management team, we have been able to maximize cash flow generation through synergies resulting from our acquisitions, increasing market position and pursuing a rapid deleveraging strategy immediately after each acquisition. As a result, our Net Debt/Adjusted EBITDA ratio calculated in U.S. Dollars as of December 31, 2015 was 2.2x, as compared to 2.9x as of December 31, 2014.

Our products reach consumers through a number of different distribution channels, including modern retail, traditional retail, export and foodservice channels. Our principal customers include superstores, hypermarkets, warehouse clubs, wholesalers, convenience stores, foodservice operators and family owned stores. We have had long-term relationships with our main customers in the United States, Europe and Mexico.

For the nine months ended September 30, 2016, we generated net sales of Ps. 77,819 million (US$4,261 million), Adjusted EBITDA of Ps. 9,079 million (US$497 million) and net consolidated profit of Ps. 3,360 million (US$184 million). For the year ended December 31, 2015, we generated net sales of Ps. 93,568 million (US$5,902 million), Adjusted EBITDA of Ps. 13,891 million (US$876 million) and net consolidated profit of Ps. 6,310 million (US$398 million).

We are a wholly-owned subsidiary of Alfa, one of Mexico's largest publicly traded conglomerates. We were acquired by Alfa in 1980.

Competitive Strengths

Leading Market Position

We have a leading position in most of the markets in which we participate. We are the number one producer of franks (hot dogs) in the United States by volume. In terms of sales, we are the number one producer of packaged meat products in Europe, Mexico, Central America and Ecuador, and a leading producer of cheese and yogurt products in Mexico. We believe that our leading position in these markets, scale, and highly recognized brands provide us with a competitive advantage in serving our consumers. As a result of our global size and best practices we are able to achieve economies of scale in sourcing, sales and distribution, and have strategic advantages over our competitors. We leverage our scale to improve the competitiveness of our products and to differentiate our business. Our global presence allows us to have a balanced revenue base, with approximately 50% of our net sales in 2015 generated in developed markets and 50% in emerging markets.

Broad Portfolio of Leading Brands

We offer a broad portfolio of strong brands, many of which are leaders in market recognition in the countries where we operate, according to our internal estimates based on industry reports. Our strong brands give us a competitive advantage by allowing us to launch new products more effectively. Our broad portfolio of brands, from premium to value, covers the full range of socioeconomic market segments, which allows us to diversify sales across a variety of segments. This enables us to capture sales regardless of consumer demand shifts related to macroeconomic conditions.

We have highly recognized brands that are consistently considered "top-of-mind" household names. During 2015, each of our 11 best-selling brands generated over US$100 million in net sales. Our flagship brand FUD®, present in the United States, Mexico, Central America, Dominican Republic and Peru, captures over five times the "top-of-mind" brand recognition as compared to our next two competitors in Mexico. FUD® has become one of our strongest brands, generating over US$850 million in net sales in 2015. In Europe, the Campofrío brand in Spain is the second most popular brand, achieving a 78% spontaneous consumer awareness level as of December 2015, according to Millward Brown, and the best-selling brand of packaged meat products in terms of sales. In the United States, Bar-S® was the number one selling frank (hot dog) brand by volume in 2015, according to Nielsen, and was the number two packaged meat brand by volume. In France and Portugal, we own Aoste® and Nobre® which are the best-selling brands in those countries in terms of sales, respectively. In other countries such as, Ecuador, Costa Rica, among others, we also own strong brands such as Justin Bridou®, Cochonou®, Juris®, Don Diego® and Zar®. The market positioning and value offered by each of our brands are targeted at specific relevant market segments. For the nine months ended September 30, 2016 and the year ended December 31, 2015, sales from brands owned by us constituted 87.0% and 82.6% of our net sales, respectively.

In addition to our own brands, we also produce, market and distribute yogurt under the Yoplait® brand throughout Mexico, Central America and the Dominican Republic, and we market and distribute the Oscar Mayer® brand in Europe. In Mexico, we also distribute other world-renowned brands, such as Oscar Mayer®, Philadelphia®, Hershey's® and La vaca que ríe®, produced by other manufacturers to complement our product portfolio. These license agreements enable us to leverage our own competitive strengths with globally recognized brands.

Consumer Driven Knowledge

We base our operational decisions, as well as our strategic actions, on significant quantitative analysis. We utilize a rigorous consumer insight analytics process that provides unique information for targeting, developing, marketing and pricing our products. Through more than 40,000 consumer contacts every year, we are continuously evaluating consumer behavior, trends, product preferences and usage, as well as brand performance.

We have developed proprietary mathematical models that enable us to identify the ideal product attributes to optimize product preference. This allows us to translate consumer needs into detailed product design characteristics.

With these models we are able to continually monitor our products compared to those of our competitors, in order to identify potential improvements to our products related to variations in our products or those of our competitors.

This extensive consumer research has allowed us to obtain in-depth knowledge and an accurate description of our consumers. At the same time, it allows us to effectively segment the markets we serve not only by demographic and socioeconomic profiles, but also by consumer attitudes towards food, cooking and convenience. This segmentation enables us to perform detailed, targeted, and efficient marketing efforts, tailor our innovations to meet our consumers' needs more effectively, focus on areas we deem to be the most profitable and capture growth opportunities more effectively.

Innovation Capabilities Supported by World-Class Research and Development

We promote a culture of innovation throughout our Company with our Sigma Innovation System, which incorporates elements of Stage Gate and Design Thinking theories. Stage Gate allows us to visualize and focus our efforts in cost effective, high impact projects, while Design Thinking enables us to develop superior products and ideas in line with consumer expectations by following the "fail often, early, and cheap" philosophy. We focus our innovation efforts through our seven innovation platforms for the different regions and product lines we operate. These platforms, which were chosen considering current consumer trends, include Health and Nutrition, Indulgence, Convenience, Life Stages, Sustainability, Affordability and Heritage.

To support our innovation process we utilize cutting-edge technology to develop our products. We own research and development facilities with over 160 specialists who monitor and respond to changes in consumer trends and technology, assisting us in the development of new products and processes. We have established a multi-national knowledge management process to share key insights, best practices and research results to work on common business opportunities. This leads to more efficient development processes and allows us to increase our profit margin by maximizing product value and minimizing costs. We also have research agreements with educational and governmental institutions, utilize open technology programs, and consult with various scientific panels. These platforms allow us to utilize their research capabilities and use their facilities to work on our research and development initiatives.

Recent examples of innovation include the addition of state-of-the-art re-sealable and multi-pack packaging to our existing packaged meats and cheese product offerings, as well as newly developed pre-cooked meals and a wide variety of yogurt and beverages. To address consumers' increasing focus on convenience, we have also redesigned some of our classic products in convenient formats including portable and snack size options with highly differentiated resealable packaging and sliced options.

Continuous Strong Cash Flow Generation and Growth

We are now seven times larger in terms of sales than we were in 2000 and our geographical presence has grown to 17 countries with a wide portfolio of products. In 2000, we had Adjusted EBITDA of Ps. 1,186 million (US$125 million) and net sales of Ps. 8,342 million (US$882 million), 74% of which were derived from the sale of cooked meats, 25% were derived from the sale of dairy products and 1% from other products. In that same year, 98% of our net sales were generated in Mexico, and 2% were generated in Latin America. In 2010, we had Adjusted EBITDA of Ps. 3,645 million (US$288 million) and net sales of Ps. 33,091 million (US$2,618 million), 63% of which were derived from the sale of cooked meats, 32% of which were derived from the sale of dairy products, and 5% from other products. During that year, 15%, 75% and 9% were generated in the United States, Mexico and Latin America, respectively. By the end of 2015, we had net sales of Ps. 93,568 million (US$5,903 million) and Adjusted EBITDA of Ps. 13,891 million (US$876 million). During 2015, our sales in the Unites States, Europe, Mexico and Latin America represented 15%, 36%, 43%, and 6%, respectively, and the sale of cooked meats, dry meats, dairy products and other products accounted for 58%, 20%, 18% and 4%, respectively.

We have significant M&A and post-merger integration experience, which has enabled us to successfully execute and integrate 26 M&A transactions since 1997. Our due diligence and post-merger integration experience help us identify and execute value generating strategies that result in significant synergies. Some examples include cost efficiencies, purchasing leverage, process improvements and technology sharing. We have particular expertise in acquiring and integrating family-owned businesses, where by leveraging our values and culture, we are able to present ourselves as an ideal transaction partner.

Our acquisitions, together with our integration and operational expertise have been a key component of our annual cash flow generation. Our Adjusted EBITDA grew at a CAGR of 43.9% during the three years ended December 31, 2015, propelled by acquisitions as well as organic growth. Acquisitions consummated during such three year period contributed 45.1% of our total Adjusted EBITDA for 2015. Our cash flow from operations represents a significant portion of our Adjusted EBITDA (97% in 2014 and 85% in 2015), which enables us to utilize free cash flow to rapidly reduce leverage after each acquisition. For example, we reduced our Net Debt/Adjusted EBITDA ratio calculated in U.S. Dollars from 4.1x after the Bar-S acquisition in September 2010 to 2.5x as of December 31, 2013. After the consolidation of Campofrío in June 2014, our Net Debt/Adjusted EBITDA ratio calculated in U.S. Dollars was 4.2x, which we reduced to 2.2x as of December 31, 2015.

Experienced Management Team and Diversified Workforce

Our team of 8 senior executives has an average of 26 years of experience in the industry across a wide range of areas that include finance, marketing, manufacturing, human resources, distribution and sales functions. We have a strong track record of promotions with in-house talent with a robust succession management program as well as career path design. To support these programs, we have several continuous development plans in order to boost leadership skills in all levels of the organization with leading global educational institutions to ensure we have the best talent. We embrace diversity and we have a highly diversified workforce, which allows us to generate different perspectives to benefit our consumers. We have more than 60 different nationalities and women account for 39% of our workforce. Our workforce is allocated 12% in Management, 46% in Sales and Marketing and 42% in Operations and Logistics.

We are organized in five different organizational units: Mexico, Europe, the United States, Central and South America and Foodservice, together with a central staff devoted to coordinate and support organizational units. Central staff is comprised of Finance and Central Marketing, Technology, Talent and Culture, Business Development and Global Sourcing Strategy. This structure allows us to perform global benchmarks and implement best practices throughout our operations.

Quality Systems and Production Expertise

We guarantee the quality of our food with extensive quality control throughout the entire supply chain. We have rigorous certification programs for our suppliers and we leverage our capabilities with a global sourcing operation. Our quality system has been integrated and focuses on a sustainable model with policies and procedures based on internationally recognized certifications such as International Organization for Standardization ("ISO") 9001, ISO 14000 and Security and Social Responsibility. Also, five of our production facilities, two in Europe and three in Mexico, are USDA certified, allowing us to export products to the United States. One of our facilities in Mexico exports to Europe. Our Darlington, Wisconsin, facility is an FDA-registered establishment and our Seminole, Oklahoma, facility has on-site USDA inspectors. All European factories are BRC (British Retail Consortium) and IFS (International Food Standard) certified, which we believe are the most stringent quality certifications. All sites have a HACCP (Hazard Analysis Critical Control Point) system implemented and most of them are also approved to export to countries with high quality requirements such as Japan, Canada and China. In addition our Serrano Ham is ETG (*Especialidades Tradicionales Garantizadas*) certified, and our Parma Ham is DOP (*Denominación de Origen Protegida*) certified.

We own and operate 67 production facilities worldwide. Our global footprint enables us to exchange production plans, best practices among our geographies, and optimize our footprint sharing production capacity. We continuously optimize our manufacturing facilities, improve asset utilization and increase our manufacturing productivity and efficiency. We achieve this by implementing comprehensive production methods such as Total Productive Maintenance (also known as "TPM"), while enhancing our world-class manufacturing and quality systems in our plants and products in compliance with the regulations of rigorous food safety certifications validated by Global Food Safety Initiative (GFSI), such as the Safe Quality Food Institute (SQF).

Post production, we monitor our products through store certification and customer development programs, ensuring adequate presence in the point of sale. We maintain a relationship with our customers and keep quality-related performance indicators, monitoring consumer preferences and operating 24-hour call centers.

Business Strategy

Our mission statement is to "earn the consumer's preference for our brands with the best food products," which is the driving principle behind providing a wide variety of innovative and high quality products to our consumers. Our strategy is founded on our capabilities and competitive advantages, seeking to strengthen and expand current positions in addition to capturing attractive market trends in the future.

The principal elements of our strategy are as follows:

Strengthen our Core Business

Consolidation, Implementation and Optimization of our Operations. We intend to continue consolidating our recent acquisitions and implementing best practices and processes globally. This will help us optimize our supply chain in a wide variety of aspects such as production efficiencies, raw material yields and global sourcing, among others.

Further Enhance our Brand Recognition. We intend to further reinforce our brand equity through differentiated advertising and promotional activity. We also plan on increasing our presence in digital media as we believe this is an efficient and effective way to reach our consumers. Finally, we plan to continue investing in innovation in order to ensure product differentiation and sustain and enhance our brand value.

Drive Innovation Using Consumer Insights. We plan to continue investing in consumer analysis to further enhance our insight regarding consumer preferences. We intend to increase consumer appeal, brand loyalty and sales volume by enhancing our product offerings via innovation. For example, we intend to take advantage of the growing "health-conscious" consumer trend by expanding our health and wellness product offerings, as we did with the launch of our low-fat Greek yogurt product line in Mexico and the Cuida-t+ line in Spain.

Continue Developing World Class Talent. We intend to continue investing in our people as we believe this is one of our key strengths. We expect that these investments in human capital at all levels of our organization will promote the development of trained and experienced professionals. Having a world class and highly diversified workforce will allow us to capitalize our strengths for the benefit of our consumers.

Expand our Core Businesses

Expand our Foodservice Operations. The foodservice channel, which primarily includes sales to restaurants, hospitals, schools, hotels, movie theaters and catering businesses, represented over 6.9% of our net sales in 2015. In Mexico, our foodservice business currently has over 16,000 customers. We view this channel as a significant growth opportunity as our market share in foodservice is well below our retail shares within our current product categories. We intend to continue to expand our foodservice business in Mexico, Europe and the United States as we believe there is an opportunity for us to gain new customers and to consolidate in this highly fragmented channel. We plan to leverage our brands, existing customer base and our distribution network and supply chain with the goal of attaining a market share for our products similar to that of the other segments we serve. We plan to offer products tailored to the foodservice market demands.

Fully Leverage Assets and Capabilities. We intend to take advantage of our geographic footprint and operating expertise to identify suitable partners with well-known branded products which we believe would complement our distribution capabilities. As part of this strategy, we plan to leverage our existing asset base to expand our business by offering value-added distribution services to third party producers similar to the agreements we currently have with Oscar Mayer®, Philadelphia®, McCormick's Grill Mates® and Hershey's®. We expect our licensing business to continue to be an important part of our business and we believe there are growth opportunities through new agreements.

Replicate our Successful Business Model in Our Current Markets. We intend to continue increasing our presence in our current markets. We plan to leverage the success of our current business model to introduce new products within our existing product categories and regions. For example, in the United States, we plan to leverage our experience in the franks and corn dog market to increase our presence in other value packaged meat products such as ham and bacon. In addition, we plan to continue targeting attractive companies within our existing markets and product categories, capturing synergies and leveraging our capabilities.

Invest in the Future

Become the Foodservice Leader in Mexico. In addition to our current foodservice operations, we have identified an opportunity to expand our foodservice business by continuing to develop our distribution capabilities in frozen, refrigerated, and dry temperature products. We intend to become a one-stop shop solution to customers by expanding our product portfolio to include a wide variety of third party products specifically tailored to satisfy the needs of our foodservice customers. We have established an independent business unit dedicated to the expansion of our foodservice business.

We plan to explore further acquisition opportunities of attractive targets in a fragmented market, which we believe will allow us to capture important customers with specific needs. For example, in 2013 we acquired Comercial Norteamericana, S. de R.L. de C.V. ("ComNor"), a producer, marketer and distributor of value added meat which includes beef, poultry and pork and in 2015 we entered into a strategic alliance with Proveedores de Alimentos de Cancun, S.A. de C.V. ("Pacsa"), a company engaged in the foodservice industry mainly in southeast Mexico.

Expand our Product Portfolio to New Product Categories. We believe that innovation is one of the pillars of long-term growth. Through the participation of multi-functional teams, new consumer insights, stimulating visionary thinking and research collaboration arrangements with educational and governmental institutions, we have become a leader in the development of new refrigerated and frozen products. We intend to continue to meet our diverse consumers' needs as well as capitalize on evolving market trends by expanding our portfolio of prepared meals and other food categories. Most recently, our innovation initiatives have included refrigerated pizzas, stuffed chicken breasts, pre-cooked meals and ready-to-drink coffees.

Evaluate Opportunities in New Markets. We plan to continue expanding our geographic footprint through carefully evaluated value accretive acquisitions. We intend to replicate our successful business model in other geographic regions that we do not currently serve and where we identify value generating opportunities that are aligned with our capabilities. We plan to leverage our proven due diligence and post-merger integration capabilities to create value by capturing synergies and realizing efficiencies from each of our acquisitions.

THE OFFERING

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this offering memorandum contains a more detailed description of the terms and conditions of the notes.

Issuer	Sigma Alimentos, S.A. de C.V.
Notes Offered	€600,000,000 aggregate principal amount of 2.625% Senior Notes due 2024.
Issue Price	99.628%, plus accrued interest, if any, from February 7, 2017.
Maturity	February 7, 2024.
Interest Rate and Payment Dates	Interest will accrue at an annual rate of 2.625% and will be payable in cash on February 7 of each year, beginning February 7, 2018.
Subsidiary Guarantors	The notes will be fully and unconditionally guaranteed on a senior unsecured basis by certain of our subsidiaries as identified in "Description of the Notes—Guarantees."
Ranking	The notes and the subsidiary guarantees will be the Issuer's and the subsidiary guarantors' respective senior unsecured obligations and will rank: • equal in right of payment to all other of the Issuer's and the subsidiary guarantors' respective existing and future senior unsecured indebtedness; • junior to certain obligations given preference under applicable law, including labor, social security and tax claims. The notes and the subsidiary guarantees will effectively rank junior to all of our and the subsidiary guarantors' respective existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness. The notes and the subsidiary guarantees will be structurally subordinated to all claims of creditors (including trade creditors and preferred stockholders, if any) of each of the Issuer's non-guarantor subsidiaries. As of September 30, 2016, we had total consolidated indebtedness of Ps. 46,278 million (US$2,373 million), of which Ps. 10,989 million (US$564 million) was indebtedness of our non-guarantor subsidiaries to which the notes will be structurally subordinated, and none of which was secured indebtedness. As of September 30, 2016, on an unconsolidated basis, the Issuer had Ps. 35,289 million (US$ 1,809 million) of outstanding indebtedness.

Optional Redemption	The Issuer may redeem the notes at its option, in whole or in part, at any time and from time to time, prior to November 7, 2023 (the date that is three months prior to the scheduled maturity of the notes), at a redemption price equal to the greater of 100% of the outstanding principal amount of the notes to be redeemed and the applicable "make-whole" amount, plus in each case accrued and unpaid interest and Additional Amounts, if any, to the redemption date. See "Description of the Notes—Redemption—Optional Make-Whole Redemption." In addition, the Issuer may redeem the notes at its option, in whole or in part, at any time and from time to time, beginning on November 7, 2023 (the date that is three months prior to the scheduled maturity of the notes), at a redemption price equal to 100% of the outstanding principal amount of the notes to be redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date. See "Description of the Notes—Redemption—Optional Redemption without a Make-Whole Premium."
Tax Redemption	In the event of certain changes to applicable tax laws and regulations that would require us to pay Additional Amounts (as defined below) to non-residents of Mexico in respect of payments of interest or amounts deemed interest on the notes, in excess of the Additional Amounts payable on the date hereof, the Issuer may, subject to certain conditions, redeem in whole, but not in part, the notes prior to maturity at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest thereon to, but excluding, the date of redemption, and any Additional Amounts payable with respect thereto. See "Description of the Notes—Redemption—Optional Redemption upon Tax Event."
Additional Amounts	Payments of interest on the notes (and amounts deemed interest, such as any discount on the principal amount of the notes) made by us to investors that are non-residents of Mexico for tax purposes will generally be subject to Mexican withholding taxes at a rate of 4.9%, if certain requirements are satisfied. See "Taxation—Mexican Federal Tax Considerations—Payments of Interest." If we are required to deduct or withhold taxes attributable to any payments of interest on the notes (and amounts deemed interest, such as any discount on the principal amount of the notes), we will, subject to certain exceptions described in this offering memorandum, pay additional amounts ("Additional Amounts") to the holders of the notes, so that the net amount received by holders of the notes in respect of principal, interest or other payments on the notes, after any such withholding or deduction, will not be less than the amount each holder of notes would have received if such withholding or deduction had not applied. See "Description of the Notes—Additional Amounts."
Currency of Payments	All payments of interest and principal, including payments made upon any redemption of the notes, will be made in Euro. If the Euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the Euro is no longer being used by the then-member states of the European

	Economic and Monetary Union that have adopted the Euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes will be made in U.S. Dollars until the Euro is again available to us or so used. See "Risk Factors" and "Description of the Notes—Issuance in Euro; Payment on the Notes."
Change of Control......................................	Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture), the Issuer must offer to repurchase the notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the repurchase date. See "Description of the Notes—Change of Control Triggering Event."
Further Issues...	The Issuer may, from time to time, without notice to or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes offered pursuant to this offering memorandum.
Certain Covenants......................................	The indenture contains certain covenants, including limitations on liens, limitations on sale and leaseback transactions, and limitations on consolidations, mergers, and transfers of assets. However, all of these limitations and restrictions are subject to a number of significant exceptions. See "Description of the Notes—Covenants."
Use of Proceeds	We intend to use the net proceeds from this offering to repay debt and for general corporate purposes. See "Use of Proceeds."
Transfer Restrictions..................................	We have not and will not register the notes under the Securities Act or the securities laws of any other jurisdiction. The notes are subject to restrictions on transfer and may only be offered in transactions exempt from or not subject to the registration requirements of the Securities Act. See "Transfer Restrictions." As required under the Mexican Securities Market Law, and regulations thereunder, we will notify the CNBV of the terms and conditions of the offering of the notes outside of Mexico, to comply with a statutory requirement and for statistical purposes. The notes have not been and will not be registered with the RNV maintained by the CNBV and may not be offered or sold publicly in Mexico, except that the notes may be offered and sold, on a private placement basis, to Mexican institutional and qualified investors, pursuant to the private placement exemption set forth in the Mexican Securities Market Law and regulations.
Taxation	You should consult your tax advisor with respect to the Mexican tax and U.S. tax considerations relating to purchasing, holding or disposing of the notes in light of your own particular situation and with respect to any tax consequences arising under the laws of any federal, state, local, foreign or other taxing jurisdiction. See "Taxation" for a summary of certain Mexican federal income tax considerations and U.S. federal income tax considerations of an investment in the notes.

Governing Law	The indenture and the notes will be governed by the laws of the State of New York.
Listing	Application has been made to the Irish Stock Exchange to admit the notes to listing on the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market. We cannot assure you that this application will be accepted.
Trustee, Registrar and Transfer Agent	The Bank of New York Mellon.
Paying Agent	The Bank of New York Mellon, London Branch.
Irish Listing Agent	The Bank of New York Mellon SA/NV, Dublin Branch.
Form and Denomination	The Issuer will issue the notes in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof and the notes will, once issued, be represented by one or more global notes.
Risk Factors	See "Risk Factors" in this offering memorandum for a discussion of certain relevant factors you should carefully consider before deciding to invest in the notes.

SUMMARY HISTORICAL FINANCIAL DATA AND OTHER INFORMATION

You should read the following summary historical financial data and other information in conjunction with our Annual Audited Financial Statements and our Interim Unaudited Financial Statements, and the information set forth in the sections "Presentation of Financial and Certain Other Information," "Selected Historical Financial Data and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this offering memorandum.

The consolidated financial information set forth below as of December 31, 2014 and 2015 and for the years ended December 31, 2013, 2014 and 2015 has been derived from our Annual Audited Financial Statements prepared in accordance with IFRS contained elsewhere in this offering memorandum. The financial information as of September 30, 2016 and for the nine months ended September 30, 2015 and 2016 has been derived from our Interim Unaudited Financial Statements prepared in accordance with IAS 34 contained elsewhere in this offering memorandum.

	For the Year Ended December 31,				For the Nine Months Ended September 30,		
	2013	2014	2015	2015[1]	2015	2016	2016[2]
	(Ps.)	(Ps.)	(Ps.)	(US$)	(Ps.)	(Ps.) (Unaudited)	(US$)
	(in millions)						
Income Statement Data:							
Net sales	48,989	71,465	93,568	5,902	68,742	77,819	4,261
Cost of sales	(32,631)	(50,435)	(66,708)	(4,208)	(48,946)	(54,768)	(2,999)
Gross profit	16,358	21,030	26,860	1,694	19,797	23,052	1,262
Selling and administrative expenses	(10,937)	(14,385)	(19,462)	(1,228)	(14,372)	(16,481)	(902)
Other income (expenses), net [3]	(144)	(209)	3,506	221	1,519	(331)	(18)
Operating profit	5,277	6,436	10,904	688	6,944	6,240	342
Financial income	306	789	901	57	6,402	10,510	575
Financial expenses	(1,345)	(5,412)	(3,507)	(221)	(8,550)	(12,571)	(688)
Comprehensive financing expense, net	(1,039)	(4,623)	(2,606)	(164)	(2,148)	(2,060)	(113)
Share of losses of investments accounted for using the equity method	(4)	(249)	(401)	(25)	(410)	34	2
Profit before Income tax	4,234	1,564	7,896	498	4,385	4,213	231
Income tax	(1,379)	(923)	(1,586)	(100)	(659)	(854)	(47)
Net consolidated profit	2,855	641	6,310	398	3,726	3,360	184
Earnings per share	2.21	0.42	4.91	0.31	2.97	2.59	0.14
Number of shares outstanding	1,291	1,291	1,291	1,291	1,291	1,291	1,291

	As of December 31,			As of September 30,	
	2014	2015	2015[1]	2016	2016[2]
	(Ps.)	(Ps.)	(US$)	(Ps.) (Unaudited)	(US$)
	(in millions)				
Statement of Financial Position Data:					
Current assets:					
Cash and cash equivalents	4,912	8,448	491	10,982	563
Restricted cash	155	215	12	146	7
Trade and other receivables, net [4].	6,753	7,875	458	8,725	447
Income tax recoverable	752	665	39	660	34
Inventories	10,449	12,019	699	13,755	705
Prepaid expenses and others	435	328	19	440	23
Total current assets	23,456	29,550	1,717	34,708	1,780
Non-current Assets:					
Property, plant and equipment, net	24,120	26,598	1,546	30,575	1,568
Goodwill and intangible assets, net	21,378	23,243	1,351	26,535	1,361
Deferred income tax	839	1,957	114	2,904	149
Investments accounted for using the equity method and others	1,696	1,840	107	1,183	61
Total non-current assets	48,033	53,638	3,117	61,197	3,138
Total assets	71,489	83,188	4,835	95,905	4,918

	As of December 31,			As of September 30,	
	2014	2015	2015[1]	2016	2016[2]
	(Ps.)	(Ps.)	(US$)	(Ps.) (Unaudited)	(US$)
Current liabilities:					
Current debt [5]	1,141	2,413	140	748	38
Trade and other payables	18,056	20,226	1,175	23,373	1,199
Provisions	267	208	12	184	9
Other current liabilities	408	955	56	1,328	68
Total current liabilities	19,872	23,802	1,383	25,633	1,314
Non-current liabilities:					
Non-current debt	31,053	38,885	2,260	45,530	2,335
Provisions	573	576	33	460	24
Deferred income tax	3,069	3,877	225	4,356	223
Income tax payable	-	399	23	1,366	70
Employees' benefits	762	951	55	1,134	58
Other non-current liabilities	218	345	20	894	46
Total non-current liabilities	35,675	45,033	2,617	53,739	2,756
Total liabilities	55,547	68,835	4,001	79,372	4,070
Total equity	15,942	14,353	834	16,533	848

	For the Year Ended December 31,				For the Nine Months Ended September 30,		
	2013	2014	2015	2015[1]	2015	2016	2016[2]
	(Ps.)	(Ps.)	(Ps.)	(US$)	(Ps.)	(Ps.) (Unaudited)	(US$)
				(in millions)			
Cash Flow Data:							
Net cash generated from operating activities	4,987	8,264	11,773	743	6,801	8,641	473
Net cash used in investing activities	(8,684)	(1,919)	(4,928)	(311)	(3,192)	(3,177)	(174)
Net cash flows provided by (used in) financing activities	3,259	(3,592)	(3,651)	(230)	(2,932)	(4,200)	(230)
Other Financial Data:							
Net sales by product line:							
Packaged meats	31,673	52,142	72,807	4,592	53,573	60,019	3,286
Dairy products	14,270	15,445	16,927	1,068	12,437	14,182	777
Other products	3,046	3,878	3,834	242	2,732	3,618	198
Net sales by geographic region:							
Mexico	33,708	37,387	39,915	2,518	29,436	31,949	1,749
United States	11,362	12,134	13,697	864	10,360	11,638	637
Europe	-	17,572	33,892	2,138	24,658	28,740	1,574
Other countries	3,919	4,372	6,064	382	4,288	5,492	301
Adjusted EBITDA[6]	6,710	8,495	13,891	876	9,100	9,079	497

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of (i) Ps. 17.2065 per U.S. Dollar, the Official Exchange Rate in effect on December 31, 2015, with respect to statement of financial position data and (ii) Ps. 15.8542 per U.S. Dollar, the average of the Official Exchange Rate on each day during the year ended December 31, 2015, with respect to financial information other than statement of financial position data.

(2) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of (i) Ps. 19.5002 per U.S. Dollar, the Official Exchange Rate in effect on September 30, 2016, with respect to statement of financial position data and (ii) Ps. 18.2638 per U.S. Dollar, the average of the Official Exchange Rate on each day during the nine months ended September 30, 2016, with respect to financial information other than statement of financial position data.

(3) Other income (expenses), net, for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016 consisted primarily of the following: (i) in 2013, write-offs from removal of fixed and intangible assets, (ii) in 2014, losses recorded as a consequence of the fire at the La Bureba facility, (iii) in 2015, an insurance reimbursement from the fire at the La Bureba facility, (iv) in the nine months ended September 30, 2015, write-offs from removal of fixed and intangible assets and an insurance reimbursement from the fire at the La Bureba facility and (v) in the nine months ended September 30, 2016, write off from removal of fixed and intangible assets. See Note 25 to the Annual Audited Financial Statements.

(4) Allowance for doubtful accounts as of December 31, 2014 and 2015 and September 30, 2016 consisted of Ps. 390 million, Ps. 419 million and Ps. 512 million, respectively.

(5) Current debt includes interest payable.

(6) Adjusted EBITDA has been included solely because we believe that Adjusted EBITDA enhances the understanding of our financial performance. We also believe Adjusted EBITDA is useful because it presents operating results on a basis unaffected by capital structure and taxes. Adjusted EBITDA, however, is not a measure of financial performance under IFRS and should not be considered as an

alternative to net consolidated profit or operating profit as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Adjusted EBITDA has material limitations that impair its value as a measure of our overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as financial expenses, income taxes, depreciation, amortization and the impact of derivative instruments (except when designated as hedge accounting in accordance with IFRS). For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, we define "Adjusted EBITDA" as operating profit after adding back or subtracting, as the case may be, depreciation and amortization and write-off from removal of fixed and intangible assets. Our calculation of Adjusted EBITDA may not be comparable to other companies' calculations of similarly titled measures. See "Presentation of Financial and Certain Other Information—Non-GAAP Financial Measures." The following table sets forth a reconciliation of Adjusted EBITDA to net profit (loss) for each of the periods presented:

	Year Ended December 31,				**Nine Months Ended September 30,**		
	2013	**2014**	**2015**	**2015[(1)]**	**2015**	**2016**	**2016[(2)]**
	(Ps.)	**(Ps.)**	**(Ps.)**	**(US$)**	**(Ps.)**	**(Ps.) (Unaudited)**	**(US$)**
				(in millions)			
Operating profit[(3)]	5,277	6,436	10,904	688	6,944	6,240	342
Depreciation and amortization	1,354	1,931	2,829	179	2,060	2,561	140
Write off from removal of fixed and intangible assets	79	128	158	10	97	94	5
Impairment of intangible assets	-	-	-	-	-	184	10
Adjusted EBITDA	6,710	8,495	13,891	876	9,100	9,079	497

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 15.8542 per U.S. Dollar, the average of the Official Exchange Rate on each day during the year ended December 31, 2015.

(2) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 18.2638 per U.S. Dollar, the average of the Official Exchange Rate on each day during the nine months ended September 30, 2016.

(3) In November 2014 there was a fire in one of the Campofrío plants, located in the city of Burgos, Spain. The losses recorded as a consequence of the fire amounted to Ps. 1,858 million, affecting property, plant and equipment, inventory and other costs. These assets are covered by an insurance policy and based on the analysis and confirmations made by our management, it has been concluded that such policy covers material damages, loss of benefits resulting from the reduction of revenues and additional costs that we may incur to recover sales for a period of twelve months from the date of the fire. As of December 31, 2014, we had recorded income from the insurance reimbursement of Ps. 1,766 million, of which Ps. 1,275 million was collected in cash. During 2015, we received insurance payments of Ps. 2,598 million and during the month of November 2015, the closing of the insurance indemnity was completed in a total amount of Ps. 3,913 million.

RISK FACTORS

An investment in our notes is subject to risks and uncertainties. You should carefully consider the risks described below, in addition to the other information contained in this offering memorandum, before deciding whether to purchase the notes. Realization of any of these risks could have a material adverse effect on our business, financial condition, cash flows and results of operations and could materially affect the value or liquidity of the notes and result in the loss of all or part of your investment in, or failure to receive timely payments in respect of, the notes. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial, and that are not described below, may also materially adversely affect us, which could also result in the loss of all or part of your investment in our notes.

Risks Relating to Our Company

Global economic conditions may adversely affect our business and financial performance.

Economic conditions in Mexico, Europe, the United States and Central and South America, as well as globally, may negatively affect our business, results of operations or financial condition. When economic conditions deteriorate, the end markets for our products may experience declines, and we may suffer reductions in our sales and profitability. In addition, the financial stability of our customers and suppliers may be affected, which could result in decreased, delayed or canceled purchases of our products, increases in uncollectable accounts receivable or non-performance by suppliers. We may also find it more costly or difficult to obtain financing to fund operations or investment or acquisition opportunities, or to refinance our debt in the future. If we are not able to access the capital markets at competitive rates or at all, or obtain other forms of financing, our ability to implement our business plan and strategy or to refinance debt may be negatively affected. Furthermore, we may encounter additional competition that may impact our externally-driven growth.

The global economy has experienced a period of slowdown and volatility which in turn has diminished expectations and consumer spending in the economies in which we have a presence and has been adversely affected by a significant lack of liquidity, loss of confidence in the financial sector, currency fluctuations, disruptions in the credit markets, difficulty in obtaining financing, reduced business activity, rising unemployment, uncertainty in the level of interest rates, erosion of consumer confidence and reduced consumer spending. Although our strategy is targeted at offsetting or taking advantage of market trends as appropriate, worsening of the global economic downturn in general has had, and may continue to have, a negative impact on our business, financial condition, results of operations and prospects.

Furthermore, on June 23, 2016, the United Kingdom held an in-or-out referendum on the United Kingdom's membership within the European Union, the result of which favored the exit of the United Kingdom from the European Union, or "Brexit." A process of negotiation will determine the future terms of the United Kingdom's relationship with the European Union. The potential impact of Brexit on our results of operations is unclear. Depending on the terms of Brexit, economic conditions in the United Kingdom, the European Union and global markets may be adversely affected by reduced growth and volatility. The uncertainty before, during and after the period of negotiation could also have a negative economic impact and increase volatility in the markets, particularly in Europe. Such volatility and negative economic impact could, in turn, adversely affect the value and trading of the notes.

We operate in a highly competitive industry.

The food industry is highly competitive and is not subject to regulatory or to other material entry barriers. A great number of competitors offer similar products in the countries and segments in which we have a presence. Further, several competitors are niche producers that direct their products to certain market segments or geographies. To varying degrees, existing and new competitors may have strengths in particular product lines and regions, greater financial or technological resources and business strategies that may increase competition in the industry. Increased competition could reduce our net sales or require us to reduce prices to respond to competitive pressures which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We expect that we will continue to face strong competition in all of our markets and anticipate that existing or new competitors may broaden their product lines, offer new lines of products that may be responsive to developed customer demands and extend their geographical scope. Also, certain competitors may target specified niches, market segments or geographies. Our competitors may improve their competitive position by introducing new products, improving manufacturing processes, making their product offering more exclusive or artisanal, or expanding the capacity of manufacturing facilities individually or through joint ventures. If we are unable to keep pace with our competitors' product and manufacturing process initiatives, our results of operations and financial condition could be materially adversely affected.

Loss of one or more significant customers could negatively impact our net sales and overall financial performance.

Our top five customers accounted for 17.4% of our consolidated net sales for the year ended December 31, 2015, and our top 10 customers, together, accounted for 25.5% of our consolidated net sales for year ended December 31, 2015. The loss of any significant customer could negatively impact our net sales and profitability. We do not generally enter into sales agreements with our customers, and where such agreements exist, they are generally terminable at will by the customer. Because our profitability depends on our maintenance of a high capacity utilization rate, the loss of all or a substantial portion of the sales volume related to a significant customer would have an adverse effect on us. If any of our significant customers faces financial difficulties or gives preference to any of our competitors, our results and/or our ability to collect accounts receivable could also be adversely affected. In addition, the consolidation of our customer base could reduce our net sales and profitability, particularly if one of our significant customers is acquired by a company that has a relationship with one of our competitors.

We rely on our customers which are retailers; and if they perform poorly, are subject to adverse circumstances or give preference to products of our competitors, our financial performance could be negatively affected.

We derive a significant portion of our operating revenues from sales to retailers. We sell our products to modern retailers, such as supermarkets and hypermarkets and traditional retailers, such as small family-owned stores, butchers and delicatessens, which, in turn, sell our products to end consumers. A small portion of our revenues comes from the foodservice channel which includes operators such as restaurants, hotels, movie theaters and the on-the-go channel including vending machines and kiosks. In the nine months ended September 30, 2016, net sales from customers in our modern and traditional retailers accounted for 43.5% and 56.5%, respectively, of our total net sales. In 2015, net sales from customers in our modern and traditional retailers accounted for 46.7% and 53.3%, respectively, of our total net sales. Any significant deterioration in the sales performance of our customers could adversely affect the performance of our products. Our retail customers also carry products that directly compete with our products for retail space and consumer purchases. There is a risk that our retail customers may give higher priority to the products of, or form alliances with, our competitors or their own private labels, including providing priority shelf space. If our retail customers fail to purchase our products, or provide our products with promotional support, or change their purchasing policies or terms and conditions with respect to our products, our financial performance and results of operations could be adversely affected.

Loss of the reputation of our brands and/or the loss of our intellectual property rights could have a material adverse effect on our business.

Approximately 82.6% and 87.0% of our net sales for 2015 and the nine months ended September 30, 2016, respectively, were derived from sales of products under brands that we own. Our brand names are a key asset of our business. Maintaining the reputation of our brands is essential to our future success. Loss of reputation, for any or a series of reasons, could have a material adverse effect on our business, results of operations and financial condition. Although we believe our brands are well-recognized by consumers and entail significant value, we cannot assure you that we will be able to maintain the current value of our brands.

Our current principal trademarks are registered in the relevant countries in which we use such trademarks. While we intend to enforce our trademark rights against infringement by third parties, we cannot assure you that our actions to establish, preserve and protect our trademark rights are adequate to prevent imitation of our products by others or to prevent others from seeking to block sales of our products on grounds that our products violate their trademarks and proprietary rights or that authorities in some of the markets in which we participate will take action to police or observe our rights. If a competitor were to infringe on our trademarks, enforcing our rights would likely be costly, could involve litigation in several jurisdictions (including jurisdictions in which we may not be familiar with the legal system) and would divert resources that would otherwise be used to operate and develop our business. Although we intend to actively defend our brands and trademark rights, we cannot assure you that we will be successful in enforcing our intellectual property rights or of the costs we may incur. See "Business—Intellectual Property."

Changes in consumer preferences could affect our financial performance.

Consumer preferences change over time and our success depends on our ability to maintain consumer demand for our products by identifying the evolving tastes and health habits of consumers in order to offer products that appeal to these tastes and habits. Consumer preferences may shift in the future due to several factors that are difficult to predict such as changes in demographic trends, governmental regulations, weather conditions or changes in economic conditions. We market our products in several different countries and the consumers in each country have their own tastes and preferences. If we are unable to effectively produce and market products that meet the changing preferences of consumers in each of our markets, our business, financial condition and results of operations may be adversely impacted.

Changes in consumer preferences also influence the retail space allotted to products. If we are allotted less or different retail space, we may experience lower consumer demand which could adversely affect our business, financial condition and results of operations. The introduction of new products and product extensions that meet these changing preferences requires significant research and development as well as marketing initiatives. We regularly monitor consumer tastes and preferences in all of our markets and devote significant resources to developing, renovating and marketing new products, as well as to expanding and improving existing product lines. We may incur significant costs related to these actions and cannot guarantee that any new products will be profitable. If our new products fail to meet consumers' preferences, our sales volume and the return on that investment would be negatively impacted which could have a material adverse effect on our business, financial condition and results of operations.

The loss of rights granted pursuant to any of our franchise or distribution agreements could harm our business and competitive position.

Through our franchise agreements with Sodima, we have the exclusive right to manufacture, market and distribute Yoplait® products in Mexico, Central America, the Dominican Republic and Haiti. We also have the rights to use Sodima's production and manufacturing processes and to receive technical assistance from Sodima. In exchange for these rights, we have agreed to refrain from selling identical or substantially similar products to certain Yoplait® products.

Because of the nature of franchising and our agreements with Sodima, our success in the yogurt industry is, to a large extent, directly related to the success of Yoplait® products that we distribute. In Mexico, if we fail to maintain the Yoplait® brand as one of the top three brands in the Mexican yogurt market, Sodima could grant rights to sell and distribute its products in Mexico to another party, despite our existing Mexican franchise agreement, in which case we would cease to be the sole distributor of Yoplait® products in Mexico. We cannot assure you that the Yoplait® brand will be able to compete effectively with other brands in the Mexican yogurt market, and any failure of the Yoplait® brand to compete effectively in such market or a loss of our exclusivity with Sodima would likely have a material adverse effect on our results of operations.

In Europe, we sell products under the *Oscar Mayer* brand under a license and technical assistance agreement with Kraft Foods Group Inc. (currently The Kraft Heinz Company), dated as of January 1, 1994. This agreement permits us to, subject to certain conditions, use the brand in Spain, Gibraltar, Andorra and Portugal through December 31, 2029. Royalties are calculated as a specified percentage of net sales of licensed products, subject to annual minimum payments. Upon the occurrence of certain events, The Kraft Heinz Company has the right to terminate the agreement at any time upon 60 days written notice.

We have entered into annual licensing agreements with The Walt Disney Company to commercialize certain products targeted at the youth consumer segment. Under one of our current licensing agreements, we are permitted to sell products in packaging featuring certain licensed Disney characters in Belgium and Luxembourg, and under another licensing agreement effective as of January 1, 2015, in Spain, Andorra and Portugal. The Walt Disney Company has the right to terminate the agreement at any time upon 15 days written notice.

We also sell products under the *Weight Watchers* brand under a trademark license agreement with *Weight Watchers* dated as of November 2, 2009, the terms of which, subject to certain conditions, permit us to use the brand in Belgium and Luxembourg. This contract is usually renewed on an annual or biannual basis.

We have also entered into distribution agreements with (i) Oscar Mayer Foods, a division of The Heinz Kraft Foods, Co., which grants us the exclusive right to distribute certain Oscar Mayer® products in Mexico, (ii) Mondelez Mexico, S. de R.L. de C.V. and Mondelez International Holdings LLC, which grant us the exclusive right to sell and distribute Philadelphia® cream cheese through the traditional distribution channel in Mexico, Costa Rica, Nicaragua, Guatemala, Honduras and El Salvador and (iii) Hershey's Mexico, S.A. de C.V. to market and distribute products under the Hershey's® and Pelón Pelo Rico® brands in Mexico.

Although we have no reason to believe that the previously mentioned agreements will be terminated or not be renewed, we cannot provide any assurances that such renewals will occur timely or at all, and the failure to renew or termination of any such agreement could have a material adverse impact on our business and results of operation.

Our level of indebtedness may affect our flexibility in operating and developing our business and our ability to satisfy our obligations.

As of September 30, 2016, we had Ps. 46,278 million (US$2,373 million) of total outstanding consolidated debt, none of which was secured. Our level of indebtedness may have important consequences for investors, including:

- limiting our ability to generate sufficient cash flow to satisfy our obligations with respect to our indebtedness, particularly in the event of a default under one of our other debt instruments;
- limiting cash flow available to fund our working capital, capital expenditures or other general corporate requirements;
- increasing our vulnerability to adverse economic and industry conditions, including increases in interest rates, foreign currency exchange rate fluctuations and market volatility;
- limiting our ability to obtain additional financing to refinance debt or to fund future working capital, capital expenditures, other general corporate requirements and acquisitions on favorable terms or at all;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry; and
- limiting our ability to incur additional financings to make acquisitions, investments or generally take advantage of corporate opportunities.

To the extent that we incur additional indebtedness, the risks outlined above could increase. In addition, our actual cash requirements in the future may be greater than expected. Our cash flow from operations may not be sufficient to repay all of the outstanding debt as it becomes due, and we may not be able to borrow money, sell assets or otherwise raise funds on acceptable terms, or at all, to refinance our debt.

Disruption of our supply chain could adversely affect our operations.

Our operations depend on the continuous operation of our supply chain. Damage or disruption to our manufacturing or distribution capabilities due to weather, natural disaster, fire, electricity shortages, terrorism, social or politically motivated protests, pandemics, strikes, the financial and/or operational instability of key suppliers, distributors, warehousing and transportation providers, or other reasons could impair our ability to manufacture or distribute our products.

Our operations are vulnerable to power shortages that generally affect enterprises located in Mexico, Central America, the Dominican Republic, Ecuador and Peru. If the cities in which we have operations are affected by power outages or must ration power, our production volumes could decrease and our production could be delayed and resources could be required to restore our supply chain, adversely affecting our financial performance. In addition, increases in electricity costs may adversely affect our profitability. We cannot assure you that our electricity costs will not rise significantly or that power shortages will not affect us in the future.

To the extent that we are unable, or it is not financially feasible, to mitigate interruptions in our supply chain or their potential consequences, there could be an adverse effect on our business and results of operations, and additional resources could be required to restore our supply chain.

Increases in commodity costs may have a negative impact on profits.

We use many different commodities including, among others, pork, poultry, fluid and dry milk, natural gas and motor fuel. Commodities are subject to price volatility caused by, among other things, commodity market fluctuations, supply and demand, currency fluctuations, weather conditions, livestock disease and changes in governmental agricultural programs. Commodity price increases will result in increases in raw material costs and operating costs. We may not be able to increase our product prices and achieve cost savings that fully offset these increased costs; and increasing prices may result in reduced sales volume and profitability.

The prices of our raw materials normally fluctuate due to market conditions and currency fluctuations. We cannot assure you that these fluctuations will not have an adverse effect on our financial performance or that we will be able to pass along the effect of increased costs to our customers.

Our operations could be adversely affected if our suppliers fail to perform in a satisfactory manner.

Our production depends on the availability of raw materials such as pork, turkey, chicken, beef and milk, which we obtain from several suppliers in different countries. Although we believe any of our suppliers could be replaced, if for any reason any of our major suppliers is unable or unwilling to continue providing us with raw materials due to production delays, increased competition for their products, failure to meet our quality or hygienic standards or any other reason, we may face delays in obtaining alternate suppliers, and such suppliers may be unwilling to supply our raw material needs on terms as favorable, or by satisfying the same quality, as those provided by our current suppliers. Any such event could result in delays in operations and diminished financial results. See “Business—Raw Materials and Suppliers.”

Health and product liability risks related to the food industry could adversely affect our business, results of operation and financial condition.

We are subject to risks affecting the food industry generally, including risks posed by contamination or food spoilage, evolving nutritional and health-related concerns, consumer product liability claims, product tampering, the possible unavailability and expense of liability insurance and the potential cost and disruption of product recalls. In addition, in the past we have voluntarily recalled products because of their failure to meet our quality standards. Any actual or perceived health risks associated with our products, including any adverse publicity or health-related reports concerning these risks, could cause customers to lose confidence in the safety and quality of our products. Even if our own products are not affected by contamination, our industry may face adverse publicity if the products of other producers become contaminated, which could result in reduced consumer demand for our products in the affected category. We maintain systems designed to monitor food safety risks throughout all stages of the production process. However, our systems and internal policies may not be fully effective in mitigating risks related to food safety. Any product contamination or other condition negatively affecting our products could have a material adverse impact on our business, results of operations and financial condition.

Our operations are subject to extensive food quality and safety regulations.

Our operations, including our manufacturing facilities, transportation vehicles and products, are subject to extensive regional and national laws, rules, regulations and standards of hygiene and quality regulation in the food safety area and oversight by authorities in each of the countries where we operate regarding the processing, packaging, labeling, storage, distribution and advertising of our products. These authorities enact and enforce regulations with respect to our operations by, among other things, licensing our plants, enforcing federal and state standards for selected food products, grading food products, inspecting plants and warehouses, regulating trade practices related to the sale of dairy products and imposing their own labeling requirements on food products and through governmental food processing controls. Consequently, we are required to maintain various registries, licenses and permits in order to operate our business.

Our operations in Mexico are subject to extensive laws, rules, regulations and standards of hygiene and quality regulation and oversight by designated authorities such as SAGARPA, the Ministry of Health (*Secretaría de Salud*), the Ministry of Economy (*Secretaría de Economía*) and other local and foreign authorities regarding the processing, packaging, labeling, storage, distribution and advertising of our products.

Our U.S. food products and packaging materials are regulated by the FDA or, for products containing meat or poultry, the USDA. These agencies enact and enforce regulations relating to the manufacturing, distribution and labeling of food products. In addition, various states regulate our U.S. operations by licensing plants, enforcing federal and state standards for selected food products, grading food products, inspecting plants and warehouses, regulating trade practices related to the sale of dairy products and imposing their own labeling requirements on food products.

Our operations in Europe are subject to extensive food safety regulations and are subject to governmental food processing controls in each of the European countries in which we conduct our business. Regulation EC/178/2002, as amended, provides the framework for a unified approach to food safety in the European Union and all member states have implemented the requirements into law. Among the other major requirements of Regulation EC/178/2002 are Article 17, which imposes on food business operators a general obligation to ensure that the operations under their control satisfy the relevant food law requirements and an obligation to verify that such requirements are met, and Article 18, which imposes a mandatory traceability requirement along the food chain. In addition to the general requirements of Regulation EC/178/2002, we are subject to the specific food hygiene legislation. Further, we are regularly inspected by various national and local regulatory authorities. In addition, we are subject to extensive consumer-protection and product liability regulations.

Non-compliance with health-related regulations and changes to such regulations could have a negative impact on our business.

If we are found to be out of compliance with applicable laws and regulations, particularly if it relates to or compromises food safety, we could be subject to civil remedies, including significant fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on our business, financial condition and results of operations. In addition, future material changes in food safety regulations could result in increased operating costs or could be required to be implemented on schedules that cannot be met without interruptions in our operations. Moreover, the loss of or failure to obtain necessary permits and registrations could delay or prevent us from meeting current product demand, introducing new products, building new facilities or acquiring new businesses and could have a material adverse effect on our business, financial condition and results of operations.

Government policies in Mexico, the United States, Europe and the other markets in which we participate, varying interpretations of applicable laws and regulations and the enactment of new laws and regulations may adversely affect the supply of, demand for and prices of our products, restrict our ability to do business in existing and target local and export markets and could adversely affect our results of operations and financial condition.

We are subject to anti-corruption, anti-bribery, anti-money laundering and antitrust laws and regulations in Mexico and other countries. Any violation of any such laws or regulations could have a material adverse impact on our reputation and results of operations and financial condition.

We are subject to anti-corruption, anti-bribery, anti-money laundering, antitrust and other international laws and regulations and are required to comply with the applicable laws and regulations of the countries in which we operate. In addition, we are subject to economic sanctions regulations that restrict our dealings with certain sanctioned countries, individuals and entities. There can be no assurance that our internal policies and procedures will be sufficient to prevent or detect all inappropriate practices, fraud or violations of law by our affiliates, employees, directors, officers, partners, agents and service providers or that any such persons will not take actions in violation of our policies and procedures. Any violations by us of anti-bribery and anti-corruption laws or sanctions regulations could have a material adverse effect on our business, reputation, results of operations and financial condition.

Our business may be negatively affected by trade barriers.

We import a significant amount of our raw materials into certain countries in which we have production facilities, principally poultry, for the production of our packaged meat products. Events that affect international trade may restrict our ability to import poultry and other livestock products and could result in our inability to obtain sufficient raw materials for our production. In the past, our operations have been affected by various factors, including trade disputes and security concerns. For example, in the past the Mexican government has imposed import restrictions on poultry from the United States due to concerns about the A(H5N1) virus (bird flu). In addition, prior to taking office, U.S. President Donald Trump publicly and repeatedly announced his intentions to renegotiate certain terms of the North American Free Trade Agreement ("NAFTA"), but he has not detailed the parameters of any potential revisions, which could include trade restrictions applicable to our products and raw materials. Any such restrictions in any of the countries where we operate could limit our ability to import raw materials and consequently could have a material adverse effect on our business, financial condition and results of operations.

The imposition of price controls or additional taxes on the products that we make could have an impact on our business, results of operations and financial condition.

The sale prices of our products are not currently subject to any government regulation and are mainly determined through demand and supply in our markets, which allows us to modify the prices of our products according to our own strategic decisions. However, such price controls have existed in the past from time to time, and could be imposed in the future by the governments of the countries in which we operate. We cannot assure you that the governments of the countries in which we conduct our business will not impose price control mechanisms in the future. The imposition of price controls or additional taxes on the products we sell could have an adverse impact on our sales, which could have a negative effect on our results of operations and financial condition.

Our growth through mergers, acquisitions or joint ventures may be impacted by antitrust laws, governmental approval requirements, access to capital resources, and challenges in integrating significant acquisitions.

We have made in the past, and may make in the future, significant acquisitions in order to continue to grow our business. Acquisitions involve risks, including, among others, failure of acquired businesses to achieve expected results; inability to identify material liabilities or contingencies; inability to retain or hire key personnel of acquired businesses; and inability to achieve expected synergies or economies of scale. If we are unable to successfully integrate or manage our acquired businesses, we may not realize anticipated cost savings and revenue growth, which may result in reduced profitability or losses. Furthermore, if we fail to identify material liabilities or contingencies, we may incur unanticipated costs, which could adversely affect our results of operations and financial condition.

If new expansion opportunities arise, we may not have sufficient resources to take advantage of these opportunities and additional financing may not be available to us on favorable terms, or at all, causing us to forfeit such opportunities.

Approval of the antitrust authorities in the appropriate jurisdictions is required for us to acquire and sell significant businesses or enter into significant joint ventures. We cannot assure you that the antitrust authorities will authorize our proposed joint ventures and acquisitions in the future, or will not order us to divest a portion of our assets in order to consummate any proposed joint venture or acquisition, which may adversely affect our business strategy, financial condition and results of operations.

Our business and financial performance may be adversely affected by risks inherent in international operations.

We currently maintain production facilities and operations in Mexico, the United States, Spain, France, Portugal, the Netherlands, Belgium, Italy, Germany, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Peru and Ecuador. Our ability to conduct and expand our business and our financial performance are subject to the risks inherent in international operations. Our liquidity, results of operations and financial condition may be adversely affected by trade barriers, currency fluctuations and exchange controls, political unrest, high levels of inflation, increases in duties, taxes and governmental royalties, changes to industry regulations, as well as changes in local laws and policies of the countries in which we conduct business, including changes to environmental laws that could affect our manufacturing facilities or to health safety laws that could affect our products. The governments of the countries in which we conduct our business, or may operate in the future, could take actions that materially adversely affect us.

Health epidemics and other outbreaks may affect our business and results of operations.

Our business could be adversely affected by health epidemics and other outbreaks, including any future outbreaks of disease in pork and poultry flocks, including Porcine Epidemic Diarrhea Virus ("PEDV"), Porcine Circovirus 2, African Swine Fever (ASF), A(H7N3) (bird flu) and *Brucella suis*, among others. During the first half of 2015, an outbreak of PEDV occurred in the United States resulting in a decrease in supply and a corresponding significant price increase of pig carcass affecting the cost of our products. We may experience additional occurrence of diseases or adverse public health developments that could result in the implementation of our crisis measures such as product tracking, recall measures or closure of our facilities which could disrupt our operations. Any prolonged occurrence of disease or other public health problems in any of the countries where we are present could result in an adverse effect on the economy of any of these countries and could discourage consumers from purchasing our products, which may have a material adverse effect on our business, financial condition and results of operations.

Compliance with environmental and other governmental laws and regulations could result in additional expenditures or liabilities.

Our past and present operations and properties are subject to extensive and increasingly stringent laws and regulations and official standards relating to the protection of the environment and natural resources.

Such laws and regulations require us to obtain regulatory licenses, permits and other approvals and to comply with the requirements thereof. Governmental authorities may not grant us these regulatory licenses, permits and approvals, and such laws and regulations may change or be interpreted in a manner that increases our costs of compliance or has a material adverse effect on our operations or our plants.

We have incurred, and will continue to incur, capital and operating expenditures to comply with specific environmental laws and regulations. We have specific programs across our business units designed to meet applicable environmental compliance requirements. However, we cannot predict with certainty the amounts of any capital expenditures or any increases in operating costs or other expenses that we may incur to comply with applicable environmental or other regulatory requirements and environmental remediation actions. Additionally, environmental regulations have changed rapidly in recent years, and it is possible that we will be subject to even more stringent environmental standards in the future. Furthermore, the companies we have acquired or may acquire, and their assets, could have environmental liabilities or be subject to risks that are not uncovered through our due diligence investigations and that could have a material adverse effect on our business, financial condition and results of operations.

We cannot assure you that amendments of existing laws and regulations (including environmental) or the adoption of more stringent laws and regulations (including environmental) in the jurisdictions in which we operate will not result in the need for investments that are not currently provided for in our capital expenditures program or will not otherwise result in a material adverse effect on our business, results of operations or financial condition.

Our operations are subject to the general risks of litigation.

We are involved on an ongoing basis in litigation arising in the ordinary course of business or otherwise. Litigation may include class actions involving consumers, shareholders, employees or injured persons, and claims related to commercial, labor, employment, antitrust, securities or environmental matters. Moreover, the process of litigating cases, even if we are successful, may be costly, and may approximate the cost of damages sought. These actions could also expose us to adverse publicity, which might adversely affect our brands and reputation and/or customer preference for our products. Recently, Mexico's Congress has approved legislation allowing consumers and other market participants to initiate class action lawsuits against us. There is very limited experience in Mexico in connection with class actions and judicial precedent regarding these laws is extremely limited. Furthermore, there may be claims or expenses which are denied insurance coverage by our insurance carriers, not fully covered by our insurance, in excess of the amount of our insurance coverage or not insurable at all. Litigation trends and expenses and the outcomes of litigation cannot be predicted with certainty and adverse litigations trends, expenses and outcomes could have a material adverse effect on our business, financial condition and results of operations.

We may incur liabilities that are not covered by insurance.

We maintain the types and amounts of insurance coverage that we believe are consistent with customary industry practices in the jurisdictions in which we conduct our business.

Our insurance policies cover, among other things, employee-related accidents and injuries, property damages and business interruption, machinery breakdowns, fixed assets, facilities and liability. We do not have and do not intend to obtain political risk insurance. For example, the production at our warehouses or our facilities could be adversely affected by extraordinary events, including fire, explosion, the release of high-temperature steam or water, structural collapse, machinery or mechanical failure, extended or extraordinary maintenance, road construction or closures of primary access routes, flooding, windstorms or other severe weather conditions.

While we seek to maintain appropriate types and levels of insurance, not all claims may be insurable. Moreover, there may be insurable events which cannot be fully covered according to our cover conditions or limits, such as indirect damages affecting our reputation and brand image. In addition, our insurance carriers may seek to rescind or deny coverage with respect to future liabilities, including from lawsuits, investigations and other legal actions against us.

Furthermore, the occurrence of an event resulting in substantial claims could have a material adverse effect on our business, financial condition and results of operations. In addition, our insurance premiums may increase over time in response to any negative development of our claims history or due to overall market conditions.

Any deterioration of labor relations with our employees or increase in labor costs could adversely affect our business, results of operations and financial condition.

As of September 30, 2016, we employed approximately 41,000 employees. Our operations are labor intensive and subject to various labor laws and regulations. Any significant increase in labor costs, increase in benefits to current or former employees under pension plans or any liabilities arising there from, deterioration of employee relations, slowdowns or work stoppages at any of our locations, whether due to union activities, inability to successfully negotiate salaries and other working conditions, employee turnover, social unrest, or otherwise, could have a material adverse effect on our business, financial condition and results of operations. Unions may be different and more aggressive in certain jurisdictions. A strike, work slowdown or other labor unrest could, in some cases, impair our ability to supply our products to customers, which could result in reduced net sales. A significant portion of our workforce is unionized. We cannot predict the outcome of negotiations with our trade unions and if any significant differences arise during these negotiations, or any other significant conflicts arise, our results of operations and financial condition could be adversely affected.

We depend on key personnel.

Our success depends, in large measure, on the skills, experience and efforts of our senior management team and other key personnel. Although we believe that we have expertise throughout our entire organization, the loss of the services of one or more members of our senior management or other employees with critical skills could have a negative effect on our business, financial condition and results of operations. In addition, our future growth and success depends on our ability to attract, train, retain and motivate skilled managerial, sales, administrative, operating and professional and technical personnel. The loss of one or more of our key personnel or the failure to attract or retain highly skilled, talented and committed senior managers or other key personnel may adversely affect our ability to achieve our business objectives.

We are controlled by Alfa, whose interests may not be aligned with ours or yours.

We are a wholly-owned subsidiary of Alfa. As such, Alfa has the power to control our affairs and operations. Alfa also controls the election of our Board of Directors, the appointment of our senior management, and our entering into mergers, acquisitions and other extraordinary transactions. The interests of Alfa could materially conflict with your interests as a holder of the notes. So long as Alfa owns a majority of our capital stock, it will continue to be able to strongly influence and effectively control decisions by our Board of Directors and senior management team.

We have entered into and expect to continue entering into transactions with Alfa and its affiliates, including contracts for administrative and corporate services. Many of these transactions occur in the ordinary course of business. Transactions with affiliates may create potential conflicts of interest. See "Principal Shareholders" and "Related Party Transactions."

The Issuer is a holding company and depends on the results of operations of its subsidiaries, including to meet our obligations under the notes.

The Issuer is a holding company with no independent operations or substantial assets other than the capital stock of its operating companies. Accordingly, it depends on the results of operations of its subsidiary companies. Its ability to service its debt and other obligations, including the notes, will depend on its subsidiaries' generation of cash flow and their ability to make such cash available to it in the form of interest payments, debt repayment, dividends or otherwise. Each of the Issuer's subsidiaries is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit the Issuer's ability to obtain cash from its subsidiaries. In addition, under Mexican law, the Issuer's Mexican subsidiaries may only pay dividends (i) out of retained earnings included in financial statements that have been approved by their respective shareholders' meeting, (ii) after all losses from prior fiscal years have been satisfied, and (iii) if the corresponding entity has allocated 5% of its net profit for such fiscal year to its legal reserve, which allocation must be made on an annual basis until its legal reserve represents at least 20% of such entity's capital stock. In the event that the Issuer does not receive distributions from its subsidiaries, the Issuer may be unable to make required principal and interest payments on its indebtedness, including the notes, or honor its other obligations. Any adverse change in the financial condition or results of operations of the Issuer's subsidiaries could affect our financial condition.

We may be subject to interruptions or failures in our information technology systems and may be exposed to cyber-attacks and failure of our operational systems.

We rely on sophisticated information technology systems, software and infrastructure in each of the countries in which we operate to support our business, including process control technology. Any of these systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures and similar events. The failure of any of our information technology systems may cause disruptions in our operations, and could have a material adverse effect on our business, financial condition and results of operations. Although we have business continuity plans in place to reduce the negative impact of information technology system failures on our operations, we cannot assure you of the extent to which these plans will be effective.

We are also vulnerable to failure of our operational systems. This could temporarily interrupt our business, increase our costs and cause losses. Temporary interruptions or failures in hardware and software that support our business and suppliers and customers' transactions could result in regulatory fines, penalties, and reputational loss. We have not experienced any material losses related to cyber-attacks or operational stability. We are continuously working and investing resources in maintaining and updating control processes in order to prepare and adapt to new technologies. However, our use of the Internet and telecommunications technologies to conduct business transactions, as well as the increased sophistication and activities of organized criminals, hackers and other external parties can impact the confidentiality, integrity and availability of critical information.

Changes in the relative value of the Mexican Peso to the U.S. Dollar and Euro may have an adverse effect on us.

Currently, the Peso-Dollar and the Peso-Euro exchange rate is determined on the basis of a free market float in accordance with the policy set by the Mexican Central Bank, though the Mexican government has in the past imposed exchange controls and restrictions on the ability of Mexican companies to transfer money outside of Mexico. No assurances can be given that the Mexican Central Bank will maintain the current exchange rate regime or that the Mexican Central Bank will not adopt a different monetary policy, as it has done in the past, that may affect the exchange rate itself or our ability to exchange Mexican Pesos into foreign currencies, including the U.S. Dollar and the Euro, or our ability to transfer funds outside of Mexico. Any change in the monetary policy, the exchange rate regime or in the exchange rate itself, as a result of market conditions over which we have no control, could have a considerable impact on our business, financial condition and results of operations.

A real depreciation of the Peso will likely result in a decrease in our operating margins in Mexico and a real appreciation of the Peso will likely result in an increase in our operating margins in Mexico, in each case, when measured in Pesos. This is because a significant portion of our sales occur in Mexico and are denominated in Pesos while some of our raw materials are denominated in U.S. Dollars. We usually adjust the price of our products sold in Mexico to reflect changes in the Peso-U.S. Dollar exchange rate. We cannot assure you that such price adjustments will not have a significant adverse impact on our sales volume.

A real depreciation of the currency of a country to which we export against the Euro will likely result in a decrease in our operating margins in Europe and a real appreciation of the currency of a country to which we export will likely result in an increase in our operating margins in Europe, in each case, when measured in Euros, as a result of our exports from our operations in Europe.

Severe devaluation or appreciation of the Peso may also result in government intervention, as has occurred in other countries, or disruption of international foreign exchange markets. While the Mexican federal government does not currently restrict, and for many years has not restricted, the right or ability of Mexican or foreign persons or entities to convert Pesos into U.S. Dollars or Euros or to transfer other currencies outside of Mexico, the Mexican federal government could institute restrictive exchange control policies in the future as it has done so in the past. Accordingly, fluctuations in the value of the Peso against the U.S. Dollar and the Euro may have an adverse effect on our financial condition and results of operations and could impair our ability to make timely payments of principal and interest on the notes.

In the course of our business, we may enter into financial derivatives to hedge our exposure to foreign currency exchange rate variations. However, we cannot assure you that these instruments will be available to us at favorable terms, if at all, or will fully hedge our exposure.

We may incur losses in connection with derivative financial instruments.

We may use derivative financial instruments from time to time to manage the risk profile associated with interest rates and currency exposure, reduce financing costs and hedge some of our commodity and financial market risks.

Our internal policy is to enter into derivative financial instruments solely for hedging purposes and not for speculative purposes; however, we may continue to enter into derivative financial instruments as an economic hedge against certain business risks, even if these instruments do not qualify for hedge accounting under IFRS.

As of September 30, 2016, we did not have derivative financial instruments outstanding and did not have any collateral posted in response to margin calls. In the future, we may enter into derivative financial instruments and may be required to record fair value losses in respect of our derivative financial instruments or make cash payments or post cash as collateral in connection with our derivative financial instruments, which could, individually or in the aggregate, have a material adverse effect on our financial condition and results of operations.

Any derivative financial instruments that we may enter into are likely to be subject to margin calls in the event that the threshold or credit line set by the parties is exceeded. If we were to enter into any such derivative financial instruments, the cash required to cover any such margin calls could be substantial and could reduce the funds available to us for our operations or other capital needs. In addition, the creditworthiness of counterparties to any such instruments may deteriorate substantially. This could prevent our counterparties from honoring their obligations to us, which would expose us to market risks and could have a material adverse effect on us.

We may be unable to successfully expand our operations into new markets.

If the opportunity arises, we may expand our operations into new markets. Each of the risks applicable to our ability to successfully operate in our current markets is also applicable to our ability to successfully operate in new markets. In addition to these risks, we may not possess the same level of familiarity with the dynamics and market conditions of any new markets that we may enter, which could adversely affect our ability to expand into or operate in those markets. We may be unable to create similar demand for our products and business, which could adversely affect our profitability. If we are unsuccessful in expanding our operations into new markets, it could adversely affect our business, financial condition and results of operations.

An impairment in the carrying value of goodwill or other acquired intangibles could negatively affect our consolidated results of operations and net worth.

The carrying value of goodwill represents the fair value of acquired businesses in excess of identifiable assets and liabilities as of the acquisition date. The carrying value of other intangibles represents the fair value of trademarks, trade names, and other acquired intangibles as of the acquisition date. Goodwill and other acquired intangibles expected to contribute indefinitely to our cash flows are not amortized, but must be evaluated by management at least annually for impairment. If carrying value exceeds current fair value, the intangible is considered impaired and is reduced to fair value via a charge to earnings. Events and conditions which could result in an impairment include changes in the industries in which we conduct our business, including competition and advances in technology; a significant product liability or intellectual property claim; or other factors leading to reduction in expected sales or profitability. Should the value of one or more of the acquired intangibles become impaired, our consolidated earnings and net worth may be materially adversely affected.

Further consolidation of the retail food industry may adversely impact profitability.

As supermarket chains continue to consolidate and as mass merchants gain scale, our larger customers may seek more favorable terms for their purchases of our products, including increased spending on promotional programs. Sales to our larger consumers on terms less favorable to us than our current terms could adversely affect our business, financial condition and results of operations.

Risks Relating to the Countries in Which We Operate

We are an international company subject to the market risk of the countries in which we produce and/or sell our products.

We currently maintain production facilities and operations in Mexico, the United States, Europe and Central and South America. Our ability to conduct and expand our business and our financial performance are subject to the risks inherent in international operations, such as currency controls, currency fluctuations, trade barriers, increases in duties, taxes and governmental royalties, expatriation, expropriation, nationalization, forced negotiation, changes in local labor conditions, labor strikes, price instability, interest rates, modification of existing contracts and changes in local laws and policies, regulation, taxation, social instability and other political, social and economic developments affecting the countries in which we operate. We have no control over these factors and they may have an adverse effect on our business, financial condition, results of operations and prospects.

Additionally, our operations may be adversely affected by trade barriers, market volatility, currency fluctuations, exchange controls, high levels of inflation, increases in duties, taxes and governmental royalties, social unrest, labor strikes, expropriation, nationalization, adverse geopolitical events, forced negotiation or modification of existing contracts and changes in the trade agreements, local laws and policies of the countries in which we conduct our business. We are also exposed to risks related to social instability and other political, economic or social events in these countries, which could have an adverse effect on our business, financial condition and results of operations, as well as our ability to comply with our financial obligations in a timely manner.

The Issuer is incorporated in Mexico and a significant portion of our assets and operations are located in Mexico; therefore, we are subject to certain risks specific to Mexico.

The Issuer is a corporation (*sociedad anónima de capital variable*) incorporated in Mexico. A significant portion of our assets and operations are located in Mexico, including many of our production facilities. As a result, our business, financial condition, results of operations and prospects are subject to political, economic, social, legal and regulatory risks specific to Mexico. The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Accordingly, Mexican governmental actions or lack thereof, fiscal and monetary policies and regulation of private industry could have an impact on Mexican private sector entities, including our company, and on market conditions, prices and returns on Mexican securities, including our securities. We cannot predict the impact that these political, economic and social conditions, or similar political conditions in any other jurisdictions in which we conduct our business, could have on our business.

Furthermore, Mexico has recently experienced periods of violence and crime due to the activities of organized crime. In response, the Mexican government has implemented various security measures and has strengthened its police and military forces. Despite these efforts, organized crime (especially drug-related crime) continues to exist in Mexico. These activities, their possible escalation and the violence associated with them may have a negative impact on the Mexican economy or on our operations in Mexico in the future. The social and political situation in Mexico could adversely affect the Mexican economy, which in turn could have a material adverse effect on our business, financial condition, results of operations and prospects.

Additionally, the Mexican economy and the market value of securities issued by Mexican issuers or their subsidiaries may be, to varying degrees, affected by economic and market conditions in the United States. Economic conditions in Mexico are highly correlated with economic conditions in the United States as a result of NAFTA, and high levels of economic activity between the two countries. Prior to taking office, President Donald Trump publicized his intention to renegotiate the terms of NAFTA and the possibility that the United States may withdraw from NAFTA if Canada and Mexico are unwilling to renegotiate. In addition, he has announced plans to institute import tariffs and to control illegal immigration from Mexico, which may create friction between the U.S. and Mexican governments and reduce economic activity between those countries. Although it is currently unclear which of these proposed strategies, if any, will be adopted, if they were to be adopted, they could have an impact on Mexico's economy generally, which could affect our financial performance and results of operations.

The countries in which we operate may experience high levels of inflation in the future.

Certain countries in which we conduct our business may experience high inflation in the future. A substantial increase in the inflation rate in the countries where we operate could adversely affect consumer purchasing power, thereby negatively impacting demand for our products, and would increase some of our costs, which could adversely affect our business, financial condition and results of operations.

Terrorist activities and geopolitical events in the countries in which we operate and their consequences could adversely affect our business operations.

Terrorist attacks or the continued threat of terrorism or organized crime in Mexico, Europe, the United States and elsewhere in the world and the potential for military action and heightened security measures in response to such threats may cause significant disruptions to commerce on a global basis, including restrictions on cross-border transport and trade. The consequences of terrorism and the responses thereto are unpredictable and could have an adverse effect on our business operations. In addition, related political events may cause periods of uncertainty that may adversely affect our business. Political and economic instability in the markets in which we operate could negatively impact our results of operations and financial condition.

Risks Relating to the Notes

Payments on the notes and the subsidiary guarantees will be effectively junior to any of the Issuer's and the subsidiary guarantors' secured indebtedness and structurally junior to the debt obligations of the Issuer's non-guarantor subsidiaries.

The notes and the guarantees will constitute the Issuer's and the subsidiary guarantors' senior unsecured obligations and will rank equal in right of payment with all of the Issuer's and the subsidiary guarantors' other existing and future senior unsecured indebtedness, other than obligations preferred by statute (such as tax and labor claims). Although the holders of the notes will have a direct, but unsecured claim on our assets and property, payment on the notes and guarantees will be subordinated in right of payment to any existing or future secured debt of the Issuer and the subsidiary guarantors, respectively, to the extent of the value of the assets securing such debt. Although the indenture governing the notes will contain restrictions on the incurrence of additional liens, these restrictions are subject to important qualifications and exceptions, and the liens that we may incur in compliance with these restrictions or liens that arise from governmental or creditor action, could be substantial. Payment by us in respect of the notes will also be structurally subordinated to the payment of secured and unsecured debt and other creditors of our non-guarantor subsidiaries.

As of September 30, 2016, we had total consolidated indebtedness of Ps. 46,278 million (US$2,373 million), of which Ps. 35,289 million (US$1,809 million) was indebtedness of the Issuer on an unconsolidated basis and

Ps. 10,989 million (US$564 million) was indebtedness of our non-guarantor subsidiaries (principally Campofrío) to which the notes will be structurally subordinated, and none of which was secured indebtedness.

If we become insolvent or are liquidated, or we become subject to bankruptcy proceedings, or if payment under any secured debt is accelerated, the relevant lenders would be entitled to exercise the remedies available to a secured lender. Accordingly, any proceeds upon a realization of the collateral granted for the benefit of secured creditors would be applied first to amounts due under the secured debt obligations, before any proceeds would be available to make payments on the notes. After such application of the proceeds from collateral and priorities, it is possible that there would be no assets remaining from which claims of the holders of the notes could be satisfied.

Further, if any assets remain after payment of these lenders, the remaining assets would be available to creditors preferred by statute, such as holders of tax, social security and labor claims, and might be insufficient to satisfy the claims of the holders of the notes and holders of other unsecured debt including trade creditors that rank equal to holders of the notes.

In addition, the Issuer's and the subsidiary guarantors' creditors may hold negotiable instruments or other instruments governed by local law that grant rights to attach the Issuer's or the subsidiary guarantors' assets at the inception of judicial proceedings in the relevant jurisdiction, which attachment is likely to result in priorities benefitting those creditors when compared to the rights of holders of the notes.

The guarantees may not be enforceable under applicable laws.

The notes will be fully and unconditionally guaranteed by certain of our Mexican, U.S. and other subsidiaries. The guarantees provide a basis for a direct claim against the subsidiary guarantors; however, it is possible that the guarantees of these subsidiaries may not be enforceable under Mexican, U.S. or other applicable laws.

While Mexican law does not prohibit the giving of guarantees and, as a result, does not prevent the guarantees of the notes from being valid, binding and enforceable against the subsidiary guarantors, in the event that a Mexican subsidiary guarantor becomes subject to a judicial reorganization proceeding (*concurso mercantil*) or to bankruptcy (*quiebra*), the guarantee provided by any such Mexican subsidiary guarantor may be deemed to have been a fraudulent transfer and declared void based upon the Mexican subsidiary guarantor being deemed not to have received fair consideration in exchange for any such guarantee.

Under various fraudulent conveyance or fraudulent transfer laws (including under the laws of the United States), a court could subordinate or void the obligations of our subsidiaries under the guarantees. Generally, to the extent that a court were to find that at the time one of our subsidiaries entered into a guarantee either (a) the subsidiary guarantor incurred the guarantee with the intent to hinder, delay or defraud any present or future creditor or contemplated insolvency with a design to favor one or more creditors to the exclusion of others or (b) the subsidiary guarantor did not receive fair consideration or reasonably equivalent value for issuing the guarantee and, at the time it issued the guarantee, the subsidiary guarantor (i) was insolvent or became insolvent as a result of issuing the guarantee, (ii) was engaged or about to engage in a business or transaction for which the remaining assets of the subsidiary guarantor constituted unreasonably small capital, (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay those debts as they matured or (iv) was a defendant in an action for money damages, or had a judgment for money damages declared against such subsidiary guarantor if, after final judgment, the judgment is unsatisfied, then the court could void or subordinate the subsidiary guarantor's obligations under the guarantee in favor of the subsidiary guarantor's other obligations. In addition, any payment by any subsidiary guarantor could be voided and required to be returned to such subsidiary guarantor, or to a fund for the benefit of its creditors.

Among other things, a legal challenge of a subsidiary guarantor's obligations under a guarantee on fraudulent conveyance grounds could focus on the benefits, if any, realized by the subsidiary guarantors as a result of the issuance of the notes. To the extent a subsidiary guarantee is voided as a fraudulent conveyance or held unenforceable for any other reason, the holders of the notes would not have any claim against that subsidiary guarantor and would be creditors solely of the Issuer and the subsidiary guarantors, if any, whose obligations under the guarantees were not held unenforceable. If any such event were to occur, the creditworthiness of the notes, and the market value of the notes in the secondary market, may be materially adversely affected.

The Issuer may be unable to purchase the notes upon a change of control triggering event, which would result in a default under the indenture governing the notes.

The terms of the notes as described in the indenture governing the notes will require the Issuer to make an offer to repurchase the notes upon the occurrence of a change of control triggering event at a purchase price equal to 101% of the principal amount of the notes, plus accrued interest to the date of the purchase. Any financing arrangements the Issuer may enter may require repayment of amounts outstanding upon the occurrence of a change of control event and limit the Issuer's ability to fund the repurchase of the notes in certain circumstances. It is possible that the Issuer will not have sufficient funds at the time of the change of control to make the required repurchase of the notes or that restrictions in its other financing arrangements will not allow the repurchase. If the Issuer fails to repurchase the notes in such circumstance, the Issuer would default under the indenture which may, in turn, trigger cross-default provisions in any of our other debt instruments. See "Description of the Notes—Change of Control Triggering Event."

The change of control offer provisions of the indenture governing the notes would not be triggered by a change of control of our parent company, Alfa, and, as a result, may fail to provide any protection to holders of the notes in such circumstances.

The change of control offer provisions of the indenture require the Issuer to offer to repurchase the notes in the event of a specified change of control event. However, these provisions do not address a change of control of Alfa itself, which would indirectly affect control of our company. In the event of, for example, the sale by Alfa's shareholders of a substantial portion of the share capital of Alfa or a significant merger or other transaction affecting the ownership of Alfa, the change of control offer provisions of the indenture would likely not be triggered, even though such event may result in a change of control under our other indebtedness. Accordingly, the change of control offer provisions of the indenture may fail to protect holders of the notes in the case of certain transactions that indirectly affect control of our company.

We may incur substantially more debt, which could further exacerbate the risks associated with our indebtedness.

As of September 30, 2016, we had total consolidated indebtedness of Ps. 46,278 million (US$2,373 million), Ps. 35,289 million (US$1,809 million) of which was indebtedness of the Issuer on an unconsolidated basis and Ps. 10,989 million (US$564 million) was indebtedness of our non-guarantor subsidiaries (principally Campofrío). We and our subsidiaries may be able to incur substantial additional debt in the future. Adding new debt to our current indebtedness levels would increase our leverage and the related risks that we now face could intensify.

The instruments governing our indebtedness, including the notes offered hereby, contain cross-default provisions that may cause all of the debt issued under such instruments to become immediately due and payable as a result of a default under an unrelated debt instrument.

The indenture governing the notes contains restrictive covenants. Instruments governing our other indebtedness also contain certain affirmative and negative covenants and require us and our subsidiaries to meet certain financial ratios and tests. Our failure to comply with the obligations contained in the indentures or other instruments governing our indebtedness could result in an event of default under the applicable instrument, which could then result in the related debt and the debt issued under other instruments becoming immediately due and payable. In such event, we would need to raise funds from alternative sources, which may not be available to us on favorable terms, on a timely basis or at all. Alternatively, such default could require us to sell our assets and otherwise curtail operations in order to pay our creditors.

The notes are subject to transfer restrictions, which could limit your ability to resell your notes.

The notes have not been registered under the Securities Act or any state securities laws, and we are not required to and currently do not plan on making any such registration in the immediate future. As a result, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Prospective investors should be aware that investors may be required to bear the financial risks of this investment for an indefinite period of time. See "Transfer Restrictions" for a full explanation of such restrictions.

An active trading market for the notes may not develop.

Currently there is no market for the notes. Application has been made to the Irish Stock Exchange to admit the notes to listing on the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market. Even if the notes become listed on this exchange, we may delist the notes. A trading market for the notes may not develop, even if the notes are listed as specified above, or if a market for the notes were to develop, the notes may trade at a discount from their initial offering price, depending upon many factors, including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition. The initial purchasers are not under any obligation to make a market with respect to the notes, and we cannot assure you that trading markets will develop or be maintained. Accordingly, we cannot assure you as to the development or liquidity of any trading market for the notes. If an active market for the notes does not develop or is interrupted, the market price and liquidity of the notes may be adversely affected.

An investment in the notes by a purchaser whose home currency is not Euro entails significant risks.

The initial investors in the notes will be required to pay for the notes in Euro. Neither the Issuer, the Guarantors, the trustee for the notes, nor the initial purchasers will be obligated to assist the initial investors in obtaining Euro or in converting other currencies into Euro to facilitate the payment of the purchase price for the notes.

All payments of interest on and the principal of the notes and any redemption payment for the notes will be made in Euro. An investment in the notes by a purchaser whose home currency is not Euro entails significant risks. These risks include the possibility of significant changes in rates of exchange between the holder's home currency and Euro and the possibility of the imposition or subsequent modification of foreign exchange controls. These risks generally depend on factors over which we have no control, such as economic, financial and political events and the supply of and demand for the relevant currencies. In the past, rates of exchange between Euro and certain currencies have been highly volatile, and each holder should be aware that volatility may occur in the future. Fluctuations in any particular exchange rate that have occurred in the past, however, are not necessarily indicative of fluctuations in the rate that may occur during the term of the notes. Depreciation of the Euro against the holder's home currency would result in a decrease in the effective yield of the notes below its coupon rate and, in certain circumstances, could result in a loss to the holder.

The notes permit us to make payments in U.S. Dollars if we are unable to obtain Euro.

If the Euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the Euro is no longer being used by the then member states of the European Economic and Monetary Union that have adopted the Euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until the Euro is again available to us or so used. The amount payable on any date in Euro will be converted into U.S. dollars on the basis of the then most recently available market exchange rate for Euro, as the case may be. Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default under the notes or the indenture governing the notes.

Trading in the clearing systems is subject to minimum denomination requirements.

The terms of the notes provide that notes will be issued in minimum denominations of €100,000 and multiples of €1,000 in excess thereof. It is possible that the clearing systems may process trades which could result in amounts being held in denominations smaller than the minimum denomination. If definitive notes are required to be issued in relation to such notes in accordance with the provisions of the relevant Global Note, a holder who does not have the minimum denomination or any integral multiple of €1,000 in excess thereof in its account with the relevant clearing system at the relevant time may not receive all of its entitlement in the form of definitive notes unless and until such time as its holding satisfies the minimum denomination requirement.

The Global Notes are held by or on behalf of Euroclear and Clearstream and, therefore, investors will have to rely on their procedures for transfer, payment and communication with us.

The notes will be represented by one or more Global Notes which will be held through Euroclear and Clearstream. Except in certain limited circumstances described in the Global Notes, investors will not be entitled to receive definitive notes in exchange for interests in the Global Notes. While the notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream.

We will discharge our payment obligations under the notes by making payments to or to the order of the common depositary for Euroclear and Clearstream for distribution to their accountholders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream to receive payments under the notes. We have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the notes. Instead, such holders will be permitted to act directly only to the extent that they are enabled in accordance with the procedures of Euroclear and Clearstream to appoint appropriate proxies.

Payments claimed on the notes or the guarantees in the country of incorporation of the Issuer or any subsidiary guarantor, pursuant to a judgment or otherwise, would be required to be made in local currency.

In the event that proceedings are brought against the Issuer or any subsidiary guarantor in Mexico, either to enforce a judgment or as a result of an original action, or if payment is otherwise claimed from us therein, the Issuer or such subsidiary guarantors would not be required to discharge those obligations in a currency other than Mexican Pesos. If such a claim were brought in the country of incorporation of any other subsidiary guarantor, or if payment is otherwise claimed from such subsidiary guarantor therein, such subsidiary guarantor may similarly be required to discharge those obligations in a currency other than its local currency. As a result, you may suffer a Euro shortfall if you obtain a judgment or a payment in any currency other than Euro.

Our obligations under the notes would be converted in the event of bankruptcy.

Under Mexico's Bankruptcy Law (*Ley de Concursos Mercantiles*), if we are declared bankrupt (*en quiebra*) or if we become subject to a reorganization proceeding (*concurso mercantil*), our obligations under the notes, (i) would be converted into Mexican Pesos and then from Mexican Pesos into UDIs, (ii) would be satisfied at the time claims of all our creditors are satisfied, (iii) would be subject to the outcome of, and priorities recognized in, the relevant proceedings (including priorities resulting from applicable law, such as tax, social security and labor claims, and claims of secured creditors (up to the value of the collateral provided to such creditors)), (iv) would cease to accrue interest from the date the *concurso mercantil* is declared, and (v) would not be adjusted to take into account any depreciation of the Mexican Peso against the Euro occurring after such declaration. As a result, upon the occurrence of any such events, payments under the notes may be affected and subordinated.

We may not be able to make payments in Euro or U.S. Dollars.

In the past, the Mexican economy has experienced balance of payments deficits and shortages in foreign exchange reserves. While the Mexican government does not currently restrict the ability of Mexican or foreign persons or entities to convert Mexican Pesos to foreign currencies, including Euro and U.S. Dollars, it has done so in the past and could do so again in the future. We cannot assure you that the Mexican government will not implement a restrictive exchange control policy in the future. Any such restrictive exchange control policy could prevent or restrict our access to Euro or U.S. Dollars to meet our Euro or U.S. Dollar obligations and could also have a material adverse effect on our business, financial condition and results of operations.

The Issuer and most of the subsidiary guarantors are incorporated or formed under the laws of countries other than the United States and therefore it may be difficult to enforce civil liabilities against us or our directors, executive officers and controlling persons.

A significant number of our directors, executive officers and controlling persons are non-residents of the United States and substantially all of the assets of such non-resident persons and a significant portion of all of our assets are located in Mexico or elsewhere outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or us or to enforce against them or us in courts of any jurisdiction outside of Mexico, judgments predicated upon the laws of any such jurisdiction, including any judgment predicated substantially upon the civil liability provisions of United States federal and state securities laws. We have been advised that there is doubt as to the enforceability in Mexican courts, in original actions or in actions for enforcement of judgments obtained in courts of jurisdictions outside of Mexico, of civil liabilities arising under the laws of any jurisdiction outside of Mexico, including any judgment predicated solely upon United States federal or state securities laws. No treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of foreign judgments. In the past, Mexican courts have enforced judgments rendered in the United States by virtue of principles of reciprocity and comity as well as the provisions of Mexican law relating to the enforcement of foreign judgments in Mexico, consisting of the review by Mexican courts of the United States judgment in order to ascertain whether Mexican legal principles of due process and public policy (*orden público*), among other requirements, have been duly complied with, without reviewing the merits of the subject matter of the case, provided that U.S. courts would grant reciprocal treatment to Mexican judgments issued in analogous cases.

We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.

The credit ratings of the notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the notes.

The consolidated financial information included in this offering memorandum may be of limited use in assessing the financial position of the subsidiary guarantors.

The consolidated financial information included in this offering memorandum includes the financial information for our subsidiary guarantors and our non-guarantor subsidiaries. As of December 31, 2015, our subsidiary guarantors (in addition to Sigma on a stand-alone basis) had net assets of Ps.53,198 million (accounting for 64% of our consolidated net assets) and for the year ended December 31, 2015, our subsidiary guarantors (in addition to Sigma on a stand-alone basis) had EBITDA of Ps.7,616 million (accounting for 55% of our consolidated EBITDA). As a result, our non-guarantor subsidiaries accounted for over 25% of our consolidated net assets and EBITDA as of and for the year ended December 31, 2015, and therefore the consolidated financial information included in this offering memorandum may be of limited use in assessing the financial position of the subsidiary guarantors.

EXCHANGE RATES

This offering memorandum contains translations of certain Mexican Peso amounts into U.S. Dollars at specified rates solely for the convenience of the reader. These convenience translations should not be construed as representations that the Mexican Peso amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the specified rate or at all. Furthermore, the exchange rate for purposes of the convenience translation is not necessarily the same rate we used in preparing our financial statements, which means that U.S. Dollar-denominated items, including U.S. Dollar-denominated expenses and liabilities, may have been translated into Mexican Pesos using one exchange rate (or an average exchange rate) and have been re-translated into U.S. Dollars for the convenience of the reader using the convenience translation exchange rate.

Unless otherwise indicated, the exchange rate used for purposes of the convenience translations is:

- with respect to statement of financial position data, the Official Exchange Rate on December 31, 2015 (Ps. 17.2065 per US$1.00) or on September 30, 2016 (Ps. 19.5002 per US$1.00), as applicable; and

- with respect to financial information other than statement of financial position data, the average exchange rate for the year ended December 31, 2015, which consists of the average of the Official Exchange Rate on each day during the year ended December 31, 2015 (Ps. 15.8542 per US$1.00) or the average exchange rate for the nine months ended September 30, 2016, which consists of the average of the Official Exchange Rate on each day during the nine months ended September 30, 2016 (Ps. 18.2638 to US$1.00), as applicable.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rates for the Official Exchange Rate, all expressed in nominal Mexican Pesos per U.S. Dollar.

	High	Low	Average(1)	Period End(2)
Year				
2012	14.39	12.63	13.17	13.01
2013	13.44	11.98	12.77	13.08
2014	14.79	12.85	13.30	14.72
2015	17.38	14.56	15.85	17.21
2016	21.05	17.18	18.66	20.66
Month				
July 2016	18.90	18.30	18.59	18.90
August 2016	18.91	17.99	18.46	18.58
September 2016	19.84	18.35	19.12	19.50
October 2016	19.41	18.51	18.97	18.84
November 2016	21.05	18.51	19.93	20.55
December 2016	20.75	20.22	20.54	20.66
January 2017 (through January 25)	21.91	20.62	21.44	21.45

(1) The average exchange rate means the average of the exchange rate on each day during the relevant period
(2) As published by the Mexican Central Bank as the rate for the payment of obligations denominated in foreign currency payable in Mexico in effect on the period end date.
Source: The Mexican Central Bank.

On January 25, 2017, the Official Exchange Rate in effect was Ps. 21.45 per US$1.00.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of the notes will be approximately €595 million (US$668 million), after deducting the initial purchasers' discounts and commissions and payment of the estimated offering expenses.

We intend to use the net proceeds from this offering to repay debt and for general corporate purposes.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and consolidated capitalization as of September 30, 2016 (i) on a historical basis and (ii) as adjusted to reflect our receipt of the net proceeds from the sale of the notes and the application of the net proceeds in the manner described under "Use of Proceeds."

This table should be read in conjunction with, and is qualified in its entirety by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Selected Historical Financial Data and Other Information," "Use of Proceeds" and our Interim Unaudited Financial Statements included elsewhere in this offering memorandum.

	As of September 30, 2016			
	Actual		As Adjusted	
	(Ps.)	(US$) (1)	(Ps.)	(US$)(1)
	(Unaudited) (in millions)			
Cash and cash equivalents	10,982	563	13,194	677
Current liabilities:				
Current debt	748	38	748	38
Trade and other accounts payable	23,373	1,199	23,373	1,199
Other current liabilities	1,512	78	1,512	78
Total current liabilities	25,633	1,314	25,633	1,314
Non-current liabilities:				
Bank debt	147	8	147	8
International bonds:				
Sigma 2018 International Notes	8,741	448	-	-
Sigma 2019 International Notes	4,821	247	4,821	247
Campofrío 2022 Notes	10,818	555	8,627	442
Sigma 2026 International Notes	19,325	991	19,325	991
Local bonds	1,677	86	1,677	86
Other non-current liabilities	8,209	421	8,209	421
Notes offered hereby	-	-	13,144	674
Total non-current liabilities	53,739	2,756	55,951	2,869
Total liability	79,372	4,070	81,584	4,184
Stockholders' equity:				
Contributed capital	694	36	694	36
Earned surplus	15,839	812	15,839	812
Total stockholders' equity	16,533	848	16,533	848
Total capitalization (total debt and stockholders' equity)	95,905	4,918	98,117	5,032

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 19.5002 per U.S. Dollar, the Official Exchange Rate in effect on September 30, 2016.

SELECTED HISTORICAL FINANCIAL DATA AND OTHER INFORMATION

You should read the following selected historical financial data and other information in conjunction with our Annual Audited Financial Statements and our Interim Unaudited Financial Statements, including the notes thereto, and the information set forth in the sections "Presentation of Financial and Certain Other Information," "Summary Historical Financial Data and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this offering memorandum.

The consolidated financial information set forth below as of December 31, 2014 and 2015 and for the years ended December 31, 2013, 2014 and 2015 has been derived from our Annual Audited Financial Statements prepared in accordance with IFRS contained elsewhere in this offering memorandum. The financial information as of September 30, 2016 and for the nine months ended September 30, 2015 and 2016 has been derived from our Interim Unaudited Financial Statements prepared in accordance with IAS 34 contained elsewhere in this offering memorandum.

	For the Year Ended December 31,				For the Nine Months Ended September 30,		
	2013	2014	2015	2015[(1)]	2015	2016	2016[(2)]
	(Ps.)	(Ps.)	(Ps.)	(US$)	(Ps.)	(Ps.) (Unaudited)	(US$)
	(in millions)						
Income Statement Data:							
Net sales	48,989	71,465	93,568	5,902	68,742	77,819	4,261
Cost of sales	(32,631)	(50,435)	(66,708)	(4,208)	(48,946)	(54,768)	(2,999)
Gross profit	16,358	21,030	26,860	1,694	19,797	23,052	1,262
Selling and administrative expenses	(10,937)	(14,385)	(19,462)	(1,228)	(14,372)	(16,481)	(902)
Other income (expenses), net [(3)]	(144)	(209)	3,506	221	1,519	(331)	(18)
Operating profit	5,277	6,436	10,904	688	6,944	6,240	342
Financial income	306	789	901	57	6,402	10,510	575
Financial expenses	(1,345)	(5,412)	(3,507)	(221)	(8,550)	(12,571)	(688)
Comprehensive financing expense, net	(1,039)	(4,623)	(2,606)	(164)	(2,148)	(2,060)	(113)
Share of losses of investments accounted for using the equity method	(4)	(249)	(401)	(25)	(410)	34	2
Profit before Income tax	4,234	1,564	7,896	498	4,385	4,213	231
Income tax	(1,379)	(923)	(1,586)	(100)	(659)	(854)	(47)
Net consolidated profit	2,855	641	6,310	398	3,726	3,360	184
Earnings per share	2.21	0.42	4.91	0.31	2.97	2.59	0.14
Number of shares outstanding	1,291	1,291	1,291	1,291	1,291	1,291	1,291

	As of December 31,			As of September 30,	
	2014	2015	2015[(1)]	2016	2016[(2)]
	(Ps.)	(Ps.)	(US$)	(Ps.) (Unaudited)	(US$)
	(in millions)				
Statement of Financial Position Data:					
Current assets:					
Cash and cash equivalents	4,912	8,448	491	10,982	563
Restricted cash	155	215	12	146	7
Trade and other receivables, net [(4)].	6,753	7,875	458	8,725	447
Income tax recoverable	752	665	39	660	34
Inventories	10,449	12,019	699	13,755	705
Prepaid expenses and others	435	328	19	440	23
Total current assets	23,456	29,550	1,717	34,708	1,780
Non-current Assets:					
Property, plant and equipment, net	24,120	26,598	1,546	30,575	1,568
Goodwill and intangible assets, net	21,378	23,243	1,351	26,535	1,361
Deferred income tax	839	1,957	114	2,904	149
Investments accounted for using the equity method and others	1,696	1,840	107	1,183	61
Total non-current assets	48,033	53,638	3,117	61,197	3,138
Total assets	71,489	83,188	4,835	95,905	4,918

	As of December 31,			As of September 30,	
	2014	2015	2015(1)	2016	2016(2)
	(Ps.)	(Ps.)	(US$)	(Ps.)	(US$)
				(Unaudited)	
Current liabilities:					
Current debt (5)	1,141	2,413	140	748	38
Trade and other payables	18,056	20,226	1,175	23,373	1,199
Provisions	267	208	12	184	9
Other current liabilities	408	955	56	1,328	68
Total current liabilities	19,872	23,802	1,383	25,633	1,314
Non-current liabilities:					
Non-current debt	31,053	38,885	2,260	45,530	2,335
Provisions	573	576	33	460	24
Deferred income tax	3,069	3,877	225	4,356	223
Income tax payable	-	399	23	1,366	70
Employees' benefits	762	951	55	1,134	58
Other non-current liabilities	218	345	20	894	46
Total non-current liabilities	35,675	45,033	2,617	53,739	2,756
Total liabilities	55,547	68,835	4,001	79,372	4,070
Total equity	15,942	14,353	834	16,533	848

	For the Year Ended December 31,				For the Nine Months Ended September 30,		
	2013	2014	2015	2015(1)	2015	2016	2016(2)
	(Ps.)	(Ps.)	(Ps.)	(US$)	(Ps.)	(Ps.)	(US$)
						(Unaudited)	
				(in millions)			
Cash Flow Data:							
Net cash generated from operating activities	4,987	8,264	11,773	743	6,801	8,641	473
Net cash used in investing activities	(8,684)	(1,919)	(4,928)	(311)	(3,192)	(3,177)	(174)
Net cash flows provided by (used in) financing activities	3,259	(3,592)	(3,651)	(230)	(2,932)	(4,200)	(230)
Other Financial Data:							
Net sales by product line:							
Packaged meats	31,673	52,142	72,807	4,592	53,573	60,019	3,286
Dairy products	14,270	15,445	16,927	1,068	12,437	14,182	777
Other products	3,046	3,878	3,834	242	2,732	3,618	198
Net sales by geographic region:							
Mexico	33,708	37,387	39,915	2,518	29,436	31,949	1,749
United States	11,362	12,134	13,697	864	10,360	11,638	637
Europe	-	17,572	33,892	2,138	24,658	28,740	1,574
Other countries	3,919	4,372	6,064	382	4,288	5,492	301
Adjusted EBITDA(6)	6,710	8,495	13,891	876	9,100	9,079	497

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of (i) Ps. 17.2065 per U.S. Dollar, the Official Exchange Rate in effect on December 31, 2015, with respect to statement of financial position data and (ii) Ps. 15.8542 per U.S. Dollar, the average of the Official Exchange Rate on each day during the year ended December 31, 2015, with respect to financial information other than statement of financial position data.

(2) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of (i) Ps. 19.5002 per U.S. Dollar, the Official Exchange Rate in effect on September 30, 2016, with respect to statement of financial position data and (ii) Ps. 18.2638 per U.S. Dollar, the average of the Official Exchange Rate on each day during the nine months ended September 30, 2016, with respect to financial information other than statement of financial position data.

(3) Other income (expenses), net, for the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016 consisted primarily of the following: (i) in 2013, write-offs from removal of fixed and intangible assets, (ii) in 2014, losses recorded as a consequence of the fire at the La Bureba facility, (iii) in 2015, an insurance reimbursement from the fire at the La Bureba facility, (iv) in the nine months ended September 30, 2015, write-offs from removal of fixed and intangible assets and an insurance reimbursement from the fire at the La Bureba facility and (v) in the nine months ended September 30, 2016, write off from removal of fixed and intangible assets. See Note 25 to the Annual Audited Financial Statements.

(4) Allowance for doubtful accounts as of December 31, 2014 and 2015 and September 30, 2016 consisted of Ps. 390 million, Ps. 419 million and Ps. 512 million, respectively.

(5) Current debt includes interest payable.

(6) Adjusted EBITDA has been included solely because we believe that Adjusted EBITDA enhances the understanding of our financial performance. We also believe Adjusted EBITDA is useful because it presents operating results on a basis unaffected by capital structure and taxes. Adjusted EBITDA, however, is not a measure of financial performance under IFRS and should not be considered as an

alternative to net consolidated profit or operating profit as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Adjusted EBITDA has material limitations that impair its value as a measure of our overall profitability since it does not address certain ongoing costs of our business that could significantly affect profitability such as financial expenses, income taxes, depreciation, amortization and the impact of derivative instruments (except when designated as hedge accounting in accordance with IFRS). For the years ended December 31, 2013, 2014 and 2015 and the nine months ended September 30, 2015 and 2016, we define "Adjusted EBITDA" as operating profit after adding back or subtracting, as the case may be, depreciation and amortization and write-off from removal of fixed and intangible assets. Our calculation of Adjusted EBITDA may not be comparable to other companies' calculations of similarly titled measures. See "Presentation of Financial and Certain Other Information—Non-GAAP Financial Measures." The following table sets forth a reconciliation of Adjusted EBITDA to net profit (loss) for each of the periods presented:

	Year Ended December 31,				**Nine Months Ended September 30,**		
	2013	**2014**	**2015**	**2015(1)**	**2015**	**2016**	**2016(2)**
	(Ps.)	**(Ps.)**	**(Ps.)**	**(US$)**	**(Ps.)**	**(Ps.) (Unaudited)**	**(US$)**
				(in millions)			
Operating profit(3)	5,277	6,436	10,904	688	6,944	6,240	342
Depreciation and amortization	1,354	1,931	2,829	179	2,060	2,561	140
Write off from removal of fixed and intangible assets	79	128	158	10	97	94	5
Impairment of intangible assets	-	-	-	-	-	184	10
Adjusted EBITDA	6,710	8,495	13,891	876	9,100	9,079	497

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 15.8542 per U.S. Dollar, the average of the Official Exchange Rate on each day during the year ended December 31, 2015.

(2) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 18.2638 per U.S. Dollar, the average of the Official Exchange Rate on each day during the nine months ended September 30, 2016.

(3) In November 2014 there was a fire in one of the Campofrío plants, located in the city of Burgos, Spain. The losses recorded as a consequence of the fire amounted to Ps. 1,858 million, affecting property, plant and equipment, inventory and other costs. These assets are covered by an insurance policy and based on the analysis and confirmations made by our management, it has been concluded that such policy covers material damages, loss of benefits resulting from the reduction of revenues and additional costs that we may incur to recover sales for a period of twelve months from the date of the fire. As of December 31, 2014, we had recorded income from the insurance reimbursement of Ps. 1,766 million, of which Ps. 1,275 million was collected in cash. During 2015, we received insurance payments of Ps. 2,598 million and during the month of November 2015, the closing of the insurance indemnity was completed in a total amount of Ps. 3,913 million.

Selected Financial Data for the Years Ended December 31, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015

The consolidated financial information set forth below:

(i) for the years ended December 31, 2013, 2014 and 2015 has been derived from our Audited Financial Statements;

(ii) for the years ended December 31, 2011 and 2012, has been derived from our audited annual financial statements prepared in accordance with IFRS that have not been included in this offering memorandum; and

(iii) for the years ended December 31, 2007, 2008, 2009 and 2010, has been derived from our audited annual financial statements prepared in accordance with Mexican Financial Reporting Standards ("MFRS") that have not been included in this offering memorandum.

The financial data for the years ended December 31, 2007, 2008, 2009 and 2010, prepared in accordance with MFRS, is not comparable with the financial information for the years ended December 31, 2011, 2012, 2013, 2014 and 2015, prepared in accordance with IFRS, and you should use caution when comparing financial information prepared in accordance with MFRS to financial information prepared in accordance with IFRS.

U.S. Dollar amounts are translated, solely for the convenience of the reader, from Mexican Peso amounts using the exchange rates set forth in the table below, which represent the daily average of the Official Exchange Rates on each day during each of the periods presented. These convenience translations should not be construed as representations that the Mexican Peso amounts actually represent such U.S. Dollar amounts or could be converted into U.S. Dollars at the specified rate or at all. **Furthermore, due to the use of different average exchange rates throughout the periods presented, changes and trends in the financial data presented in U.S. Dollars are different from those presented in Mexican Pesos. For this reason, the financial data in U.S. Dollars for a specified period are not comparable with other periods, and investors should take into account the fluctuations in the U.S. Dollar-Mexican Peso exchange rate when analyzing changes over periods.**

	Average[(1)]
Year	
2007	10.93
2008	11.14
2009	13.51
2010	12.64
2011	12.43
2012	13.17
2013	12.77
2014	13.30
2015	15.85

(1) Average exchange rate means the average of the exchange rate on each day during the relevant period.

The following table presents selected financial data for the years ended December 31, 2007, 2008, 2009 and 2010, prepared in accordance with MFRS:

	For the Years Ended December 31,							
	2007		2008		2009		2010	
	(Ps.)	(US$)	(Ps.)	(US$)	(Ps.)	(US$)	(Ps.)	(US$)
	(in millions)							
Net sales	23,082	2,112	26,101	2,343	29,664	2,196	33,091	2,618
Gross profit	8,983	822	9,664	867	10,992	814	11,502	910
Adjusted EBITDA (unaudited) (1)	2,364	216	2,600	233	3,603	267	3,645	288
Free Cash Flow (unaudited) (2)	(216)	(20)	545	49	2,075	154	1,714	136

(1) We define "Adjusted EBITDA" for the years ended December 31, 2007, 2008, 2009 and 2010 as operating profit after adding back or subtracting, as the case may be, other income (expenses), depreciation and amortization and write-off from removal of fixed and intangible assets. Our calculation of Adjusted EBITDA may not be comparable to other companies' calculations of similarly titled measures. See "Presentation of Financial and Certain Other Information—Non-GAAP Financial Measures."

(2) We define "Free Cash Flow" as the sum of Adjusted EBITDA, change in working capital, capital expenditures and taxes. Our calculation of Free Cash Flow may not be comparable to other companies' calculations of similarly titled measures. See "Presentation of Financial and Certain Other Information—Non-GAAP Financial Measures."

The following table sets forth a reconciliation of Free Cash Flow to Adjusted EBITDA to operating profit for each of the periods presented:

	For the Years Ended December 31,							
	2007		2008		2009		2010	
	(Ps.)	(US$)	(Ps.)	(US$)	(Ps.)	(US$)	(Ps.)	(US$)
	(in millions)							
Operating profit	1,958	179	2,045	184	2,729	202	2,882	228
Other income (expenses)	(317)	(29)	(271)	(24)	(173)	(13)	(279)	(22)
Depreciation and amortization	715	65	828	74	976	72	1,017	80
Write off from removal of fixed and intangible assets	8	1	-	-	72	5	25	2
Adjusted EBITDA (unaudited)	2,364	216	2,600	233	3,603	267	3,645	288
Change in working capital	187	17	(826)	(74)	(214)	(16)	(175)	(14)
Capital expenditures	(2,360)	(216)	(742)	(67)	(742)	(55)	(813)	(64)
Taxes	(407)	(37)	(487)	(44)	(573)	(42)	(943)	(75)
Free Cash Flow (unaudited)	(216)	(20)	545	49	2,075	154	1,714	136

The following table presents selected financial data for the years ended December 31, 2011, 2012, 2013, 2014 and 2015, prepared in accordance with IFRS:

	For the Years Ended December 31,									
	2011		2012		2013		2014		2015	
	(Ps.)	(US$)	(Ps.)	(US$)	(Ps.)	(US$)	(Ps.)	(US$)	(Ps.)	(US$)
	(in millions)									
Net sales	41,078	3,305	45,476	3,453	48,989	3,836	71,465	5,373	93,568	5,902
Gross profit	13,140	1,058	15,267	1,159	16,358	1,281	21,030	1,581	26,860	1,694
Adjusted EBITDA (unaudited) (1)	4,846	390	6,215	472	6,710	525	8,495	639	13,891	876
Free Cash Flow (unaudited) (2)	3,064	247	3,401	259	3,329	261	6,231	469	7,958	500

(1) We define "Adjusted EBITDA" for the years ended December 31, 2011, 2012, 2013, 2014 and 2015 as operating profit after adding back or subtracting, as the case may be, depreciation and amortization and write-off from removal of fixed and intangible assets. Our calculation of Adjusted EBITDA may not be comparable to other companies' calculations of similarly titled measures. See "Presentation of Financial and Certain Other Information—Non-GAAP Financial Measures."

(2) We define "Free Cash Flow" as the sum of Adjusted EBITDA, change in working capital, capital expenditures and taxes. Our calculation of Free Cash Flow may not be comparable to other companies' calculations of similarly titled measures. See "Presentation of Financial and Certain Other Information—Non-GAAP Financial Measures."

The following table sets forth a reconciliation of Free Cash Flow to Adjusted EBITDA to operating profit for each of the periods presented:

	For the Years Ended December 31,									
	2011		2012		2013		2014		2015	
	(Ps.)	(US$)	(Ps.)	(US$)	(Ps.)	(US$)	(Ps.)	(US$)	(Ps.)	(US$)
	(in millions)									
Operating profit	3,395	273	4,782	363	5,277	413	6,436	484	10,904	688
Depreciation and amortization	1,397	112	1,423	108	1,354	106	1,931	145	2,829	179
Write off from removal of fixed and intangible assets	53	4	10	1	79	6	128	10	158	10
Adjusted EBITDA (unaudited)	4,846	390	6,215	472	6,710	525	8,495	639	13,891	876
Change in working capital	195	16	(400)	(30)	(775)	(61)	1,074	81	(1,306)	(82)
Capital expenditures	(931)	(75)	(1,418)	(107)	(1,522)	(119)	(1,871)	(141)	(3,638)	(231)
Taxes	(1,046)	(84)	(996)	(76)	(1,083)	(85)	(1,467)	(110)	(989)	(62)
Free Cash Flow (unaudited)	3,064	247	3,401	259	3,329	261	6,231	469	7,958	500

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read this discussion in conjunction with our Annual Audited Financial Statements and our Interim Unaudited Financial Statements and the other financial information included elsewhere in this offering memorandum. This section contains forward-looking statements that involve risks and uncertainties. Our actual results may vary materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth in "Risk Factors" and other matters set forth in this offering memorandum. See "Forward-Looking Statements."

Overview

We are one of the largest branded refrigerated foods companies in the world (based on industry-wide financial data) focused on the production, marketing and distribution of quality branded foods, including packaged meats, cheese, yogurt and other refrigerated and frozen foods. We have a diversified portfolio of over 10,000 products with more than 100 brands, including Bar-S®, Campofrío®, Yoplait® and FUD®. As of September 30, 2016, we reached over 580,000 points of sale (approximately 47,000 in Europe, 100,000 in Central and South America, 390,000 in Mexico and 46,000 in the United States) in the markets where we have a presence through our extensive refrigerated distribution network comprised of 67 production facilities (46 packaged meat plants, 13 dairy products plants, four fresh meat plants, three pre-cooked meal plants and one beverage plant), 190 distribution centers and more than 7,000 vehicles operating approximately 4,500 active delivery routes.

Through brand development, fresh and quality products and continuous innovation, we have established a leading market position for our products in the United States, Europe, Mexico and other countries. According to industry reports and our own market research, we were the number-one or number-two market participant with respect to many of our products in our primary markets in the United States, Europe and Mexico. According to Nielsen, Bar-S® has been the number one selling frank (hot dog) brand by volume for ten years in a row in the United States, and in Europe, Campofrío was the largest producer of packaged meat products in 2015.

As of September 30, 2016, we had operations in 17 countries and generated sales in more than 100 countries worldwide, including sales through our independent distributors, providing us with highly diversified cash flow generation. Our net sales in the United States, Europe, Mexico and the other countries where we operate, represented 15.0%, 36.9%, 41.1% and 7.1%, respectively, of our total net sales in the nine months ended September 30, 2016.

Since Alfa acquired us in 1980, we have expanded broadly through organic growth as well as through acquisitions, and have experienced significant development in our business over the last few years. In the three years ended December 31, 2015, our Adjusted EBITDA increased from Ps. 6,710 million (US$525 million) in 2013 to Ps. 13,891 million (US$876 million) in 2015, or at a CAGR of 44%. Adjusted EBITDA included a non-recurrent gain in 2015 of Ps. 2,621 million (US$159 million) from an insurance collection related to a fire in the Burgos facility in Spain as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Burgos Incident—Non-Recurrent Proceeds from Insurance." In the same period, our net sales grew at a CAGR of 38%. With the support of our experienced management team, we have been able to maximize cash flow generation through synergies resulting from our acquisitions, increasing market position and pursuing a rapid deleveraging strategy immediately after each acquisition. As a result, our Net Debt/Adjusted EBITDA ratio calculated in U.S. Dollars as of December 31, 2015 was 2.2x, as compared to 2.9x as of December 31, 2014.

Our products reach consumers through a number of different distribution channels, including modern retail, traditional retail, export and foodservice channels. Our principal customers include superstores, hypermarkets, warehouse clubs, wholesalers, convenience stores, foodservice operators and family owned stores. We have had long-term relationships with our main customers in the United States, Europe and Mexico.

For the nine months ended September 30, 2016, we generated net sales of Ps. 77,819 million (US$4,261 million), Adjusted EBITDA of Ps. 9,079 million (US$497 million) and net consolidated profit of Ps. 3,360 million (US$184 million). For the year ended December 31, 2015, we generated net sales of Ps. 93,568 million (US$5,902 million), Adjusted EBITDA of Ps. 13,891 million (US$876 million) and net consolidated profit of Ps. 6,310 million (US$398 million).

We are a wholly-owned subsidiary of Alfa, one of Mexico's largest publicly traded conglomerates. We were acquired by Alfa in 1980.

Economic Environment and other Macroeconomic Factors

Our business is closely tied to general economic conditions in the countries where we operate. As a result, our economic performance and our ability to implement our business strategies may be affected by changes in general economic conditions in those regions.

Macroeconomic conditions in the countries in which we conduct our business have historically affected our results of operations and distribution of sales across our product mix. Customers may switch from branded to lower-cost unbranded products in periods of recession, when GDP declines, in any or all of the markets in which we operate. In recent years, certain markets have experienced economic weakness with tighter credit conditions and slower or declining growth. In addition, exchange rate fluctuations may result from weaker macroeconomic conditions. Since a significant portion of our costs and net sales are either denominated in or linked to the value of the U.S. Dollar, margins could be influenced by the fluctuation of the currencies from the different countries in which we conduct our business. Prices for our raw materials may also fluctuate as a result of certain changes in the price of commodities, such as corn and other grains, fuel and transportation, all of which may be affected by overall trends in GDP and demand.

Burgos Incident – Non-Recurrent Proceeds from Insurance

On November 16, 2014, a fire occurred at our Campofrío packaged meat plant in Burgos, Spain. The incident resulted in the complete destruction of our La Bureba plant, which, prior to the incident had annual production of approximately 61,700 tons, primarily consisting of cooked ham, poultry and dry sausages products. In response to the Burgos fire, and in an effort to minimize the impact on our ongoing operations, we promptly implemented a comprehensive recovery plan. As part of this plan, we transferred approximately 40% of displaced production throughout Campofrío's extensive network of processing facilities, both in Spain and throughout Europe, and reallocated the remaining 60% to third-party processors outside of Campofrío.

On November 23, 2016, we completed the construction of and started operations in a new facility in Burgos, Spain. The new factory, which was constructed in the same location as the previous one, uses state-of-the-art technology for quality, health and safety.

During the year ended December 31, 2015 Campofrío made payments amounting to €6.0 million and recognized additions to property, plant and equipment amounting to €21.5 million. Also, at December 31, 2015 commitments were assumed in connection with the aforementioned construction work amounting to €55.8 million. In October 2015, a final settlement was reached with our insurers resulting in a total indemnity of €313 million, of which €241 million was paid in 2015 and €72 million was paid in 2014. This total compensation is divided into fixed asset damages, inventory damages and business interruption.

We believe that this settlement provides a substantial mitigation of the incurred losses and damages and also allows us to undertake the investments associated to the new factory without any material financial impact.

Factors Affecting Our Results of Operations

Net Sales

Our net sales consist principally of revenue generated from sales of packaged meats, dairy products and other products and are a function of sales volumes, price (after reduction from rebates and invoice discounts) and product mix. The principal drivers of sales volumes of our products include:

- available production capacity, including through the acquisition of new production facilities or the expansion of existing plant capacity (see "—Effect of Acquisitions, Capacity Expansion and Production Efficiencies" below);

- our capacity utilization rate and the existence or absence of operational disruptions;

- demand for packaged meats, dairy products and other refrigerated foods, as well as economic growth or contraction in the countries in which we sell our products and resilience to adverse economic scenarios;
- competition from substitute products, including those outside the categories in which we participate; and
- our ability to develop new products and product characteristics that meet consumers' changing needs and preferences.

The principal factors affecting the pricing of our products include:

- market conditions and the regional supply and demand for packaged meats, dairy products and other refrigerated food products;
- the pricing strategies of our principal competitors;
- our product mix, ranging from premium to economic brands;
- changes in raw material prices and in other costs; and
- changes in the exchange rate of local currencies of the countries in which we operate.

Cost of Sales

Our cost of sales consists primarily of (i) raw materials, particularly poultry, pork and fluid and dry milk, (ii) energy, including natural gas, motor fuel and electricity, (iii) labor costs other than reorganization costs, (iv) transportation costs and (v) depreciation and amortization of our plant and equipment. The principal factors that affect our cost of sales include:

- raw material prices, particularly for pork and poultry, which are closely related to the cost of grains, such as corn, that comprise the majority of the cost of raising such animals, as well as for fluid and dry milk;
- changes in the price of imported raw materials, due to changes in the exchange rate against the local currencies of the countries in which we conduct our business;
- sales volumes;
- our product mix;
- our ability to streamline or create efficiencies in our production processes; and
- energy costs.

Gross Profit

Gross profit is defined as net sales less cost of sales. Gross profit as a percentage of net sales is not a meaningful measure of our financial performance.

Selling and Administrative Expenses

Our selling and administrative expenses consist principally of selling expenses, including salaries and commissions paid to our sales force, as well as distribution, marketing and administrative expenses.

Comprehensive Financing Expense, Net

The components of comprehensive financing expense, net are comprised of:

- financial expense, including fixed and variable interest expense, which is primarily a function of the principal amount of debt outstanding and the interest rates in effect;

- financial income, which includes interest income earned on cash and cash equivalents;
- exchange loss (gain), net, which includes net gains or losses relating to foreign currency exchange rate movements, as further described below under "—Effects of Foreign Currency Exchange Rate Fluctuations"; and
- valuation of derivative financial instruments, which reflects changes in the fair value of derivative financial instruments designated as held for trading because they do not satisfy the accounting requirements for hedge accounting, including instruments with respect to exchange rates, interest rates and natural gas prices and, if applicable, the ineffective portion of instruments qualified as hedge accounting. The designation as hedge accounting is documented at the inception of the transaction, specifying the related objective, initial position, risk to be hedged, type of relationship, characteristics, accounting recognition and how their effectiveness will be assessed.

We have in the past used derivative financial instruments to manage the risk profile associated with interest rates and currency exposure, reduce financing costs and hedge some of our commodity and financial market risks. We did not have any derivative financial instruments outstanding for the nine months ended September 30, 2016 and the years ended December 31, 2014 and 2015. For the year ended December 31, 2013 the valuation of derivative financial instruments represented a gain of Ps. 0.8 million. Our internal policy is not to enter into derivative financial instruments for speculative purposes, however, we may enter into derivative financial instruments as an economic hedge against certain business risks, even if these instruments do not qualify for hedge accounting under IFRS. In addition, we may be required to record fair value losses in the future that could be material. The mark-to-market accounting for derivative financial instruments is reflected in our statement of income and has resulted in volatility in our earnings. In addition, we may incur losses in the future in connection with our derivative financial instruments transactions, which could have a material adverse effect on our financial condition and results of operations. See "—Quantitative and Qualitative Disclosures about Market Risk—Derivative Financial Instruments."

Effect of Acquisitions, Capacity Expansion and Production Efficiencies

Our financial results for the periods presented below were materially affected by acquisitions, capacity expansion and efficiency improvements.

In April 2013, we acquired Corporación de Empresas Monteverde S.A. and subsidiaries ("Monteverde"), a cheese producer in Costa Rica which operated three plants in that country. This acquisition enhanced our product and brand portfolio, strengthening our presence in Central America.

In May 2013, we acquired ComNor, a producer, marketer and distributor of value added meat which includes beef, poultry and pork for the foodservice market. This acquisition improved our product portfolio and reinforce our market position in the foodservice segment.

In November 2013, we acquired 45% of the shares of Campofrío and in December 2013 we signed an agreement according to which WH Group, which at that time owned 37% of Campofrío, would join Sigma in a cash tender offer for shares of Campofrío that would allow us to increase our stake in Campofrío to 58%. At the end of 2014, we and WH Group had control of approximately 94.5% of Campofrío (57.5% corresponding to Sigma and 37% to WH Group). In September 2014, Campofrío was delisted from Madrid and Barcelona Stock Exchanges. The shares representing 37% of Campofrío that until June 3, 2015 were owned by WH Group were acquired by Alfa and were subsequently transferred by Alfa to Sigma on June 18, 2015. As a result, we now control Campofrío. Campofrío was consolidated in our statement of financial position as of June 30, 2014 and its results of operations have been consolidated from July 1, 2014.

In April 2014, we acquired Savi San José de Alajuela S.A. and Inversiones Arhuaco J&K S.A. ("Savi"), both companies located in Costa Rica which produce packaged meats. These acquisitions have strengthened our presence in Central America.

In November 2014, we acquired Fábrica Juris Compañía Limitada (“Juris”), a pioneer company in the production of packaged meats, which sells under the Juris brand. The company is based in Quito, Ecuador and has been in existence for more than 80 years.

In July 2015, we entered into a strategic alliance with Kinesis Food Service S.A. de C.V. in the administration of Pacsa, a company engaged in the distribution of meat and dairy products in the foodservice market in certain regions of Mexico, mainly Southeast Mexico.

In August 2015, we acquired Elaborados Cárnicos S.A. (“Ecarni”), a company engaged in the production of packaged meats, which sells under the Don Diego and La Castilla brands. The company is based in Quito, Ecuador and has operated for more than 30 years.

Effects of Foreign Currency Exchange Rate Fluctuations

Because we operate in several countries, we are exposed to foreign exchange rate risk when we translate sales and expenses from foreign currencies, most notably the U.S. Dollar and the Euro, into Pesos. In order to report consolidated financial statements, we must effectively convert multiple currencies into a single reporting currency. As such, fluctuations in currency rates could affect our statement of income, even if local currency results remain the same. In particular, changes in the relative value of the Peso to the U.S. Dollar have an effect on our results of operations.

Change in Functional Currency

The amounts included in the financial statements of each of our subsidiaries should be measured using the currency of the primary economic environment in which each such entity operates (“the functional currency”). In the case of the Issuer, up to June 30, 2015 the functional currency was determined to be the Mexican Peso.

As of July 1, 2015, we concluded that the most adequate functional currency for the Issuer is the U.S. Dollar based on the economic environment wherein the entity generates and uses cash. This is due primarily to the fact that revenues from dividends and revenues from brand use are collected in U.S. Dollars. The previous functional currency was the Mexican Peso and in accordance with the International Accounting Standard 21 “Effects of changes in foreign exchange rates” (“IAS 21”), the changes are made prospectively. At the date of the change in the functional currency, all assets, liabilities, capital and income statement items were translated into U.S. Dollars at the exchange rate at that date.

Limited Seasonality

Our operating results are not materially affected by seasonality, although we generally experience higher sales of packaged meats during the year-end holiday season, particularly Campofrío, and in the case of Bar-S higher sales of sausages, cooked ham and hot dogs during the summer months.

Key Drivers of Profitability

The key drivers of our profitability include:

- ***Our ability to respond to economic conditions in our markets***. In periods of recession when GDP declines in any or all of our markets, consumers may switch from high to lower-cost products. In order to maintain our profitability, we must continue to offer our broad portfolio of brands across the diverse consumer base we serve. In periods of economic growth, consumers are more willing to purchase premium or higher-end branded products and our challenge in such periods is to encourage consumers, through marketing and other initiatives, to switch to those products.

- ***Our ability to understand and attend to consumer needs through innovation***. We believe that enlarging our sales volume is critical for our profitability and therefore we must continue to innovate through the introduction of new products. By focusing our research and development activities on tailoring our products to the preferences and needs of consumers, we believe that we will increase sales volumes and improve profitability.

- ***Our ability to integrate acquisitions.*** Our ability to carry out M&A and post-merger integration in different markets has enabled us to successfully execute and integrate a number of acquisitions. Our due diligence and post-merger integration experience process help us identify and execute value generating strategies that result in significant synergies.

- ***Our ability to achieve efficiencies and economies of scale.*** The ability to grow our sales volume while maintaining our current cost structure is essential in order to achieve profitable results. In order to increase our productivity, we need to efficiently use our production and distribution facilities and control variable costs and expenses. In addition, within fixed costs and expenses we need to achieve economies of scale as we intend to increase our sales volumes without using increasingly more resources.

Critical Accounting Policies

We have identified certain key accounting policies and estimates on which our consolidated financial condition and results of operations are dependent. These key accounting estimates most often involve complex matters or are based on subjective judgments or decisions that require management to make estimates and assumptions that affect the amounts reported in the Annual Audited Financial Statements and Interim Unaudited Financial Statements. We base our estimates on historical information, where applicable, and other assumptions that we believe are reasonable under the circumstances.

Actual results may differ from our estimates under different assumptions or conditions. In addition, estimates routinely require adjustments based on changing circumstances and the receipt of new or more accurate information. In the opinion of our management, our most critical accounting estimates under IFRS are those that require management to make estimates and assumptions that affect the reported amounts related to the accounting for estimated impairment of goodwill, income taxes and pension benefits, long-lived assets, revenue recognition and recognition of deferred tax assets. For a full description of all of our accounting policies, see Note 3 to our Annual Audited Financial Statements included in this offering memorandum.

There are certain critical estimates that we believe require significant judgment in the preparation of our consolidated financial statements. We consider an accounting estimate to be critical if:

- it requires us to make assumptions because information was not available at the time or it included matters that were highly uncertain at the time we were making the estimate; and

- changes in the estimate or different estimates that we could have selected would have had a material impact on our financial condition or results of operations.

Estimated Impairment of Goodwill

We test annually whether goodwill has suffered any impairment, in accordance with the established accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Income Taxes

We are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the final tax determination is uncertain. We recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. In the event the final tax outcome of these matters is different from the amounts that were initially recorded, these differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. As of December 31, 2015, if income before taxes increased/decreased by 5%, income tax would have increased/decreased by Ps. 118 million.

Pension Benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

We determine the appropriate discount rate at the end of each year. The discount rate is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, we consider the interest according to IAS 19 "Employees' benefits" that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions.

Long-lived Assets

We estimate the useful lives of long-lived assets in order to determine the depreciation and amortization expenses to be recorded during the reporting period. The useful life of an asset is calculated when the asset is acquired and is based on past experience with similar assets, considering anticipated technological changes or any other type of changes. Were technological changes to occur faster than estimated, or differently than anticipated, the useful lives assigned to these assets could have to be reduced. This would lead to the recognition of a greater depreciation and amortization expense in future periods. Alternatively, these types of technological changes could result in the recognition of a charge for impairment to reflect the reduction in the value of the assets. We review assets on an annual basis for signs of impairment, or when certain events or circumstances indicate that the value in books may not be recovered during the remaining useful life of the assets.

To evaluate the impairment, we use cash flows, which consider the administrative estimates for future transactions, including estimates for revenues, costs, operating expenses, capital expenses and debt service. In accordance with IFRS, if an assessment is required, future discounted cash flows associated with an asset would be compared to the value in books of the asset to determine if an assets is impaired. In this case, the asset is reduced to its fair value. Based on analysis of cash flow, there was no impairment at December 31, 2015.

Revenue Recognition

We recognized revenues of Ps. 93,568 million from the sale of goods to third parties during 2015. Customers have the right to return the products if not satisfied. We believe that, based on previous experience in similar sales, the dissatisfaction rate and maturity will not exceed 1%. Consequently, we have recognized revenues from these transactions with the corresponding provision against revenues from the estimate of returns. If the estimate were to change by 10%, revenues would decrease/increase by Ps. 93.6 million.

Recognition of Deferred Tax Assets

We have tax losses to be applied derived mainly from exchange losses in U.S. dollar-denominated debt originated during 2015 and 2014, which can be used in the following years expiring beginning in 2024.

Based on our projections of tax revenues and gains to be obtained in the following years through a structured and solid business plan, including new services to be rendered to our entities and increases in the collection of royalties, among others, as of 2016, management has considered using current tax losses before they expire. Therefore, it has been deemed adequate to record a deferred tax asset for those losses.

New Accounting Policies and Standards

A number of new standards, amendments and interpretations to the accounting policies have been published, which are not effective for the reporting period ended December 31, 2015, and that we have not adopted in advance. Our assessment of the effects of these new standards and interpretations are detailed below.

IFRS 9 - "Financial instruments" addresses the classification, measurement and recognition of financial assets and liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made additional changes to the classification and measurement rules and also introduced a new impairment model. These changes now comprise the entire new financial instruments standard. Following the approved changes, we no longer expect any impact from the new rules of classification, measurement and decrease of its financial assets or liabilities. There will be no impact on our accounting from financial liabilities, since the new requirements only affect financial liabilities at fair value through income and we have no such liabilities. The new hedge rules pair up our hedge accounting and risk management. As a general rule, hedge accounting will be simpler to apply since the standard introduces a principles-based approach. The new standard introduces extensive disclosure requirements and changes in presentation, which we will continue to assess. The new impairment model is a model of expected credit losses; therefore, it would result in advance recognition of credit losses. We continue to assess how our hedge agreements and impairment provisions are affected by the new rules. The standard is effective for periods beginning on or after January 1, 2018. Early adoption is allowed.

IFRS 15 - "Revenue from contracts with customers" is a new standard issued by the IASB for revenue recognition. This standard replaces IAS 18 “Revenues”, IAS 11 “Construction contracts” and the interpretations to the aforementioned standards. The new standard is based on the concept that revenue should be recorded when the control over the good or different service is transferred to the customer, so that this control notion replaces the existing notion of risks and benefits.

The standard allows for a complete retrospective approach and a modified retrospective approach for its adoption. We are assessing which of the two approaches we may use and to date, we believe that the modified retrospective approach may be chosen for adoption. Under this approach entities will recognize adjustments from the effect of initial application (January 1, 2018) in retained earnings in the financial statements at December 2018 without restating comparative periods, by applying the new rules to contracts effective as of January 1, 2018 or those that even when held in prior years continue to be effective at the date of initial application.

For disclosure purposes in the financial statements for 2018, the amounts of affected items must be disclosed, considering the application of the current revenue standard, as well as an explanation of the reason for the significant changes made.

The standard is effective for periods starting in or after January 1, 2018. Early adoption is allowed.

IFRS 16 - “Leases”. The IASB issued a new standard for lease accounting in January 2016. This standard will replace current standard IAS 17, which classifies leases into financial leases and operating leases. IAS 17 identifies leases as financial in nature when the risks and benefits of an asset are transferred, and identifies the rest as operating leases. IFRS 16 eliminates the classification between financial and operating leases and requires the recognition of a liability showing future payments and assets for “right of use” in most leases. The IASB has included some exceptions in short-term leases and in low-value assets. The aforementioned amendments are applicable to the lease accounting of the lessee, while the lessor maintains similar conditions to those currently available. The most significant effect of the new requirements is an increase in leasing assets and liabilities, also affecting the statement of income in depreciation expenses and financing of recorded assets and liabilities, respectively, and decreasing expenses relative to leases previously recognized as operating leases. As of the date of this offering circular, we have not quantified the impact of these new requirements. The standard is effective for periods starting on or after January 1, 2019, and early adoption is allowed if IFRS 15 is also adopted.

There are no additional standards, amendments or interpretations of accounting policies issued but not effective that once effective would have a significant effect on us.

Results of Operations

Results of Operations for the Nine Months Ended September 30, 2016 Compared to the Nine Months Ended September 30, 2015

The following financial information has been derived from our Interim Unaudited Financial Statements appearing elsewhere in this offering memorandum.

	For the Nine Months Ended September 30,				Percentage Change
	2015	Percent of Net Sales	2016	Percent of Net Sales	2016 vs. 2015
	(Unaudited) (in millions of Pesos, except percentages)				
Net sales	68,742	100.0%	77,819	100.0%	13.2%
Cost of sales	(48,946)	(71.2)	(54,768)	(70.4)	11.9
Gross profit	19,797	28.8	23,052	29.6	16.4
Selling and administrative expenses	(14,372)	(20.9)	(16,481)	(21.2)	14.7
Other income (expenses), net	1,519	2.2	(331)	(0.4)	(121.8)
Operating profit	6,944	10.1	6,240	8.0	(10.1)
Financial income	6,402	9.3	10,510	13.5	64.2
Financial expenses	(8,550)	(12.4.)	(12,571)	(16.2)	47.0
Comprehensive financing expense	(2,148)	(3.1)	(2,060)	(2.6)	(4.1)
Share of losses of investments accounted for using the equity method	(410)	(0.6)	34	0.0	(108.3)
Profit before income tax	4,385	6.4	4,213	5.4	(3.9)
Income tax	(659)	(1.0)	(854)	(1.1)	29.6
Net consolidated profit	3,726	5.4	3,360	4.3	(9.8)
Adjusted EBITDA[1]	9,100	13.2%	9,079	11.7%	(0.2)%

(1) For a definition of Adjusted EBITDA, see "Presentation of Financial and Certain Other Information—Non-GAAP Financial Measures."

The following table provides a breakdown of net sales by product line for the nine months ended September 30, 2015 and 2016:

	For the Nine Months Ended September 30,				Percentage Change
	2015	Percent of Net Sales	2016	Percent of Net Sales	2016 vs. 2015
	(Unaudited) (in millions of Pesos, except percentages)				
Product lines:					
Packaged meats	53,573	77.9%	60,019	77.1%	12.0%
Dairy products	12,437	18.1	14,182	18.2	14.0
Other products	2,732	4.0	3,618	4.6	32.4
Total	68,742	100.0%	77,819	100.0%	13.2%

The following table provides a breakdown of net sales by geographic region for the nine months ended September 30, 2015 and 2016:

	For the Nine Months Ended September 30,				Percentage Change
	2015	Percent of Net Sales	2016	Percent of Net Sales	2016 vs. 2015
	(Unaudited) (in millions of Pesos, except percentages)				
Geographic region:					
Mexico	29,436	42.8%	31,949	41.1%	8.5%
USA	10,360	15.1	11,638	15.0	12.3
Europe	24,658	35.9	28,740	36.9	16.6

	For the Nine Months Ended September 30,				Percentage Change
	2015	Percent of Net Sales	2016	Percent of Net Sales	2016 vs. 2015
	(Unaudited) (in millions of Pesos, except percentages)				
Geographic region:					
Other countries	4,288	6.2	5,492	7.1	28.1
Total.........................	68,742	100.0%	77,819	100.0%	13.2%

Net Sales by Product Line

Net sales of packaged meats for the nine months ended September 30, 2016 were Ps. 60,019 million, an increase of 12.0% from the Ps. 53,573 million reported for the same period in 2015. This increase was primarily due to higher average prices in Mexico and higher net sales from our U.S. and Europe operations when converted into Pesos as a result of a Peso devaluation against the U.S. Dollar and the Euro.

Net sales of dairy products for the nine months ended September 30, 2016 were Ps. 14,182 million, an increase of 14.0% from the Ps. 12,437 million reported for the same period in 2015. This increase was primarily due to higher sales volume.

Net sales of other products for the nine months ended September 30, 2016 were Ps. 3,618 million, an increase of 32.4% from the Ps. 2,732 million reported for the same period in 2015. This increase was primarily due to the expansion of the foodservice business which requires a broad portfolio of products.

Net Sales by Geographic Region

Net sales in Mexico for the nine months ended September 30, 2016 were Ps. 31,949 million, an increase of 8.5% from the Ps. 29,436 million reported for the same period in 2015. This increase was primarily due to slightly higher volumes and average prices.

Net sales in the United States for the nine months ended September 30, 2016 were Ps. 11,638 million, an increase of 12.3% from the Ps. 10,360 million reported for the same period in 2015. This increase was primarily due to higher net sales when converted into Pesos as a result of a Peso devaluation against the U.S. Dollar.

Net sales in Europe for the nine months ended September 30, 2016 were Ps. 28,740 million, an increase of 16.6% from the Ps. 24,658 million reported for the same period in 2015. This increase was primarily due to higher net sales when converted into Pesos as a result of a Peso devaluation against the Euro.

Net sales in other countries for the nine months ended September 30, 2016 were Ps. 5,492 million, an increase of 28.1% from the Ps. 4,288 million reported for the same period in 2015. This increase was primarily due to higher sales volume as a result of the acquisition of Ecarni in Ecuador.

General

Net sales for the nine months ended September 30, 2016 were Ps. 77,819 million, an increase of 13.2% from the Ps. 68,742 million reported for the same period in 2015. This increase was primarily due to higher average prices and higher net sales from our U.S. and Europe operations when converted into Pesos as a result of a Peso devaluation against the U.S. Dollar and the Euro. As a percentage of total sales, sales in Mexico accounted for 41.1%, sales in Europe accounted for 36.9%, sales in the United States accounted for 15.0% and sales in other countries accounted for 7.1%.

Cost of sales for the nine months ended September 30, 2016 was Ps. 54,768 million, an increase of 11.9% from the Ps. 48,946 million reported for the same period in 2015. This increase was primarily driven by higher prices of raw materials as a result of the Peso devaluation.

Gross profit, defined as the difference between net sales and cost of sales, for the nine months ended September 30, 2016 was Ps. 23,052 million, an increase of 16.4% from the Ps. 19,797 million reported for the same period in 2015. This increase was primarily due to the factors discussed above.

Selling and administrative expenses for the nine months ended September 30, 2016 were Ps. 16,481 million, an increase of 14.7% from the Ps. 14,372 million reported for the same period in 2015. This increase was primarily due to the effect of the exchange rate in our operations outside Mexico.

Other income (expenses), net for the nine months ended September 30, 2016 was an expense of Ps. 331 million, a decrease of 121.8% from the income of Ps. 1,519 million reported for the same period in 2015. This decrease was primarily due to the loss of the effect of a non-recurrent profit in 2015 associated with the reimbursement from insurance and expenses related to damages to property, plant and equipment, inventory and others due to the Campofrío Burgos incident.

Operating profit for the nine months ended September 30, 2016 was Ps. 6,240 million, a decrease of 10.1% from the Ps. 6,944 million reported for the same period in 2015. This decrease was primarily due to the factors discussed above.

Comprehensive financing expense, net for the nine months ended September 30, 2016 was Ps. 2,060 million, a decrease of 4.1% from the Ps. 2,148 million reported for the same period in 2015. This decrease was primarily due to change in functional currency.

Income tax for the nine months ended September 30, 2016 was a tax expense of Ps. 854 million, an increase of 29.6% from the tax expense of Ps. 659 million reported for the same period in 2015. This increase was primarily due to an increase in taxable income and lower amortization of losses in the nine months ended September 30, 2015.

Net consolidated profit for the nine months ended September 30, 2016 was Ps. 3,360 million, a decrease of 9.8% from the Ps. 3,726 million reported for the same period in 2015, primarily due to the factors discussed above.

Results of Operations for the Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

The following financial information has been derived from our Annual Audited Financial Statements appearing elsewhere in this offering memorandum. Due to the consolidation of Campofrío's results in the second half of 2014, changes in our results of operations shown below for 2015 are more pronounced than they would have been and may not be comparable to 2014.

	For the Year Ended December 31,				Percentage Change
	2014	Percent of Net Sales	2015	Percent of Net Sales	2015 vs. 2014
	(in millions of Pesos, except percentages)				
Net sales	71,465	100.0%	93,568	100.0%	30.9%
Cost of sales	(50,435)	(70.6)	(66,708)	(71.3)	32.3
Gross profit	21,030	29.4	26,860	28.7	27.7
Selling and administrative	(14,385)	(20.1)	(19,462)	(20.8)	35.3
Other expenses, net	(209)	(0.3)	3,506	3.7	
Operating profit	6,436	9.0	10,904	11.7	69.4
Financial income	789	1.1	901	1.0	14.2
Financial expenses	(5,412)	(7.6)	(3,507)	(3.7)	-35.2
Comprehensive financing expense	(4,623)	(6.5)	(2,606)	(2.8)	-43.6
Share of losses of investments accounted for using the equity method	(249)	0.3	(401)	(0.4)	61.2
Profit before income tax	1,564	2.2	7,896	8.4	404.9
Income tax	(923)	(1.3)	(1,586)	(1.7)	71.9
Net profit	641	0.9	6,310	6.7	883.9
Adjusted EBITDA	8,495	11.9%	13,891	14.8%	63.5%

(1) For a definition of Adjusted EBITDA, see "Presentation of Financial and Certain Other Information—Non-GAAP Financial Measures."

The following table provides a breakdown of net sales by product line for 2014 and 2015:

	For the Year Ended December 31,				Percentage Change
	2014	Percent of Net Sales	2015	Percent of Net Sales	2015 vs. 2014
	(in millions of Pesos, except percentages)				
Product lines:					
Packaged meats	52,142	73.0%	72,807	77.8%	39.6%
Dairy products	15,445	21.6	16,927	18.1	9.6
Other products	3,878	5.4	3,834	4.1	-1.1
Total	71,465	100.0%	93,568	100.0%	30.9%

The following table provides a breakdown of net sales by geographic region for 2014 and 2015:

	For the Year Ended December 31,				Percentage Change
	2014	Percent of Net Sales	2015	Percent of Net Sales	2015 vs. 2014
	(in millions of Pesos, except percentages)				
Geographic region:					
Mexico	37,387	52.3%	39,915	42.7%	6.8%
USA	12,134	17.0	13,697	14.6	12.9
Europe	17,572	24.6	33,892	36.2	92.9
Other countries	4,372	6.1	6,064	6.5	38.7
Total	71,465	100.0%	93,568	100.0%	30.9%

Net Sales by Product Line

Net sales of packaged meats for the year ended December 31, 2015 were Ps. 72,807 million, an increase of 39.6% from the Ps. 52,142 million reported in 2014. This increase was primarily due to the consolidation of Campofrío's results in the second half of 2014.

Net sales of dairy products for the year ended December 31, 2015 were Ps. 16,927 million, an increase of 9.6% from the Ps. 15,445 million reported in 2014. This increase was primarily due to higher average prices and a slight increase in sales volume.

Net sales of other products for the year ended December 31, 2015 were Ps. 3,834 million, a decrease of 1.1% from the Ps. 3,878 million reported in 2014. This decrease was primarily due to a slight decrease in sales volume.

Net Sales by Geographic Region

Net sales in Mexico for the year ended December 31, 2015 were Ps. 39,915 million, an increase of 6.8% from the Ps. 37,387 million reported in 2014. This increase was primarily due to increases in sales volume of our principal product lines and higher average prices.

Net sales in the United States for the year ended December 31, 2015 were Ps. 13,697 million, an increase of 12.9% from the Ps. 12,134 million reported in 2014. This increase was primarily due to higher net sales when converted into Pesos as a result of a Peso devaluation against the U.S. Dollar.

Net sales in Europe for the year ended December 31, 2015 were Ps. 33,892 million, an increase of 92.9% from the Ps. 17,572 million reported in 2014. This increase was primarily due to the consolidation of Campofrío's results in the second half of 2014.

Net sales in other countries for the year ended December 31, 2015 were Ps. 6,064 million, an increase of 38.7% from the Ps. 4,372 million reported in 2014. This increase was primarily due to the Juris and Ecarni acquisitions in Ecuador.

General

Net sales for the year ended December 31, 2015 were Ps. 93,568 million, an increase of 30.9% from the Ps. 71,465 million reported in 2014. This increase was primarily due to the consolidation of Campofrío's results in the second half of 2014. Campofrío net sales for the year ended December 31, 2015 were Ps. 33,892 million, an increase of 92.9% from Ps. 17,572 million for 2014, which increase was primarily due to the consolidation of Campofrío's results in the second half of 2014. Excluding Campofrío, net sales would have increased 10.7%. Our 2015 sales volume was 15.6 % higher than in 2014, reflecting both organic growth and the acquisition of Campofrío.

Cost of sales for the year ended December 31, 2015 was Ps. 66,708 million, an increase of 32.3% from the Ps. 50,435 million reported in 2014. This increase was primarily due to the consolidation of Campofrío's results in the second half of 2014.

Gross profit, defined as the difference between net sales and cost of sales, for the year ended December 31, 2015 was Ps. 26,860 million, an increase of 27.7% from the Ps. 21,030 million reported in 2014. This increase was also due to the consolidation of Campofrío's results in the second half of 2014.

Selling and administrative expenses for the year ended December 31, 2015 were Ps. 19,462 million, an increase of 35.3% from the Ps. 14,385 million reported in 2014. This increase was primarily due to the consolidation of Campofrío's results in the second half of 2014.

Other income (expenses), net for the year ended December 31, 2015 was an income of Ps. 3,506 million, compared to an expense of Ps. 209 million in 2014. This income was primarily due to insurance proceeds received in 2015 in connection with the fire at the La Bureba facility.

Operating profit for the year ended December 31, 2015 was Ps. 10,904 million, an increase of 69.4% from the Ps. 6,436 million reported in 2014. This increase was primarily due to the consolidation of Campofrío's results in the second half of 2014.

Comprehensive financing expense, net for the year ended December 31, 2015 was an expense of Ps. 2,606 million, compared to an expense of Ps. 4,623 million reported in 2014. This change was primarily due to lower foreign exchange losses due to the change in functional currency effective in the third quarter of 2015.

Income tax for the year ended December 31, 2015 was a tax expense of Ps. 1,586 million, an increase of 71.9% from the tax expense of Ps. 923 million reported in 2014. This increase was primarily due to the consolidation of Campofrío's results and a lower application of net operating losses.

Net profit for the year ended December 31, 2015 was Ps. 6,310 million, an increase of 883.9% from the Ps. 641 million reported in 2014, primarily due to the factors discussed above.

Results of Operations for the Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

The following financial information has been derived from our Annual Audited Financial Statements appearing elsewhere in this offering memorandum. Due to the consolidation of Campofrío's results in the second half of 2014, changes in our results of operations shown below for 2014 are more pronounced than they would have been and may not be comparable to 2013.

	For the Year Ended December 31,				Percentage Change
	2013	**Percent of Net Sales**	**2014**	**Percent of Net Sales**	**2014 vs. 2013**
	(in millions of Pesos, except percentages)				
Net sales	48,989	100.0%	71,465	100.0%	45.9%
Cost of sales	(32,631)	(66.6)	(50,435)	(70.6)	54.6
Gross profit	16,358	33.4	21,030	29.4	28.6
Selling and administrative expenses	(10,937)	(22.4)	(14,385)	(20.1)	31.5
Other expenses, net	(144)	(0.3)	(209)	(0.3)	44.9
Operating profit	5,277	10.8	6,436	9.0	22.0

	For the Year Ended December 31,				Percentage Change
	2013	Percent of Net Sales	2014	Percent of Net Sales	2014 vs. 2013
	(in millions of Pesos, except percentages)				
Financial income	306	0.6	789	1.1	158.1
Financial expenses	(1,345)	(2.7)	(5,412)	(7.6)	302.6
Comprehensive financing expense, net	(1,039)	(2.1)	(4,623)	(6.5)	345.0
Share of losses of investments accounted for using the equity method	(4)	0.0	(249)	0.3	5,608
Profit before Income tax	4,234	8.6	1,564	2.2	(63.1)
Income tax	(1,379)	(2.8)	(923)	(1.3)	(33.1)
Net consolidated profit	2,855	5.8	641	0.9	(77.5)
Adjusted EBITDA[1]	6,710	13.7%	8,495	11.9%	26.6%

(1) For a definition of Adjusted EBITDA, see "Presentation of Financial and Certain Other Information—Non-GAAP Financial Measures."

The following table provides a breakdown of net sales by product line for 2013 and 2014:

	For the Year Ended December 31,				Percentage Change
	2013	Percent of Net Sales	2014	Percent of Net Sales	2014 vs. 2013
	(in millions of Pesos, except percentages)				
Product lines:					
Packaged meats	31,673	64.7%	52,142	73.0%	64.6%
Dairy products	14,270	29.1	15,445	21.6	8.2
Other products	3,046	6.2	3,878	5.4	27.3
Total	48,989	100.0%	71,465	100.0%	45.9%

The following table provides a breakdown of net sales by geographic region for 2013 and 2014:

	For the Year Ended December 31,				Percentage Change
	2013	Percent of Net Sales	2014	Percent of Net Sales	2014 vs. 2013
	(in millions of Pesos, except percentages)				
Geographic region:					
Mexico	33,708	68.8%	37,387	52.3%	10.9%
USA	11,362	23.2	12,134	17.0	6.8
Europe	-	-	17,572	24.6	-
Other countries	3,919	8.0	4,372	6.1	11.6
Total	48,989	100.0%	71,465	100.0%	45.9%

Net Sales by Product Line

Net sales of packaged meats for the year ended December 31, 2014 were Ps. 52,142 million, an increase of 64.6% from the Ps. 31,673 million reported in 2013. This increase was primarily due to the consolidation of Campofrío's results.

Net sales of dairy products for the year ended December 31, 2014 were Ps. 15,445 million, an increase of 8.2% from the Ps. 14,270 million reported in 2013. This increase was primarily due to higher average prices and a slight increase in sales volume.

Net sales of other products for the year ended December 31, 2014 were Ps. 3,878 million, an increase of 27.3% from the Ps. 3,046 million reported in 2013. This increase was primarily due to an increase in sales volume and higher average prices.

Net Sales by Geographic Region

Net sales in Mexico for the year ended December 31, 2014 were Ps. 37,387million, an increase of 10.9% from the Ps. 33,708 million reported in 2013. This increase was primarily due to increases in sales volume of our principal product lines and higher average prices.

Net sales in the United States for the year ended December 31, 2014 were Ps. 12,134 million, an increase of 6.8% from the Ps. 11,362 million reported in 2013. This increase was primarily due to the effect of the depreciation of the Peso against the U.S. Dollar.

Net sales in Europe for the year ended December 31, 2014 were Ps. 17,572 million. This is a result of the consolidation of Campofrío's results beginning in the second half of 2014.

Net sales in other countries for the year ended December 31, 2014 were Ps. 4,372 million, an increase of 11.6% from the Ps. 3,919 million reported in 2013. This increase was primarily due to the acquisitions of Savi in Costa Rica and Juris in Ecuador.

General

Net sales for the year ended December 31, 2014 were Ps. 71,465 million, an increase of 45.9% from the Ps. 48,989 million reported in 2013. This increase was primarily due to the consolidation of Campofrío's results in the second half of 2014. Excluding Campofrío, net sales would have increased 10.0%. Our 2014 sales volume was 21.0 % higher than in 2013, reflecting both organic growth and the acquisition of Campofrío.

Cost of sales for the year ended December 31, 2014 was Ps. 50,435 million, an increase of 54.6% from the Ps. 32,631 million reported in 2013. This increase was primarily due to the consolidation of Campofrío's results.

Gross profit, defined as the difference between net sales and cost of sales, for the year ended December 31, 2014 was Ps. 21,030 million, an increase of 28.6% from the Ps. 16,358 million reported in 2013. This increase was due to the consolidation of Campofrío's results.

Selling and administrative expenses for the year ended December 31, 2014 were Ps. 14,385 million, an increase of 31.5% from the Ps. 10,937 million reported in 2013. This increase was primarily due to the consolidation of Campofrío's results.

Other expenses, net for the year ended December 31, 2014 were Ps. 209 million, an increase of 44.9% from the Ps. 144 million reported in 2013. This increase was primarily due to the net effect of reimbursement from insurance and expenses related to damages to property, plant and equipment, inventory and others related to Campofrío in 2014.

Operating profit for the year ended December 31, 2014 was Ps. 6,436 million, an increase of 22.0% from the Ps. 5,277 million reported in 2013. This increase was primarily due to the consolidation of Campofrío's results.

Comprehensive financing income, net for the year ended December 31, 2014 was an expense of Ps. 4,623 million, compared to an expense of Ps. 1,039 million reported in 2013. This change was primarily due to depreciation of the Peso against the US dollar.

Income tax for the year ended December 31, 2014 was a tax expense of Ps. 923 million, a decrease of 33.1% from the tax expense of Ps. 1,379 million reported in 2013. This decrease was primarily due to a decrease in taxable income.

Net profit for the year ended December 31, 2014 was Ps. 641 million, a decrease of 77.5% from the Ps. 2,855 million reported in 2013, primarily due to the factors discussed above.

Liquidity and Capital Resources

Overview

Historically, we have generated and expect to continue to generate positive cash flow from operations. Cash flow from operations primarily represents inflows from net earnings (adjusted for depreciation and other non-cash items) and outflows from increases in working capital needed to grow our business. Cash flow used in investing activities represents our investment in property and capital equipment required for our growth, as well as our acquisition activity. Cash flow from financing activities is primarily related to changes in indebtedness borrowed to grow the business or indebtedness repaid with cash from operations or refinancing transactions as well as dividends paid.

Our principal capital needs are for working capital, capital expenditures related to maintenance, expansion and acquisitions and debt service. Our ability to fund our capital needs depends on our ongoing ability to generate cash from operations, overall capacity and terms of financing arrangements and our access to the capital markets. We believe that our future cash from operations together with our access to funds available under such financing arrangements and the capital markets will provide adequate resources to fund both short-term and long-term operating requirements, capital expenditures, acquisitions and new business development activities.

Liquidity

The Issuer is a holding company and, as such, has no operations of its own. The Issuer's ability to meet its debt and other obligations is primarily dependent on the earnings and cash flows of its subsidiaries and the ability of those subsidiaries to pay interest or principal payments on intercompany loans, dividends or other amounts to the Issuer or to make intercompany loans to the Issuer.

The following table summarizes the cash flows from operating, investing and financing activities for the years ended December 31, 2013, 2014 and 2015 and for the nine months ended September 30, 2016.

	Year Ended December 31,			Nine Months Ended September 30,	
	2013	2014	2015	2015	2016
				(Unaudited)	
	(in millions of Pesos)				
Net resources generated from operating activities	4,987	8,264	11,773	6,801	8,641
Net resources (used in) provided by investing activities	(8,684)	(1,919)	(4,928)	(3,192)	(3,177)
Net resources provided by (used in) financing activities	3,259	(3,592)	(3,651)	2,932	(4,200)
Cash and cash equivalents at period end	2,059	4,912	8,448	6,211	10,982

Operating Activities

In the nine months ended September 30, 2016, net resources generated from operating activities were Ps. 8,641 million, primarily attributable to the net consolidated profit for the period.

In 2015, net resources generated from operating activities were Ps. 11,773 million, primarily attributable to the net consolidated profit for the period and a change in working capital.

In 2014, net resources generated from operating activities were Ps. 8,264 million, primarily attributable to the net consolidated profit for the period, foreign exchange, net and a change in working capital.

In 2013, net resources generated from operating activities were Ps. 4,987 million, primarily attributable to the net consolidated profit for the period.

Investing Activities

In the nine months ended September 30, 2016, net resources used in investing activities were Ps. 3,177 million, primarily attributable to capital expenditures for maintenance of productive assets, organic growth, and the construction of the La Bureba facility.

In 2015, net resources used in investing activities were Ps. 4,928 million, primarily attributable to the acquisition of the remaining shares of Campofrío.

In 2014, net resources used in investing activities were Ps. 1,919 million, primarily attributable to the maintenance and replacement of productive assets, the acquisition of approximately 18% of the shares of Campofrío, and the acquisitions of Juris and Laska.

In 2013, net resources used in investing activities were Ps. 8,684 million, primarily attributable to the acquisition of ComNor, Monteverde and approximately 45% of the shares of Campofrío.

Financing Activities

In the nine months ended September 30, 2016, net resources used in financing activities were Ps. 4,200 million, primarily attributable to the payments of loans and interest paid.

In 2015, net resources used in financing activities were Ps. 3,651 million, primarily attributable to the payments of loans and other debt and interest paid.

In 2014, net resources used in financing activities were Ps. 3,592 million, primarily attributable to the payments of loans and other debt and interest paid.

In 2013, net resources obtained from financing activities were Ps. 3,259 million, primarily attributable the payments of loans and other debt and interest paid.

In the nine months ended September 30, 2016, we paid dividends of Ps. 1,713 million. In the years ended December 31, 2013, 2014 and 2015 we paid dividends of Ps. 1,040 million, Ps. 695 million and Ps. 1,079 million, respectively.

As a holding company, the Issuer finances the operations of its subsidiaries through its normal internal cash management and treasury functions. To the extent our subsidiaries are not able to satisfy their financing needs through internal cash generations, the Issuer provides centralized financing through intercompany loans.

Indebtedness

As of September 30, 2016, we had gross debt of US$2,348 million with an average maturity of 6.1 years and an average interest rate of 4.7%. As of September 30, 2016, we had total indebtedness of Ps. 46,278 million (US$2,373 million), of which Ps. 1,707 million (US$88 million) was denominated in Pesos (including UDIs), Ps. 33,582 million (US$1,722 million) was denominated in U.S. Dollars and Ps. 10,989 million (US$564 million) was denominated in Euros. The primary use of our debt has been to fund acquisitions and capital expenditures.

As of September 30, 2016, of our total indebtedness, Ps. 748 million (US$38 million) constituted short-term debt, including interest payable of Ps. 745 million (US$38 million), and Ps. 45,530 million (US$2,335 million) constituted long-term debt, including debt issuance costs of Ps. 341 million (US$17 million).

The following description summarizes material terms of certain of our credit arrangements, including a description of certain covenants contained in such credit arrangements. We are currently in compliance with these covenants. The following description is only a summary and does not purport to describe all of the terms of the credit arrangements that may be important.

Committed Credit Lines

In October 2015, we entered into a revolving credit agreement with Banco Inbursa, S.A., Institución de Banca Múltiple, Grupo Financiero Inbursa for an amount of US$100 million for working capital and other requirements. This credit line expires on October 2020. This line can be borrowed either in Mexican Peso or U.S. Dollars at the TIIE Rate or the Libor Rate plus an applicable margin according to the market.

Campofrío has entered into revolving credit agreements with a number of lenders for a total amount of €256 million. These credit lines have a weighted average maturity of 11 months and a weighted average commitment fee of 0.25%. These facilities are denominated in Euros.

As of September 30, 2016, we did not have any outstanding amounts under any of our committed credit lines.

2018 Mexican Bonds (Certificados Bursátiles)

In July 2008, we issued two tranches of local bonds under the local bonds program (the "2018 Mexican Bonds"). The first tranche consisted of local bonds of Ps. 1,000 million aggregate principal amount bearing interest at a 10.25% fixed rate. The second tranche consisted of local bonds of 124 million UDIs (equivalent, at the time to approximately Ps. 500 million) bearing interest at a 5.32% fixed rate per year. Both tranches will mature on July 12, 2018. The outstanding amount of the 2018 Mexican Bonds as of September 30, 2016 was Ps. 1,677 million.

Our obligations under the 2018 Mexican Bonds are guaranteed by Sigma Alimentos Corporativo, S.A. de C.V., Sigma Alimentos Centro, S.A. de C.V., Sigma Alimentos Comercial, S.A. de C.V., Sigma Alimentos Lácteos, S.A. de C.V., Comercializadora de Embutidos ICO, S.A. de C.V., Alimentos Finos de Occidente, S.A. de C.V., Carnes Selectas Tangamanga, S.A. de C.V., Sigma Alimentos Congelados, S.A. de C.V., Sigma Alimentos Noreste, S.A. de C.V., Empacadora de Embutidos del Centro, S.A. de C.V., Grupo Chen, S. de R.L. de C.V., Sigma Alimentos Exterior, S.L., Sigma Processed Meats, LLC, Sigma Foods, LLC, Mexican Cheese Producers, Inc. and Bar-S Foods Co.

International Notes

Sigma 2018 International Notes

In April 2011, we issued notes in the international capital markets in an offering exempt from registration in the United States (the "Sigma 2018 International Notes") in an aggregate principal amount of US$450 million. The Sigma 2018 International Notes bear interest at a fixed rate of 5.625% per annum, which is payable on April 14 and October 14 of each year. The Sigma 2018 International Notes mature and are payable in full on April 14, 2018. The outstanding amount of the Sigma 2018 International Notes as of September 30, 2016 was US$450 million.

The Sigma 2018 International Notes contain certain restrictive covenants which, among other things, limit our and our subsidiaries' ability to:

- effect a consolidation, merger or sale of our assets;
- create liens on assets; and
- enter into sale and leaseback transactions.

Our obligations under the Sigma 2018 International Notes are guaranteed by Sigma Alimentos Corporativo, S.A. de C.V., Sigma Alimentos Centro, S.A. de C.V., Sigma Alimentos Comercial, S.A. de C.V., Sigma Alimentos Lácteos, S.A. de C.V., Comercializadora de Embutidos ICO, S.A. de C.V., Alimentos Finos de Occidente, S.A. de C.V., Carnes Selectas Tangamanga, S.A. de C.V., Sigma Alimentos Congelados, S.A. de C.V., Sigma Alimentos Noreste, S.A. de C.V., Empacadora de Embutidos del Centro, S.A. de C.V., Grupo Chen, S. de R.L. de C.V., Sigma Alimentos Exterior, S.L., Sigma Processed Meats, LLC, Sigma Foods, LLC, Mexican Cheese Producers, Inc. and Bar-S Foods Co.

Sigma 2019 International Notes

In December 2009, we issued notes in the international capital markets in an offering exempt from registration in the United States (the "Sigma 2019 International Notes") in an aggregate principal amount of US$250 million. The Sigma 2019 International Notes bear interest at a fixed rate of 6.875% per annum, which is payable on June 16 and December 16 of each year. The Sigma 2019 International Notes mature and are payable in full on December 16, 2019. The outstanding amount of the Sigma 2019 International Notes as of September 30, 2016 was US$250 million.

The Sigma 2019 International Notes contain certain restrictive covenants which, among other things, limit our and our subsidiaries' ability to:

- effect a consolidation, merger or sale of our assets;
- create liens on assets; and
- enter into sale and leaseback transactions.

Our obligations under the Sigma 2019 International Notes are guaranteed by Sigma Alimentos Corporativo, S.A. de C.V., Sigma Alimentos Centro, S.A. de C.V., Sigma Alimentos Comercial, S.A. de C.V., Sigma Alimentos Lácteos, S.A. de C.V., Comercializadora de Embutidos ICO, S.A. de C.V., Alimentos Finos de Occidente, S.A. de C.V., Carnes Selectas Tangamanga, S.A. de C.V., Sigma Alimentos Congelados, S.A. de C.V., Sigma Alimentos Noreste, S.A. de C.V., Empacadora de Embutidos del Centro, S.A. de C.V., Grupo Chen, S. de R.L. de C.V., Sigma Alimentos Exterior, S.L., Sigma Processed Meats, LLC, Sigma Foods, LLC, Mexican Cheese Producers, Inc. and Bar-S Foods Co.

Campofrío 2022 Notes

In March 2015, Campofrío issued notes in the international capital markets (the "Campofrío 2022 Notes") in an aggregate principal amount of €500 million. The Campofrío 2022 Notes bear interest at a fixed rate of 3.375% per annum, which is payable on March 15 and September 15 of each year. The Campofrío 2022 Notes mature and are payable in full on March 15, 2022. The outstanding amount of the Campofrío 2022 Notes as of September 30, 2016 was €500 million.

The Campofrío 2022 Notes contain certain restrictive covenants which, among other things, limit Campofrío and its subsidiaries' ability to (i) incur additional debt, (ii) make certain dividend payments, redeem capital stock and make certain investments, (iii) transfer and sell assets, (iv) enter into any agreements that would limit the ability of Campofrío's subsidiaries to pay dividends or make distributions, (v) create liens on assets, (vi) effect a consolidation, merger or sale of assets and (vii) enter into transactions with affiliates. The indenture governing the Campofrío 2022 Notes contains customary events of default. Campofrío's obligations under the Campofrío 2022 Notes are guaranteed by certain subsidiaries of Campofrío.

Sigma 2026 International Notes

In May 2016, we issued notes in the international capital markets in an offering exempt from registration in the United States (the "Sigma 2026 International Notes") in an aggregate principal amount of US$1.0 billion. The Sigma 2026 International Notes bear interest at a fixed rate of 4.125% per annum, which is payable on November 2 and May 2 of each year. The Sigma 2026 International Notes mature and are payable in full on May 2, 2026. The outstanding amount of the Sigma 2026 International Notes as of September 30, 2016 was US$1.0 billion.

The Sigma 2026 International Notes contain certain restrictive covenants which, among other things, limit our and our subsidiaries' ability to:

- effect a consolidation, merger or sale of our assets;
- create liens on assets; and

- enter into sale and leaseback transactions.

Our obligations under the Sigma 2026 International Notes are guaranteed by Sigma Alimentos Corporativo, S.A. de C.V., Sigma Alimentos Centro, S.A. de C.V., Sigma Alimentos Comercial, S.A. de C.V., Sigma Alimentos Lácteos, S.A. de C.V., Comercializadora de Embutidos ICO, S.A. de C.V., Alimentos Finos de Occidente, S.A. de C.V., Carnes Selectas Tangamanga, S.A. de C.V., Sigma Alimentos Congelados, S.A. de C.V., Sigma Alimentos Noreste, S.A. de C.V., Empacadora de Embutidos del Centro, S.A. de C.V., Grupo Chen, S. de R.L. de C.V., Sigma Alimentos Exterior, S.L., Sigma Processed Meats, LLC, Sigma Foods, LLC, Mexican Cheese Producers, Inc., Bar-S Foods Co., Sigma Alimentos Costa Rica, S.A. and Comercial Norteamericana, S. de R.L. de C.V.

Capital Expenditures

In 2013, 2014 and 2015 and in the nine months ended September 30, 2015 and 2016, we made capital expenditures of Ps. 1,522 million (US$119 million), Ps. 1,871 million (US$141 million), Ps. 3,638 million (US$231 million), Ps. 1,851 million (US$119 million) and Ps. 3,145 million (US$172 million), respectively. These capital expenditures were primarily used for maintenance and replacement of productive assets, such as maintenance of production facilities, replacement of delivery vehicles and strategic capital expenditures for organic growth.

We estimate that our capital expenditures for 2016 (excluding expenditures made in connection with any acquisitions) will be approximately Ps. 6,480 million (US$360 million), primarily for maintenance, replacement of productive assets and part of the construction of the La Bureba facility.

Research and Development

In 2013, 2014 and 2015 and in the nine months ended September 30, 2016, we spent Ps. 146 million (US$11 million), Ps. 199 million (US$ 15 million), Ps. 233 million (US$15 million) and Ps. 197 million (US$11 million), respectively on research and development. See "Business—Research and Development."

Tabular Disclosure of Contractual Obligations

The following is a summary of our contractual obligations (other than operating leases) as of December 31, 2015:

	Payments Due By Period				
	Total	Less than 1 Year	1-2 Years	3-5 Years	More than 5 Years
	(in millions of Pesos)				
Contractual Obligations					
Short-term debt obligations	20,226	20,226	-	-	-
Long-term debt obligations(1)	41,166	2,224	25,328	4,262	9,352
Capital lease obligations	133	20	40	18	55
Total	61,524	22,469	25,368	4,280	9,407

(1) Long-term debt includes interest payable.

Off Balance Sheet Arrangements

As of September 30, 2016, we did not have any off balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

Derivative Financial Instruments

Because we operate in various countries and enter into credit agreements in U.S. Dollars, Euros and in Pesos, in the past we have entered into foreign exchange rate and interest rate derivatives when we considered necessary for purposes of reducing the overall cost of such financing and the volatility associated with interest rates.

All of our derivative financial transactions are subject to guidelines set forth by Alfa's Board of Directors in collaboration with Alfa's Planning, Finance and Audit Committees, and must be authorized by Alfa's Risk Management Committee.

We maintain a system of internal control over derivative financial instruments. The negotiation, authorization, contracting, operating, monitoring and recording of derivative financial instruments are subject to IAS 39 "Financial Instruments: Recognition and measurement" by the IASB and to internal control procedures variously overseen by our treasury, legal, accounting and auditing departments.

In accordance with our policy, the derivatives that we enter into are for non-speculative purposes in the ordinary course of business. From an economic point of view, these derivatives are entered into for hedging purposes; however, for accounting purposes, some of our derivative financial instruments may not be designated as hedges if they do not meet all the accounting requirements established by IFRS and, therefore, may be classified as trading instruments. Derivative financial instruments employed by us are contracted in the over-the-counter market with international financial institutions. The main characteristics of the transactions refer to the obligation to buy or sell a certain underlying asset given certain criteria such as cap rate, spread and strike price, among others.

We did not have any derivative financial instruments for the nine months ended September 30, 2016 and the year ended December 31, 2015.

Credit Lines, Margins and Collateral Policies

In order to manage the obligation to post collateral in connection with margin calls under derivative financial instruments, we have agreed to a credit limit with each counterparty that has a derivative transaction. In cases where the agreed threshold under a particular transaction is less than the absolute mark-to-market value of such transaction, we have the obligation, from time to time, to post the corresponding collateral to the counterparty. We typically satisfy this obligation by drawing on our cash reserves, cash flow generation or available credit lines. Additionally, if we fail to post such collateral, the counterparty has the right, but not the obligation, to declare such obligation as prematurely expired and to demand the corresponding reasonable value in accordance with the agreed terms. As of September 30, 2016, we did not have any derivative financial instrument outstanding.

Risk Management Committee

Alfa has a Risk Management Committee, which supervises among other things hedging and derivative transactions proposed to be entered into by its subsidiaries with a risk exposure in excess of US$1 million. This committee reports directly to both Alfa's Chairman of the Board of Directors and its President. All new hedging and derivative transactions which we propose to enter into, as well as the renewal or cancellation of existing hedging and derivative arrangements, are required to be approved by senior management of both Sigma and Alfa, including both Alfa's Chairman of the Board of Directors and its President. Proposed transactions must satisfy certain criteria, including that they be entered into for non-speculative purposes in the ordinary course of business, that they be based on fundamental analysis and that a sensitivity analysis and other risk analyses have been performed before the transaction is entered into.

BUSINESS

Overview

We are one of the largest branded refrigerated foods companies in the world (based on industry-wide financial data) focused on the production, marketing and distribution of quality branded foods, including packaged meats, cheese, yogurt and other refrigerated and frozen foods. We have a diversified portfolio of over 10,000 products with more than 100 brands, including Bar-S®, Campofrío®, Yoplait® and FUD®. As of September 30, 2016, we reached over 580,000 points of sale (approximately 47,000 in Europe, 100,000 in Central and South America, 390,000 in Mexico and 46,000 in the United States) in the markets where we have a presence through our extensive refrigerated distribution network comprised of 67 production facilities (46 packaged meat plants, 13 dairy products plants, four fresh meat plants, three pre-cooked meal plants and one beverage plant), 190 distribution centers and more than 7,000 vehicles operating approximately 4,500 active delivery routes.

Through brand development, fresh and quality products and continuous innovation, we have established a leading market position for our products in the United States, Europe, Mexico and other countries. According to industry reports and our own market research, we were the number-one or number-two market participant with respect to many of our products in our primary markets in the United States, Europe and Mexico. According to Nielsen, Bar-S® has been the number one selling frank (hot dog) brand by volume for ten years in a row in the United States, and in Europe, Campofrío was the largest producer of packaged meat products in 2015.

As of September 30, 2016, we had operations in 17 countries and generated sales in more than 100 countries worldwide, including sales through our independent distributors, providing us with highly diversified cash flow generation. Our net sales in the United States, Europe, Mexico and the other countries where we operate, represented 15.0%, 36.9%, 41.1% and 7.1%, respectively, of our total net sales in the nine months ended September 30, 2016.

Since Alfa acquired us in 1980, we have expanded broadly through organic growth as well as through acquisitions, and have experienced significant development in our business over the last few years. In the three years ended December 31, 2015, our Adjusted EBITDA increased from Ps. 6,710 million (US$525 million) in 2013 to Ps. 13,891 million (US$876 million) in 2015, or at a CAGR of 44%. Adjusted EBITDA included a non-recurrent gain in 2015 of Ps. 2,621 million (US$159 million) from an insurance collection related to a fire in the Burgos facility in Spain as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Burgos Incident—Non-Recurrent Proceeds from Insurance." In the same period, our net sales grew at a CAGR of 38%. With the support of our experienced management team, we have been able to maximize cash flow generation through synergies resulting from our acquisitions, increasing market position and pursuing a rapid deleveraging strategy immediately after each acquisition. As a result, our Net Debt/Adjusted EBITDA ratio calculated in U.S. Dollars as of December 31, 2015 was 2.2x, as compared to 2.9x as of December 31, 2014.

Our products reach consumers through a number of different distribution channels, including modern retail, traditional retail, export and foodservice channels. Our principal customers include superstores, hypermarkets, warehouse clubs, wholesalers, convenience stores, foodservice operators and family owned stores. We have had long-term relationships with our main customers in the United States, Europe and Mexico.

For the nine months ended September 30, 2016, we generated net sales of Ps. 77,819 million (US$4,261 million), Adjusted EBITDA of Ps. 9,079 million (US$497 million) and net consolidated profit of Ps. 3,360 million (US$184 million). For the year ended December 31, 2015, we generated net sales of Ps. 93,568 million (US$5,902 million), Adjusted EBITDA of Ps. 13,891 million (US$876 million) and net consolidated profit of Ps. 6,310 million (US$398 million).

We are a wholly-owned subsidiary of Alfa, one of Mexico's largest publicly traded conglomerates. We were acquired by Alfa in 1980.

Competitive Strengths

Leading Market Position

We have a leading position in most of the markets in which we participate. We are the number one producer of franks (hot dogs) in the United States by volume. In terms of sales, we are the number one producer of packaged meat products in Europe, Mexico, Central America and Ecuador, and a leading producer of cheese and yogurt products in Mexico. We believe that our leading position in these markets, scale, and highly recognized brands provide us with a competitive advantage in serving our consumers. As a result of our global size and best practices we are able to achieve economies of scale in sourcing, sales and distribution, and have strategic advantages over our competitors. We leverage our scale to improve the competitiveness of our products and to differentiate our business. Our global presence allows us to have a balanced revenue base, with approximately 50% of our net sales in 2015 generated in developed markets and 50% in emerging markets.

Broad Portfolio of Leading Brands

We offer a broad portfolio of strong brands, many of which are leaders in market recognition in the countries where we operate, according to our internal estimates based on industry reports. Our strong brands give us a competitive advantage by allowing us to launch new products more effectively. Our broad portfolio of brands, from premium to value, covers the full range of socioeconomic market segments, which allows us to diversify sales across a variety of segments. This enables us to capture sales regardless of consumer demand shifts related to macroeconomic conditions.

We have highly recognized brands that are consistently considered "top-of-mind" household names. During 2015, each of our 11 best-selling brands generated over US$100 million in net sales. Our flagship brand FUD®, present in the United States, Mexico, Central America, Dominican Republic and Peru, captures over five times the "top-of-mind" brand recognition as compared to our next two competitors in Mexico. FUD® has become one of our strongest brands, generating over US$850 million in net sales in 2015. In Europe, the Campofrío brand in Spain is the second most popular brand, achieving a 78% spontaneous consumer awareness level as of December 2015, according to Millward Brown, and the best-selling brand of packaged meat products in terms of sales. In the United States, Bar-S® was the number one selling frank (hot dog) brand by volume in 2015, according to Nielsen, and was the number two packaged meat brand by volume. In France and Portugal, we own Aoste® and Nobre® which are the best-selling brands in those countries in terms of sales, respectively. In other countries such as, Ecuador, Costa Rica, among others, we also own strong brands such as Justin Bridou®, Cochonou®, Juris®, Don Diego® and Zar®. The market positioning and value offered by each of our brands are targeted at specific relevant market segments. For the nine months ended September 30, 2016 and the year ended December 31, 2015, sales from brands owned by us constituted 87.0% and 82.6% of our net sales, respectively.

In addition to our own brands, we also produce, market and distribute yogurt under the Yoplait® brand throughout Mexico, Central America and the Dominican Republic, and we market and distribute the Oscar Mayer® brand in Europe. In Mexico, we also distribute other world-renowned brands, such as Oscar Mayer®, Philadelphia®, Hershey's® and La vaca que ríe®, produced by other manufacturers to complement our product portfolio. These license agreements enable us to leverage our own competitive strengths with globally recognized brands.

Consumer Driven Knowledge

We base our operational decisions, as well as our strategic actions, on significant quantitative analysis. We utilize a rigorous consumer insight analytics process that provides unique information for targeting, developing, marketing and pricing our products. Through more than 40,000 consumer contacts every year, we are continuously evaluating consumer behavior, trends, product preferences and usage, as well as brand performance.

We have developed proprietary mathematical models that enable us to identify the ideal product attributes to optimize product preference. This allows us to translate consumer needs into detailed product design characteristics. With these models we are able to continually monitor our products compared to those of our competitors, in order to identify potential improvements to our products related to variations in our products or those of our competitors.

This extensive consumer research has allowed us to obtain in-depth knowledge and an accurate description of our consumers. At the same time, it allows us to effectively segment the markets we serve not only by demographic and socioeconomic profiles, but also by consumer attitudes towards food, cooking and convenience. This segmentation enables us to perform detailed, targeted, and efficient marketing efforts, tailor our innovations to meet our consumers' needs more effectively, focus on areas we deem to be the most profitable and capture growth opportunities more effectively.

Innovation Capabilities Supported by World-Class Research and Development

We promote a culture of innovation throughout our Company with our Sigma Innovation System, which incorporates elements of Stage Gate and Design Thinking theories. Stage Gate allows us to visualize and focus our efforts in cost effective, high impact projects, while Design Thinking enables us to develop superior products and ideas in line with consumer expectations by following the "fail often, early, and cheap" philosophy. We focus our innovation efforts through our seven innovation platforms for the different regions and product lines we operate. These platforms, which were chosen considering current consumer trends, include Health and Nutrition, Indulgence, Convenience, Life Stages, Sustainability, Affordability and Heritage.

To support our innovation process we utilize cutting-edge technology to develop our products. We own research and development facilities with over 160 specialists who monitor and respond to changes in consumer trends and technology, assisting us in the development of new products and processes. We have established a multi-national knowledge management process to share key insights, best practices and research results to work on common business opportunities. This leads to more efficient development processes and allows us to increase our profit margin by maximizing product value and minimizing costs. We also have research agreements with educational and governmental institutions, utilize open technology programs, and consult with various scientific panels. These platforms allow us to utilize their research capabilities and use their facilities to work on our research and development initiatives.

Recent examples of innovation include the addition of state-of-the-art re-sealable and multi-pack packaging to our existing packaged meats and cheese product offerings, as well as newly developed pre-cooked meals and a wide variety of yogurt and beverages. To address consumers' increasing focus on convenience, we have also redesigned some of our classic products in convenient formats including portable and snack size options with highly differentiated resealable packaging and sliced options.

Continuous Strong Cash Flow Generation and Growth

We are now seven times larger in terms of sales than we were in 2000 and our geographical presence has grown to 17 countries with a wide portfolio of products. In 2000, we had Adjusted EBITDA of Ps. 1,186 million (US$125 million) and net sales of Ps. 8,342 million (US$882 million), 74% of which were derived from the sale of cooked meats, 25% were derived from the sale of dairy products and 1% from other products. In that same year, 98% of our net sales were generated in Mexico, and 2% were generated in Latin America. In 2010, we had Adjusted EBITDA of Ps. 3,645 million (US$288 million) and net sales of Ps. 33,091 million (US$2,618 million), 63% of which were derived from the sale of cooked meats, 32% of which were derived from the sale of dairy products, and 5% from other products. During that year, 15%, 75% and 9% were generated in the United States, Mexico and Latin America, respectively. By the end of 2015, we had net sales of Ps. 93,568 million (US$5,903 million) and Adjusted EBITDA of Ps. 13,891 million (US$876 million). During 2015, our sales in the Unites States, Europe, Mexico and Latin America represented 15%, 36%, 43%, and 6%, respectively, and the sale of cooked meats, dry meats, dairy products and other products accounted for 58%, 20%, 18% and 4%, respectively.

We have significant M&A and post-merger integration experience, which has enabled us to successfully execute and integrate 26 M&A transactions since 1997. Our due diligence and post-merger integration experience help us identify and execute value generating strategies that result in significant synergies. Some examples include cost efficiencies, purchasing leverage, process improvements and technology sharing. We have particular expertise in acquiring and integrating family-owned businesses, where by leveraging our values and culture, we are able to present ourselves as an ideal transaction partner.

Our acquisitions, together with our integration and operational expertise have been a key component of our annual cash flow generation. Our Adjusted EBITDA grew at a CAGR of 43.9% during the three years ended

December 31, 2015, propelled by acquisitions as well as organic growth. Acquisitions consummated during such three year period contributed 45.1% of our total Adjusted EBITDA for 2015. Our cash flow from operations represents a significant portion of our Adjusted EBITDA (97% in 2014 and 85% in 2015), which enables us to utilize free cash flow to rapidly reduce leverage after each acquisition. For example, we reduced our Net Debt/Adjusted EBITDA ratio calculated in U.S. Dollars from 4.1x after the Bar-S acquisition in September 2010 to 2.5x as of December 31, 2013. After the consolidation of Campofrío in June 2014, our Net Debt/Adjusted EBITDA ratio calculated in U.S. Dollars was 4.2x, which we reduced to 2.2x as of December 31, 2015.

Experienced Management Team and Diversified Workforce

Our team of 8 senior executives has an average of 26 years of experience in the industry across a wide range of areas that include finance, marketing, manufacturing, human resources, distribution and sales functions. We have a strong track record of promotions with in-house talent with a robust succession management program as well as career path design. To support these programs, we have several continuous development plans in order to boost leadership skills in all levels of the organization with leading global educational institutions to ensure we have the best talent. We embrace diversity and we have a highly diversified workforce, which allows us to generate different perspectives to benefit our consumers. We have more than 60 different nationalities and women account for 39% of our workforce. Our workforce is allocated 12% in Management, 46% in Sales and Marketing and 42% in Operations and Logistics.

We are organized in five different organizational units: Mexico, Europe, the United States, Central and South America and Foodservice, together with a central staff devoted to coordinate and support organizational units. Central staff is comprised of Finance and Central Marketing, Technology, Talent and Culture, Business Development and Global Sourcing Strategy. This structure allows us to perform global benchmarks and implement best practices throughout our operations.

Quality Systems and Production Expertise

We guarantee the quality of our food with extensive quality control throughout the entire supply chain. We have rigorous certification programs for our suppliers and we leverage our capabilities with a global sourcing operation. Our quality system has been integrated and focuses on a sustainable model with policies and procedures based on internationally recognized certifications such as ISO 9001, ISO 14000 and Security and Social Responsibility. Also, five of our production facilities, two in Europe and three in Mexico, are USDA certified, allowing us to export products to the United States. One of our facilities in Mexico exports to Europe. Our Darlington, Wisconsin, facility is an FDA-registered establishment and our Seminole, Oklahoma, facility has on-site USDA inspectors. All European factories are BRC (British Retail Consortium) and IFS (International Food Standard) certified, which we believe are the most stringent quality certifications. All sites have a HACCP (Hazard Analysis Critical Control Point) system implemented and most of them are also approved to export to countries with high quality requirements such as Japan, Canada and China. In addition our Serrano Ham is ETG (*Especialidades Tradicionales Garantizadas*) certified, and our Parma Ham is DOP (*Denominación de Origen Protegida*) certified.

We own and operate 67 production facilities worldwide. Our global footprint enables us to exchange production plans, best practices among our geographies, and optimize our footprint sharing production capacity. We continuously optimize our manufacturing facilities, improve asset utilization and increase our manufacturing productivity and efficiency. We achieve this by implementing comprehensive production methods such as Total Productive Maintenance (also known as "TPM"), while enhancing our world-class manufacturing and quality systems in our plants and products in compliance with the regulations of rigorous food safety certifications validated by Global Food Safety Initiative (GFSI), such as the Safe Quality Food Institute (SQF).

Post production, we monitor our products through store certification and customer development programs, ensuring adequate presence in the point of sale. We maintain a relationship with our customers and keep quality-related performance indicators, monitoring consumer preferences and operating 24-hour call centers.

Business Strategy

Our mission statement is to "earn the consumer's preference for our brands with the best food products," which is the driving principle behind providing a wide variety of innovative and high quality products to our consumers.

Our strategy is founded on our capabilities and competitive advantages, seeking to strengthen and expand current positions in addition to capturing attractive market trends in the future.

The principal elements of our strategy are as follows:

Strengthen our Core Business

Consolidation, Implementation and Optimization of our Operations. We intend to continue consolidating our recent acquisitions and implementing best practices and processes globally. This will help us optimize our supply chain in a wide variety of aspects such as production efficiencies, raw material yields and global sourcing, among others.

Further Enhance our Brand Recognition. We intend to further reinforce our brand equity through differentiated advertising and promotional activity. We also plan on increasing our presence in digital media as we believe this is an efficient and effective way to reach our consumers. Finally, we plan to continue investing in innovation in order to ensure product differentiation and sustain and enhance our brand value.

Drive Innovation Using Consumer Insights. We plan to continue investing in consumer analysis to further enhance our insight regarding consumer preferences. We intend to increase consumer appeal, brand loyalty and sales volume by enhancing our product offerings via innovation. For example, we intend to take advantage of the growing "health-conscious" consumer trend by expanding our health and wellness product offerings, as we did with the launch of our low-fat Greek yogurt product line in Mexico and the Cuida-t+ line in Spain.

Continue Developing World Class Talent. We intend to continue investing in our people as we believe this is one of our key strengths. We expect that these investments in human capital at all levels of our organization will promote the development of trained and experienced professionals. Having a world class and highly diversified workforce will allow us to capitalize our strengths for the benefit of our consumers.

Expand our Core Businesses

Expand our Foodservice Operations. The foodservice channel, which primarily includes sales to restaurants, hospitals, schools, hotels, movie theaters and catering businesses, represented over 6.9% of our net sales in 2015. In Mexico, our foodservice business currently has over 16,000 customers. We view this channel as a significant growth opportunity as our market share in foodservice is well below our retail shares within our current product categories. We intend to continue to expand our foodservice business in Mexico, Europe and the United States as we believe there is an opportunity for us to gain new customers and to consolidate in this highly fragmented channel. We plan to leverage our brands, existing customer base and our distribution network and supply chain with the goal of attaining a market share for our products similar to that of the other segments we serve. We plan to offer products tailored to the foodservice market demands.

Fully Leverage Assets and Capabilities. We intend to take advantage of our geographic footprint and operating expertise to identify suitable partners with well-known branded products which we believe would complement our distribution capabilities. As part of this strategy, we plan to leverage our existing asset base to expand our business by offering value-added distribution services to third party producers similar to the agreements we currently have with Oscar Mayer®, Philadelphia®, McCormick's Grill Mates® and Hershey's®. We expect our licensing business to continue to be an important part of our business and we believe there are growth opportunities through new agreements.

Replicate our Successful Business Model in Our Current Markets. We intend to continue increasing our presence in our current markets. We plan to leverage the success of our current business model to introduce new products within our existing product categories and regions. For example, in the United States, we plan to leverage our experience in the franks and corn dog market to increase our presence in other value packaged meat products such as ham and bacon. In addition, we plan to continue targeting attractive companies within our existing markets and product categories, capturing synergies and leveraging our capabilities.

Invest in the Future

Become the Foodservice Leader in Mexico. In addition to our current foodservice operations, we have identified an opportunity to expand our foodservice business by continuing to develop our distribution capabilities in frozen, refrigerated, and dry temperature products. We intend to become a one-stop shop solution to customers by expanding our product portfolio to include a wide variety of third party products specifically tailored to satisfy the needs of our foodservice customers. We have established an independent business unit dedicated to the expansion of our foodservice business.

We plan to explore further acquisition opportunities of attractive targets in a fragmented market, which we believe will allow us to capture important customers with specific needs. For example, in 2013 we acquired ComNor, a producer, marketer and distributor of value added meat which includes beef, poultry and pork and in 2015 we entered into a strategic alliance with Pacsa, a company engaged in the foodservice industry mainly in southeast Mexico.

Expand our Product Portfolio to New Product Categories. We believe that innovation is one of the pillars of long-term growth. Through the participation of multi-functional teams, new consumer insights, stimulating visionary thinking and research collaboration arrangements with educational and governmental institutions, we have become a leader in the development of new refrigerated and frozen products. We intend to continue to meet our diverse consumers’ needs as well as capitalize on evolving market trends by expanding our portfolio of prepared meals and other food categories. Most recently, our innovation initiatives have included refrigerated pizzas, stuffed chicken breasts, pre-cooked meals and ready-to-drink coffees.

Evaluate Opportunities in New Markets. We plan to continue expanding our geographic footprint through carefully evaluated value accretive acquisitions. We intend to replicate our successful business model in other geographic regions that we do not currently serve and where we identify value generating opportunities that are aligned with our capabilities. We plan to leverage our proven due diligence and post-merger integration capabilities to create value by capturing synergies and realizing efficiencies from each of our acquisitions.

Our History

We are based in Monterrey, Mexico and are a wholly-owned subsidiary of Alfa, one of Mexico's largest publicly traded conglomerates. We were acquired by Alfa in 1980. By the year 2000, we had operations in Mexico, the United States, Guatemala and El Salvador. Throughout the following decade, we continued our expansion into new markets, and by 2013, we were operating in Ecuador, Nicaragua, the Dominican Republic, and Honduras. Since then, we have expanded into Peru, Costa Rica, Italy, Germany, France, Portugal, Spain, the Netherlands and Belgium, and we currently have a presence in a total of 17 countries.

The following chart sets forth significant milestones in the development of our company and our current operations:

1980	• Alfa acquires Sigma
1992	• Sigma enters into franchise agreement with Sodima for production and distribution of Yoplait brands
1993	• Sigma enters into the cheese market by expanding its operations through organic growth
1997-2007	• Sigma consolidates its market position through acquisitions of regional producers of packaged meats and dairy products in Mexico, including Bernina
2002-2004	• Sigma expands geographically through acquisitions of packaged meats and dairy products producers in Central America and the Dominican Republic
2005-2006	• Sigma expands its product offerings through the introduction of refrigerated pizzas and precooked meals
2007	• Sigma continues its geographic expansion into the United States through the acquisition of Mexican Cheese Producers, Inc., a Wisconsin dairy products producer and the construction of packaged meats plant in Oklahoma
2008	• Sigma expands geographically through the acquisition of Braedt, a packaged meats producer in Peru, and Longmont, a producer of frankfurters in the United States
2010	• Sigma continues its geographic expansion into the United States through acquisition of Bar-S, a meat processing company based in Phoenix, Arizona with three plants in Oklahoma
2012	• Sigma consolidates its market position through acquisitions of regional producers of packaged meats in Mexico – Empacadora de Carnes Frías Hidalmex, S.A. de C.V. and Empacadora Supremo de Monterrey, S.A. de C.V.
2013	• Sigma continues its geographic expansion into Central America and Mexico through the acquisition of Monteverde, a dairy products producer in Costa Rica and ComNor, a value added meat producer and distributor for the foodservice in Mexico • Sigma acquires approximately 45% of the shares of Campofrío, a leading European packaged meat company
2014	• Sigma and WH Group, a Chinese global leader in the production of pork, launched a tender offer that allowed Sigma to increase its share up to 63% and control Campofrío. Sigma starts to consolidate Campofrío results in 3Q´2014 • Sigma continues its geographic expansion into Costa Rica and Ecuador through the acquisition of Savi and Fabrica Juris, respectively
2015	• Sigma acquires the remaining 37% of the shares of Campofrío from WH Group • Sigma made a strategic alliance with Kinesis Food Service in the administration of Pacsa, a distributor of meat and dairy products in the food service market in Mexico • Sigma continues its geographic expansion into South America through the acquisition of Ecarni, a meat processing company based in Ecuador

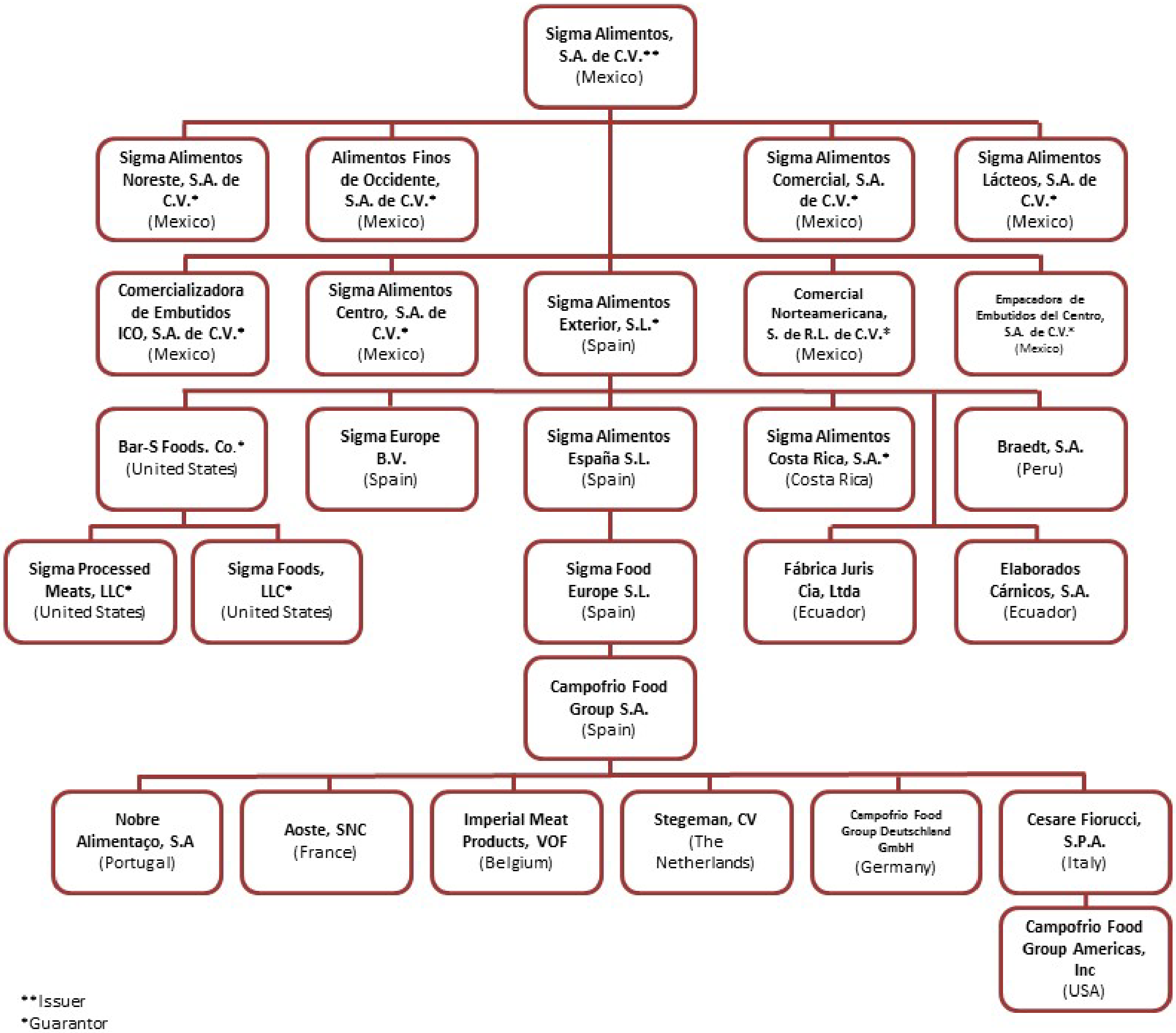
Main Subsidiaries

The table below presents information related to our main subsidiaries:

Name	Region	Ownership Interest	Business
Alimentos Finos de Occidente, S.A. de C.V.	Mexico	100%	Preparation and distribution of beef, turkey and pork meat.
Bonanza Industrial, S.A. de C.V.	Mexico	100%	Trade and distribution of meat.
Carnes Selectas Tangamanga, S.A. de C.V.	Mexico	100%	Preparation and distribution of pork, turkey and beef sausage.
Comercial Norteamericana, S. de R.L. de C.V.	Mexico	100%	Meat products production and sales.
Comercializadora de Embutidos ICO, S.A. de C.V.	Mexico	100%	Preparation and distribution of pork, turkey and beef sausage.
Empacadora de Carnes Frías Hidalmex, S.A. de C.V.	Mexico	100%	Preparation of meat products.
Empacadora de Carnes Premium, S. de R.L.	Mexico	100%	Preparation and distribution of pork, turkey and beef sausage.
Empacadora de Embutidos del Centro, S.A. de C.V.	Mexico	100%	Commercialization of cattle and meat; processing and commercialization of meat and by-products.
Empacadora Supremo de Monterrey, S.A. de C.V.	Mexico	100%	Preparation of meat products.
Employee Services Unlimited, S. de R.L. de C.V.	Mexico	100%	Management.
Freedman Logistic, S. de R.L. de C.V.	Mexico	100%	Management.
Grupo Chen, S. de R.L. de C.V.	Mexico	100%	Real estate leasing company.
Industrias Alimentarias del Sureste, S.A. de C.V.	Mexico	100%	Preparation of meat products.
Servilac, S.A. de C.V.	Mexico	100%	Management, accounting, consultancy and technical assistance services.
Sigma Alimentos Centro, S.A. de C.V.	Mexico	100%	Production and distribution of refrigerated foods.
Sigma Alimentos Comercial, S.A. de C.V.	Mexico	100%	Distribution of meat, dairy, refrigerated and frozen foods.
Sigma Alimentos Congelados, S.A. de C.V.	Mexico	100%	Production, commercialization and distribution of frozen foods.
Sigma Alimentos Corporativo, S.A. de C.V.	Mexico	100%	Consultancy, management, leasing and other services.
Sigma Alimentos Lácteos, S.A. de C.V.	Mexico	100%	Trade, processing and distribution of dairy products.
Sigma Alimentos Noreste, S.A. de C.V.	Mexico	100%	Preparation of meat products.
Sigma Alimentos Prom S.A. de C.V.	Mexico	100%	Management, accounting, consultancy and technical assistance services to Sigma Alimentos Comercial, S.A. de C.V.
Bar-S Foods Co.	United States	100%	Preparation of meat products.
Mexican Cheese Producers, Inc.	United States	100%	Preparation of yogurt and cheese.
Sigma Alimentos Internacional, Inc.	United States	100%	Purchase of meat and other products in the United States and resale to its affiliates in Mexico.
Sigma Foods, LLC	United States	100%	Distribution and commercialization of cold cuts, yogurt and cheese.
Sigma Processed Meats, LLC	United States	100%	Preparation of cold cuts.
Aoste, SNC	Europe	95.49%	Cured ham production and sales.
Campofrío Food Group Americas, Inc.	Europe	95.49%	Meat products productions and sales.
Campofrío Food Group, S.A. (Unipersonal)	Europe	95.49%	Holding company
Cesare Fiorucci S.P.A.	Europe	95.49%	Sales of meat products.
Imperial Meat Products, VOF	Europe	95.49%	Sale and production of packaged meat products.
Nobre Alimentaço, S.A.	Europe	95.49%	Meat products production and sales.
SEC SNC	Europe	100%	Management of cured sausage plant and equipment / Sales through modern distribution channels.
Stegeman, CV	Europe	95.49%	Sale and production of packaged meat products
Braedt, S.A.	South America	100%	Preparation of meat products.
Elaborados Cárnicos, S.A.	South America	100%	Meat products production and sales.
Fábrica Juris Cia, Ltda	South America	100%	Meat products production and sales.
Productos Cárnicos, S.A. de C.V.	Central America	100%	Preparation and commercialization of sausage and other commercial, industrial and agro-industrial activities.
Productos de Importación, S.A. de C.V.	Central America	100%	Operation of commercial stores and commercialization of cold meat and food.
Savi San José de Alajuela, S.A.	Central America	100%	Meat products production and sales.
Sigma Alimentos Costa Rica, S.A.	Central America	100%	Processing and preparation of cold cuts.
Sigma Alimentos Dominicana, S.A.	Central America	100%	Processing and preparation of cold cuts.
Sigma Alimentos Guatemala, S.A.	Central America	100%	Trade, production, importing, exporting and distribution of packaged meat.
Sigma Alimentos Nicaragua, S.A.	Central America	100%	Commercialization of meat products.

Corporate Organization

The following chart describes our corporate structure including our significant subsidiaries, which are all directly or indirectly wholly owned by us.



Industry Overview

We operate in a highly-competitive environment, primarily comprised of packaged meat operators who are engaged mainly in the production and commercialization of animal protein products for retail in the countries where we are present.

Based on industry data and our own estimates, we believe have achieved a strong presence in each of our markets. We are currently one of the largest producers in the refrigerated foods industry, producing a total of 1.7 million tons of food during 2015.

Packaged Meats

Packaged meat describes fresh meat that has undergone further value-added production such as cooking, refrigerating, salting, curing, dehydrating or freezing and includes products such as cooked and dry ham, cooked and dry sausages, bacon, cooked meat, sliced meat and meat snacks.

Some of the largest producers of packaged meat products for the year ended December 31, 2015 included the following:

Packaged Meat Producer	Revenues (billions of US$)
WH Group [(1)]	11.2
Tyson [(2)]	7.8
Hormel [(3)]	6.5
BRF [(4)]	4.9
Sigma Alimentos [(5)]	4.6
Oscar Mayer [(6)]	4.0
Maple Leaf [(7)]	2.6
Cranswick [(8)]	1.5
Herta [(9)]	1.3
Fleury Michon [(10)]	0.8
Land O'Frost [(11)]	0.4
John Morell [(12)]	0.3

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(1) Includes packaged meats.
(2) Includes prepared foods.
(3) Includes grocery products, refrigerated foods, Jennie-O Turkey and International and other segments.
(4) Includes packaged meats.
(5) Includes packaged meats. US$1.3 billion comes from other products.
(6) Oscar Mayer without Mexico and Venezuela according to Euromonitor.
(7) Meat products includes fresh meats.
(8) Total sales.
(9) According to Euromonitor.
(10) Total sales.
(11) According to Nielsen.
(12) According to Nielsen.

The packaged meats market in Mexico is primarily comprised of products such as: ham, hot dogs, bologna, and bacon, which are produced from pork, turkey, and chicken. The presence in Mexico of imported products is relatively low and is concentrated in higher-priced, niche market segments. We estimate that the Mexican packaged meats market grew at a rate of 3% annually from 2008 through 2015, reaching a volume of approximately one million tons in 2015. We expect future growth of this market to be similar to Mexican GDP growth rates. Significant competitors are Qualtia, Bafar, Celaya and Saljamex. The packaged meat market is highly fragmented, with more than 500 producers. In Mexico, the traditional channel is significant and the convenience channel has been growing rapidly.

In the United States, our competitors in the packaged meat segment include Land O'Frost, Eckrich, Farmland, The Kraft Heinz Company and John Morrell. The U.S. packaged meats market has experienced a slight downturn in the past two years. From 2014 to 2015, sales volume decreased at a rate of 1.2% annually. We expect the industry to recover in the next few years.

In Europe, there are many regional packaged meat companies, including El Pozo in Spain, Herta and Fleuri Michon in France and Probar in Portugal, among many others. In Western Europe, packaged meat consumption volume grew at an average annual rate of 1% from 2008 to 2015. Growth in packaged meat sales, is expected mainly driven by consumers focus on health, snacking and affordability.

Dairy Products

The dairy market includes among other products: cheese, yogurt, dessert, cream and butter, among others, in Mexico, Central and South America and the United States. Consumer consumption habits for these products vary from one region to the other due to, among other reasons, economic and weather conditions or simply as a result of regional preferences.

The Mexican cheese market is mature and highly fragmented, with over 3,400 producers participating in the formal or industrial market. Significant national competitors include Chilchota Alimentos, S.A. de C.V., Distribuidora de Lácteos Algil, S.A. de C.V. (Esmeralda Brand), and Grupo Lala, S.A.B. de C.V. It is difficult for a single company to achieve full coverage in both geography and product offering due to a wide variety of regional preferences. Although difficult to quantify, we believe there is substantial additional cheese production coming from micro-producers across the country. We estimate that the formal cheese market has grown at a rate of approximately 3% annually from 2010 through 2015. We expect the formal cheese market to grow at a similar rate during 2016.

In the United States, there are a handful of players in the Hispanic dairy market. Some relevant companies are El Mexicano, Cacique, V&V Supremo and Los Altos. The most popular cheese types among Hispanic consumers in the United States include *Queso Fresco*, *Oaxaca*, *Quesadilla* and *Cotija*.

There are a wide variety of players in the cheese market across the Central America region, including Dos Pinos, Lactolac and Petacones. The most popular cheese types include *Queso Fresco*, *Queso Semiduro* and Mozzarella.

In the Dominican Republic, our competitors include Michel and Induveca.

The Mexican yogurt market includes a variety of types and flavors, such as stirred, Greek, drinkable, natural and with fruit, light and desserts, among others, in different presentations that fit the varying economic capacities and preferences of the consumers. The yogurt market in Mexico is highly competitive and characterized by continuous innovation and extensive marketing efforts. Danone de Mexico, S.A. de C.V. is the market leader, and other market participants include Grupo Lala, S.A.B. de C.V., Alpura, S.A. de C.V. and Nestlé México, S.A. de C.V. According to the National Statistics and Geography Institute (*Instituto Nacional de Estadística y Geografía*, or "INEGI"), the yogurt market has slightly decreased at a rate of approximately 0.44% per year from 2010 to 2015. Innovations have been focused on increasing the average price through value-added products. We expect the yogurt market to increase slightly during 2016.

Our Key Products

We are one of the largest branded refrigerated foods companies in the world (based on industry-wide financial data) focused on the production, marketing and distribution of quality branded foods, including packaged meats, cheese, yogurt and other refrigerated and frozen foods. For the year ended December 31, 2015, our sales were comprised as follows: 58% from cooked meats, 20% from dry meats, 18% from dairy products and 4% from other products.

Consumers' preference for our products is mainly driven by our products' design, value, functionality, availability, quality and food safety standards. Our product offering is designed to satisfy the needs of each market segment. We are focused on product innovation and new product development in each of our markets to meet evolving consumer demands. Our wide product portfolio covers many categories and reflects our consumers' preferences in each of our key markets. Over the past five years, we have diversified our product portfolio.

Packaged Meats

We produce, market and distribute a wide range of quality branded packaged meat products in Mexico, the United States, Europe, Central and South America including, among others:

- cooked ham;
- franks;
- prosciutto;
- serrano;
- other dry ham;

- cooked sausages;
- salami;
- other dry sausages;
- corn dogs;
- bologna; and
- bacon.

Our wide product portfolio covers all of the primary packaged meat categories and reflects our consumers' preferences in each of our key markets. We also offer innovative packaging options that address consumer demand for easier to use and store packaging, such as individual packaging and resealable containers. We classify our packaged meat products as cooked products or dry products. Cooked products include products such as sliced cold cuts, hot dogs, franks, bologna and bacon. Dry products primarily consist of dry sausage and dry ham. Sales of cooked meats and dry meats accounted for 62% and 16% of our net sales for the year ended December 31, 2015, respectively.

Dairy Products

We produce quality branded dairy products in two main categories: cheese and yogurt. We also produce and sell other spreadable dairy goods, such as margarine, butter and cream. Sales of dairy products accounted for 18% of our net sales for the nine months ended September 30, 2016 and 18% for the year ended December 31, 2015.

Cheese

We produce, market and distribute branded cheese products, including fresh, string and aged cheeses designed to appeal to the different consumer tastes and preferences. Due to the highly fragmented nature of the cheese market in Mexico, we offer customized products for each region and due to our high production standards and shelf life of our products we can distribute them nationally. We market fresh cheese in the United States under the FUD® and La Chona® brands, aged cheese in Costa Rica under the premium brand Lekkerland® and we sell the Sosúa® brand cheese in the Dominican Republic, among other types of cheese in the rest of the countries in Central America. In addition, we customize our products based on the needs of our customers, for example, by offering single and small serving packaging for customers in our traditional distribution channel and grated cheese for our foodservice customers.

Yogurt

We produce, market and distribute yogurt in a variety of types and flavors, such as stirred, drinkable, functional, light, and dessert, under the Yoplait® brand through our exclusive licensing arrangement with Sodima in Mexico, Central America and Dominican Republic. We customize our yogurt products to the local taste preferences of the consumers in each of our markets. The yogurt market is characterized by extensive marketing efforts and constant product innovation. As a result, we have consolidated our Yoplait® brand offerings in order to optimize our marketing exposure, and have strengthened our product offerings in the dessert, health and indulgent segments with Disfruta®, Griego® and Placer®. We have also increased our product differentiation to fit the economic needs and preferences of our consumers by offering products targeted to specific audiences, such as kids, teens and once-a-day shoppers and by offering a variety of packaging options.

Other Products

We produce, market and distribute other products, including refrigerated pizzas, precooked meals, soy-based meats and ready-to-drink coffees. We entered this market in Mexico in 1995 with pre-cooked foods, and we currently produce, market and distribute our products primarily under the brands El Cazo Mexicano®, Sugerencias del Chef®, Café Olé®, and FUD®. In Europe, we offer a range of ham, turkey, ready-to-heat chicken steaks and refrigerated pizzas. Sales of these products accounted for 4% of our net sales for the nine months ended September 30, 2016 and 4% of our net sales for the year ended December 31, 2015.

In Europe, we produce fresh meat products that reach three types of consumers: the foodservice channel, retail channels and our operating divisions which further process the meat to create our packaged meat products. Our consumer-targeted fresh meat products include steaks and minced meat in packaged and deli counter formats. In Mexico, we also sell fresh meat products to foodservice customers. These products include steaks, hamburger and other individually packaged meats.

Our Brands

Many of our brands are well-recognized by consumers, and brands such as Campofrío® and FUD® hold the highest levels of consumer recognition in the packaged meat market. These brands have been in the market for more than 50 years and have been expanding to other categories and regions. Campofrío® has expanded to other product categories such as refrigerated pizza and has a presence in several countries. FUD® has traditionally offered packaged meat products and has recently expanded into the cheese and pre-cooked categories, and can be found in the United States and several countries in Central and South America such as: Costa Rica, Dominican Republic, Guatemala, Honduras, Nicaragua, Peru and El Salvador.

In Europe, we own leading brands including Campofrío® and Navidul® in Spain, Aoste® in France, Fiorucci® in Italy, Nobre® in Portugal, Imperial® in Belgium and Stegeman® in the Netherlands.

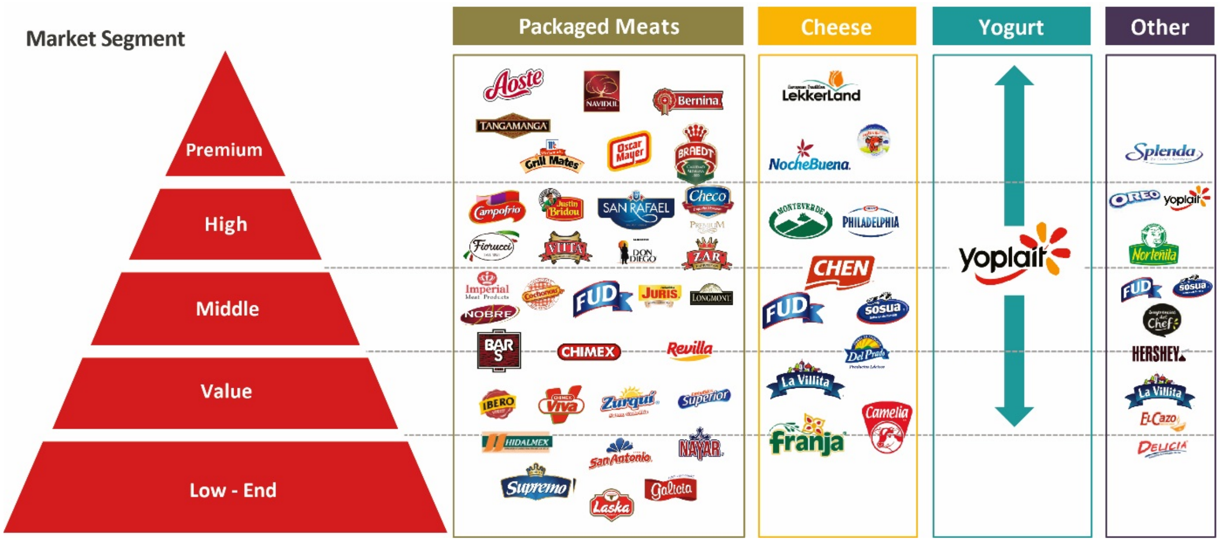
In the United States, we own the leading brand in the packaged meat value segment, Bar-S®. We also own brands such as FUD®, Norteñita®, and La Chona® which target the Hispanic market.

In Mexico, we own the leading packaged meat brands by sales, such as FUD®, Chimex® and San Rafael®. We also own the number one cheese brand by sales, La Villita®. We also produce and distribute under the Yoplait® brand, a leading brand in dairy products world-wide and the second best-selling brand in Mexico.

In Central and South America, we also sell our products through well-known brands such as Zar®, Vitta®, Zurquí®, Lekkerland®, Del Prado®, Checo®, El Sabrocito®, Juris®, Laska® Braedt®, and Don Diego®, and we are the number one producer of cheese products in the Dominican Republic under our brand Sosúa®, in terms of sales.

Our most important brands, based on sales, are: FUD®, which our trademark registration will expire in March 2019; Bar-S®, which our trademark registration will expire in January 2021; Chimex®, which our trademark registration will expire in September 2022; La Villita®, which our trademark registration will expire in December 2017; and San Rafael®, which our trademark registration will expire in March 2022. Each of the trademarks for these brands are renewable for 10-year terms. Some other trademarks that we own include Tangamanga®, Bernina®, San Rafael®, FUD®, Iberomex®, Nayar®, Viva®, San Antonio®, Galicia®, Noche Buena®, Chen®, La Villita®, Franja® and Bar-S®.

We seek to manage our exposure to macroeconomic downturns, and to take advantage of economic opportunities by targeting our brands in a full range of socioeconomic markets, as shown in the following chart:



Intellectual Property

We have registered the "Sigma Alimentos" brand and its distinctive logo. Additionally, we have registered 1,933 brands, of which more than 1,000 were obtained in connection with the Campofrío acquisition, and we have registered 232 commercial advertisements. We also have pending 166 brands and we have 7 pending commercial advertisement registrations. Some of these brands have been registered since 1958, all of them are up-to-date, each has a 10-year renewable term and we have commenced the renewal process for the brands that will expire soon. We also register certain of our brands in other jurisdictions, irrespective of whether we sell such brands in that jurisdiction.

As of September 30, 2016, we had 51 patents registered and 27 pending patent applications. We also have 14 registered industrial designs.

License, Franchise and Distribution Contracts

In 1992, we developed a strategic alliance with the French company Sodima International S.A. through a franchise contract which gave us the exclusive right to manufacture and market Yoplait® in Mexico. In 2002, we signed a new franchise contract with Sodima (Sodima International S.A.'s successor) which gave us the right to use Sodima's production and manufacturing processes, as well as the Yoplait® brand. In 2005 and 2009, we entered into new franchise contracts with Sodima that extended our exclusive franchise rights over the Yoplait® brands to the Dominican Republic, Haiti and Central America. In addition, we obtained the right to receive technical assistance from Sodima. Under our franchise agreements, we pay license fees to Sodima based on a percentage of our net sales of licensed products in Mexico, Central America, the Dominican Republic and Haiti. Our franchise agreement with Sodima with respect to Mexico became effective on July 1, 2012 for a period of 13 years. Our franchise agreement with Sodima with respect to Central America became effective on December 1, 2016 and with respect to the Dominican Republic and Haiti became effective on August 25, 2005. These agreements were subsequently renewed for a period of 10 years pursuant to a new franchise agreement executed on September 30, 2016.

In Europe, we sell products under the Oscar Mayer brand under a license and technical assistance agreement with Kraft Foods Group Inc., (currently The Kraft Heinz Company) dated as of January 1, 1994. In 2014, we entered into the fourth amendment to the license and technical assistance agreement and it now permits us to, subject to certain conditions, use the brand in Spain, Gibraltar, Andorra and Portugal through December 31, 2029. Royalties are calculated as a specified percentage of net sales of licensed products, subject to annual minimum payments.

Upon the occurrence of certain events, The Kraft Heinz Company has the right to terminate the agreement at any time upon 60 days written notice.

Since 2008, we have regularly entered into annual or biannual licensing agreements with The Walt Disney Company to commercialize certain products targeted at the youth consumer segment. Under one of our current licensing agreements, dated December 15, 2014, we are permitted to sell products in packaging featuring certain licensed Disney characters in Belgium and Luxembourg and under another current licensing agreement effective as of January 1, 2015, in Spain, Andorra and Portugal. Both license agreements are currently under negotiations for renewal. Royalties under these license agreements are generally calculated as a specified percentage of net sales of licensed products, subject to annual minimum payments.

We sell products under the *Weight Watchers* brand under a trademark license agreement with *Weight Watchers*, dated November 2, 2009, the terms of which, subject to certain conditions, permit us to use the brand in Belgium and Luxembourg. This contract is usually renewed on an annual or biannual basis.

We have also entered into distribution agreements with (i) Oscar Mayer Foods, a division of The Heinz Kraft Foods, Co., which grants us the exclusive right to distribute certain Oscar Mayer® products in Mexico, (ii) Mondelez Mexico, S. de R.L. de C.V. and Mondelez International Holdings LLC, which grant us the exclusive right to sell and distribute Philadelphia® cream cheese through the traditional distribution channel in Mexico, Costa Rica, Nicaragua, Guatemala, Honduras and El Salvador and (iii) Hershey's Mexico, S.A. de C.V. to market and distribute products under the Hershey's® and Pelón Pelo Rico® brands in Mexico. The distribution agreement with Oscar Mayer Foods will expire on October 31, 2017. The distribution agreements with Mondelez Mexico, S. de R.L. de C.V. and Mondelez International Holdings LLC will terminate on March 31, 2017 and May 31, 2019, respectively. The distribution agreement with Hershey's Mexico, S.A. de C.V. will terminate on October 18, 2019. These distribution agreements allow for early termination.

We believe our relationships with all these counterparties to be good, and we have no reason to believe that our agreements with any of them will not be renewed. See "Risk Factors—Risks Relating to Our Company—The loss of rights granted pursuant to any of our franchise or distribution agreements could harm our business and competitive position."

Customers

We distribute our products to more than 580,000 points of sale throughout the countries in which we have operations. We believe we have a healthy balance of customers across distribution channels. During the nine months ended September 30, 2016 and the year ended December 31, 2015, our net sales were segmented as follows: 56.5% and 53.3%, respectively, from small family-owned stores, wholesalers and foodservice customers (traditional distribution channel), 43.5% and 46.7%, respectively, from supermarkets and convenience stores (modern distribution channel).

We have established and maintain stable and long-term relationships with our customers, including the largest retailers in Mexico, United States and Europe. During the year ended December 31, 2015, we generated approximately 25.5%, of our net sales from our 10 largest customers.

In the ordinary course of our business, we do not enter into long-term agreements with our customers for the sale of our branded products. Instead, our customers place purchase orders, use inventory replacement systems or purchase our products on a spot market basis. In certain cases, we enter into agreements for the sale of branded products for a term of up to one year.

Raw Materials and Suppliers

We acquire our primary raw materials, such as pork, turkey, chicken, beef and milk from local and international suppliers. In some cases we establish supply contracts to guaranty our supply. It is our policy to maintain at least two suppliers for any input in our production such as meat, packaging materials or dry ingredients. We do not believe that the termination of a supply arrangement by any single supplier would have a material adverse effect on our business or financial performance. Our current procurement requirement costs for our raw materials and other items are 41.9% for meat, 13.3% for dairy products, 9.6% for ingredients, 12.7% for packaging materials and 22.5% for others.

Our suppliers include leading companies, both locally and internationally. These suppliers are certified by SAGARPA, the USDA or the relevant local food safety authorities and include companies such as Tyson Foods Inc., Carolina Turkeys Company and Alimentos SBF de Mexico. We receive competitive prices from our suppliers due to our high volume needs. The primary raw materials we use in packaged meats manufacturing are pork, poultry and beef. These raw materials are priced through a commodities market and thus are subject to market fluctuations.

In Europe, packaged meat operators source their raw materials from slaughterhouses in the European Union and from other countries. The European Union pork sector is subject to European Union law and policies to protect the standards of living for farmers in the sector. Thus, non-European Union sourcing is marginal for further processing as the European Union limits imports of pork products through quotas.

In Mexico, in the last 20 years, we have made an effort to promote and develop regional milk producers to source our dairy business. Currently, we work with a group of over 100 local producers that supply fresh milk to our plants. In addition, we use other raw materials to manufacture dairy products, some of which are sourced from international markets. Our primary international dairy products suppliers are Fonterra Limited, Schreiber Inc., Interfood PS International and Ecoval Dairy Trade. We are not dependent on any single dairy product supplier.

The prices of the packaging materials we use fluctuate in accordance with global prices, even though some of these materials are provided locally.

Manufacturing Processes

Packaged Meats

Our packaged meats segment is comprised of three main product lines: hams, which are manufactured from pork and turkey thighs; franks and other meats, which are primarily manufactured from pork and poultry; and dry products which are primarily manufactured from pork.

The packaged meats production process generally involves injecting the raw material with brine to obtain the protein contained in the meat, which is used to form a moldable mix. In the case of sausage and other products, the raw materials are mixed with dry ingredients in order to obtain the moldable mix. Synthetic covers are then filled with the raw material mix, which undergo a cooking process; in some cases, the products also undergo a slicing process. Finally, the cooked and sliced products are packaged and sent to our distribution centers to be sold to our customers.

Regarding dry products, the drying process involves different time and conditions depending on the products, from a few days for small dry sausages to a year or more for dry cured hams.

Dairy Products

Our dairy product line is comprised of two main categories: cheese and yogurt. We also produce and sell other spreadable dairy goods, such as margarine, butter and cream.

In the yogurt production process, we start by pasteurizing and skimming milk. Once the milk has been pasteurized and skimmed, it is mixed with lactic cultures to begin the fermentation process. Afterwards, it is mixed with fruit and other ingredients. The final product is packaged and sent to our distribution centers where it is shipped for sale to our customers.

Our cheese production process also starts with the pasteurization and skimming of milk. Once the milk has been pasteurized and skimmed, it is mixed with rennet and other ingredients. The product is then curdled and drained. Finally, the product is molded, packaged and sent to the distribution centers where it is shipped for sale to our customers.

Sales and Distribution Network

Distribution Channels

Our products reach our end consumers through a number of different distribution channels in each of the geographies where we are present. Conditions in these geographies vary due to several factors, including economic situation, consumer consumption and purchasing habits, among others. Therefore certain distribution channels may be more relevant than others with respect to revenues depending on the region and the strategy designed specifically for each one of them.

The retail sector in Mexico and Central and South America is highly fragmented between traditional and modern retail distribution channels. We consider the traditional distribution channel our most important distribution channel in these regions, which primarily includes small family-owned stores and distributors. During the nine months ended September 30, 2016 and the year ended December 31, 2015, the traditional distribution channel represented 51% and 63%, respectively, of our net sales in Mexico and Central and South America. The modern distribution channel includes national, regional and convenience stores. During the nine months ended September 30, 2016 and the year ended December 31, 2015, the modern distribution channel accounted for 49% and 37%, respectively, of net sales in Mexico and Central and South America.

The underdeveloped transportation infrastructure in Mexico and Central and South America affects our distribution operations. Moreover, retailers do not have sufficient space to store large inventories, especially in the case of products that require refrigeration. As a result, we invested in our own refrigerated vehicles network and deliver products frequently, visiting customers at least once a week. We have also installed over 45,000 refrigerators in small family-owned stores throughout Mexico. This investment allows us to enhance our brands in an attractive display with minimal competition and at the proper temperature. We invest considerable economic resources each year in our distribution network, primarily attributable to replacement and upkeep of the transportation fleet, enabling us to maintain our significant presence in the traditional distribution channel.

Our manufacturing and distribution in the United States have two different distribution models. We have a distribution center strategically located in Oklahoma, which facilitates effective service of our national wholesale customer base. The production facilities operate within a 100-mile radius of the Elk City distribution center, utilizing a "hub and spoke" concept. Bar-S's finished products are shipped from Elk City to its customers. In several markets, the Bar-S sales team is supported by food brokers. We also have a direct distribution network which serves clients in Hispanic markets through distribution centers throughout the country.

In Europe, we conduct sales to the modern retail channel through a direct route-to-market, in which we outsource delivery activities to a third party provider to deliver directly to the retailers' platform. In the traditional and foodservice channel, sales are predominantly conducted through an indirect route-to-market such as a wholesaler, partner distributor or cash and carry arrangement in which the customer arranges for the transport of the goods themselves. Additionally in this region, we export to consumers in more than 90 countries.

The belief that satisfying our customer needs is a key factor to our success has encouraged the development of our efficient distribution network comprised of 67 plants, 190 distribution centers and over 7,000 vehicles, reaching more than 580,000 points of sale.

Foodservice

The foodservice channel, which primarily includes sales to restaurants, hospitals, schools, hotels and movie theaters, represented over 8.5% and 6.9% of our net sales in the nine months ended September 30, 2016 and the year ended December 31, 2015, respectively. In Mexico, we have a significant foodservice presence in more than 50 of the largest cities in the country with an active customer base of over 16,000 individual customer accounts. The foodservice channel in Europe includes on-the-go channels which consist of vending machines and kiosks. We view this channel as a significant growth opportunity as our market position in foodservice is well below our retail shares within our current product categories.

Sales Force

We reach a diverse retail customer base in each of the geographies where we operate and focus on optimizing sales across distribution channels. Our strategy intends to minimize our dependence on any single customer and to ensure broad market penetration which in turn facilitates brand awareness.

We have a total of approximately 19,000 salespeople in all of the regions in which we operate. We have salespeople who visit each of our customers in the traditional distribution channel, at least once a week in the regions where we perform delivery activities and own the refrigerated vehicles network. We also have salespeople and key account managers who focus on the modern distribution channel and are generally located at these points of sale. We also have a specialized sales force dedicated to serving foodservice customers, including hospitals, schools and fast food restaurants. Our sales force is comprised of both employees and independent contractors.

Marketing

The food sector is one of the most saturated advertising markets in the countries in which we conduct business. We have diversified and enriched our media mix (national and cable TV, radio, outdoor advertising, magazines and others) in search of greater efficiency when addressing the different segments to whom our products are directed (housewives, teenagers, children and different socioeconomic levels). Our marketing activities are conducted in our local markets to better target consumer preferences, however, our corporate marketing organization works to ensure that multi-country brands such as FUD® (Mexico, the United States and Central and South America), Aoste® (France and Belgium) and Fiorucci® (U.S. and Italy) are aligned across countries with respect to the brand essence, values and image.

Product innovation and brand extension to other product categories have played an important role as a platform for growth and diversification of our product portfolio. For example, in Mexico we introduced sliced panela cheese under the FUD® brand and in the United States we introduced "Grill Mates Sausages" in partnership with McCormick®. In Europe we continued reinforcing our most recent growth product lines: Traditional, Healthy and Snacking.

We continue to strengthen our brand equity in all of our operating regions. In 2015, we launched the first television campaign for Bar-S®, the bestselling brand of sausages in the United States for ten years in a row. In Mexico, we launched a campaign "No housewife has it easy" for FUD®, and in Europe we released "Despertar," a Campofrío® Christmas campaign.

Research and Development

We continuously conduct research and development activities to develop new products and to improve our existing products and processes. We have established a multi-national knowledge management process to share key insights, best practices and research results to work on common business opportunities, which we believe leads to more efficient development, increased productivity and safety and allows us to achieve the greatest value from our raw materials while providing our customers with high value products. Our research and development team, which consists of more than 160 specialists, also has research arrangements with educational and governmental institutions, which allow us to use their facilities and research capabilities. We also have a research and development center in Mexico that monitors and responds to changes in consumer trends and technology. In Europe, we have specialists who work on pilot plants and process development. In addition, under our franchise agreement with Sodima, we have the right to receive technical assistance from Sodima.

We have developed and launched a broad variety of products into the market, designed to respond to the preferences and needs of our consumers. We recognize the value of innovation and know how important it is for the evolution of our brands, products and processes.

Facilities

We maintain production facilities and operations in Mexico, Europe, the United States, Central America and South America. We own 67 refrigerated-foods manufacturing plants and own or lease 190 distribution centers.

The following table sets forth information on our distribution centers, plants in operation and product lines for the regions in which we conduct our business.

Country of Operation	Distribution Centers	Plants in Operation	Production Lines
Mexico	134	24	Packaged meats, dairy, pre-cooked meals, meat packaging, beverages
Spain	2	9	Dry and packaged meats, pre-cooked meals, meat packaging
France	2	6	Dry ham and sausage, meat packaging
United States	13	6	Packaged meats, dairy
Costa Rica	11	5	Packaged meats, dairy
Belgium	1	5	Dry and packaged meats
Italy	1	2	Dry and packaged meats
The Netherlands	1	2	Dry and packaged meats
Portugal	1	1	Dry and packaged meats
Germany	1	0	-
Guatemala	3	0	-
Honduras	2	0	-
Nicaragua	1	0	-
El Salvador	3	1	Packaged meats
Dominican Republic	4	3	Packaged meats, dairy
Peru	5	1	Packaged meats
Ecuador	5	2	Packaged meats
Total	**190**	**67**	

The following chart lists the locations of our 67 manufacturing plants:

Product Line	Site[(1)]	Products Manufactured	Age (years)[(2)]	Square Footage
Packaged Meats	Xalostoc, Mexico	Ham, hot dogs, and packaged meats	62	86,197
	Atitalaquia, Mexico	Ham, hot dogs, and packaged meats	22	98,996
	Monterrey Noreste, Mexico	Ham, hot dogs, and packaged meats	32	25,327
	San Nicolás de los Garza, Mexico	Ham, hot dogs, and packaged meats	22	25,457
	Guadalajara facility 1, Mexico	Ham, hot dogs, and packaged meats	52	31,474
	Guadalajara, Nayar, Mexico	Ham, hot dogs, and packaged meats	33	112,009
	Guadalajara, CEISA, Mexico	Ham, hot dogs, and packaged meats	14	25,295
	Chihuahua, Mexico	Ham, hot dogs, and packaged meats	62	25,489
	San Luis Potosi, Mexico	Ham, hot dogs, and packaged meats	32	35,758
	Estado de Mexico Galicia,	Ham, hot dogs, and packaged meats	24	60,235
	Mérida, IASSA, Mexico	Ham, hot dogs, and packaged meats	14	51,742
	Costa Rica, facility 1	Ham, hot dogs, and packaged meats	33	66,951
	Costa Rica, facility 2	Ham, hot dogs, and packaged meats	14	12,615
	El Salvador	Ham, hot dogs, and packaged meats	32	35,844
	Dominican Republic	Ham, hot dogs, and packaged meats	33	105,863
	Lima, Peru	Ham, hot dogs, and packaged meats	42	50,709
	Sangolqui, Ecuador	Ham, hot dogs, and packaged meats	3	118,403
	Latacunga, Ecuador	Ham, hot dogs, and packaged meats	34	123,410
	Seminole, Oklahoma, United States	Ham, hot dogs, and packaged meats	7	111,503
	Altus, Oklahoma, United States	Ham, hot dogs, and packaged meats	24	190,995
	Clinton, Oklahoma, United States	Ham, hot dogs, and packaged meats	56	119,996
	Lawton, Oklahoma, United States	Ham, hot dogs, and packaged meats	20	83,000

Product Line	Site(1)	Products Manufactured	Age (years)(2)	Square Footage
	Richmond, Virginia, United States	Packed meat	19	115,131
	Burgos, Spain	Ham, hot dogs, and packaged meats	<1	710,408
	Burgos, Spain	Dry ham	17	215,052
	Trujillo, Spain	Dry ham	16	350,957
	Olvega 1, Spain	Dry sausage	57	385,972
	Villaverde, Spain	Dry ham and hot dogs	30	254,103
	Torrente, Spain	Packaged and dry meats, bacon, hot dogs and poultry products	38	132,235
	Torrijos, Spain	Dry ham and dry sausages	39	189,025
	Aoste, France	Dry ham, dry sausages and packed meat	39	467,304
	Maclas, France	Dry sausages	35	355,413
	Vernoux, France	Dry sausages	36	187,938
	Moroni, France	Dry sausages	33	147,466
	Saint Symphorien, France	Dry sausages	25	260,691
	Monein, France	Dry ham	15	37,674
	Al Ponte, Italy	Dry ham	47	151,050
	St. Palomba, Italy	Packed and dry meats, bacon, hot dogs, poultry products	46	1,693,163
	Wijhe, the Netherlands	Packaged meats	45	200,209
	Deventer, the Netherlands	Dry sausage	35	217,625
	Lovendegem, Belgium	Dry ham and dry sausage	62	161,114
	Amando, Belgium	Packaged and dry meats	39	175,592
	Champlon, Belgium	Dry ham and dry sausage	49	140,878
	Dacor, Belgium	Packaged meats	39	164,247
	Comby, Belgium	Packaged meats and poultry products	35	104,367
	Rio, Portugal	Packaged meats	53	426,725
Dairy Products	Jalisco, Lagos, Mexico	Yogurt, cheese	21	226,139
	Jalisco, El Salto, Mexico	Butter and Cream	16	21,162
	Nuevo León, Sabinas, Mexico	Cheese, others	42	97,241
	Nuevo León, Apodaca, Mexico	Cheese	44	16,146
	Coahuila, Saltillo, Mexico	Cheese	37	59,524
	Estado de Mexico, Mexico	Cheese	16	32,346
	Guanajuato, Celaya, Mexico	Cheese, others	39	87,812
	Alajuela, Costa Rica	Cheese	20	29,364
	Alajuela, Costa Rica	Yogurt	8	26,372
	Monteverde, Costa Rica	Cheese, others	26	22,733
	Sosúa, Dominican Republic	Cheese	17	38,787
	Sosúa, Dominican Republic	Yogurt	17	18,304
	Darlington, Wisconsin, United States	Cheese, others	18	49,998
Fresh Meat	Nuevo León, Monterrey, Mexico	Packed meat	15	23,142
	Sonora, Hermosillo, Mexico	Packed meat	9	14,521
	Guanajuato, Penjamo, Mexico	Packed meat	1	275,454
	Burgos, Spain	Packed meat	12	649,710
Pre-cooked Foods	Nuevo León, Mexico	Refrigerated	19	132,450
	Hidalgo, Atitalaquia, Mexico	Pre-cooked foods, Pizza	12	70,967
	Olvega 2, Spain	Pre-cooked foods, Pizza	2	209,976
Beverages	Jalisco, Lagos, Mexico	Coffee	12	12,917

(1) All the manufacturing plants above are owned by us and are insured as we consider necessary. Our facilities listed above are free of liens.
(2) Age reflects the year in which the manufacturing plant initiated operations.

Information Technology

We use information technology provided by Oracle, SAP AG, Microsoft Corporation, Meta4, JDA, Symantec Corporation and others for processing plant maintenance, distribution and picking center operations and sales force activities. Our systems integrate sales data, generate stock replenishment orders and design efficient sourcing and delivery routes. We believe that our systems infrastructure supports our various business operations and is secure and robust. We have back-up and disaster recovery plans in place, which are reviewed on a periodic basis. Our information systems and technology staff are experienced and many have been working for us for several years, providing a depth of system knowledge.

To better serve our traditional distribution channel efficiently, we have invested in route optimization programs, such as the Territory Planner used by UPS. We also have access to satellite monitoring via GPRS which allows us to pinpoint our vehicles at any time, help our drivers locate customers and process orders in real time. Hand-held devices and SAP-based software, such as Customer Relationship Management and Business Intelligence, are other technological tools we use in order to provide better service to our customers.

We have outsourcing contracts with IBM and Axtel, Accenture (Europe) and Softtek, which provide for the following services:

- IBM (Mexico) – operation and administration of central computing, distributed computing, help desk, Basis and Soptec;
- Axtel – operation and administration of telecommunications (voice, data and video);
- Softtek – Application Management Support; and
- Accenture (Europe) – our critical system servers are housed offsite in data centers.

Environmental and Other Government Regulation

Like other participants in the industry, we are subject to various laws and regulations administered by municipal, local, state, federal and other governmental entities and agencies in the countries in which we operate, including regulations regarding: the environment, health and safety, disclosure of ingredients, food and drugs, transportation, anti-corruption, customs, anti-trust, export controls and trade sanctions, employment and labor, government contracts and intellectual property. Failure to comply with these requirements may result in fines, penalties, criminal sanctions and liability for damages resulting from noncompliance.

We believe that we are currently in substantial compliance with all material governmental laws and regulations affecting our business, including environmental and health and safety laws and regulations, and maintain all material registries, permits and licenses relating to our operations.

Environmental

We perform our operations with additional focus on our surroundings and the optimal use of natural resources required to satisfy the production, distribution and marketing of refrigerated food products. We are continuously looking for the optimal use of waste generated by these activities through the implementation of energy saving projects and the responsible use, treatment and recycling of the water needed in the processes performed. Our operations are subject to the federal, state and local laws and regulations of the countries in which we operate relating to the protection of the environment.

The primary federal environmental law in Mexico is the Mexican Federal Law of Ecological Balance and Environmental Protection (*Ley General de Equilibrio Ecológico y Protección al Ambiente*) pursuant to which rules have been promulgated concerning environmental impact, water, air and noise pollution and hazardous substances. Other laws that apply or may apply to our operations are the General Law for Prevention and Integral Management of Residues (*Ley General para la Prevención y Gestión Integral de los Residuos*), which regulates the generation, handling, transportation, storage and final disposal of hazardous waste, as well as imports and exports of hazardous materials and hazardous waste and allocates the participation of the states and municipalities to regulate the generation, handling, transportation and final disposal of waste of special management and urban waste, respectively, and the National Water Law (*Ley de Aguas Nacionales*) and regulations thereunder, which govern the prevention and control of water pollution.

The Mexican federal authority in charge of overseeing compliance with the federal environmental laws is the Ministry of Environment and Natural Resources (*Secretaría del Medio Ambiente y Recursos Naturales* or "SEMARNAT"). We have fulfilled all environmental requirements necessary to obtain SEMARNAT's Excellent Environmental Performance certification, which certifies our compliance with the Clean Transportation program with respect to our primary distribution network in Mexico. An agency of SEMARNAT, the Federal Attorney of Environmental Protection (*Procuraduría Federal de Protección al Ambiente* or "PROFEPA"), has the authority to enforce the Mexican federal environmental laws. As part of its enforcement authority, PROFEPA can bring civil, administrative and criminal proceedings against companies and individuals that violate environmental laws and has the power to close facilities not in compliance with federal environmental laws. PROFEPA can issue sanctions that include monetary fines, revocation of authorizations, concessions, licenses, permits or registries, administrative arrests, seizure of contaminating equipment and, in certain cases, temporary or permanent closure of facilities. Furthermore, in special situations or certain areas where federal jurisdiction is not applicable or appropriate, or in some cases concurrently applicable, the state and municipal authorities can regulate and enforce certain environmental regulations, as long as they are consistent with federal law. We have fulfilled all environmental requirements necessary to obtain PROFEPA's Clean Industry certification (*Industria Limpia*), which certifies our compliance with certain environmental laws with respect to most of our production facilities.

In the United States, we are subject to various federal, state, and local laws and regulations relating to the protection of the environment. These laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act and Superfund, which imposes joint and severable liability on each responsible party. The U.S. federal authority with primary jurisdiction over environmental matters is the U.S. Environmental Protection Agency; however, other federal, state, and local agencies, as well as private parties, can use various legal means to enforce environmental laws.

In Europe, we are subject to extensive and increasingly stringent laws and regulations pertaining to protection of the environment, including among others: the discharge of materials into the environment, the handling and disposition of waste (including solid and hazardous waste), remediation of contaminated sites, the emission of greenhouse gases, and climate change. Such laws and regulations require us to obtain regulatory licenses, permits and other approvals and to comply with them. Governmental authorities may not grant these regulatory licenses, permits and approvals, and such laws and regulations may change or be interpreted in a manner that increases our costs of compliance, materially or adversely affecting our operations, plants or plans to invest.

We use the ISO 14001 standard to manage and maintain environmental performance, and our factories in Burgos, Spain, St. Symphorien, France, Aoste, France and Al Ponte, Italy have achieved ISO 14001 certification. ISO 14001 specifies environmental management system requirements and applies to the environmental aspects over which an organization can be expected to exercise control. In addition the remainder of our factories in Spain and France and our factories in Santa Palomba, Italy, the Netherlands and Belgium obtained Integrated Environmental Authorization ("AAI"), which means that these factories and the operations performed therein comply with the guidelines and best practices (best available techniques) established in EU Directive 2010/75/EC on Industrial Emissions, Integrated Pollution Prevention and Control ("IPPC"). The goal of the IPPC is to minimize pollution for various industrial activities in the EU. Operators of industrial facilities falling under the scope of the IPPC are required to obtain an environmental permit from the relevant country authorities.

Our environmental department, together with our technical officers and management, addresses the significant environmental aspects of our operations, provides employee training programs, facilitates engagement with local communities and regulators and designs action plans to implement preventive and corrective measures where necessary. The environmental department is engaged in the collection, analysis and reporting of relevant environmental data in the categories of atmosphere, waste, water and industrial safety. We also use external advisors to update us on relevant changes in regulations and laws and to periodically review our environmental goals. We believe that all of our operations are in substantial compliance with the applicable environmental regulations and hold the necessary permits to conduct our business.

Safety and Quality Control

Our operations are subject to the federal and state laws and regulations of the countries in which we conduct our business relating to the protection of our employees and contractors. We believe we are in compliance with all such laws and regulations. We are committed to promoting the health and safety of our workers and others involved in or affected by our operations and have developed and implemented an integrated health and safety management system. As part of this system, each of our Mexican facilities is equipped with a permit administration system, an accident prevention program, a comprehensive emergency response program with emergency equipment and trained safety crews and a risk analysis and management program. Regular external audits are conducted to assess the effectiveness of our internal health and safety practices. We have been in compliance in all material respects with such audits in the past. In addition, we are committed to protecting the environment and the health and safety of the communities in which we operate. Accordingly, we collaborate with local governments, advocacy organizations and industry and public interest groups to promote a culture of continuous improvement in environment, safety and health. Our quality procedures are internationally validated through certifications such as ISO 9002, SQF (Safe Quality Food) and HACCP. Also, three of our Mexican facilities are USDA certified, enabling them to export product to the United States. Our Darlington, Wisconsin, facility is an FDA-registered establishment and our Seminole, Oklahoma, facility has on-site USDA inspectors.

All European factories are BRC (British Retail Consortium) and IFS (International Food Standard) certified, which we believe are the most stringent quality certifications. All sites are Global Food Safety Initiative Certified ("GFSI"), three of them are approved by the USDA to export products to the United States, and most of them are also approved to export to other countries with high quality requirements such as Japan, Canada and China. In addition our Serrano Ham is ETG (*Especialidades Tradicionales Garantizadas*) certified, and our Parma Ham is DOP (*Denominacion de Origen Protegida*) certified.

We believe we are in compliance, in all material respects, with the food safety laws and regulations of the countries in which we operate. There are no outstanding fines or other economic sanctions which, individually or in the aggregate, would materially adversely affect our business or financial condition.

Exporting Fees

As an exporting company, we are subject to a complex legal framework that regulates exporting, foreign trade, customs clearance, tax rules and incentives in the jurisdictions where we operate. In addition, we are required to comply with regulatory non-tariff measures, such as obtaining permits and licenses from the health authorities of the countries to which our products are exported.

Insurance

We are insured with coverage against three key categories of risk: (i) assets and business interruption; (ii) cargo/marine; and (iii) general liability. Our insurance policies are negotiated on our behalf by Alfa and apply to our operations in every country in which we have production facilities.

Our all-risk policy insures assets and protects us against business interruptions caused by natural disasters, equipment malfunctions and other catastrophic events. Our cargo/marine policies provide coverage for all import and export merchandise, such as raw materials, inventories and products, whether shipped by air, land or sea. We also maintain general liability policies that provide coverage for damage to third parties and insure properties, products and individuals, including our directors and officers. In addition, each subsidiary maintains other insurance policies as necessary to comply with local regulations or specific needs, such as commercial auto, workers compensation, environmental liability and employee practices.

We believe that our insurance coverage is reasonable in amount and consistent with industry standards, and do not anticipate having any difficulties in renewing any of our insurance policies.

Legal Proceedings

In the ordinary course of our business, we are involved in disputes and litigation. While the outcomes of disputes cannot be predicted, we do not believe that there are any pending or threatened actions, suits or proceedings against or affecting us which, if determined adversely to us, would individually or in the aggregate, materially harm our business, results of operations or financial condition.

Employees

As of September 30, 2016, we had 40,888 full-time employees and 798 part-time employees in 17 countries throughout the world. Our employees are well diversified geographically with approximately 66% located in Mexico, 16% in Europe, 12% in Central and South America and 6% located in the United States. Approximately 42% of our employees perform operations activities, 46% sales and distribution activities, 1% research and development activities, and 11% administrative activities.

Mexican employers are required to make profit-sharing payments ("PTU"), to their employees in an aggregate amount equal to 10% of the employer's profit (calculated in accordance with the applicable provisions of the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*) without reference to dividends, inflation adjustments or tax loss carry forwards, among other items). Employers are liable for PTU regardless of agreed compensation and benefits. It is uncertain how the Mexican authorities will interpret recent amendments to the Mexican Federal Labor Law and other existing applicable legislation. Some of our employees in Mexico are employed by a services company, and we currently pay labor benefits based on the profit of the employee's direct employer (our services company), without considering our profit or that of any other company within our group. As a result of the recent amendments to the Mexican Federal Labor Law, there is a risk that we could be considered an employer of the employees of our services companies, and as such may be required to pay an increased PTU taking into account the profit of an operating company instead of the employees' direct employer. See "Risk Factors— Risks Relating to Our Business— Any deterioration of relations with our employees or increase in labor costs may have a negative impact on our business, financial condition, results of operations and prospects."

The following table shows our employees by geographic location as of December 31, 2013, 2014 and 2015 and September 30, 2016:

	Number of Employees			
	December 31,			September 30,
	2013	2014	2015	2016
Mexico	24,471	25,004	26,190	27,515
Europe	-	7,123	6,729	6,829
Central and South America	3,753	4,004	4,636	4,847
United States	2,303	2,399	2,493	2,495
Total employees	30,527	38,530	40,048	41,686

We have pension plan commitments to complete retirement benefit payments for certain employees in France, the Netherlands, Belgium and Italy. These commitments are fully covered by external funds or pension liability provisions recorded in our financial statements. All of our external funding complies with local minimum funding regulations.

We believe that we have satisfactory working relationships with our employees and have not experienced any significant labor disputes or work stoppages. A significant portion of our employees are covered by collective labor agreements or are members of labor unions.

Temporary Employee Suspensions Related to the Burgos Incident

As a consequence of the fire that occurred on November 16, 2014 at our plant in Burgos, Spain, and in an effort to minimize the impact on our ongoing operations, we promptly implemented a comprehensive recovery plan. As part of this plan, we transferred approximately 40% of displaced production throughout Campofrío's extensive network of processing facilities, both in Spain and throughout Europe, and reallocated the remaining 60% to third-party processors outside of Campofrío. In addition, we reassigned 148 employees from the Burgos plant to our other processing facilities.

MANAGEMENT

Our Board of Directors is responsible for the management of our business. The Board of Directors is comprised of a number of members, as determined from time to time at the shareholders' meeting. Directors serve in their positions for a term of one year and may be re-elected.

Our current Board of Directors was appointed or re-elected at the shareholders' meeting held on February 23, 2016. The address for each of our directors and executive officers is Ave. Gómez Morín No. 1111 Sur, Col. Carrizalejo, C.P. 66254, San Pedro Garza García, Nuevo León, Mexico.

Directors and Executive Officers

Board of Directors

The following table sets forth our current Directors, as appointed by our shareholders:

Name	Age
Mario Humberto Páez González	66
Ramón Alberto Leal Chapa	47
Paulino José Rodríguez Mendivil	65
Alejandro Miguel Elizondo Barragán	63
Carlos Jiménez Barrera	61

Mario Humberto Páez González. Mr. Páez is the President of the Board of Directors and President and Chief Executive Officer of Sigma. He joined Alfa in 1974 and has served as Sigma's Chief Executive Officer for a total of 12 years since 2002 and served as Alfa's Chief Financial Officer for a period of ten months. Mr. Páez has also served as CEO of Total Home, S.A. de C.V. and Empaques de Cartón Titán, S.A. de C.V. Mr. Páez holds a Bachelor's Degree in Public Accounting from ITESM and an MBA from Instituto Tecnológico de Estudios Superiores de Monterrey ("ITESM") and Tulane University.

Ramón Alberto Leal Chapa. Mr. Leal is the Chief Financial Officer of Alfa. He joined Alfa in 2009. Prior to his current position he served as Alfa's Vice President of Treasury. He served in various executive positions in finance and strategic planning at Vitro. He previously held various executive positions at Pulsar, Vector Casa de Bolsa and Violy & Partners in New York. Mr. Leal is also a member of the Executive Council of Axtel, Universidad de Monterrey and of other companies and institutions. He holds degrees in Accounting from Universidad de Monterrey, a Master's degree in Operations Management from ITESM, and an MBA from Harvard Business School.

Paulino José Rodríguez Mendivil. Mr. Rodríguez is the Senior Vice President of Human Capital of Alfa. He joined Alfa in 2004. Prior to his current position, he served in various positions at Sigma, including Vice President of Human Resources, Vice President of Key Sales Accounts and Vice President of Institutional Sale. Mr. Rodríguez is also a member of the Boards of Axtel, Campofrío, Indelpro, the Confederación Patronal de la República Mexicana ("COPARMEX") and the Consejo Coordinador Empresarial. He studied Industrial Systems Engineering and obtained a Master's in Energy Technology from the University of the Basque Country, Spain. He also graduated from the School of Naval Academy officers in Spain and attended several graduate courses at the University of California at Berkeley, Instituto Panamericano de Alta Dirección de Empresas ("IPADE") and ITESM.

Alejandro Miguel Elizondo Barragán. Mr. Elizondo is Senior Vice President of Business Development of Alfa. He joined Alfa in 1976. Prior to his current position, he was President of Alpek. He also served as Senior Vice President of Finance of Alfa and President of Hylsamex. Currently, he is a Board member of Embotelladoras Arca and Banco Regional de Monterrey. He studied Mechanical and Electrical Engineering at ITESM, and holds an MBA from Harvard Business School.

Carlos Jiménez Barrera. Mr. Jiménez is the Secretary of the Board of Directors and Senior Vice President of Legal and Corporate Affairs of Alfa. He joined Alfa in 1978. Prior to his current position, he was Legal Vice President of Alfa. He was also Legal Vice President of Corporate Affairs of Alfa, Legal Vice President of

Hylsamex. He is a graduate of the School of Law of the Universidad de Monterrey and holds a Master's degree from the New York University School of Law.

Executive Officers

Our current executive officers, their ages, principal positions and periods of service are as follows:

Name	Age	Position	Period of Service
Mario H. Páez González	66	President & CEO Sigma Alimentos Group	43
Ricardo J. Doehner Cobián	44	CEO Sigma Europe (Campofrío Food Group)	20
Rodrigo Fernández Martínez	40	CEO Sigma Mexico and Latam	18
Álvaro Madero Gómez	63	CEO Sigma Foodservice	41
Warren J. Panico	61	CEO Sigma USA (Bar-S Foods)	19
Eugenio Caballero Sada	37	CFO & Central Marketing Officer	14
Gregorio de Haene Rosique	57	CTO (Chief Technology Officer)	35
Armando de la Peña González	50	Senior Vice President of Talent and Culture	15

Executive Officers

Mario Humberto Páez González. See "—Directors and Executive Officers—Board of Directors."

Ricardo Joaquin Doehner Cobián joined Alfa in 1996 and Campofrío in 2015. Mr. Doehner is the CEO of Sigma Europe (Campofrío Food Group). He previously held the position of Senior Vice President of Integration and Synergies at Sigma. Mr. Doehner holds a degree in mechanical engineering from ITESM and a Master's degree in Business Administration from the University of Michigan.

Rodrigo Fernández Martínez joined Alfa in 1998 and is the CEO of Sigma Mexico and Latin America. He previously held the position of CFO & Central Marketing Officer. Mr. Fernández holds a Bachelor of Arts in Economics from the University of Virginia and a Master's degree in Business Administration from the Wharton School of the University of Pennsylvania.

Álvaro Madero Gómez joined Alfa in 1976 and is the CEO of Sigma Foodservice. He previously held the position of Senior Vice President of Talent and Culture at Sigma. Mr. Madero holds a degree in chemical engineering from ITESM and a Master's degree in Business Administration from the Wharton School of the University of Pennsylvania.

Warren J. Panico joined Bar-S in 1997 and Alfa in 2011 and is the CEO of Sigma USA (Bar-S Foods). He previously held the position of Chief Operational Officer of Bar-S. Mr Panico holds a Bachelor of Arts from San Francisco State University and a Master's degree in Marketing from Columbia Pacific University.

Eugenio Caballero Sada joined Alfa in 2002 and is the CFO & Central Marketing Officer. He previously held the position of VP Strategy and Brands. Mr. Caballero holds a degree in mechanical and industrial engineering from ITESM and a Master's degree in Business Administration from Harvard Business School.

Gregorio de Haene Rosique joined Alfa in 1982 and is the Chief Technology Officer. He previously held the position of Technology Manager at Sigma. Mr. de Haene holds a Bachelor's degree in biochemical engineering from ITESM and holds a Master's degree in Business Administration from ITESM.

Armando de la Peña González joined Alfa in 2001 and is the Senior Vice President of Talent and Culture. He previously held the position of CEO of Terza. Mr. de la Pena holds a degree in industrial engineering from ITESM.

Compensation of Directors and Executive Officers

Wages and benefits received by our top officials for the years ended December 31, 2013, 2014 and 2015 were Ps. 270 million, Ps. 348 million and Ps. 418 million, respectively, consisting of base salary, benefits and variable compensation programs. All of our Directors are current employees of us or Alfa. We currently have a stock plan in place for our Directors and Executive Officers under which awards are granted and are payable over a five-year period. The cash amounts payable during such period are based primarily on the financial results of Alfa and to a lesser extent on the performance of Alfa's stock as compared to similar companies that are listed on the Mexican Stock Exchange (*Bolsa Mexicana de Valores*).

Internal Controls

We have internal control policies and procedures designed to promote (i) the efficiency and effectiveness of our operations, (ii) the reliability of our financial information and (iii) the compliance with all applicable legislation, regulations, statutory rules and guidelines. Our Board of Directors is responsible for establishing and maintaining our internal controls with support from Alfa. This allows us to assure that our internal controls continuously function and are independent from our general management activities and internal audit.

PRINCIPAL SHAREHOLDERS

We are a wholly-owned subsidiary of Alfa. Alfa is a public company and its shares are registered with the RNV maintained by the CNBV, and listed on the Mexican Stock Exchange under the trading symbol “ALFAA.” Alfa’s shares are also quoted on the Latibex, the exchange market for Latin American issuers on the Madrid Stock Exchange under the trading symbol “XALFA.”

There is no single person (corporate or individual) that holds or controls more than 10% of the equity securities issued by Alfa, exercises a significant influence, controls or has the power to control Alfa.

RELATED PARTY TRANSACTIONS

From time to time, we may enter into transactions with parties that have relationships with Alfa and its affiliates.

Amounts representing significant related party transactions for the years ended December 31, 2013, 2014 and 2015 and for the nine months ended September 30, 2015 and 2016 are as follows:

	Year Ended December 31,				Nine Months Ended September 30,		
	2013	2014	2015	2015	2015	2016	2016
	(Ps.)	(Ps.)	(Ps.)	(US$)(1)	(Ps.)	(Ps.)	(US$)(1)
			(in millions)				
Income:							
Leases	5	5	6	-	5	6	0
Interest.	11	10	10	1	7	5	0
Expense:							
Administrative	173	174	164	10	120	119	7
Leases and other	144	138	214	13	138	207	11
Dividends	1,040	695	1,080	68	1,080	1,713	94

(1) Translated into U.S. Dollars, solely for the convenience of the reader, using an exchange rate of Ps. 18.2638 per U.S. Dollar, the average of the Official Exchange Rate on each day during the nine months ended September 30, 2016.

Services Provided by Affiliates

In the ordinary course of our business, we obtain administrative and corporate services from Alfa and several of its subsidiaries, including, among others, Alliax, S.A. de C.V., Alfa Corporativo, S.A. de C.V. and Axtel. We have paid Alfa for the following administrative and support services, among others: government and institutional lobbying, human resources planning, financial and treasury planning, legal and tax advice, strategic planning, investor relations and communication. Such payments were made on market terms.

Through Alliax, we outsource certain administrative services, including accounts payable, travel expense processing, payroll and other administrative services. We also lease office space for our headquarters from Alfa Corporativo, S.A. de C.V. and Axtel provides us with telecommunications services (voice, data and video). Additionally, some of our affiliates provide certain services to us and our subsidiaries such as air transportation, security services, leases and other corporate and administrative services. As required under IFRS, these transactions are valued on an arms-length basis.

Affiliates Outstanding Balances

As of December 31, 2013, 2014 and 2015 and September 30, 2016, we had amounts due to affiliates of Ps. 69,115 million, Ps. 11,061 million, Ps. 48,938 million and Ps. 36,836 million, respectively. As of December 31, 2013, 2014 and 2015 and September 30, 2016 we had trade receivables due from affiliates of Ps. 236,256 million, Ps. 313,849 million, Ps. 281,552 million and Ps. 18,548 million, respectively. As of September 30, 2016 we did not have dividends payable to Alfa.

DESCRIPTION OF THE NOTES

We will issue €600,000,000 aggregate principal amount of 2.625% Senior Notes due 2024 under an indenture (the "indenture") to be entered into by and among the Company (as defined below), the subsidiary guarantors, The Bank of New York Mellon, as trustee and registrar, and The Bank of New York Mellon, London Branch, as paying agent. Physical copies of the indenture, including the form of notes and guarantee, will be available for inspection for the life of the notes during normal business hours at the offices of the trustee. The trustee will also act as transfer agent and registrar if we issue certificates for the notes in definitive registered form.

This Description of the Notes is a summary of the material provisions of the notes and the indenture. You should refer to the indenture for a complete description of the terms and conditions of the notes and the indenture, including our obligations and your rights.

You will find the definitions of capitalized terms used in this section under "—Certain Definitions." For purposes of this section of this offering memorandum, when we refer to:

- "we," "us," "our" or "the Company," we mean Sigma Alimentos, S.A. de C.V. and not our Subsidiaries; and

- the "notes," we mean the notes offered pursuant to this offering memorandum and, unless the context otherwise requires, any additional notes, as described below in "—General."

General

The notes:

- will be our senior unsecured obligations (junior to certain obligations that are preferred by statute and/or Mexican laws, such as tax, social security, workers' housing fund, labor and similar claims);

- will be fully and unconditionally guaranteed, on a joint and several basis and on a senior unsecured basis, by the subsidiary guarantors, subject to the guarantee release provisions described below;

- will not be convertible into any other security or have the benefit of a sinking fund;

- will initially be limited to an aggregate principal amount of €600,000,000;

- will mature at 100% of their principal amount then outstanding on February 7, 2024;

- will be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof; and

- will be represented by one or more registered notes in global form and may be exchanged for notes in definitive form only in limited circumstances.

We will initially issue an aggregate of €600,000,000 of notes, but may, subject to the limitations set forth under "—Covenants," issue an unlimited principal amount of the notes under the indenture. We may, without your consent, issue additional notes (together, the "additional notes") in one or more transactions, which have substantially identical terms (other than issue price, issue date and date from which the interest will accrue) as the notes issued on the issue date. Such additional notes may be issued in one or more series and with the same or different ISIN and Common Code numbers; *provided, however*, that unless such additional notes are issued under a separate ISIN or Common Code number, such additional notes are issued either (i) pursuant to a "qualified reopening" for U.S. federal income tax purposes, (ii) with no more than a de minimis amount of original issue discount, or (iii) otherwise as part of the same "issue" for U.S. federal income tax purposes. Any additional notes will be consolidated and form a single class with the other notes issued on the issue date, so that, among other things, holders of any additional notes will have the right to vote together with holders of notes issued on the issue date as one class.

Interest on the notes:

- will accrue at the rate of 2.625% per annum;
- will accrue from the date of issuance or from the most recent interest payment date;
- will be payable in cash, annually in arrears on February 7 of each year, commencing on February 7, 2018;
- will be payable to the Persons in whose name the notes are registered at the close of business on January 23 immediately preceding each interest payment date; and
- will be computed on an annual basis (as computed using the ACTUAL/ACTUAL (ICMA) payment of the International Capital Markets Association).

Principal of, and interest, including any Additional Amounts on, the notes will be payable, and the transfer of notes will be registrable, at the office of the paying agent.

Ranking of the Notes and the Guarantees

The notes will constitute our direct senior unsecured obligations, and if we were to incur any indebtedness other than the notes, the notes would rank at least *pari passu* in priority of payment with all our other existing and future senior unsecured indebtedness.

The subsidiary guarantees will constitute each subsidiary guarantor's direct senior unsecured obligations, and if such subsidiary guarantor were to incur any indebtedness other than with respect to its guarantee of the notes, the subsidiary guarantees would rank at least *pari passu* in priority of payment with such subsidiary guarantor's other existing and future senior unsecured indebtedness.

In the event of a bankruptcy, *concurso mercantil*, *quiebra*, liquidation or other similar proceeding by or against us or any of the subsidiary guarantors, obligations under the notes and the subsidiary guarantees would be:

- equal in right of payment to all other of our and the subsidiary guarantors' existing and future senior unsecured indebtedness;
- junior to certain obligations given preference under applicable law, including tax, social security, workers' housing fund, labor and similar claims;
- effectively subordinated to all of our and the subsidiary guarantors' existing and future indebtedness secured by our and the subsidiary guarantors' assets, to the extent of the value of the assets securing such indebtedness; and
- structurally subordinated to claims of creditors (including trade creditors and preferred stockholders, if any) of each of our Subsidiaries (other than the subsidiary guarantors).

As of September 30, 2016, we and our Subsidiaries had total consolidated indebtedness of Ps.46,278 million (US$2,373 million), of which Ps.10,989 million (US$564 million) was indebtedness of our Subsidiaries (other than the subsidiary guarantors) to which the notes will be structurally subordinated, and none of which was secured indebtedness. As of September 30, 2016, on an unconsolidated basis the Company had Ps.35,289 million (US$1,809 million) of outstanding indebtedness.

Subsidiary Guarantees

Each subsidiary guarantor will unconditionally guarantee the full and prompt payment of all of our obligations under the indenture and the notes. The obligations of each subsidiary guarantor in respect of its subsidiary guarantee will be limited to the maximum amount as will result in its obligations not constituting a fraudulent conveyance, fraudulent transfer or similar illegal transfer, to the extent specified under applicable law. See “Risk Factors—Risks Relating to the Notes—The guarantees may not be enforceable under applicable laws.”

Initially, the subsidiary guarantors will be: Sigma Alimentos Corporativo, S.A. de C.V., Sigma Alimentos Centro, S.A. de C.V., Sigma Alimentos Comercial, S.A. de C.V., Sigma Alimentos Lacteos, S.A. de C.V., Comercializadora de Embutidos ICO, S.A. de C.V., Alimentos Finos de Occidente, S.A. de C.V., Carnes Selectas Tangamanga, S.A. de C.V., Sigma Alimentos Congelados, S.A. de C.V., Sigma Alimentos Noreste, S.A. de C.V., Empacadora de Embutidos del Centro, S.A. de C.V., Grupo Chen, S. de R.L. de C.V., Comercial Norteamericana, S. de R.L. de C.V., Sigma Alimentos Exterior, S.L., Sigma Processed Meats, LLC, Sigma Foods, LLC., Mexican Cheese Producers, Inc., Bar-S Foods Co. and Sigma Alimentos Costa Rica, S.A.

The subsidiary guarantors (in addition to the Company on a stand-alone basis) accounted for 64% of our consolidated assets and 55% of our consolidated Adjusted EBITDA as of and for the year ended December 31, 2015. The subsidiary guarantors (in addition to the Company on a stand-alone basis) accounted for 65% of our consolidated assets and 69% of our consolidated Adjusted EBITDA as of and for the nine months ended September 30, 2016.

Each subsidiary guarantor will be released and relieved of its obligations under its respective subsidiary guarantee in the event that:

(1) there is a sale or other disposition of such subsidiary guarantor (whether by merger, consolidation, the sale of all or a majority of its Capital Stock or the sale of all or substantially all of its assets), following which such subsidiary guarantor is no longer a direct or indirect Subsidiary of the Company; or

(2) there is a defeasance of the notes or upon satisfaction and discharge of the indenture; or

(3) at the Company’s option, if the notes have Investment Grade Ratings from at least two Rating Agencies, and such two Rating Agencies issue a Ratings Affirmation;

provided that such transaction is carried out pursuant to, and in accordance with, the applicable provisions of the indenture. Following such release, such subsidiary guarantee shall no longer be in effect.

Not all of our Subsidiaries will guarantee the notes. In the event of a bankruptcy, *concurso mercantil*, *quiebra*, liquidation or similar proceeding by or against a non-guarantor Subsidiary, such non-guarantor Subsidiary will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company and the subsidiary guarantors. See “Risk Factors—Risk Factors Relating to the Notes—Payments on the notes and the subsidiary guarantees will be effectively junior to any of our and the subsidiary guarantors’ secured indebtedness and structurally junior to the debt obligations of our non-guarantor subsidiaries.”

Issuance in Euro; Payment on the Notes

Initial investors in the notes will be required to pay for the notes in euro, and all payments on the notes will be payable in euro; provided that if on or after the date of this Offering Memorandum the euro is unavailable to us due to the imposition of exchange controls or other circumstances beyond our control or if the euro is no longer being used by the then-member states of the European Economic and Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the notes will be made in U.S. dollars until the euro is again available to us or so used. Under those circumstances, the amount payable on any date in euro will be converted into U.S. dollars at the rate mandated by the U.S. Federal Reserve Board as of the close of business on the second business day prior to the relevant payment date or, in the event the U.S. Federal Reserve Board has not mandated a rate of conversion, on the basis of the most recent U.S. dollar/euro exchange rate published in The Wall Street Journal on or prior to the second business day prior to the relevant payment date. Any payment in respect of the notes so made in U.S. dollars will not constitute an event of default under the notes or the indenture. Neither the trustee nor the paying agent will have any responsibility for any calculation or conversion in connection with the foregoing.

Investors will be subject to foreign exchange risks as to payments on the notes that may have important economic and tax consequences to them. See “Risk Factors” in this Offering Memorandum.

Principal of, premium, if any, and interest on the notes will be payable, and the notes may be exchanged or transferred, at the office or agency maintained by us for such purpose which initially will be the office of the paying agent, The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL, United Kingdom. Payments of principal of, premium, if any, and interest on notes in global form registered in the name of the common depository will be made in immediately available funds to the common depository as the registered holder of such global note. If any of the notes are no longer represented by global notes, payment of interest on the notes in definitive form may, at our option, be made by check mailed directly to holders at their registered addresses. If any interest payment date or maturity date of a note falls on a day that is not a business day, the required payment of principal, premium, if any, and interest will be made on the next succeeding business day as if made on the date that the payment was due and no interest will accrue on that payment for such period from and after that interest payment date or maturity date, as the case may be, to the date of that payment on the next succeeding business day. All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of "—Additional Amounts." No commissions or expenses will be charged to the holders in respect of such payments.

Subject to any applicable abandoned property law, the paying agent will pay to us upon our request any monies held by it for the payment of principal or interest that remains unclaimed for two years, and, thereafter, holders entitled to such monies must look to us for payment as our general creditors. After the return of such monies by the paying agent to us, the paying agent shall not be liable to the holders in respect of such monies.

Form, Denomination and Title

The notes will be in registered form without coupons attached in amounts of €100,000 and integral multiples of €1,000 in excess thereof.

We will issue the notes in the form of one or more registered notes in global form without interest coupons. The notes will be deposited with a common depositary for, and in respect of interests held through, Euroclear Bank SA/NV, as operator of Euroclear and Clearstream. Beneficial interests in the global notes will be represented, and transfers of such beneficial interests will be effected, through accounts of financial institutions acting on behalf of beneficial owners as direct or indirect participants in Euroclear or Clearstream. Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the global notes.

The registered holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no Person will be liable for so treating the holder.

Redemption

No sinking fund is provided for the notes.

We will give not less than 30 days' nor more than 60 days' notice of any optional redemption to holders of the notes, which notice will be irrevocable and will be given to the registered holder of notes and published in Ireland as described in "—Notices" below.

On and after the redemption date, interest on the notes or any portion of the notes called for redemption will cease to accrue (unless we default in the payment of the redemption price and accrued interest). By 11:00 a.m. (Central European Time (CET)) on the business day prior to the redemption date, we will deposit with the paying agent funds sufficient to pay the redemption price and accrued interest, through the redemption date, on the notes subject to redemption. If the redemption date falls after a record date but on or prior to the corresponding interest payment date, we will pay accrued interest to the holder of record of notes on the corresponding record date, which may or may not be the Person who will receive payment of the redemption price (which will exclude such accrued interest). If less than all of the notes are to be redeemed, the notes to be redeemed will be selected by the trustee by lot or by such method in accordance with the procedures of Euroclear and Clearstream.

Optional Make-Whole Redemption

The notes will be redeemable, in whole or in part, at our option at any time and from time to time, prior to November 7, 2023 (three months prior to the scheduled maturity of the notes) (the "Par Call Date"), at a redemption price, as calculated by the Company, equal to the greater of (i) 100% of the then-outstanding principal amount of the notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon as if redeemed on the Par Call Date (exclusive of interest accrued to the date of redemption), discounted to the redemption date on an annual basis (ACTUAL/ACTUAL (ICMA)), at the applicable Comparable Government Bond Rate plus 45 basis points, plus in each case accrued and unpaid interest thereon to, but excluding, the date of redemption and any Additional Amounts payable with respect thereto.

Optional Redemption without a Make-Whole Premium

The notes will be redeemable, in whole or in part, at our option at any time and from time to time, commencing on November 7, 2023 (three months prior to the scheduled maturity of the notes), at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest thereon to the date of redemption and any Additional Amounts payable with respect thereto.

Optional Redemption upon Tax Event

We may at any time redeem the notes at our option, in whole, but not in part, at a redemption price equal to 100% of the then-outstanding principal amount of the notes, plus accrued and unpaid interest thereon to, but excluding, the date of redemption and any Additional Amounts payable with respect thereto, if we certify to the trustee (in the manner prescribed below) that:

(a) we, or a subsidiary guarantor, if a subsidiary guarantor is required to make payments, have or will become obligated to pay Additional Amounts in connection with payments of interest, or amounts deemed interest, on the notes in respect of withholding taxes in excess of a 4.9% rate (the "Excess Additional Amounts") as a result of any generally applicable change in or amendment to the laws or regulations of a Relevant Jurisdiction or any political subdivision or governmental authority thereof or therein having power to tax, or any generally applicable change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective or, in the case of a change in official position, is announced on or after the later of the date of issuance of the notes and the date that a Relevant Jurisdiction becomes a Relevant Jurisdiction; and

(b) such obligation cannot be avoided by taking reasonable measures available to us;

provided, however, that the notice of redemption, which will specify the date of redemption and redemption price, will not be given earlier than 60 days before the earliest date on which we would be obligated to pay such Excess Additional Amounts if a payment in respect of the notes were then due.

No later than 15 days (unless a shorter period is acceptable to the trustee) before giving any notice of redemption as described in the preceding clauses, we will deliver an officer's certificate to the trustee stating that we are entitled to effect such redemption in accordance with the terms of the indenture and setting forth in reasonable detail a statement of facts relating thereto. The officer's certificate will be accompanied by a written opinion of recognized independent counsel experienced in tax and other related matters in the Relevant Jurisdiction to the effect that:

(a) we, or a subsidiary guarantor, if a subsidiary guarantor is required to make payments, have or will become obligated to pay the Excess Additional Amounts as a result of such change or amendment; and

(b) all governmental approvals necessary for us to effect the redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained.

Change of Control Triggering Event

Upon the occurrence of a Change of Control Triggering Event, the holders of the notes will have the right to require us to purchase all or a portion of such holders' notes (in integral multiples of €1,000) pursuant to a Change of Control Offer (as defined below) at a purchase price equal to 101% of the then-outstanding principal amount thereof, plus accrued and unpaid interest thereon to, but excluding, the date of purchase and any Additional Amounts payable with respect thereto (the "Change of Control Payment" and the date of such purchase, the "Change of Control Payment Date"), in accordance with the procedures set forth below. If the date of purchase is on a date that is after a record date and on or prior to the corresponding interest payment date, we will pay such interest to the holder of record on the corresponding record date, which may or may not be the same Person to whom we will pay the purchase price.

Within 30 days following the consummation of any transaction constituting a Change of Control Triggering Event, we will send, in accordance with "—Notices" below, a notice to each holder of notes with a copy to the trustee (the "Change of Control Offer") and publish the notice in a newspaper having a general circulation in Mexico, the United States of America and, as long as the notes are listed on the Official List of the Irish Stock Exchange and trading on the Global Exchange Market and the rules of such exchange so require, Ireland. Our failure to give notice in the manner described herein will not affect the rights of the holders to require us to purchase the notes. The notice of the Change of Control Offer will state, among other things:

(a) that a Change of Control Triggering Event has occurred and that such holder has the right to require us to purchase all or a portion of such holder's notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon to, but excluding, the date of purchase (subject to the right of holders of record on the relevant record date to receive interest on the relevant interest payment date) and any Additional Amounts payable with respect thereto;

(b) the circumstances and relevant facts regarding such Change of Control Triggering Event;

(c) the Change of Control Payment Date, which will be no earlier than 30 days nor later than 60 days from the date such notice is mailed, other than as may be required by law;

(d) the jurisdiction of incorporation of the successor controlling entity; and

(e) the instructions, as determined by us, consistent with the covenant described hereunder, that a holder of notes must follow in order to have its notes purchased.

By 11:00 a.m. (Central European Time (CET)) on the business day prior to the Change of Control Payment Date, we will deposit with the paying agent funds in an amount equal to the Change of Control Payment in respect of all notes or portion thereof so tendered.

On the Change of Control Payment Date, we will, to the extent lawful:

(a) accept for payment all notes or portions thereof properly tendered pursuant to the Change of Control Offer; and

(b) deliver or cause to be delivered for cancellation to the trustee the notes so accepted together with an officer's certificate stating the aggregate principal amount of notes or portions thereof we are purchasing.

If only a portion of a note is purchased pursuant to a Change of Control Offer, a new note in a principal amount equal to the portion not purchased will be issued in the name of the holder of such note upon cancellation of the original note, or appropriate adjustments to the amount and beneficial interests in a global note will be made, as appropriate. The minimum amount of such new note will be €100,000.

We will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other applicable securities laws or regulations in connection with the repurchase of the notes in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under the covenant described hereunder by virtue of our compliance with such securities laws or regulations.

We will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes a Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the indenture applicable to a Change of Control Offer and purchases all notes validly tendered and not withdrawn under such Change of Control Offer.

Open Market Purchases

We may at any time purchase notes in the open market or otherwise at any price.

Transfer of Notes

A holder may transfer or exchange notes in definitive form, in whole or in part, in an authorized denomination upon the surrender of the note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the paying agent. Each new note to be issued upon exchange of notes or transfer of notes will, within three business days of the receipt of a request for exchange or form of transfer, be mailed or otherwise provided to, at the risk of, the holder entitled to the note to such address as may be specified in such request or form of transfer.

The notes will be subject to certain restrictions on transfer as more fully set out in the indenture. See "Transfer Restrictions." Transfer of beneficial interests in the global notes will be effected only through the book-entry registration and transfer systems maintained by Euroclear and Clearstream.

Transfers will be effected, on our behalf, without charge by the registrar, but upon payment, or the giving of such indemnity or security as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed in relation to it. We are not required to transfer or exchange any note selected for redemption.

No holder may require the transfer of a note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that note.

Additional Amounts

All payments by us in respect of the notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments, fees or other governmental charges of whatever nature (and any fines, penalties or interest related thereto) imposed or levied by or on behalf of a Relevant Jurisdiction, or any political subdivision or authority of or in such jurisdiction having power to tax, unless such withholding or deduction is required by law. In that event, we will pay to each holder of a note such additional amounts ("Additional Amounts") as may be necessary in order that every net payment made to the holder on each note after deduction or withholding for or on account of any present or future tax, penalty, fine, duty, assessment or other governmental charge imposed upon or as a result of such payment by such Relevant Jurisdiction or any political subdivision or taxing authority thereof or therein, will not be less than the amount then due and payable on such note; it being understood that the payment of such Additional Amounts will be deemed and construed by us as additional interest for tax purposes in the applicable Relevant Jurisdiction. The foregoing obligation to pay Additional Amounts to any holder of notes, however, will not apply to or in respect of:

(a) any tax, assessment or other governmental charge which would not have been imposed but for the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership or a corporation), on the one hand, and the applicable Relevant Jurisdiction, on the other hand (including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or having been engaged in a trade or business or present therein or having, or having had, a permanent establishment for tax purposes therein), other than the mere receipt of such payment or the ownership or holding of such note;

(b) any tax, assessment or other governmental charge which would not have been so imposed but for the presentation by such holder of a note for payment on a date more than 20 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the holder would have been entitled to such Additional Amounts on presenting such note for payment on any date during such 20-day period (and no Additional Amounts shall be paid for or on account of any additional withholdings or deductions that arise as a result of such presentment after such 20-day period);

(c) any tax, duty, assessment or other governmental charge to the extent that such tax, duty, assessment or other governmental charge would not have been imposed but for the failure of such holder to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with the applicable Relevant Jurisdiction of the holder if (i) such compliance is required or imposed by law as a precondition to exemption or reduction from all or a part of such tax, duty, assessment or other governmental charge and (ii) at least 30 days prior to the date on which we will apply this clause (c), we shall have notified all holders of notes that some or all holders of notes will be required to comply with any such requirement;

(d) any estate, inheritance, gift, sales, transfer, excise or personal property or similar tax, assessment or governmental charge imposed with respect to the notes;

(e) any tax, assessment or other governmental charge which is payable other than by deduction or withholding from payments on the note;

(f) any tax, assessment or other governmental charge imposed with respect to a payment on any note to a holder that is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent a beneficiary or settlor with respect to such fiduciary or a member of such partnership or beneficial owner would not have been entitled to receive payment of the Additional Amounts had the beneficiary, settlor, member or beneficial owner been the holder of the note;

(g) any taxes imposed under Section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") as of the issue date (or any amended or successor version that is substantively comparable) and any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code, any intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any law, regulation or practice adopted pursuant to any such intergovernmental agreement; or

(h) any combination of the above.

The limitations on our obligations to pay Additional Amounts set forth in clause (c) above shall not apply if (i) the provision of information, documentation or other evidence described in such clause (c) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a note, than comparable information or other reporting requirements imposed under U.S. tax law (including the United States-Mexico income tax treaty), regulations (including temporary or proposed regulations) and administrative practice, or (ii) Article 166, Section II, paragraph (a) of the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*) (or a substitute or equivalent provision, whether included in any law, rule or regulation) is in effect, unless (A) the provision of the information, documentation or other evidence described in such clause (c) above is expressly required by the applicable Mexican laws and regulations in order to apply Article 166, Section II, paragraph (a) of the Mexican Income Tax Law (or substitute or equivalent provision), (B) we cannot obtain the information, documentation or other evidence necessary to comply with the applicable Mexican laws and regulations on our own through reasonable diligence and (C) we otherwise would meet the requirements for application of the applicable Mexican laws and regulations.

In addition, such clause (c) above does not require, and shall not be construed to require, that any holder, including any non-Mexican pension fund, retirement fund, tax-exempt organization or financial institution, register, to the extent applicable, with the Tax Management Service (*Servicio de Administración Tributaria*) or the Mexican Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) to establish eligibility for an exemption from, or a reduction of, Mexican withholding taxes, or take any other action different from providing periodic information thereto.

We will also pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies, and any penalties, additions to tax or interest due with respect thereto, which arise in any jurisdiction from the execution, delivery, registration or the making of payments in respect of the notes, or the indenture or any document or instrument required under the notes or the indenture, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of a Relevant Jurisdiction, other than those resulting from, or required to be paid in connection with, the enforcement of the notes following the occurrence of any Default or Event of Default.

We will provide the trustee with the official acknowledgment of the relevant taxing authority (or, if such acknowledgment is not available, a certified copy thereof) evidencing any payment of taxes in respect of which we have paid any Additional Amounts. Copies of such documentation will be made available to the holders of the notes or the paying agents, as applicable, upon request therefor.

In the event that Additional Amounts actually paid with respect to the notes pursuant to the preceding paragraphs are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of such notes, and as a result thereof such holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, then such holder shall, by accepting such notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto, including taking any action for such refund to be repaid.

For the avoidance of doubt, in the event of any merger or other transaction described and permitted under "—Covenants—Limitation on Consolidation, Merger and Transfer of Assets," then all references to a Relevant Jurisdiction under this section and under "—Redemption Optional Redemption upon Tax Event" shall include references to the applicable jurisdiction of the Successor Company (as defined below).

All references in this offering memorandum to principal (and premium, if any) payable on the maturity date of the notes, or upon any optional redemption upon a tax event, or to interest payable on the notes will include any Additional Amounts payable by us in respect of such principal (and premium, if any) and such interest.

Covenants

The indenture will contain the following covenants in addition to customary covenants regarding maintenance of office or agency, maintenance of corporate existence and payments of taxes and claims:

Limitation on Liens

We will not, and will not permit any Subsidiary to, create or suffer to exist any Lien upon any of our Specified Property now owned or hereafter acquired by us or such Subsidiary securing any Debt, unless contemporaneously therewith effective provision is made to secure the notes equally and ratably with such Debt for so long as such Debt is so secured. The preceding sentence will not require us or any Subsidiary to equally and ratably secure the notes if the Lien consists of the following:

(a) any Lien existing on the date of the indenture, and any extension, renewal or replacement thereof or of any Lien in clause (b), (c), (d) or (n) below; provided, however, that the total amount of Debt so secured is not increased;

(b) any Lien on any property or assets securing Debt incurred solely for purposes of financing the acquisition, construction or improvement of such property or assets after the date of the indenture;

provided that (i) the aggregate principal amount of Debt secured by the Lien will not exceed (but may be less than) the cost (i.e., purchase price) of the property or assets so acquired, constructed or improved and (ii) the Lien is incurred before, or within 180 days after the completion of, such acquisition, construction or improvement and does not encumber any other property or assets (other than any of the property or assets acquired in connection with any such acquisition, construction or improvement) owned by us or any Subsidiary; and provided, further, that to the extent that the property or asset acquired is Capital Stock, the Lien also may encumber other property or assets of the Person so acquired;

(c) any Lien securing Debt for the purpose of financing all or part of the cost of the acquisition, construction or development of a project; provided that the lenders of such Debt expressly agree to limit their collateral in respect of such Debt to assets (including Capital Stock of the project entity) and/or revenues of such project; and provided, further, that the Lien is incurred before, or within 180 days after the completion of, that acquisition, construction or development and does not apply to any other property or assets owned by us or any Subsidiary;

(d) any Lien existing on any property or assets of any Person before that Person's acquisition by, merger into or consolidation with us or any Subsidiary after the date of the indenture; provided that (i) the Lien is not created in contemplation of or in connection with such acquisition, merger or consolidation, (ii) the Debt secured by the Liens may not exceed the Debt secured on the date of such acquisition, merger or consolidation, (iii) the Lien will not apply to any other property or assets (other than any of the property or assets in connection with any such acquisition, merger or consolidation) owned by us or any of our Subsidiaries and (iv) the Lien will secure only the Debt that it secures on the date of such acquisition, merger or consolidation;

(e) any Lien imposed by law that was incurred in the ordinary course of business, including, without limitation, carriers', suppliers', materialmen's, repairmen's, warehousemen's and mechanics' liens and other similar encumbrances arising in the ordinary course of business, in each case for sums not yet due or being contested in good faith by appropriate proceedings;

(f) any pledge or deposit made in connection with workers' compensation, unemployment insurance or other similar social security legislation, any deposit to secure appeal notes in proceedings being contested in good faith to which we or any Subsidiary is a party, good faith deposits in connection with bids, tenders, contracts (other than for the payment of Debt) or leases to which we or any Subsidiary is a party or deposits for the payment of rent, in each case made in the ordinary course of business;

(g) any Lien in the nature of title retention arrangements (including extended retention of title arrangements) with sellers in connection with purchases incurred by us or any Subsidiary in the ordinary course of business;

(h) any Lien in favor of issuers of surety notes or letters of credit issued pursuant to the request of and for the account of the Company or any Subsidiary in the ordinary course of business;

(i) any Lien securing taxes, assessments or other governmental charges, the payment of which is not yet due or that are being contested in good faith by appropriate proceedings and for which reserves or other appropriate provisions, if any, have been established as required by IFRS;

(j) minor defects, easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business and encumbrances consisting of zoning restrictions, licenses, restrictions on the use of property or assets or minor imperfections in title that do not materially impair the value or use of the property or assets affected thereby, and any leases and subleases of real property that do not interfere with the ordinary conduct of the business of the Company or any Subsidiary, and which are made on customary and usual terms applicable to similar properties;

(k) any rights of set-off of any Person with respect to any deposit account of the Company or any Subsidiary arising in the ordinary course of business and not constituting a financing transaction;

(l) any Liens granted, directly or indirectly, to secure borrowings from (i) *Banco Nacional de Obras y Servicios Públicos*, *Sociedad Nacional de Crédito*, *Institución de Banca de Desarrollo* (BANOBRAS), *Nacional Financiera*, *Sociedad Nacional de Crédito*, *Institución de Banca de Desarrollo* (NAFIN), or any other Mexican governmental development bank or government credit institution or (ii) any international or multilateral development bank, government-sponsored agency, export-import bank or official, export-import credit insurer;

(m) any Lien which secures any Hedging Obligations;

(n) any Lien which secures Debt owing by any Subsidiary to us or any other Subsidiary;

(o) any Lien which secures Debt of any Joint Venture Company; and

(p) in addition to the foregoing Liens set forth in clauses (a) through (o) above, Liens securing Debt of the Company or any Subsidiary (including, without limitation, guarantees of the Company or any Subsidiary) which do not in aggregate principal amount (without duplication), together with the aggregate amount of the Attributable Value of sale and leaseback transactions entered into (without duplication) pursuant to the third paragraph under "Limitation on Sale and Leaseback Transactions," at any time of determination, exceed 15% of the Company's Consolidated Tangible Assets.

Limitation on Sale and Leaseback Transactions

We will not, nor will we permit any of our Subsidiaries to, enter into any sale and leaseback transaction with respect to any Specified Property of ours or of any of our Subsidiaries, unless, concurrently with such sale and leaseback transaction, the notes are secured equally and ratably with (or prior to) such sale and leaseback transaction, unless after giving effect thereto:

(a) we or such Subsidiary would be entitled pursuant to the provisions of the indenture described under "—Limitation on Liens" (other than paragraph (p)) to issue or assume Debt (in an amount equal to the Attributable Value with respect to such sale and leaseback transactions) secured by a Lien on such Specified Property without equally and ratably securing the notes; or

(b) we or such Subsidiary apply or cause to be applied, in the case of a sale or transfer for cash, an amount equal to the net cash proceeds thereof and, in the case of a sale or transfer otherwise than for cash, an amount equal to the fair market value of the Specified Property so leased (as determined in good faith by our Board of Directors), (a) to the retirement, within 12 months after the effective date of such sale and leaseback transaction, of (i) our and the subsidiary guarantors' Debt ranking at least on a parity with the notes and the guarantees or (ii) Debt of any Subsidiary (other than a subsidiary guarantor), in each case owing to a Person other than us or any of our affiliates, or (b) to the acquisition, purchase, construction, development, extension or improvement of any of our or our Subsidiaries' fixed or capital assets or other real and tangible property, plant or equipment to be used by or for the benefit of us or any of our Subsidiaries, in each case, in the ordinary course of business.

These restrictions will not apply to (i) transactions providing for a lease term, including any renewal, of not more than three years and (ii) transactions between us and any of our Subsidiaries or between any of our Subsidiaries.

Notwithstanding the foregoing, the Company or any Subsidiary may enter into a sale and leaseback transaction which would otherwise be prohibited under the provisions of the indenture described in this "Limitation on Sale and Leaseback Transactions" section provided that the Attributable Value of such sale and leaseback transaction (without duplication) of the Company and its Subsidiaries measured at the closing date of such sale and leaseback transaction together with the Attributable Value of sale and leaseback transactions previously incurred (without duplication) pursuant to this paragraph by the Company and its Subsidiaries and the aggregate amount (without duplication) of Debt (including, without limitation, guarantees of the Company or any Subsidiary) incurred under "—Limitation on Liens" outstanding at such time, will not exceed 15% of the Company's Consolidated Tangible Assets.

Limitation on Consolidation, Merger and Transfer of Assets

Neither we nor any subsidiary guarantor will consolidate with or merge with or into, or convey, transfer or lease all or substantially all of our or its assets to, any Person, unless:

(a) the resulting, surviving or transferee Person (if not the Company or the relevant subsidiary guarantor) (the "Successor Company") will be a Person organized and existing under the laws of Mexico, the United States of America, any State thereof or the District of Columbia, any other country that is a member country of the European Union or of the Organization for Economic Cooperation and Development and such Person expressly assumes, by supplemental indenture to the indenture, executed and delivered to the trustee, all of our obligations under the notes and the indenture;

(b) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; and

(c) we will have delivered to the trustee an officers' certificate and an opinion of legal counsel (which may be in-house counsel to the Company or to a direct or indirect parent of the Company), each stating that such consolidation, merger or transfer and such supplemental indenture, if any, comply with the indenture.

The restrictions in paragraph (b) above will not apply to transactions between us and any of the subsidiary guarantors or between any of the subsidiary guarantors; provided, however, that if the subsidiary guarantees are released in accordance with the applicable provisions of the indenture, the restrictions in paragraph (b) above will not apply to transactions between us and any of our Subsidiaries or between any of our Subsidiaries.

The trustee will accept such certificates and opinions as sufficient evidence of the satisfaction of the conditions precedent set forth in this covenant, in which event it will be conclusive and binding on the holders.

Reporting Requirements

We will provide the trustee and, upon request, the holders of the notes, with the following reports:

(a) an English language version in electronic format of our annual audited consolidated financial statements prepared in accordance with IFRS promptly upon such financial statements becoming available but not later than 135 days after the close of each fiscal year;

(b) an English language version in electronic format of our unaudited consolidated quarterly financial statements prepared in accordance with IAS 34, promptly upon such financial statements becoming available but not later than 60 days after the close of each fiscal quarter (other than the last fiscal quarter of each fiscal year);

(c) without duplication, upon request, English language versions or summaries in electronic format of such other reports or notices as may be filed or submitted by (and within 10 days after filing or submission by) us with (i) the CNBV and (ii) the Global Exchange Market of the Irish Stock Exchange, or any other stock exchange on which the notes may be listed, in each case, to the extent that any such report or notice is generally available to our security holders or the public in Mexico or elsewhere, provided, however, that we shall not be required to furnish such information to the extent such information is available on our website or to the extent that the information contained therein is not materially different than the information provided pursuant to clause (a) and (b) above; and

(d) so long as we are not subject to Section 13 or Section 15(d) of the Exchange Act and exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act, upon request, to any holder and any prospective purchaser of the notes, the information required pursuant to Rule 144A(d)(4) under the Securities Act.

We will maintain a public website or, at our option, a non-public website or other electronic distribution system to which the beneficial owners of the notes, prospective investors and security analysts will be given access and on which the reports and information referred to in clauses (a), (b), (c) and (d) above are posted, provided, however, that we may, in our sole discretion, exclude direct competitors, customers and suppliers from access to such website or electronic distribution system.

Simultaneously with the delivery of each set of financial statements referred to in clause (a) above, we will provide the trustee with an officers' certificate stating whether a Default or Event of Default exists on the date of such certificate and, if a Default or Event of Default exists, setting forth the details thereof and the action which we are taking or propose to take with respect thereto. Upon any of our directors or executive officers becoming aware of the existence of a Default or Event of Default or any event by reason of which payments of either principal or interest on the notes are prohibited, we will provide the trustee with an officers' certificate setting forth the details thereof and the action we are taking or propose to take with respect thereto.

Delivery of the above reports to the trustee is for informational purposes only and the trustee's receipt of such reports will not constitute constructive notice of any information contained therein or determinable from information contained therein, including our compliance with any covenant in the indenture (as to which the trustee is entitled to rely exclusively on officers' certificates).

Events of Default

An "Event of Default" under the notes will occur if:

(a) we fail to pay interest (including any related Additional Amounts) on the notes within 30 days from the due date;

(b) we default in the payment of principal (including any related Additional Amounts) on the notes on the due date;

(c) we fail to comply with any of the covenants described under "—Covenants—Limitation on Liens," "—Limitation on Consolidation, Merger and Transfer of Assets," and such failure continues for 30 days after the notice specified below;

(d) we fail to comply with any of our covenants or agreements in the notes or the indenture (other than those referred to in clauses (a), (b) and (c) above), and such failure continues for 60 days after the notice specified below;

(e) we or any Significant Subsidiary defaults under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Debt for money borrowed by us or any such Significant Subsidiary (or the payment of which is guaranteed by us or any such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of the indenture (provided that for purposes of this clause (e), Debt will not be deemed to include any Non-Recourse Debt or Joint Venture Company Debt), which default (i) is caused by a failure to pay principal of or premium, if any, or interest on such Debt prior to the expiration of any applicable grace period provided in such Debt ("Payment Default") or (ii) results in the acceleration of such Debt prior to its stated maturity and, in each case, the principal amount of any such Debt, together with the principal amount of any other Debt under which there has been a Payment Default or the maturity of which has been so accelerated, totals US$50 million (or the equivalent thereof at the time of determination) or more in the aggregate;

(f) one or more final judgments or decrees for the payment of money of US$50 million (or the equivalent thereof at the time of determination) or more in the aggregate are rendered against us or any Significant Subsidiary and are not paid (whether in full or in installments in accordance with the terms of the judgment) or otherwise discharged and, in the case of each such judgment or decree, either (i) an enforcement proceeding has been commenced by any creditor upon such judgment or decree and is not dismissed within 30 days following commencement of such enforcement proceedings or (ii) there is a period of 60 days following such judgment during which such judgment or decree is not discharged, waived or the execution thereof stayed;

(g) certain events of bankruptcy, insolvency or liquidation relating to us or any Significant Subsidiary; or

(h) except as permitted by the indenture, any subsidiary guarantee is held to be unenforceable or invalid in a judicial proceeding or ceases for any reason to be in full force and effect or any subsidiary guarantor, or any Person acting on behalf of any subsidiary guarantor, denies or disaffirms such subsidiary guarantor's obligations under its subsidiary guarantee.

A Default under clause (c) or (d) above will not constitute an Event of Default under the notes until the trustee or the holders of at least 25% in principal amount of the notes then outstanding, as the case may be, notify us of the Default and we do not cure such Default within the time specified after receipt of such notice.

The trustee is not to be charged with knowledge of any Default or Event of Default (other than a payment default) or knowledge of any cure of any Default or Event of Default (other than a payment default) with respect to the notes unless written notice of such Default or Event of Default has been given to an authorized officer of the trustee with direct responsibility for administration of the indenture by us or any holder in the manner specified in the indenture.

If an Event of Default (other than an Event of Default specified in clause (g) above) with respect to the notes occurs and is continuing, the trustee or the holders of not less than 25% in principal amount of notes then outstanding, as the case may be, may declare all unpaid principal of and accrued interest on the notes to be due and payable immediately, by a notice in writing to us, and upon any such declaration such amounts will become due and payable immediately. If an Event of Default specified in clause (g) above with respect to any note occurs and is continuing, then the principal of and accrued interest on all notes will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holder.

The trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request or direction of any of the holders, unless such holders will have offered to the trustee indemnity and/or security reasonably satisfactory to the trustee. Subject to such provision for the indemnification of and security to the trustee, the holders of a majority in aggregate principal amount of the outstanding notes will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee in respect of the notes or exercising any trust or power conferred on the trustee in respect of the notes.

Defeasance

We may at any time terminate all of our obligations with respect to the notes ("defeasance"), except for certain obligations, including those to the trustee and the agents appointed under the indenture, those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain agencies in respect of notes. We may at any time terminate our obligations under certain covenants set forth in the indenture with respect to the notes, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the notes ("covenant defeasance"). In order to exercise either defeasance or covenant defeasance, we must irrevocably deposit in trust, for the benefit of the holders of the notes, with the trustee money in euro or German government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of, premium (if any) and interest on the notes to redemption or maturity and comply with certain other conditions, including the delivery of an opinion of legal counsel of recognized standing to the effect that the holders of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would otherwise have been the case (and in the case of a defeasance that is not a covenant defeasance, such opinion shall be based on a change in law or a ruling of the U.S. Internal Revenue Service).

Satisfaction and Discharge

The indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the notes and the rights of the trustee, as expressly provided for in the indenture) as to all outstanding notes when:

(a) either:

   (i) all of the notes previously authenticated and delivered (except lost, stolen or destroyed notes which have been replaced or paid and notes for whose payment money has previously been deposited in trust or segregated and held in trust by us and thereafter repaid to us or discharged from such trust) have been delivered to the trustee for cancellation; or

   (ii) all notes not previously delivered to the trustee for cancellation (i) have become due and payable or will become due and payable within one year or (ii) are to be called for redemption within one year under irrevocable arrangements satisfactory to the trustee for the giving of notice of redemption by the trustee in the name, and at our expense, and, in each case, we have irrevocably deposited or caused to be deposited with the trustee funds or certain direct, non-callable obligations of, or guaranteed by, Germany sufficient without reinvestment to pay and discharge the entire indebtedness on the notes not previously delivered to the trustee for cancellation, for principal of, premium, if any, and interest on the notes to the date of deposit (in the case of notes that have become due and payable) or to the maturity or redemption date, as the case may be, and any Additional Amounts payable with respect thereto, together with irrevocable instructions from us directing the trustee to apply such funds to the payment;

(b) we have paid all other sums payable by us under the indenture and the notes; and

(c) we have delivered to the trustee an officers' certificate stating that all conditions precedent under the indenture relating to the satisfaction and discharge of the indenture have been complied with.

Amendment, Supplement, Waiver

Subject to certain exceptions, the indenture may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the notes then outstanding, and any past Default or compliance with any provision may be waived with the consent of the holders of at least a majority in principal amount of notes then outstanding. However, without the consent of each holder of notes affected thereby, no amendment may:

(a) reduce the rate of or extend the time for payment of interest on the notes;

(b) reduce the principal, or change the Stated Maturity, of the notes;

(c) reduce the amount payable upon redemption or repurchase of the notes or change the time at which the notes may be redeemed or repurchased;

(d) make any change in the provisions of the indenture described under "— Additional Amounts" that adversely affects the rights of any holder;

(e) change the currency for, or place of payment of, principal or interest on the notes;

(f) impair the right to institute suit for the enforcement of any payment on or with respect to the notes;

(g) waive certain payment defaults with respect to the notes;

(h) reduce the principal amount of notes whose holders must consent to any amendment or waiver; or

(i) make any change in the amendment or waiver provisions which require each holder's consent.

The holders of notes will receive prior notice as described under "—Notices" of any proposed amendment to the notes or the indenture described in this paragraph. After an amendment described in the preceding paragraph becomes effective, we are required to deliver to the holders a notice briefly describing such amendment. However, the failure to give such notice to all holders of notes, or any defect therein, will not impair or affect the validity of the amendment.

The consent of the holders of notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

We and the trustee may, without the consent or vote of any holder of notes, amend or supplement the indenture or the notes for the following purposes:

(a) to cure any ambiguity, omission, defect or inconsistency; *provided* that such amendment or supplement does not materially adversely affect the rights of any holder;

(b) to comply with the covenant described under "—Covenants—Limitation on Consolidation, Merger and Transfer of Assets";

(c) to add guarantees or collateral with respect to the notes;

(d) to release a subsidiary guarantor in accordance with the terms of the indenture;

(e) to add to the covenants of the Company for the benefit of holders of the notes;

(f) to surrender any right conferred upon us;

(g) to evidence and provide for the acceptance of an appointment by a successor trustee;

(h) to provide for the issuance of additional notes;

(i) to conform the text of the indenture or the notes to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the indenture or the notes; or

(j) to make any other change that does not materially adversely affect the rights of any holder of the notes.

In executing any amendment, waiver or supplemental indenture to the indenture or the notes, the trustee will be entitled to receive an officers' certificate and an opinion of legal counsel of recognized standing, each stating that such amendment, waiver or supplemental indenture is authorized or permitted by the indenture, that it is not inconsistent with the terms of the indenture, and that it shall be valid and binding upon us and the subsidiary guarantors in accordance with its terms.

Notices

For so long as notes in global form are outstanding, notices to be given to holders will be given to the depositary, in accordance with its applicable policies as in effect from time to time. If notes are issued in individual definitive form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the notes at their registered addresses as they appear in the registrar's records. For so long as the notes are listed on the Official List of the Irish Stock Exchange and trading on the Global Exchange Market and the rules of such exchange so require, publication of such notice to the holders of the notes will be in English in a leading newspaper having general circulation in Ireland (which is expected to be the Irish Times). Notices may also be published on the website of the Irish Stock Exchange (www.ise.ie). Neither the failure to give any notice to a particular holder of the notes, nor any defect in a notice given to a particular holder of the notes, will affect the sufficiency of any notice given to another holder of the notes.

Trustee

The Bank of New York Mellon is the trustee under the indenture.

Except during the continuance of an Event of Default, the trustee will perform only such duties as are specifically set forth in the indenture. During the existence of an Event of Default of which a responsible officer of the trustee has actual knowledge, the trustee will exercise such rights and powers vested in it by the indenture, and use the same degree of care and skill in its exercise as a prudent Person would exercise or use under the circumstances in the conduct of his or her own affairs.

The trustee may resign at any time by so notifying the Company. In addition, the holders of a majority in aggregate principal amount of the notes then outstanding may remove the trustee by so notifying the trustee and may appoint a successor trustee. We will remove the trustee if (i) the trustee is no longer eligible; (ii) the trustee is adjudged bankrupt or insolvent; (iii) a receiver or other public officer takes charge of the trustee or its property; or (iv) the trustee otherwise becomes incapable of acting under the indenture.

If the trustee resigns, is removed by us or by the holders of a majority in aggregate principal amount of the notes then outstanding and such holders do not reasonably promptly appoint a successor trustee, or if a vacancy exists in the office of trustee for any reason, we will promptly appoint a successor trustee. The successor trustee will give notice of its succession to the holders of the notes and, as long as the notes are listed on the Irish Stock Exchange for trading on the Global Exchange Market and the rules of the exchange so require, the successor trustee will also publish notice as described under "— Notices."

We and our affiliates may from time to time enter into normal banking and trustee relationships with the trustee and its affiliates.

Governing Law and Submission to Jurisdiction

The notes and the indenture will be governed by, and construed in accordance with, the laws of the State of New York.

Each of the parties to the indenture will irrevocably submit to the jurisdiction of the U.S. federal and New York State courts located in the Borough of Manhattan, City and State of New York and to the courts of its own corporate domicile in respect of actions brought against it as a defendant for purposes of all legal actions and proceedings instituted in connection with the notes and the indenture. We have appointed CT Corporation System at 111 Eighth Avenue, New York, New York 10011, as our authorized agent upon which process may be served in any such action.

Currency Indemnity

Euro is the sole currency of account and payment for all sums payable by us under or in connection with the notes and the indenture, including damages. To the greatest extent permitted under applicable law, any amount received or recovered in a currency other than euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company or otherwise) by any holder of a note in respect of any sum expressed to be due to it from us will only constitute a discharge to us to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that euro amount is less than the euro amount expressed to be due to the recipient under any note, we will indemnify such holder against any loss sustained by it as a result; and if the amount of euro so purchased is greater than the sum originally due to such holder, such holder will, by accepting a note, be deemed to have agreed to repay such excess. In any event, we will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities will constitute a separate and independent obligation from the other obligations of the Company, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a note and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Certain Definitions

The following is a summary of certain defined terms used in the indenture. Reference is made to the indenture for the full definition of all such terms as well as other capitalized terms used herein for which no definition is provided.

"Additional Amounts" has the meaning set forth under "—Additional Amounts" above.

"Alfa" means Alfa, S.A.B. de C.V. and not its subsidiaries.

"Attributable Value" means as to any particular lease under which the Company or any Subsidiary is at any time liable as lessee and any date as of which the amount thereof is to be determined, the total net obligation of the lessee for rental payments during the remaining term of the lease (including any period for which such lease has been extended or may, at the option of the lessor, be extended) discounted from the respective due dates thereof to such date at a rate per annum equivalent to the interest rate inherent in such lease (as determined in good faith by the Company in accordance with generally accepted financial practice).

"Board of Directors" means, with respect to any Person, the board of directors or similar governing body of such Person.

"business day" means any day, other than a Saturday or Sunday, (1) which is not a day on which banking institutions in New York City and Mexico City are authorized or required by law or executive order to close and (2) on which the Trans-European Automated Real-time Gross Settlement Express Transfer system (the TARGET2 system), or any successor thereto, operates.

"Capital Lease Obligation" means, at the time any determination is to be made, with respect to any Person, the obligations of such Person to pay rent or other amounts under any lease of, or other arrangement conveying the right to use, real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet in accordance with IFRS.

"Capital Stock" means, with respect to any Person, any and all shares of stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting), such Person's equity including any preferred stock, but excluding any debt securities convertible into or exchangeable for such equity.

"Change of Control" means the occurrence of one or more of the following events:

(a) prior to an Initial Public Offering, (i) Alfa and its affiliates cease to collectively beneficially own more than 50% of the Voting Stock of the Company, unless as a result of such transaction, the ultimate direct or indirect ownership of the Company is substantially the same immediately after such transaction as it was immediately prior to such transaction or (ii) individuals appointed by Alfa cease for any reason to constitute a majority of the members of the Board of Directors of the Company;

(b) after an Initial Public Offering, (i) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act), other than Alfa and its affiliates, becomes the "beneficial owner" (as such term is used in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 35% of the Voting Stock of the Company and (ii) Alfa and its affiliates beneficially own, directly or indirectly, in the aggregate, a lesser percentage of the total Voting Stock of the Company than such other person and do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors of the Company, unless, as a result of such transaction, the ultimate direct or indirect ownership of the Company is substantially the same immediately after such transaction as it was immediately prior to such transaction;

(c) the sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the assets of the Company, determined on a consolidated basis, to any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) other than (i) Alfa, (ii) any subsidiary of Alfa that is a holding company for Alfa's interest in the Company or (iii) one or more of the Subsidiaries of the Company, whether or not otherwise in compliance with the indenture; or

(d) the adoption of any plan or proposal for the liquidation or dissolution of the Company.

Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control if (i)(A) the Company becomes a wholly-owned subsidiary of a holding company and (B) the holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Company's Voting Stock immediately prior to that transaction, (ii) it is a transaction pursuant to which the shares of the Company's Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving person immediately after giving effect to such transaction, or (iii) the "person" or "group" referenced in clause (b) or (c) of the preceding paragraph previously became the beneficial owner of the Company's Voting Stock so as to have constituted a Change of Control in respect of which a Change of Control Offer was made (or otherwise would have required a Change of Control Offer in the absence of the waiver of such requirement by the holders of the notes).

"Change of Control Triggering Event" means the occurrence of a Change of Control that results in a Ratings Decline.

"Clearstream" means Clearstream Banking S.A.

"CNBV" means the Mexican National Banking and Securities Commission, or *Comisión Nacional Bancaria y de Valores*.

"Comparable Government Bond" means, in relation to any Comparable Government Bond Rate calculation, the German government bond (*Bundesanleihe*) selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities of a comparable maturity to the Par Call Date.

"Comparable Government Bond Price" means, with respect to any redemption date for the notes, (i) the arithmetic average as determined by the Independent Investment Banker of the Reference Government Bond Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Government Bond Dealer Quotations, or (ii) if the Independent Investment Banker obtains fewer than four such Reference Government Bond Dealer Quotations, the arithmetic average of all such quotations.

"Comparable Government Bond Rate" means, with respect to any redemption date for the notes, the rate per annum equal to the yield to maturity, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), on the third business day prior to the date fixed for redemption, calculated in accordance with customary financial practice in pricing new issues of comparable corporate debt securities paying interest on an annual basis (ACTUAL/ACTUAL (ICMA)) of the Comparable Government Bond, calculated using a price for the Comparable Government Bond (expressed as a percentage of its principal amount) equal to the Comparable Government Bond Price for such redemption date. The Comparable Government Bond Rate will be calculated by the Independent Investment Banker and reported to the Company on the third business day preceding the redemption date.

"Consolidated Tangible Assets" means, as of any date of determination, the total amount of assets of the Company and its Subsidiaries less Intangible Assets of the Company and its Subsidiaries, on a consolidated basis and according to IFRS, as of the end of the fiscal year immediately preceding such date.

"Debt" means, with respect to any Person, without duplication:

(a) the principal of and premium, if any, in respect of (i) indebtedness of such Person for money borrowed and (ii) indebtedness evidenced by notes, debentures or other similar instruments for the payment of which such Person is responsible or liable;

(b) all Capital Lease Obligations of such Person;

(c) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable or other short-term obligations to suppliers payable within 180 days, in each case arising in the ordinary course of business);

(d) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (a) through (c) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth business day following receipt by such Person of a demand for reimbursement following payment on the letter of credit);

(e) all Hedging Obligations;

(f) all obligations of the type referred to in clauses (a) through (d) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any guarantee (other than obligations of other Persons that are customers or suppliers of such Person for which such Person is or becomes so responsible or liable in the ordinary course of business to (but only to) the extent that such Person does not, or is not required to, make payment in respect thereof);

(g) all obligations of the type referred to in clauses (a) through (e) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured; and

(h) any other obligations of such Person which are required to be, or are in such Person's financial statements, recorded or treated as debt under IFRS.

"Default" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"Euroclear" means Euroclear Bank SA/NV.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Fitch" means Fitch Ratings, Inc., or any successor thereto.

"guarantee" means any obligation of any Person directly or indirectly guaranteeing any Debt or other obligation of any Person and any obligation, direct or indirect, contingent or otherwise, of such Person, including an *aval* (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation of such Person (whether arising by virtue of partnership arrangements, or by agreement to keep-well, to purchase assets, goods, securities or services, to take-or pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"Hedging Obligations" means, with respect to any specified Person, the obligations of such Person under:

(a) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements, cross currency swaps and interest rate collar agreements;

(b) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(c) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices;

provided, however, that the amount of Debt with respect to any Hedging Obligation is the new amount payable if such Hedging Obligation terminated at that time due to a default by such Person.

"holder" means the Person in whose name a note is registered in the register.

"IFRS" means the International Financial Reporting Standards as issued by the International Accounting Standards Board as in effect from time to time, or any financial reporting standards required for public companies by the Mexican *Comisión Nacional Bancaria y de Valores*.

"Independent Investment Banker" means one of the Reference Government Bond Dealers appointed by the Company.

"Initial Public Offering" means the issuance and sale for cash of Capital Stock of the Company to any Person other than an affiliate of the Company pursuant to (i) a public offering in accordance with U.S. or Mexican laws, rules or regulations, or (ii) a private offering in accordance with Rule 144A and Regulation S under the Securities Act.

"Intangible Assets" means, with respect to the Company and its Subsidiaries, unamortized deferred charges, goodwill, patents, trademarks, service marks, trade names, copyrights, write-ups of assets over their carrying value at the end of each fiscal year, and all other items which would be treated as intangibles on the balance sheet of the Company and its Subsidiaries (except unamortized debt discount and expense), according to IFRS.

"Investment Grade Rating" means a rating equal to or higher than BBB- (or the equivalent) by Fitch, Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P and the equivalent investment grade credit rating from any other Rating Agency.

"Joint Venture Company" means any Subsidiary of the Company, other than a subsidiary guarantor, or a Person in which the Company or any of its Subsidiaries participates or holds, directly or indirectly, an equity interest of at least 20%, in each case substantially all of whose activities are governed by a joint venture agreement or similar arrangement set forth in the joint venture entity's charter documents, bylaws or similar entity level documentation, with a third party that is not an affiliate of the Company.

"Joint Venture Company Debt" means Debt (or any portion thereof) of a Joint Venture Company provided that (i) the recourse of the lender thereof (including any agent, trustee, receiver or other Person acting on behalf of such entity) in respect of such Debt is limited to the Joint Venture Company, any debt securities issued by the Joint Venture Company, the Capital Stock of the Joint Venture Company, and any assets, receivables, inventory, equipment, chattels, contracts, intangibles, rights and any other assets of such Joint Venture Company and its Subsidiaries, and (ii) a default with respect to such Debt of a Joint Venture Company would not cause a default on any outstanding Debt of the Company or any Significant Subsidiary (or the payment of which is guaranteed by the Company or any such Significant Subsidiary) whether such Debt or guarantee now exists, or is created after the date of the indenture.

"Lien" means any mortgage, pledge, security interest, conditional sale or other similar lien.

"Mexico" means the United Mexican States.

"Moody's" means Moody's Investors Service, Inc., or any successor thereto.

"Non-Recourse Debt" means Debt (or any portion thereof) of a Subsidiary of the Company (the "Non-Recourse Debtor") used to finance (i) the creation, development, construction, improvement or acquisition of projects, properties or assets and any increases in or extensions, renewals or refinancings of such Debt or (ii) the operations of projects, properties or assets of such Non-Recourse Debtor or its Subsidiaries; provided that the recourse of the lender thereof (including any agent, trustee, receiver or other Person acting on behalf of such entity) in respect of such Debt is limited to the Non-Recourse Debtor, any debt securities issued by the Non-Recourse Debtor, the Capital Stock of the Non-Recourse Debtor, and any assets, receivables, inventory, equipment, chattels, contracts, intangibles, rights and any other assets of such Non-Recourse Debtor and its Subsidiaries connected with the projects, properties or assets created, developed, constructed, improved, acquired or operated, as the case may be, in respect of which such Debt has been incurred.

"Person" means an individual, partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"Rating Agencies" means Moody's, S&P or Fitch (or any other nationally recognized United States rating agency).

"Ratings Affirmation" means, with respect to a guarantee release, a letter issued by a Rating Agency confirming that, after giving effect to such release and taking into account our consolidated indebtedness, the then-applicable rating of the notes would not decrease.

"Ratings Decline" means that at any time within 90 days (which period shall be extended so long as the rating of the notes is under publicly announced consideration for possible downgrade by Moody's, S&P or Fitch or a substitute or successor of any thereof) after the date of public notice of a Change of Control, of an arrangement that could result in a Change of Control, or of the Company's intention or that of any other Person to effect a Change of Control, (i) in the event the notes are assigned an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of the notes by at least two of the Rating Agencies shall be below an Investment Grade Rating; or (ii) in the event the notes are rated below an Investment Grade Rating by at least two of the Rating Agencies prior to such public notice, the rating of the notes by at least two of the Rating Agencies shall be decreased by one or more categories; provided that, in each case, any such rating decline is in whole or in part in connection with a Change of Control.

"Reference Government Bond Dealer" means each of BNP Paribas and J.P. Morgan Securities plc, or their respective affiliates or successors which are primary Comparable Government Bond dealers, and no less than three other leading primary Comparable Government Bond dealers reasonably designated by the Company; provided, however, that if any of the foregoing or their affiliates shall cease to be a primary Comparable Government Bond dealer , the Company shall substitute therefor another primary Government Bond dealer.

"Reference Government Bond Dealer Quotations" means, with respect to each Reference Government Bond Dealer and any redemption date, the arithmetic average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Government Bond (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Government Bond Dealer at 11:00 a.m., Central European Time (CET), on the third business day preceding such redemption date.

"Relevant Jurisdiction" means Mexico or any political subdivision or governmental authority thereof or therein or any other jurisdiction in which the Company or a subsidiary guarantor is organized or resident for tax purposes or through or from which payment on the notes is made.

"S&P" means Standard and Poor's Ratings Services, or any successor hereto.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Significant Subsidiary" means any Subsidiary of the Company that at the time of determination (a) was a subsidiary guarantor, (b) had assets which, as of the date of the Company's most recent quarterly consolidated balance sheet, constituted at least 10% of the Company's total assets on a consolidated basis as of such date or (c) had operating income for the 12-month period ending on the date of the Company's most recent quarterly consolidated statement of income which constituted at least 10% of the Company's total operating income, on a consolidated basis for such period.

"Specified Property" means, as of any date of determination, any real and tangible property owned by us or any Subsidiary that constitutes all or any part of any plant, processing facility or manufacturing facility, and is used in the ordinary course of its business, the gross book value (without duplication of any depreciation reserves) of which real or tangible property exceeds US$25,000,000.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which the principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subsidiary" means any corporation, association, partnership or other business entity of which more than 50% of the total voting power of shares of Capital Stock or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (a) the Company, (b) the Company and one or more Subsidiaries or (c) one or more Subsidiaries.

"Voting Stock" means, with respect to any Person, securities of any class of Capital Stock of such Person entitling the holders thereof (whether at all times or only so long as no senior class of stock has voting power by reason of any contingency) to vote in the election of members of the Board of Directors (or equivalent governing body) of such Person.

BOOK-ENTRY, DELIVERY AND FORM

We have obtained the information in this section concerning Clearstream and Euroclear and their book-entry systems and procedures from sources that we believe to be reliable. We take no responsibility for an accurate portrayal of this information. In addition, the description of the clearing systems in this section reflects our understanding of the rules and procedures of Clearstream and Euroclear as they are currently in effect. Those clearing systems could change their rules and procedures at any time.

The notes will initially be represented by one or more fully registered global notes. Each such global note will be deposited with a common depositary for, and in respect of interests held through, Euroclear as operator of Euroclear and Clearstream. Except as set forth below, the global notes may be transferred, in whole and not in part, only to Euroclear or Clearstream or their respective nominees. You may hold your interests in the global notes in Europe through Clearstream or Euroclear, either as an accountholder in such systems or indirectly through organizations that are accountholders in such systems. Clearstream and Euroclear will hold interests in the global notes on behalf of their respective participating organizations or customers through customers' securities accounts in Clearstream's or Euroclear's names on the books of their respective depositaries. Book-entry interests in the notes and all transfers relating to the notes will be reflected in the book-entry records of Clearstream and Euroclear.

The distribution of the notes will be cleared through Clearstream and Euroclear. Any secondary market trading of book-entry interests in the notes will take place through Clearstream and Euroclear accountholders and will settle in same-day funds. Owners of book-entry interests in the notes will receive payments relating to their notes in euro, except as described under the heading "Description of the Notes—Issuance in Euro; Payment on the Notes."

Clearstream and Euroclear have established electronic securities and payment transfer, processing, depositary and custodial links among themselves and others, either directly or through custodians and depositaries. These links allow the notes to be issued, held and transferred among the clearing systems without the physical transfer of certificates. Special procedures to facilitate clearance and settlement have been established among these clearing systems to trade securities across borders in the secondary market.

The policies of Clearstream and Euroclear will govern payments, transfers, exchanges and other matters relating to the investor's interest in the notes held by them. We have no responsibility for any aspect of the records kept by Clearstream or Euroclear or any of their direct or indirect accountholders. We also do not supervise these systems in any way.

Clearstream and Euroclear and their accountholders perform these clearance and settlement functions under agreements they have made with one another or with their customers. You should be aware that they are not obligated to perform or continue to perform these procedures and may modify them or discontinue them at any time.

Except as provided below, owners of beneficial interests in the notes will not be entitled to have the notes registered in their names, will not receive or be entitled to receive physical delivery of the notes in definitive form and will not be considered the owners or holders of the notes under the indenture, including for purposes of receiving any reports delivered by us or the trustee pursuant to the indenture. Accordingly, each person owning a beneficial interest in a note must rely on the procedures of the depositary and, if such person is not an accountholder, on the procedures of the accountholder through which such person owns its interest, in order to exercise any rights of a holder of notes.

We have been advised by Clearstream and Euroclear, respectively, as follows:

Clearstream

Clearstream advises that it is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participating organizations ("Clearstream Participants") and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*). Clearstream Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the underwriters. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Participant, either directly or indirectly.

Distributions with respect to interests in the notes held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures.

Euroclear

Euroclear advises that it was created in 1968 to hold securities for participants of Euroclear ("Euroclear Participants") and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear is operated by Euroclear Bank SA/NV (the "Euroclear Operator"). All operations are conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear Operator. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the underwriters. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

The Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, or the Euroclear Terms and Conditions, and applicable Belgian law govern securities clearance accounts and cash accounts with the Euroclear Operator. Specifically, these terms and conditions govern:

- transfers of securities and cash within Euroclear;
- withdrawal of securities and cash from Euroclear; and
- receipt of payments with respect to securities in Euroclear.

All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear Participants and has no record of or relationship with persons holding securities through Euroclear Participants.

Distributions with respect to interests in the notes held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Euroclear Terms and Conditions.

Global Clearance and Settlement Procedures

We understand that investors that hold their notes through Clearstream or Euroclear accounts will follow the settlement procedures that are applicable to conventional eurobonds in registered form. Notes will be credited to the securities custody accounts of Clearstream and Euroclear accountholders on the business day following the settlement date, for value on the settlement date. They will be credited either free of payment or against payment for value on the settlement date.

We understand that secondary market trading between Clearstream and/or Euroclear accountholders will occur in the ordinary way following the applicable rules and operating procedures of Clearstream and Euroclear. Secondary market trading will be settled using procedures applicable to conventional eurobonds in registered form.

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the notes through Clearstream and Euroclear on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, there may be problems with completing transactions involving Clearstream and Euroclear on the same business day as in the United States. United States investors who wish to transfer their interests in the notes, or to make or receive a payment or delivery of the notes, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg or Brussels, depending on whether Clearstream or Euroclear is used.

Clearstream or Euroclear will credit payments to the cash accounts of Clearstream customers or Euroclear accountholders, as applicable, in accordance with the relevant system's rules and procedures, to the extent received by its depositary, Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a holder under the indenture on behalf of a Clearstream customer or Euroclear participant only in accordance with its relevant rules and procedures.

Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of the notes among accountholders of Clearstream and Euroclear. However, they are under no obligation to perform or continue to perform those procedures, and they may discontinue those procedures at any time.

Certificated Notes

We will issue notes in definitive form upon surrender of the Global Notes in accordance with their terms only if:

a) an Event of Default has occurred and is continuing;

b) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days or more (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the trustee is available;

c) the Issuer would suffer a disadvantage as a result of a change in laws or regulations (taxation or otherwise) or as a result of a change in the practice of Euroclear and/or Clearstream, Luxembourg which would not be suffered were the notes in definitive form and a certificate to such effect signed by an authorized signatory of the Issuer is given to the trustee; or

d) the depositary for the notes notifies the Issuer at any time that it is unwilling or unable to continue as depositary for the Global Notes and a successor depositary is not appointed within 90 days.

Thereupon (in the case of (a) or (b) above) the holder of a Global Note (acting on behalf of one or more of the accountholders) or the Trustee may give notice to the Issuer and (in the case of (c) above) the Issuer may give notice to the trustee and the noteholders, of its intention to exchange a Global Note for notes in definitive form on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Global Note may, or in the case of (c) above, shall surrender it to or to the order of the London paying agent. In exchange for the Global Note, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of definitive notes, security printed in accordance with any applicable legal and stock exchange requirements. On exchange of the Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive notes.

For these purposes, "Exchange Date" means a day specified in the notice requiring exchange falling not less than 60 days after that on which the notice requiring exchange is given and being a day on which banks are open for general business in London, the place in which the specified office of the London paying agent is located and, except in case of exchange pursuant to (b) above, in the place in which Euroclear and Clearstream, Luxembourg are located.

In all cases, definitive notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the holder of the relevant Global Notes.

Neither we nor the Trustee will be liable for any delay by the holder of the relevant Global Notes identifying the holders of beneficial interests in the Global Notes, and each such person may conclusively rely on, and will be protected in relying on, instructions from Euroclear or Clearstream, Luxembourg for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the definitive notes to be issued).

In considering the interests of holders of the notes while any relevant Global Notes are held on behalf of Euroclear and Clearstream, Luxembourg, the Trustee may have regard to any information provided to it by such clearing systems as to the identity (either individually or by category) of their accountholders and may consider such interests as if such accountholders were holders of the relevant Global Notes and interests therein.

TRANSFER RESTRICTIONS

The notes and the guarantees have not been, and will not be, registered under the Securities Act, or the securities laws of any other jurisdiction and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, we are offering the notes only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A; and
- outside the United States to non-U.S. persons in offshore transactions meeting the requirements of Rule 903 of Regulation S.

As used herein, the terms "offshore transaction," "United States" and "U.S. person" have the respective meanings given to them in Regulation S.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;
- it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any state, that the notes are being offered in a transaction that does not involve any public offering in the United States within the meaning of the Securities Act and that the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- it understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that notes offered outside the United States pursuant to Regulation S will also be represented by a global note;
- it will not resell or otherwise transfer any of such notes except (a) to us, (b) within the United States to a qualified institutional buyer in a transaction in compliance with Rule 144A, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;
- it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;
- it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either in compliance with (a) Rule 144A or (b) Regulation S) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;
- it acknowledges that the trustee, registrar or transfer agent for the notes will not be required to accept for registration transfer of any notes acquired by it, except upon presentation of evidence satisfactory to us that the restrictions set forth herein have been complied with;
- if it is a non-U.S. purchaser acquiring a beneficial interest in a Regulation S global note offered pursuant to this offering memorandum, it acknowledges and agrees that, until the expiration of the 40 day

"distribution compliance period" within the meaning of Regulation S, any offer, sale, pledge or other transfer shall not be made by it in the United States or to, or for the account or benefit of, a U.S. person, except pursuant to Rule 144A to a qualified institutional buyer taking delivery thereof in the form of a beneficial interest in a U.S. global note;

- it acknowledges that we, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify us and the initial purchasers; and

- if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note and which will be used to notify transferees of the foregoing restrictions on transfer:

> "THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES FOR THE BENEFIT OF SIGMA ALIMENTOS, S.A. DE C.V. (THE "COMPANY") THAT THIS NOTE OR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (2) SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER APPLICABLE JURISDICTION. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, REPRESENTS AND AGREES THAT IT SHALL NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION," "UNITED STATES" AND "U.S. PERSON" HAVE THE RESPECTIVE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.
>
> THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE ONLY AT THE OPTION OF THE ISSUER."

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

> "THIS NOTE HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE OR OTHER SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES THAT, PRIOR TO THE EXPIRATION OF THE 40-DAY DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S ("REGULATION S") UNDER THE SECURITIES ACT), NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S) OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON (AS DEFINED IN REGULATION S), EXCEPT TO A QUALIFIED INSTITUTIONAL BUYER IN

COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT IN A TRANSACTION MEETING THE REQUIREMENTS OF THE INDENTURE REFERRED TO HEREIN.

THE FOREGOING LEGEND MAY BE REMOVED FROM THIS NOTE AFTER 40 DAYS BEGINNING ON AND INCLUDING THE LATER OF (A) THE DATE ON WHICH THE NOTES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) AND (B) THE ORIGINAL ISSUE DATE OF THE NOTES."

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global notes and certificated notes, see "Description of the Notes."

Other Jurisdictions

The distribution of this offering memorandum and the offer and sale or resale of the notes may be restricted by law in certain jurisdictions. Persons into whose possession this offering memorandum comes are required by us and the initial purchasers to inform themselves about and to observe any such restrictions.

TAXATION

General

The following summary contains a description of certain material United States and Mexican federal income tax consequences of the purchase, ownership and disposition of the notes by holders that are treated as non-resident of Mexico for tax purposes.

This summary is based upon federal tax laws of the United States and Mexico as in effect on the date of this offering memorandum, including certain of the provisions of the income tax treaty between the United States and Mexico, which we refer to in this offering memorandum as the "Tax Treaty", all of which are subject to change, including changes with retroactive effects. This summary does not purport to be a comprehensive description of all the United States or Mexican tax considerations that may be relevant to a decision to purchase, hold or dispose of the notes. The summary does not address any tax consequences under the laws of any state, municipality or locality of Mexico or the United States or the laws of any taxing jurisdiction other than the federal tax laws of Mexico and the United States.

Prospective investors should consult their own tax advisors as to the Mexican and United States tax consequences of the purchase, ownership and disposition of notes, including, in particular, the effect of any foreign (non-Mexican and non-United States), national, state, municipal or other non-national tax laws.

Mexico has also entered into or is negotiating several double taxation treaties with various countries that may have an impact on the tax treatment of the purchase, ownership or disposition of notes. Prospective purchasers of notes should consult their own tax advisors as to the tax consequences, if any, of the application of the Tax Treaty and any other such treaties.

Mexican Federal Tax Considerations

General

The following is a general summary of the principal Mexican federal income tax consequences of the purchase, ownership and disposition of the notes by holders that are treated as non-residents of Mexico for Mexican federal income tax purposes, and that do not hold such notes through a permanent establishment for tax purposes in Mexico to which income under the notes is attributable; for purposes of this summary, each such holder is referred to as a foreign holder.

This summary is based on the Mexican Income Tax Law (*Ley del Impuesto sobre la Renta*) and regulations in effect on the date of this offering memorandum, which are subject to change, possibly with retroactive effect, or to new or different interpretations, which could affect the continued validity of this general summary of federal tax laws.

This summary does not constitute tax advice and does not address all of the Mexican tax consequences that may be applicable to specific holders of the notes and does not purport to be a comprehensive description of all the Mexican tax considerations that may be relevant to a decision to purchase, own or dispose of the notes. In particular, this summary does not describe any tax consequences arising under the laws of any state or municipality of Mexico.

Potential investors should consult with their own tax advisors regarding the particular consequences of the purchase, ownership or disposition of the notes under the federal laws of Mexico (and the laws of any state or municipality of Mexico) or any other jurisdiction or under any applicable double taxation treaty to which Mexico is a party, which is in effect.

For purposes of Mexican taxation, an individual or corporation that does not satisfy the requirements to be considered a resident of Mexico for tax purposes, as specified below, is treated as a non-resident of Mexico for tax purposes, a foreign holder for purposes of this summary, and generally subject to taxation, at a Mexican federal level, as specified in this summary.

Tax residency is a highly technical definition that involves the application of a number of factors that are specified in the Mexican Tax Code (*Código Fiscal de la Federación*). An individual is a resident of Mexico for tax purposes, if he/she established his/her home in Mexico. When the individual has a home in another country, the individual will be deemed a resident in Mexico if his/her center of vital interests is located in Mexican territory; this will be deemed to occur if (i) more than 50.0% of the aggregate income realized by such individual in the calendar year is from a Mexican source of income, or (ii) the principal center of the professional activities of the individual is located in Mexico. Mexican nationals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico and where his/her income is subject to a preferred tax regime, as defined by Mexican law, will be considered a resident of Mexico for tax purposes during the fiscal year of the filing of notice of such residence change and during the following three fiscal years. Unless otherwise proven, a Mexican national is deemed a resident of Mexico for tax purposes.

A legal entity is a resident of Mexico, if it maintains the principal administration of its business or the effective location of its management in Mexico.

If a legal entity or an individual is deemed to have a permanent establishment in Mexico for Mexican tax purposes or is deemed to be a resident of Mexico for tax purposes, any and all income attributable to that permanent establishment of such resident, or to such deemed resident, will be subject to Mexican income taxes, in accordance with applicable tax laws.

Payments of Interest

Pursuant to the Mexican Income Tax Law, payments of interest on the notes (including original issue discount or any premium paid in respect of the notes, which is deemed to be interest) made by us to foreign holders, will be subject to Mexican withholding tax at a rate of 4.9%, if, as expected, the following requirements are met:

- the issuance of the notes (including the principal characteristics of the notes) is notified to the CNBV pursuant to Article 7 of the Mexican Securities Market Law and Articles 24 Bis, 24 Bis 1 and other applicable provisions of the General Regulations Applicable to Issuers and Other Market Participants (Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores);

- the notes, as expected, are placed outside of Mexico through banks or brokerage houses, in a country with which Mexico has in force a treaty for the avoidance of double taxation which is in effect (which currently includes the United States); and

- we timely comply with the informational requirements specified from time to time by the Mexican tax authorities under their general rules, including, after completion of the transaction described in this offering memorandum, the filing with the Mexican Tax Administration Service (*Servicio de Administración Tributaria* or "SAT"), fifteen business days after the placement of the notes, certain information regarding such placement and this offering memorandum.

If any of the above mentioned requirements is not met, the Mexican withholding tax will be 10.0% or higher. If the effective beneficiaries, whether acting directly or indirectly, individually or jointly with related parties, that receive more than 5% of the interest paid under the notes (i) are persons who own, directly or indirectly, individually or with related parties, 10% of our voting stock, or (ii) are corporations or other entities, of which 20% or more of the voting stock is owned, directly or indirectly, jointly or severally, by persons related to us, then the Mexican withholding tax rate applicable to payments of interest under our notes may increase to the maximum applicable rate according to the law (currently 35%). For these purposes, persons will be related if:

- one person holds an interest in the business of the other person;

- both persons have common interests; or

- a third party has an interest in the business or assets of both persons.

As of the date of this offering memorandum, the Tax Treaty is not expected to have any effect on the Mexican tax consequences described in this summary, because, as described above, under the Mexican Income Tax Law, we expect to be entitled to withhold taxes in connection with interest payments under the notes at a 4.9% rate.

Payments of interest on the notes made by us to non-Mexican pension and retirement funds will be exempt from Mexican withholding tax provided that:

- the applicable fund is duly incorporated pursuant to the laws of its country of residence and is the effective beneficiary of the interest payment;
- such income is exempt from taxes in its country of residence; and
- such fund provides information to us, that we may in turn provide to the SAT, in accordance with rules issued by SAT for these purposes.

Holders or beneficial owners of the notes may be requested to, subject to specified exceptions and limitations, provide certain information or documentation necessary to enable us to apply the appropriate Mexican withholding tax rate on interest payments under the notes made by us to such holders or beneficial owners. Additionally, the Mexican Income Tax Law provides that, in order for a foreign holder to be entitled to the benefits under the treaties for the avoidance of double taxation entered into by Mexico, which are in effect, it is necessary for the foreign holder to meet the procedural requirements established in such Law. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not timely provided, we may withhold Mexican tax from interest payments on the notes to that holder or beneficial owner at the maximum applicable rate in effect, and our obligation to pay Additional Amounts relating to those withholding taxes will be limited as described under "Description of the Notes—Additional Amounts."

Payments of Principal

Under Mexican Income Tax Law, payments of principal on the notes made by us to foreign holders, will not be subject to any Mexican withholding tax.

Taxation of Capital Gains

Under the Mexican Income Tax Law, capital gains resulting from the sale or other disposition of the notes by a foreign holder to another foreign holder are not taxable in Mexico. Gains resulting from the sale of the notes by a foreign holder to a Mexican resident for tax purposes or to a foreign holder deemed to have a permanent establishment in Mexico for tax purposes, will be subject to the Mexican taxes pursuant to the rules described above with respect to interest payments.

Taxation of Make-Whole Amount

Under the Mexican Income Tax Law, the payment of the make-whole amounts as a result of the optional redemption of the notes, as provided in "Description of the Notes—Redemption—Optional make-whole redemption" will be subject to the Mexican taxes pursuant to the rules described above with respect to interest payments.

Other Mexican Taxes

Under current Mexican tax laws, generally there are no estate, inheritance, succession or gift taxes, applicable to the purchase, ownership or disposition of the notes by a foreign holder. Gratuitous transfers of the notes in certain circumstances may result in the imposition of a Mexican federal tax upon the recipient.

There are no Mexican stamp, issuer registration or similar taxes or duties payable by us or by foreign holders of the notes with respect to the notes (including their issuance).

U.S. Federal Income Tax Considerations

The following is a general summary of certain U.S. federal income tax consequences of the ownership and disposition of the notes. This summary is limited to holders of the notes that purchase the notes at the original issuance, at their "issue price" (as defined below) and who hold the notes as capital assets (within the meaning of the Code). This summary is based upon provisions of the Code and U.S. Treasury regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in United States federal income tax consequences different from those summarized below. This summary does not address all aspects of U.S. federal income taxation that may be relevant to a particular holder or to certain types of holders subject to special treatment, such as persons subject to certain U.S. federal income tax laws regarding expatriates, dealers in securities or foreign currency, financial institutions, insurance companies, tax-exempt organizations, real estate investment trusts, regulated investment companies, partnerships, pass-through entities or persons that hold the notes through partnerships or pass through entities, "U.S. Holders" (as defined below) whose functional currency is not the U.S. Dollar, or persons who hold the notes as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or other integrated investment. In addition, this summary does not address alternative minimum tax consequences or the indirect effects on holders of interests in a beneficial owner of the notes. This summary also does not describe any tax consequences arising under the laws of any taxing jurisdiction other than the U.S. federal government.

As used in this section, the term "U.S. Holder" means a beneficial owner of the notes that is for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) any estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) any trust if (A) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (B) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

A "Non-U.S. Holder" is a beneficial owner of the notes that is neither a U.S. Holder nor a partnership (or entity treated as such for U.S. federal income tax purposes).

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner in a partnership that acquires or holds the notes should consult its own tax advisors.

If you are considering the purchase of notes, you should consult your own tax advisors concerning the particular United States federal, state and local tax consequences to you regarding purchase, ownership and disposition of the notes, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

U.S. Holders

The following summary applies to you if you are a holder of notes that is a U.S. Holder.

Contingent Payment Debt Obligations

Certain debt instruments that provide for one or more contingent payments are subject to U.S. Treasury regulations governing contingent payment debt instruments. A payment is not treated as a contingent payment under these regulations if, as of the issue date of the debt instrument, the likelihood that such payment will be made is remote and/or the payments are incidental. In certain circumstances as set forth in the Description of the Notes, we may be required to redeem the notes in advance of their stated maturity, in which case we may pay amounts on the notes that are in excess of the stated interest or principal of the notes. For example, in the event of a Change of Control (as defined in the indenture), we must offer to repurchase the notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the repurchase date (see "Description of the Notes—Change of Control Triggering Event"). We intend to take the position that the possibility that any such payment will be made is remote and/or the payments are incidental and therefore the notes are not subject to the rules governing contingent debt instruments. Our determination that these contingencies are remote and/or incidental is binding on you unless you disclose your contrary position to the Internal Revenue Service ("IRS") in the manner that is required by applicable U.S. Treasury regulations. Our determination is not, however, binding on the IRS. It is possible that the IRS might take a different position from that described above, in which case the timing, character and amount of taxable income in respect of the notes may differ adversely from that described herein. The remainder of this discussion assumes that the notes will not be treated as contingent payment debt instruments.

Stated Interest

The amount of stated interest payments on a note will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for tax purposes.

In addition to interest on the notes, you will be required to include in income any Additional Amounts and any tax withheld from the interest payments you receive, even if you do not in fact receive this withheld tax. You may be entitled to deduct or credit this tax, subject to certain limitations (including that the election to deduct or credit foreign taxes applies to all of your foreign taxes for a particular tax year). Interest income (including Mexican taxes withheld, if any, from the interest payments and any Additional Amounts) on a note generally will be considered foreign source income and generally should constitute "passive category income" for foreign tax credit purposes. You may be denied a foreign tax credit for foreign taxes imposed with respect to the notes where you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

Payments of interest on the notes will be denominated in Euro and, accordingly, the following rules will apply. A cash basis U.S. Holder will be required to include in income the U.S. Dollar value of the Euro amount of interest received, determined by translating such amount into U.S. Dollars at the spot exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. Dollars on such date. A cash basis U.S. Holder generally will not recognize any foreign currency gain or loss on receipt of a Euro interest payment.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to interest payments in accordance with either of two methods. Under the first method, the U.S. Holder will be required to accrue interest income on a note in Euro and translate the amount accrued into U.S. Dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the U.S. Holder's taxable year). Under the second method, an accrual basis U.S. Holder may elect to accrue interest income at the spot exchange rate in effect on the last day of the accrual period (or last day of the taxable year within such accrual period if the accrual period spans more than one taxable year) or at the spot exchange rate in effect on the date the interest payment is received if such date is within five business days of the last day of the accrual period. A U.S. Holder that makes an election under the second method must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS and, accordingly, U.S. Holders should consult their own tax advisors as to the desirability, mechanics and collateral consequences of making this election. Upon receipt of a Euro interest payment (including amounts received upon the disposition of a note attributable to accrued but unpaid interest), an accrual basis U.S. Holder will recognize foreign currency gain or loss in an amount equal to the difference between the U.S. Dollar value of such payment (determined by translating the payment at the spot exchange rate for Euro in effect on the date received) and the U.S. Dollar value of the interest income that the U.S. Holder has previously accrued with respect to such payment, regardless of whether the payment is actually converted into U.S. Dollars on the date of receipt. Foreign currency gain or loss will be treated as ordinary income or loss and generally as U.S. source for foreign tax credit purposes, and generally will not be treated as interest income or expense.

Original Issue Discount

The notes will be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes if their stated redemption price at maturity exceeds their "issue price" by more than a *de minimis* amount. The "issue price" of a note generally is the first price at which a substantial amount of the issue of which the note is a part is sold to persons other than bond houses, brokers or similar persons acting in the capacity of underwriters, placement agents or wholesalers. The "stated redemption price at maturity" is generally defined as the sum of all payments provided by the note other than "qualified stated interest," which is stated interest that is unconditionally payable in cash or property (other than debt instruments issued by us) at least annually at a single fixed interest rate over the entire term of the note. If a note is treated as issued with more than a *de minimis* amount of OID, you will be required, regardless of your tax accounting method, to include in ordinary income a portion of the OID for each day during each taxable year in which you held the note, determined by using a constant yield-to-maturity method that reflects compounding interest. The amount of income recognized by a cash basis or accrual basis U.S. Holder with respect to OID would generally be calculated in the manner that an accrual basis U.S. Holder determines the amount of income recognized with respect to interest payments. See "—Stated Interest," above.

Sale, Exchange and Retirement of Notes

Unless a nonrecognition provision of the U.S. federal income tax law applies, upon the sale, exchange, redemption, retirement or other taxable disposition of a note, a U.S. Holder will recognize taxable gain or loss in an amount equal to the difference, if any, between the amount realized (determined in U.S. Dollars) on the sale, exchange, redemption, retirement or other taxable disposition (other than amounts attributable to accrued but unpaid interest, which will be treated as described above) and the U.S. Holder's tax basis in the note (determined in U.S. Dollars). If a U.S. Holder receives Euro on the sale, exchange, redemption, retirement or other disposition of a note, the amount realized generally will be the U.S. Dollar value of the Euro received, calculated at the spot exchange rate on the date of the sale, exchange, retirement or other disposition. However, if the notes are traded on an established securities market, a cash basis U.S. Holder (or, upon election, an accrual basis U.S. Holder) will determine the U.S. Dollar amount realized by translating the Euro received at the spot exchange rate on the settlement date of the sale, exchange, redemption, retirement or other disposition. If an accrual basis U.S. Holder makes such an election, the election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS. If an accrual basis U.S. Holder does not make such an election, such a holder will determine the U.S. Dollar value of the amount realized by translating that amount at the spot exchange rate on the date of the sale, exchange, redemption, retirement or other disposition and generally will recognize foreign currency gain or loss equal to the difference (if any) between (i) the U.S. Dollar value of the Euro amount realized based on the spot exchange rates in effect on the disposition date and (ii) the U.S. Dollar value of the Euro amount realized based on the spot exchange rates in effect on the settlement date.

A U.S. Holder's tax basis in a note generally will be its U.S. Dollar cost for the note. If a U.S. Holder pays the purchase price for a note in Euro, such U.S. Holder's tax basis in the note generally will be the U.S. Dollar value of the Euro purchase price on the date of purchase, calculated at the spot exchange rate in effect on such date. However, if the notes are traded on an established securities market, a cash basis U.S. Holder (or, upon election, an accrual basis U.S. Holder) will determine the U.S. Dollar value of the Euro purchase price by translating the Euros paid at the spot exchange rate on the settlement date of the purchase. As described above, if an accrual basis U.S. Holder makes such an election, the election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS. If an accrual basis U.S. Holder does not make such an election, such a holder will determine the U.S. Dollar value of the Euro purchase price by translating the Euro amount paid at the spot exchange rate on the date of the purchase and generally will recognize foreign currency gain or loss equal to the difference (if any) between (i) the U.S. Dollar value of the Euro purchase price based on the spot exchange rate in effect on the purchase date and (ii) the U.S. Dollar value of the Euro purchase price based on the spot exchange rate in effect on the settlement date.

Subject to the foreign currency rules discussed below, gain or loss recognized by a U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of a note will generally be capital gain or loss. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holding period for such note is more than one year. Long-term capital gains recognized by individuals and certain other non-corporate U.S. Holders generally are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Such gain or loss will generally be treated as U.S. source income or loss for foreign tax credit purposes, unless the applicable provisions in the Tax Treaty provide otherwise. Accordingly, if Mexican tax is imposed on the sale or other disposition of the notes, such tax generally will not be available as a credit for you against U.S. federal income tax unless you have other income treated as derived from foreign sources, in the appropriate category, for purposes of the foreign tax credit rules. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisors regarding the availability of the foreign tax credit under your particular circumstances.

A U.S. Holder may recognize foreign currency gain or loss attributable to a change in exchange rates between the date of the purchase of a note and the date of the sale, exchange, redemption, retirement or other disposition of the note. Gain or loss attributable to a change in exchange rates will equal the difference between (1) the U.S. Dollar value of the Euro principal amount of the note (determined based on the spot exchange rate in effect on the date of the sale, exchange, redemption, retirement or other disposition of the note) and (2) the U.S. Dollar value of the Euro principal amount of the note (determined based on the spot exchange rate in effect on the date of the purchase of the note). For this purpose, the principal amount of the note is the U.S. Holder's purchase price for the note in Euro. The realization of such foreign currency gain or loss will be limited to the amount of overall gain or loss realized on the sale, exchange, redemption, retirement or other disposition of the note. Foreign currency gain or loss will be treated as ordinary income or loss and generally as U.S. source for foreign tax credit purposes, and generally will not be treated as interest income or expense.

Foreign Currency Gain or Loss With Respect to Euro

A U.S. Holder that purchases a note with previously owned Euro will recognize foreign currency gain or loss at the time of purchase attributable to the difference at the time of purchase, if any, between the U.S. Holder's tax basis in such Euro and the fair market value of the note in U.S. Dollars on the date of purchase. A U.S. Holder's tax basis in Euro received as interest on, or received on the sale, exchange, redemption, retirement or other disposition of, a note will be the U.S. Dollar value thereof determined at the spot exchange rate in effect on the date the holder received the Euro.

Upon any subsequent conversion or other disposition of the Euro for U.S. Dollars, a U.S. Holder generally will recognize foreign currency gain or loss equal to the difference between the amount of U.S. Dollars received and the U.S. Holder's tax basis in the Euro.

Net Investment Income Tax

Certain U.S. Holders who are individuals, estates or trusts with income that exceeds certain thresholds generally will be subject to a 3.8% tax on "net investment income", including interest on, and capital gains from the sale or other taxable disposition of the notes, subject to certain limitations and exceptions. U.S. Holders should consult their tax advisors regarding the effect, if any, of the net investment income tax on their ownership and disposition of the notes.

Foreign Financial Asset Reporting

You may be required to file Form 8938 (Statement of Specified Foreign Financial Assets) if you own "specified foreign financial assets" with an aggregate value in excess of US$50,000 with respect to such assets. U.S. Treasury regulations provide that "specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as investment in a note not held through an account with a financial institution. Investors who fail to report required information for any year could become subject to substantial penalties and a significant extension of the statute of limitations for their tax return.

Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of these U.S. Treasury regulations on their investment in notes.

Reportable Transaction Reporting

Pursuant to U.S. Treasury regulations, a U.S. Holder that recognizes a foreign currency loss in a taxable year that exceeds $50,000 in the case of an individual or trust, or certain other holders, may be required to disclose the transaction as a "reportable transaction" on IRS Form 8886 (or a suitable substitute). U.S. Holders should consult their own tax advisors as to the possible obligation to file IRS Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any non-U.S. currency received.

Non-U.S. Holders

The following summary applies to you if you are a holder of notes that is a Non-U.S. Holder.

The interest income that you derive with respect to the notes (including the amount of any Mexican taxes withheld, if any, and any Additional Amounts) generally will be exempt from United States federal income taxes, including United States withholding tax on payments of interest (other than as described below under "–Information Reporting and Backup Withholding"), unless such income is effectively connected with your conduct of a trade or business in the United States (and, if required by an applicable tax treaty, is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States).

Any gain you realize on a sale, exchange, redemption or retirement of the notes generally will be exempt from United States federal income tax, including United States withholding tax, unless:

- you are an individual holder and are present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met; or

- your gain is effectively connected with your conduct of a trade or business in the United States (and, if required by an applicable tax treaty, are attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States).

If the first exception above applies, the Non-U.S. Holder generally would be subject to U.S. federal income tax at a rate of 30%, or a lower rate provided by an applicable income tax treaty, on any gain. If the second exception applies, the Non-U.S. Holder generally would be subject to U.S. federal income tax on any gain on a net basis in the same manner as if the Non-U.S. Holder were a U.S. Holder, unless an applicable income tax treaty provides otherwise. A corporate Non-U.S. Holder may also be subject to a branch profits tax equal to 30% (or, if applicable, a lower treaty rate) of the Non-U.S. Holder's effectively connected earnings and profits for the taxable year, as adjusted for certain items.

Backup Withholding and Information Reporting

Generally, information reporting requirements will apply to all payments we make to a U.S. Holder and the proceeds from a sale of a note paid to a U.S. Holder unless such U.S. Holder is an exempt recipient and demonstrates this fact when so required. To avoid the imposition of backup withholding, a U.S. Holder should (i) provide its taxpayer identification number, (ii) certify that it is not subject to backup withholding, and (iii) otherwise comply with the applicable requirements of the backup withholding rules. Although Non-U.S. Holders generally are exempt from backup withholding and information reporting, a Non-U.S. Holder may, in certain circumstances, be required to comply with certification procedures to prove entitlement to this exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a holder's United States federal income tax liability, provided the required information is timely furnished to the IRS.

Foreign Account Tax Compliance

Sections 1471 through 1474 of the Code ("FATCA") impose reporting obligations and a 30% withholding tax with respect to certain payments of interest, as well as payments made upon maturity, redemption, or sale of certain debt instruments. FATCA generally applies to debt instruments issued by U.S. issuers, but may also apply to payments on debt instruments issued by certain non-U.S. issuers made by non-U.S. financial institutions to the extent such payments are attributable to certain U.S. source income ("foreign passthru payments") (a term not yet defined) on the later of January 1, 2019, or the date of publication in the Federal Register of final U.S. Treasury regulations defining the term foreign passthru payments. U.S. Treasury regulations exempt from such withholding any debt instrument of a non-U.S. issuer issued prior to the date that is six months after the date of publication in the Federal Register of final U.S. Treasury regulations defining the term foreign passthru payments, unless such debt instrument is materially modified after such date. As of the date of this offering memorandum, such regulations have not yet been published. If the notes are materially modified in the future, there can be no assurance that the notes will not be considered obligations that are subject to FATCA.

In the event any withholding under FATCA is imposed with respect to any payments on the notes, there will be no Additional Amounts payable to compensate for the withheld amount. Holders of the notes should consult their own tax advisors on how the FATCA rules, including any intergovernmental agreement entered into between the United States and any other jurisdiction implementing FATCA, may apply to their investment in the notes.

The Proposed EU Financial Transactions Tax

The European Commission has published a proposal (the "Commission's Proposal") for a Directive for a common financial transactions tax ("FTT") in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (the "participating Member States"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the notes in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT remains subject to negotiation between participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw.

Prospective holders of the notes are advised to seek their own professional advice in relation to the FTT.

PLAN OF DISTRIBUTION

BNP Paribas, J.P. Morgan Securities plc, MUFG Securities EMEA plc and Coöperatieve Rabobank U.A. are acting as joint bookrunners of the offering and initial purchasers.

Subject to the terms and conditions contained in a purchase agreement among us and the initial purchasers, we have agreed to sell to the initial purchasers, and each of the initial purchasers has, severally and not jointly, agreed to purchase from us, the principal amount of the notes that appears opposite its name in the table below:

Initial Purchaser	Principal Amount
BNP Paribas	€285,000,000
J.P. Morgan Securities plc	€285,000,000
MUFG Securities EMEA plc	€15,000,000
Coöperatieve Rabobank U.A.	€15,000,000
Total	€600,000,000

The initial purchasers may offer and sell the notes through any of their affiliates. The notes will be offered in the United States by the initial purchasers or their affiliates that are registered to offer and sell the notes for sale in the United States. Subject to applicable law, the initial purchasers or their affiliates will offer and sell the notes outside of the United States.

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed to purchase all of the notes sold under the purchase agreement if any notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The initial purchasers have advised us that they propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum and to certain dealers at that price less a selling concession. After the initial offering, the offering price, concession or any other term of the offering may be changed.

Notes Are Not Being Registered

The notes have not been registered under the Securities Act, or the securities law of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgements, representations and agreements as described under "Transfer Restrictions." In connection with sales outside the United States, each of the initial purchasers has agreed that it will not offer, sell or deliver the notes to, or for the account of, U.S. persons (unless in reliance on Rule 144A) (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, and it will send to each dealer to whom it sells such notes during such period a confirmation or other notice setting forth the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons. Resales of the notes are restricted as described under "Transfer Restrictions."

Further, until 40 days after the commencement of the offering, an offer or sale of the notes within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

New Issue of Notes

The notes will constitute a new issue of securities with no established trading market. Application has been made to the Irish Stock Exchange to admit the notes to listing on the Official List of the Irish Stock Exchange and to trading on the Global Exchange Market. However, we cannot assure you that the listing application will be approved. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

No Sales of Similar Securities

The Issuer and the subsidiary guarantors have agreed that for a period of 30 days after the date of this offering memorandum, neither the Issuer nor the subsidiary guarantors will, without first obtaining the prior written consent of the initial purchasers, directly or indirectly, offer, sell or announce the offering of, or file any registration statement under the Securities Act in respect of, any long-term, U.S. dollar or Euro-denominated debt securities of the Issuer or any of the subsidiary guarantors offered or sold in the international capital markets, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market.

Similar to other purchase transactions, purchases by the initial purchasers to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Some of the initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Affiliates of certain of the initial purchasers are lenders under facilities which will be repaid with the proceeds of the notes. If any of the initial purchasers or their affiliates have a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Sales Outside the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Selling Restrictions

European Economic Area

In relation to each member state of the European Economic Area, an offer of securities described in this offering memorandum may not be made to the public in that member state other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by us for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of securities shall require us or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For purposes of this provision, the expression an "offer of securities to the public" in any member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) and includes any relevant implementing measure in that relevant member state.

The European Economic Area selling restriction is in addition to any other selling restriction set out in this offering memorandum.

The sellers of the securities have not authorized and do not authorize the making of any offer of securities through any financial intermediary on their behalf, other than offers made by the initial purchasers with a view to the final placement of the securities as contemplated in this offering memorandum. Accordingly, no purchaser of the securities, other than the initial purchasers, is authorized to make any further offer of the securities on behalf of the sellers or the initial purchasers.

The Netherlands

The notes (including rights representing an interest in the global note that represents the notes) may not be offered or sold to individuals or legal entities in the Netherlands unless (i) a prospectus relating to the offer is available to the public which is approved by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) or by a supervisory authority of another member state of the European Union (the "EU") or (ii) an exception or exemption applies to the offer pursuant to article 5:3 of the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*) (the "FSA") or article 53 paragraph 2 or 3 of the Exemption Regulation FSA, unless the notes are offered or sold exclusively to "qualified investors" (*gekwalificeerde beleggers*) within the meaning of article 1:1 FSA.

Notice to Prospective Investors in the Netherlands

The notes (including the rights representing an interest in the notes in global form) which are the subject of this Offering Memorandum, have not been and shall not be offered, sold, transferred or delivered in the Netherlands other than to qualified investors (within the meaning of the Prospectus Directive).

For the purposes of the abovementioned paragraphs, the expression an "offer of Notes to the public" in relation to any notes in the Netherlands means the announcement or communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Netherlands.

No approved prospectus within the meaning of the Prospectus Directive is required to be made generally available in connection with the offer.

Switzerland

The notes may not and will not be publicly offered, distributed or re-distributed in or from Switzerland and neither this document nor any other solicitation for investments in the notes may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 1156 or 652a of the Swiss Code of Obligations. The notes are not a collective investment within the meaning of the Federal Collective Investment Schemes Act of June 23, 2006 (*Bundesgesetz über die kollektiven Kapitalanlagen, KAG*). This document may not be copied, reproduced, distributed or passed on to others without the Global Coordinator's prior written consent. This document is not a prospectus within the meaning of Articles 1156 and 652a of the Swiss Code of Obligations or a listing prospectus according to articles 27 et seq. of the Listing Rules of SIX Exchange Regulation, the regulator of SIX Swiss Exchange AG, and may not comply with the information standards required thereunder. We will not apply for a listing of the notes on any Swiss stock exchange or other Swiss regulated market and this document may not comply with the information required under the relevant listing rules. The notes offered hereby have not been and will not be registered with the Swiss Federal Financial Market Supervisory Authority (FINMA) and have not been and will not be authorized under the Federal Collective Investment Schemes Act of June 23, 2006 (*Bundesgesetz über die kollektiven Kapitalanlagen, KAG*). The investor protection afforded by the Federal Collective Investment Schemes Act (*Bundesgesetz über die kollektiven Kapitalanlagen, KAG*) does not extend to acquirers of the notes.

United Kingdom

This offering memorandum is only being distributed to, and is only directed at, persons who are outside the United Kingdom or persons in the United Kingdom that are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a "relevant person"). Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

Canada

The notes may be sold only to purchasers in the provinces of Alberta, British Columbia, New Brunswick, Nova Scotia, Ontario, Prince Edward Island and Quebec purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Brazil

The notes have not been, and will not be, registered with the *Comissão de Valores Mobiliários*, or CVM (Securities Commission). The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

Chile

Pursuant to Law No. 18,045 of Chile (the securities market law of Chile) and Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the Superintendency of Securities and Insurance of Chile (*Superintendencia de Valores y Seguros de Chile*, or "SVS"), the notes may be privately offered in Chile to certain "qualified investors" identified as such by Rule 336 (which in turn are further described in rule No. 216, dated June 12, 2008, of the SVS).

Rule 336 requires the following information to be provided to prospective investors in Chile:

(1) Date of commencement of the offer: January 25, 2017. The offer of the notes is subject to Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the SVS;

(2) The notes and the offering memorandum are not registered with the Securities Registry (*Registro de Valores*) of the SVS, nor with the foreign securities registry (*Registro de Valores Extranjeros*) of the SVS and as such as not subject to the oversight of the SVS;

(3) Since the notes are not registered in Chile, there is no obligation by the issuer to make publicly available information about the notes in Chile; and

(4) The notes shall not be subject to a public offering in Chile unless registered with the relevant Securities Registry of the SVS.

Colombia

The notes will not be authorized by the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) and will not be registered under the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*), and, accordingly, the notes will not be offered or sold to persons in Colombia except in circumstances which do not result in a public offering under Colombian law.

Mexico

The notes have not been and will not be registered with the RNV maintained by the CNBV, and may not be offered or sold publicly, or otherwise be the subject of brokerage activities in Mexico, except that the notes may be sold, on a private placement basis, to Mexican institutional and qualified investors, pursuant to the private placement exemption set forth in the Mexican Securities Market Law and regulations thereunder.

Peru

The notes have not been and will not be approved by or registered with the Peruvian securities regulatory authority, the National Supervisory Commission of Companies and Securities (*Comisión Nacional Supervisora de Empresas y Valores*).

Hong Kong

The notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case, whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan

The notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law"), and the notes have not, directly or indirectly, been offered or sold and will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws and regulations of Japan.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case, subject to compliance with conditions set forth in the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes, pursuant to an offer made under Section 275 of the SFA except:

  (1) to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interests in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

  (2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

GENERAL INFORMATION

The Bank of New York Mellon SA/NV, Dublin Branch is acting solely in its capacity as listing agent for the Issuer (and not on its own behalf) in connection with the application for admission of the notes to the Official List of the Irish Stock Exchange and trading on its Global Exchange Market.

The Issuer accepts responsibility for the information contained in this listing particulars and to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and contains no omission likely to affect the import of such information.

The legal and commercial name of the Issuer is Sigma Alimentos, S.A. de C.V. The Issuer is registered in the Public Registry of Property and Commerce (*Registro Público de la Propiedad y del Comercio*) of the state of Nuevo Leon, Mexico under mercantile folio (*folio mercantil*) 9380*9. The Issuer was incorporated on December 18, 1971 and is a corporation (*sociedad anónima de capital variable*) organized under the laws of Mexico, operating under the Mexican General Corporation Law (*Ley General de Sociedades Mercantiles*). The address of the registered office of the Issuer is Ave. Gómez Morín 1111 Sur, Col. Carrizalejo, San Pedro Garza García, C.P. 66254, Nuevo León, México and the main phone number at such office is +52 (81) 8748-9000.

This listing particulars contains certain information which has been sourced from third parties, in each case as identified by a note or statement identifying such third party. The Issuer accepts responsibility for accurately reproducing the information and as far as the Issuer is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render such reproduced information inaccurate or misleading.

For information regarding potential conflicts of interest and risks resulting from our corporate structure, see "Risk Factors—Risks Relating to Our Company—We are controlled by Alfa, whose interests may not be aligned with ours or yours," "Principal Shareholders" and "Related Party Transactions." There are no specific measures in place regarding abuse of control over our business by our parent corporation. We are not aware of any potential conflicts of interest between any duties to the Issuer of the members of our board of directors and their private interests and/or other duties.

Our independent accountant, PricewaterhouseCoopers, S.C., is a member of numerous associations, including the Mexican Institute of Public Accountants (*Instituto Mexicano de Contadores Públicos, A.C.*) and the National Association of Tax Specialists (*Asociación Nacional de Especialistas Fiscales, A.C.*).

There has been no material adverse change in our prospects since December 31, 2015 and no significant change in our financial or trading position since September 30, 2016.

The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer aware) over the past 12 months, which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

For the duration of the listing of the notes on the Official List of the Irish Stock Exchange, physical copies of the following documents may be inspected at our main office located at Ave. Gómez Morín 1111 Sur, Col. Carrizalejo, San Pedro Garza García, C.P. 66254, Nuevo León, México:

(a) the memorandum and articles of association of the Issuer;

(b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request, any part of which is included or referred to in this listing particulars; and

(c) our historical financial information for each of the two financial years preceding the publication of this listing particulars.

We estimate that the expenses for the listing of the notes on the Official List of the Irish Stock Exchange will be €6,540.

The notes issued in reliance on Rule 144A have a Common Code of 156261513 and an ISIN of XS1562615135. The notes issued in reliance on Regulation S have a Common Code of 156262358 and an ISIN of XS1562623584.

The notes will be fully and unconditionally guaranteed by certain of our subsidiaries, as described elsewhere in this listing particulars, on a joint and several basis. The Annual Audited Financial Statements and Interim Unaudited Financial Statements included in this listing particulars include consolidated financial information for both guarantor and non-guarantor subsidiaries of the Issuer.

The board of directors of the Issuer authorized the issuance of the notes on January 6, 2017. The board of directors of each of Sigma Alimentos Centro, S.A. de C.V., Comercializadora de Embutidos ICO, S.A. de C.V., Alimentos Finos de Occidente, S.A. de C.V., Sigma Alimentos Congelados, S.A. de C.V., Sigma Alimentos Noreste, S.A. de C.V., Empacadora de Embutidos del Centro, S.A. de C.V. authorized its respective guarantee on January 9, 2017. The board of directors of each of Sigma Alimentos Corporativo, S.A. de C.V., Sigma Alimentos Comercial, S.A. de C.V., Sigma Alimentos Lácteos, S.A. de C.V., Carnes Selectas Tangamanga, S.A. de C.V., Grupo Chen, S. de R.L. de C.V., Comercial Norteamericana, S. de R.L. de C.V., Bar-S Foods Co. and Sigma Alimentos Exterior, S.L., the board of managers of each of Sigma Processed Meats, LLC and Sigma Foods, LLC, the sole shareholder and the board of directors of Mexican Cheese Producers, Inc., and the shareholders of Sigma Alimentos Costa Rica S.A. each authorized its respective guarantee on January 10, 2017. We have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the notes and guarantees.

As of December 31, 2015, the Issuer had net assets of Ps.9,238 million (accounting for 11.1% of its consolidated net assets) and for the year ended December 31, 2015, the Issuer had EBITDA of Ps.1,309 million (accounting for 9.4% of its consolidated EBITDA). As of December 31, 2015, the subsidiary guarantors had net assets of Ps.43,960 million (accounting for 52.8% of our consolidated net assets) and for the year ended December 31, 2015, the subsidiary guarantors had EBITDA of Ps.6,306 million (accounting for 45.4% of our consolidated EBITDA). As of December 31, 2015, our non-guarantor subsidiaries had net assets of Ps.29,989 million (accounting for 36.1% of our consolidated net assets) and for the year ended December 31, 2015, our non-guarantor subsidiaries had EBITDA of Ps.6,276 million (accounting for 45.2% of our consolidated EBITDA).

One of the subsidiary guarantors, Sigma Alimentos Exterior, S.L. ("Exterior"), had net assets of Ps.20,094 million (accounting for 24% of our consolidated net assets) as of the year ended December 31, 2015 and EBITDA of Ps.0.25 million (accounting for less than 1% of our consolidated EBITDA) for the year ended December 31, 2015. Exterior was incorporated on April 20, 2007 and is registered in the Mercantile Registry of Madrid, Spain (*Registro Mercantil de Madrid*) under registration number A85070175. The registered office of Exterior is Calle Caléndula 95, Building "M", Office 5, Miniparc II, El Soto de la Moraleja, Spain. Exterior is primarily a holding company.

LEGAL MATTERS

The validity of the notes will be passed upon for us by Paul Hastings LLP, our United States counsel, and for the initial purchasers by Cleary Gottlieb Steen & Hamilton LLP, United States counsel to the initial purchasers. Certain matters of Mexican law relating to the notes will be passed upon for the initial purchasers by Ritch, Mueller, Heather y Nicolau, S.C., Mexican counsel to the initial purchasers.

INDEPENDENT AUDITORS

The audited consolidated financial statements as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, together with the notes thereto, included in this offering memorandum have been audited by PricewaterhouseCoopers, S.C., independent auditors, as stated in their report appearing herein.

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Annual Audited Consolidated Financial Statements

Unaudited Condensed Consolidated Interim Financial Statements

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

Consolidated Financial Statements

December 31, 2015, 2014 and 2013

pwc

110 años
Impulsando lo extraordinario

Independent Auditors´ Report

Monterrey, N. L., February 9, 2016

To the Stockholders' Meeting of Sigma Alimentos, S. A. de C. V.

We have audited the accompanying consolidated financial statements of Sigma Alimentos, S. A. de C. V and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years ended December 31, 2015, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, S. C., Avenida Rufino Tamayo No. 100, Colonia Valle Oriente, C.P. 66269 Garza García, Nuevo León
T: (81) 8152 2000 F: (81) 8152 2075 www.pwc.com/mx

110 años
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Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sigma Alimentos, S. A. de C. V. and its subsidiaries as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years ended December 31, 2015, 2014 and 2013, in accordance with International Financial Reporting Standards (IFRS).

PricewaterhouseCoopers, S. C.

Miguel Angel Puente Buentello
Audit Partner

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

Consolidated Statements of Financial Position
December 31, 2015 and 2014

(In thousands of Mexican pesos)

	Note	December 31, 2015	December 31, 2014
Assets			
CURRENT ASSETS:			
Cash and cash equivalents	6	Ps 8,448,094	Ps 4,912,012
Restricted cash	7	215,073	154,539
Customers and other receivables, net	8	7,875,384	6,753,326
Income tax recoverable		664,842	751,406
Inventories	9	12,018,969	10,449,388
Prepaid expenses and others		327,808	435,329
Total current assets		29,550,170	23,456,000
NON-CURRENT ASSETS:			
Property, plant and equipment, net	11	26,598,056	24,120,129
Goodwill and intangible assets, net	12	23,243,322	21,378,032
Deferred income tax	17	1,956,551	839,028
Investments accounted for using the equity method and others	13	1,839,821	1,696,177
Total non-current assets		53,637,750	48,033,366
Total assets		Ps 83,187,920	Ps 71,489,366
Liabilities and Stockholders' equity			
Liabilities			
CURRENT LIABILITIES:			
Current debt	16	Ps 2,413,177	Ps 1,140,508
Suppliers and other payables	15	20,225,792	18,055,838
Provisions	18	207,763	267,401
Other liabilities	19	955,186	407,993
Total current liabilities		23,801,918	19,871,740
NON-CURRENT LIABILITIES:			
Non-current debt	16	38,885,415	31,053,529
Provisions	18	576,246	572,935
Deferred income tax	17	3,876,662	3,069,213
Income tax payable	17	398,749	-
Employees' benefits	20	951,176	761,884
Other liabilities	19	344,554	217,880
Total non-current liabilities		45,032,802	35,675,441
Total liabilities		68,834,720	55,547,181
STOCKHOLDERS' EQUITY:			
Controlling interest			
Capital stock	21	27,081	27,081
Share premium		666,988	666,988
Retained earnings	21	13,504,111	11,030,837
Other reserves	21	(344,605)	746,622
Total controlling interest		13,853,575	12,471,528
Non-controlling interest	14	499,625	3,470,657
Total stockholders' equity		14,353,200	15,942,185
Total liabilities and stockholders' equity		Ps 83,187,920	Ps 71,489,366

The accompanying notes are an integral part of these consolidated financial statements.

Mario H. Páez González
Chief Executive Officer

Eugenio Caballero Sada
Chief Financial and Marketing Officer

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

Consolidated Statements of Income
For the years ended December 31, 2015, 2014 and 2013

(In thousands of Mexican pesos)

	Note	Year ended December 31, 2015	2014	2013
Net sales		Ps 93,567,683	Ps 71,464,799	Ps 48,988,770
Cost of sales	24	(66,707,923)	(50,434,517)	(32,630,469)
Gross profit		26,859,760	21,030,282	16,358,301
Selling expenses	24	(15,329,767)	(11,561,739)	(8,995,927)
Administrative expenses	24	(4,132,152)	(2,822,788)	(1,940,954)
Other revenue (expenses), net	25	3,506,215	(209,381)	(144,475)
Operating profit		10,904,056	6,436,374	5,276,945
Financial income, including foreign exchange gain of Ps807,658 in 2015, Ps711,306 in 2014 and Ps242,438 in 2013, respectively	26	900,898	789,024	305,656
Financial costs, including foreign exchange loss of Ps1,791,262 in 2015, Ps3,381,856 in 2014 and Ps284,566 in 2013, respectively	26	(3,507,382)	(5,412,496)	(1,344,537)
Comprehensive financing expense, net		(2,606,484)	(4,623,472)	(1,038,881)
Share of losses of investments accounted for using the equity method		(401,413)	(249,040)	(4,363)
Profit before income tax		7,896,159	1,563,862	4,233,701
Income tax	28	(1,586,017)	(922,538)	(1,378,779)
Net consolidated profit		Ps 6,310,142	Ps 641,324	Ps 2,854,922
Profit (loss) attributable to:				
Controlling interest:		Ps 6,335,145	Ps 546,656	Ps 2,854,922
Non-controlling interest:	14	(25,003)	94,668	-
		Ps 6,310,142	Ps 641,324	Ps 2,854,922
Basic and diluted earnings per share, in pesos		Ps 4.91	Ps 0.42	Ps 2.21
Weighted average of outstanding shares		1,290,654,555	1,290,654,555	1,290,654,555

The accompanying notes are an integral part of these consolidated financial statements.

Mario H. Páez González
Chief Executive Officer

Eugenio Caballero Sada
Chief Financial and Marketing Officer

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

Consolidated Statements of Comprehensive Income
For the years ended December 31, 2015, 2014 and 2013

(In thousands of Mexican pesos)

	Note	Year ended December 31, 2015	2014	2013
Net consolidated profit		Ps6,310,142	Ps 641,324	Ps2,854,922
Other comprehensive income for the year:				
Items not to be reclassified to the statement of income				
Remeasurement of obligations for employees' benefits, net of tax	20 and 28	(7,178)	75,223	147,195
Items to be reclassified to the statement of income				
Effect of translation of foreign entities	28	(1,082,583)	620,461	271,873
Total other comprehensive (loss) income for the year		(1,089,761)	695,684	419,068
Total comprehensive income for the year		Ps5,220,381	Ps1,337,008	Ps3,273,990
Attributable to:				
Controlling interest		Ps5,481,800	Ps1,219,067	Ps3,273,990
Non-controlling interest		(261,419)	117,941	-
Total comprehensive income for the year		Ps5,220,381	Ps1,337,008	Ps3,273,990

The accompanying notes are an integral part of these consolidated financial statements.

Mario H. Páez González
Chief Executive Officer

Eugenio Caballero Sada
Chief Financial and Marketing Officer

Sigma Alimentos, S. A. de C. V. and subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
For the years ended December 31, 2015, 2014 and 2013

(In thousands of Mexican pesos)

	Note	Capital stock	Share premium	Retained earnings	Other reserves	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances at January 1, 2013		Ps 27,081	Ps 666,988	Ps 9,608,108	(Ps 102,022)	Ps 10,200,155	Ps -	Ps10,200,155
Transactions with stockholders:								
Dividends declared	21	-	-	(1,026,576)	-	(1,026,576)	-	(1,026,576)
Net profit		-	-	2,854,922	-	2,854,922	-	2,854,922
Total other comprehensive income for the year	21	-	-	147,195	271,873	419,068	-	419,068
Comprehensive income		-	-	3,002,117	271,873	3,273,990	-	3,273,990
Effects from adoption of new accounting policies		-	-	(29,440)	-	(29,440)	-	(29,440)
Balances at December 31, 2013		27,081	666,988	11,554,209	169,851	12,418,129	-	12,418,129
Transactions with stockholders:								
Dividends declared	21	-	-	(1,103,173)	-	(1,103,173)	-	(1,103,173)
Dividends canceled	21	-	-	427,621	-	427,621	-	427,621
Changes in the non-controlling interest	2	-	-	(490,116)	-	(490,116)	3,352,716	2,862,600
Net profit		-	-	546,656		546,656	94,668	641,324
Total other comprehensive income for the year	21	-	-	95,640	576,771	672,411	23,273	695,684
Comprehensive income		-	-	642,296	576,771	1,219,067	117,941	1,337,008
Balances at December 31, 2014		27,081	666,988	11,030,837	746,622	12,471,528	3,470,657	15,942,185
Transactions with stockholders:								
Change in functional currency of controlling entity	3c	-	-	-	(363,767)	(363,767)	-	(363,767)
Dividends declared	21	-	-	(1,922,105)	-	(1,922,105)	-	(1,922,105)
Dividends canceled	21	-	-	842,922	-	842,922	-	842,922
Changes in the non-controlling interest	2a	-	-	(2,656,803)	-	(2,656,803)	(2,709,613)	(5,366,416)
Net profit		-	-	6,335,145	-	6,335,145	(25,003)	6,310,142
Total other comprehensive income for the year	21	-	-	(125,885)	(727,460)	(853,345)	(236,416)	(1,089,761)
Comprehensive income		-	-	6,209,260	(727,460)	5,481,800	(261,419)	5,220,381
Balances at December 31, 2015		Ps 27,081	Ps 666,988	Ps 13,504,111	(Ps 344,605)	Ps 13,853,575	Ps 499,625	Ps 14,353,200

The accompanying notes are an integral part of these consolidated financial statements.

Mario H. Páez González
Chief Executive Officer

Eugenio Caballero Sada
Chief Financial and Marketing Officer

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

Consolidated Statements of Cash Flows
For the years ended December 31, 2015, 2014 and 2013

(In thousands of Mexican pesos)

		Year ended December 31,		
Cash flows from operating activities	Note	2015	2014	2013
Profit before income tax		Ps 7,896,159	Ps1,563,862	Ps 4,233,701
Depreciation and amortization	24	2,829,566	1,930,703	1,353,075
Costs associated with seniority premiums and pension plans	20	105,620	130,417	126,477
Gain on sale of property, plant and equipment	25	(2,429)	(31,838)	(5,533)
Effect of changes in the fair value of derivative financial instruments	26	-	-	(769)
Foreign exchange, net	26	983,604	3,120,550	42,128
Interest accrued	26	1,657,909	1,554,122	1,035,925
Interest income	26	(69,152)	(77,718)	(62,449)
Other operating expenses		666,377	466,628	122,778
(Increase) decrease in trade and other receivables		(840,841)	729,413	(717,087)
(Increase) decrease in inventories		(949,602)	(198,677)	290,365
Increase (decrease) in trade and other payables		484,516	542,909	(348,727)
Income tax paid		(989,220)	(1,466,554)	(1,083,164)
Net cash generated from operating activities		11,772,507	8,263,817	4,986,720
Cash flows from investing activities				
Business acquisitions, net of cash acquired	2	(1,320,417)	(115,382)	(1,653,782)
Interest received		58,658	67,240	49,755
Acquisition of intangible assets		(163,077)	(166,848)	(140,536)
Investments in associated companies	2	-	-	(5,558,458)
Acquisition of property, plant and equipment	11	(3,505,521)	(1,735,759)	(1,386,999)
Sale of property, plant and equipment	25	2,429	31,838	5,533
Net cash used in investing activities		(4,927,928)	(1,918,911)	(8,684,487)
Cash flows from financing activities				
Proceeds from borrowings and debt		7,149,185	5,306,179	6,629,718
Payments of borrowings and debt		(2,656,075)	(5,161,509)	(1,294,286)
Interest paid		(1,697,641)	(1,654,260)	(1,036,681)
Dividends paid to owners		(1,080,300)	(695,155)	(1,040,199)
Changes in the non-controlling interest	2a	(5,366,416)	(1,386,839)	-
Net cash (used in) generetad from financing activities		(3,651,247)	(3,591,584)	3,258,552
Net increase (decrease) in cash and cash equivalents		3,193,332	2,753,322	(439,215)
Exchange gain on cash and cash equivalents		342,750	99,356	58,926
Cash and cash equivalents at the beginning of the year	6	4,912,012	2,059,334	2,439,623
Cash and cash equivalents at the end of the year	6	Ps 8,448,094	Ps4,912,012	Ps 2,059,334

Transactions not requiring cash flow

The main transaction corresponded to the acquisition of the Campofrío subsidiary, see Note 2.a

The accompanying notes are an integral part of these consolidated financial statements.

Mario H. Páez González
Chief Executive Officer

Eugenio Caballero Sada
Chief Financial and Marketing Officer

Note 1 - Activities of Sigma Alimentos companies:

Sigma Alimentos, S. A. de C. V. ("SIGMA" or the "Company"), subsidiary of Alfa, S. A. B. de C. V. ("ALFA"), is a company engaged in the production, commercialization and distribution of processed meat, dairy products, and other refrigerated and frozen foods. Its activities are carried out through various subsidiary companies.

The Company has manufacturing operations in Mexico, U.S.A., Costa Rica, El Salvador, Dominican Republic, Peru, Ecuador, Spain, France, Italy, Netherlands, Belgium and Portugal. The Company sells its products to more than 530,000 customers through different distribution channels in these countries as well as Germany, Honduras, Nicaragua, Guatemala and 80 more countries through independent distributors. Distribution channels include the modern channel that consists of supermarkets, hypermarkets and convenience stores, the traditional channel that consists of small grocery stores, traditional butchers, delicatessen and wholesalers, and the foodservice channel that consists of hotels, restaurants, hospitals, etc. Sigma has maintained a close relationship for at least 15 years with some of its major customers in Mexico, United States and Europe that has allowed the Company to develop different businesses that provide added value to its operations. Its large brand portfolio has managed to cover different socioeconomic levels, allowing the Company to diversify its sales through a variety of markets.

SIGMA is located in Avenida Gomez Morin Avenue Sur No. 1111, Col. Carrizalejo, San Pedro Garza Garcia, Nuevo León, México.

In the following notes to the financial statements references to pesos or "Ps", mean thousands of Mexican pesos. References to "US$" or dollars, mean thousands of dollars from the United States. References to "€", means thousands of euros.

Note 2 - Acquisitions and other significant events:

2015

a. Acquisition of additional shares of Campofrío from WH Group

On June 18, 2015, the Company through its subsidiary Sigma Alimentos Exterior, S. L. acquired 37% additional shares of Campofrío Food Group. The shares that up to June 3, 2015 were owned by WH Group were acquired firstly by ALFA, through the payment of a consideration of Ps5,366,416 (US$354,000), and were subsequently transferred to Sigma. Prior to the acquisition date, the accounting value of 37% was Ps2,709,613, consequently, a decrease in retained earnings of Ps2,656,803 was recorded.

After this acquisition, equity in this subsidiary is shown below:

Indirect equity of SIGMA as of December 31, 2014	57.52%
Repurchase of own shares (i)	0.97%
Acquisition of shares from WH Group on June 18, 2015	37.00%
Indirect equity of SIGMA as of December 31, 2015	95.49%

(i) Previously, on May 14, 2015, Campofrío had repurchase its own shares that were held among the investment public and represented 0.97% of the stock ownership at the acquisition date. This repurchase amounted to $18,350 and it was considered jointly with the aforementioned effects.

On June 9, 2014, SIGMA obtained control over Campofrío Food Group, S. A. ("Campofrío) as a result of the following: i) the end of the Public Offer of shares of Campofrío in the Spain Stock Market and ii) the coming into force of the agreement signed on January 1, 2014 between SIGMA and WH Group Ltd. (WH). The aforementioned agreement was concluded on June 3, 2015. As a result of the acquisition of Sigma in the equity of WH Group Ltd. in Campofrío.

This agreement established several rights and obligations of the parties involved in relation with the corporate governance and the transfer of shares of Campofrío, giving SIGMA the capacity to conduct relevant activities. The agreement intended to fairly anticipate probable events in the future of the subsidiary and its stockholders during the effective term of the agreement and to anticipate the way in which these will be treated. Examples include: the approval of the business plan, the approval of ordinary and extraordinary corporate events; changes in the ownership of Campofrío; the need for additional capital contributions of the existing stockholders or new investors and the resolution of claims between stockholders. It also provided the flexibility to face unforeseen events, as may be maintaining the capacity to make decisions quickly and effectively; establishing termination conditions when a shareholder wishes to terminate the relationship for any reason; and basis for the solution of controversies among stockholders or to solve an agreement interpretation issue. The agreement created incentives for the parties to be able to solve the controversies through consensus, seeking to be determined as efficiently as possible so that Campofrío continues with minimum interruption.

The indirect equity of SIGMA in Campofrío at the date the agreement became effective, accounted for using the equity method, was 45% as shown below:

Equity of SIGMA in Campofrío at December 31, 2013	46.31%
Acquisitions at June 9, 2014	3.29%
Sales at June 9, 2014	(4.60%)
Equity of SIGMA in Campofrío at June 9, 2014	45.00%

Since its acquisition until June 9, 2014, the net profit of Campofrío was not significant.

For business combinations made in stages, International Financial Reporting Standards (IFRS) require any previous equity of the acquiring party in an acquired party is adjusted at fair value at the acquisition date and that any resulting gain (or loss) is reported in the consolidated statement of income. IFRS also require all previously recorded amounts in the consolidated statements of comprehensive income in relation with such investments be reclassified in the consolidated income account, as if such investment had been sold. SIGMA has estimated the fair value of 45% of equity in Campofrío at Ps5,499,087 on June 9, 2014, date when control was obtained. The effect of measuring the 45% equity ownership of Campofrío at fair value before the date when control is obtained was immaterial in the consolidated statements of income for the year ended December 31, 2014.

Since no additional consideration was made by SIGMA to obtain control (June 9, 2014), the 45% fair value is considered the acquisition price of Campofrío.

The amount of the consideration by Campofrío at the date when control was obtained, amounted to Ps5,499,087.

Assets and liabilities recorded as a result of the business combination, are as follows:

Fair value	
Cash and cash equivalents	Ps 1,576,000
Trade and other receivables, net	2,830,184
Inventory	6,949,237
Property, plant and equipment	14,269,824
Intangibles	8,484,004
Investment recorded using the equity method	693,197
Deferred income tax (asset)	3,007,717
Other assets	191,564
Trade and other payables	(11,830,714)
Debt	(10,820,822)
Deferred income tax (liabilities)	(5,343,151)
Provisions and other liabilities	(1,329,089)
Employees' benefits	(1,144,224)
Total identifiable net assets	7,533,727
Non-controlling equity	(4,143,090)
Goodwill	2,108,450
Total	Ps 5,499,087

As a result of the transactions, goodwill was recorded in the amount of Ps2,108,450 at June 9, 2014, which was assigned to the operating segment of Europe (see Note 30). The factors contributing to the recognition of goodwill include economies of scale through combined opportunities, obtaining better operating margins on packaging material and the exchange of better practices. Goodwill associated to this business combination is not deductible for income tax purposes.

No contingent liabilities have arisen from this acquisition that should be recorded. Neither are there any contingent consideration agreements.

The consolidated statements of income include revenues from Campofrío in the amount of Ps17,571,889 for the period from June 9 to December 31, 2014. Campofrío contributed to the net profit for an amount of Ps222,852, in the same period. If the acquisition had occurred on January 1, 2014, the contribution of Campofrío to consolidated income for the year ended December 31, 2014 would have amounted to Ps33,971,734 and the net profit to Ps225,651. Information on combined revenues and net profit for the period does not include any savings in costs or other effects from the integration of Campofrío in SIGMA. Consequently, these amounts do not necessarily indicate the results if the acquisition had occurred on January 1, 2014, or those that might result in the future.

After taking control of Campofrío, SIGMA acquired additional indirect equity, as mentioned below:

Indirect equity of SIGMA at June 9, 2014:	45.00%
Acquisitions after June 9 to December 31, 2014:	12.52%
Indirect equity of SIGMA at December 31, 2014:	57.52%

The acquisitions item at December 31, 2014 corresponds mainly to the purchase of shares of Campofrío after the Public Offering of the non-controlling equity. Since control over Campofrío is obtained as a result of the agreement with WH, these transactions have been accounted for as acquisitions of non-controlling equity. The difference between the accounting value of the non-controlling equity acquired and the price paid was recorded in retained earnings. Additionally, expenses were incurred derived from transition costs related to the acquisition in the amount of Ps83,669.

The shares of Campofrío were listed in the Spanish stock market up to September 19, 2014, date at which these were unlisted.

b. Strategic alliance between Sigma Alimentos, S. A. de C. V. and Kinesis Food Service, S. A. de C. V.

On July 31, 2015, the strategic alliance framework agreement was signed between Sigma Alimentos, S. A. de C. V. and Kinesis Food Service, S.A. de C.V. ("Kinesis"), a company that through its subsidiaries (collectively identified as "PACSA"), is leader in the distribution of meat and dairy products by means of a food service channel in certain regions of the Mexican Republic, mainly in the Southeast of Mexico. This transaction complements Sigma's expansion strategy in Mexico through the food service channel. According to the agreement, Sigma acquires total control over PACSA's operations, subscribing substantially all of PACSA's shares with the right to vote. In accordance with the International Financial Reporting Standard 3, "Business Combinations" ("IFRS 3"), this alliance represents a business combination; therefore, it has been recorded using the acquisition method established in IFRS 3. This alliance is included in Mexico's segment, see Note 30.

Sigma's contribution to this alliance amounted to Ps494,223 (US$30,481) which was paid in cash. At the agreement signature date, the Company had determined goodwill of Ps213,212 (difference between the amount of Sigma's contribution and PACSA's net assets). To date, Sigma is in the process of determining the distribution of the acquisition price at fair values of the assets acquired in terms of IFRS 3. This analysis will be concluded within a period not to exceed twelve months as of the acquisition date.

At December 31, 2015, provisional purchase price allocation to fair values of acquired assets and assumed liabilities is as follows:

Current assets (1)	Ps 204,673
Property, plant, and equipment	110,978
Intangible assets (2)	172,630
Current liabilities (3)	(120,153)
Employees' benefits	(7,618)
Non-current debt	(9,759)
Deferred income tax	(69,740)
Goodwill	213,212
Consideration paid	Ps 494,223

(1) Current assets consist of cash Ps12,744, accounts receivable Ps77,398, inventories of Ps107,224 and sundry debtors and other current items Ps7,307.

(2) Intangible assets consist of brands Ps7,238, non-competition agreements Ps65,083 and customer relations Ps99,454 and others Ps855.

(3) Current liabilities consist of trade and accounts payable Ps81,623, taxes payable Ps2,985, short-term debt Ps33,948 and personnel benefits Ps1,597.

Goodwill is comprised mainly of the market share obtained through expanded capacities of Sigma's asset basis. The goodwill recorded is not deductible for tax purposes.

No contingent liability has arisen from this alliance that requires recognition. Neither are there contingent payment agreements.

Costs related to the alliance amounted to Ps2,846 and were recorded in the income statement in the other expenses, net, caption.

Revenues contributed by PACSA's assets included in the consolidated statement of income since the agreement signing date through December 31, 2015 amounted to Ps355,535 and net profit to Ps27,223. If the acquisition had taken place on January 1, 2015, the revenues would have increased by Ps533,976 and net profit by Ps11,349, approximately.

c. Acquisition of Elaborados Cárnicos, S. A. (ECARNI)

On August 31, 2015, the Company through its subsidiary Sigma acquired the total of the representative shares of the capital stock of Elaborados Cárnicos, S. A., a company dedicated to the breeding of cattle, swine, sheep, as well as the industrialization and marketing of derivatives of the aforementioned livestock, in Ecuador. This transaction complements Sigma's expansion strategy in Latin America. The business acquisition is included in the segment of other countries, see Note 30.

The total consideration paid amounted to Ps853,674 (US$50,910) in cash, including a restricted cash as escrow in favor of SIGMA Ps 77,429, see Note 7. Sigma at the acquisition date, determined goodwill for Ps349,398. At December 31, 2015 the Company is in the process of concluding the final purchase price allocation to fair values of acquired assets. This analysis will be concluded within a period not to exceed twelve months as of the acquisition date.

At December 31, 2015, provisional purchase price allocation to fair values of acquired assets and assumed liabilities is as follows:

Current assets (1)	Ps 246,503
Property, plant, and equipment	258,791
Intangible assets (2)	194,546
Current liabilities (3)	(66,594)
Employees' benefits	(50,685)
Debt	(23,105)
Deferred income taxes	(55,180)
Goodwill	349,398
Consideration paid	Ps 853,674

(1) Current assets consist of cash Ps19,559, accounts receivable Ps94,721, inventories Ps98,193, notes receivable Ps26,651 and other current items Ps7,379.
(2) Intangible assets consist of brands Ps51,496, non-competition agreements Ps74,980 and customer relations Ps68,070.
(3) Current liabilities consist of trade and accounts payables Ps52,728, taxes payable Ps10,934 and short-term debt Ps2,932.

Goodwill is mainly comprised of market participation obtained through expanded capacities of the Company's asset basis. The recorded goodwill is not deductible for tax purposes.

No contingent liabilities have arisen from this acquisition that require recognition. Neither are there contingent consideration agreements.

Costs related to the acquisition amounted to Ps6,038 and were recorded in the income statement under the other expenses, net, caption.

Revenues contributed by ECARNI's assets included in the consolidated statement of income from the acquisition date through December 31, 2015 amounted to Ps220,320 and net income to Ps12,427. If the acquisition had taken place on January 1, 2015, the revenues would have increased by Ps380,474 and net income by Ps29,095 approximately.

2014

d. Acquisition of Fábrica Jurís, CIA, LTDA (JURIS)

On November 21, 2014, SIGMA acquired Fábrica Jurís, LTDA (Jurís), a company dedicated to the production and marketing of meat products: sausages, salami, chorizo, blood sausage, mortadella, patés, high-quality pork cracklings, ham, cold meats, pork snacks, etc. in Ecuador. This transition allows SIGMA to enter the Ecuadorian market with a leading brand. The business acquisition is included in the segment of other countries, see Note 30.

The total consideration paid by Jurís amounted to Ps712,432 (US$52,340) in cash and at December 31, 2014 including restricted cash as escrow in favor of SIGMA Ps 154,539 (Ps137,644 at December 31, 2015), see Note 7. At the date of the acquisition, the company had determined goodwill of Ps347,544.

At December 31, 2015, the Company concluded the purchase price allocation of the fair values of acquired assets.

The final purchase price allocation carried out in accordance with fair value was as follows.

Current assets (1)	Ps 138,761
Property, plant and equipment	238,207
Intangible assets (2)	171,777
Current liabilities (3)	(88,935)
Employees' benefits	(25,589)
Debt	(31,465)
Deferred income tax	(37,868)
Goodwill	347,544
Consideration paid	Ps 712,432

(1) Current assets consist of accounts receivables Ps69,857, inventories Ps64,173 and advance payments and other Ps4,731.

(2) Intangible assets consist of brands Ps49,246, non-competition agreements Ps61,423 and customer relations Ps61,108.

(3) Current liabilities consist of trade and accounts payables Ps55,303, taxes payable Ps7,605 and short-term debt Ps26,027.

(*) Certain prior-year balances, related to the distribution of acquisition prices, were modified in 2015 to recognize final fair values of assumed assets and liabilities. At December 31, 2015, Sigma reclassified certain items of the statements of financial position that had been previously shown as part of goodwill. The reclassified amounts were adjusted by increasing the current asset value by Ps3,600; increasing the value of non-current assets by Ps208,153; decreasing the balance of current liabilities by Ps16,040 increasing the balance of non-current liabilities by Ps51,174 and decreasing the goodwill value by Ps181,320. The Company decided for comparative purposes not to make these reclassifications retrospectively, considering that the aforementioned adjustments do not significantly modify the value of total assets, short and long-term liabilities and stockholders' equity at December 31, 2014. The reclassification above had no significant impact on the figures of the consolidated financial statements, of stockholders' equity and of cash flows.

Goodwill consists mainly of market positions obtained through the expanded capabilities of the assets base of the Company. The recorded goodwill is not deductible for tax purposes.

No contingent liabilities have arisen from this acquisition that should be recorded. Neither are there any contingent consideration agreements.

The costs related to the acquisition amounts to Ps 2,363 and were recorded in the statement of income under the item of other expenses.

Revenues contributed by the assets of Fabrica Jurís, LTDA included in the consolidated statement of income since the acquisition date up to December 31, 2014 amounted to Ps63,999, and a net profit of Ps3,204. If the acquisition had occurred on January 1, 2014 the revenues would have increased by Ps461,104 and the net profit would have increased by approximately Ps40,419.

e. Acquisition of Savi San José de Alajuela, S. A. (SAVI) and Inversiones Arhuaco J & K, S. A.

On April 4, 2014, SIGMA acquired the total representative shares of the capital stock of Savi San José de Alajuela, S. A. and Inversiones Arhuaco J & K, S. A. both companies whose main activity is the manufacture and distribution of all kinds of processed meat and pork, beef and other food products. Located in Costa Rica. The business acquisition is included in the segment other countries, see Note 30.

The total consideration paid by SAVI amounted to Ps240,216 (US$18,292) in cash. At the date of the acquisition, the Company had determined goodwill of Ps177,789.

At December 31, 2015, the Company concluded the purchase price allocation of the fair values of acquired assets.

The final purchase price allocation carried out in accordance with fair value was as follows.

Current assets [1]	Ps 33,667
Property, plant and equipment	36,031
Intangibles assets (trademark)	11,781
Current liabilities [2]	(15,815)
Deferred income tax	(3,237)
Goodwill	177,789
Consideration paid	Ps 240,216

[1] Current assets consist of cash and cash equivalents of Ps 8,840, accounts receivables of Ps15,342, inventories of Ps8,610 and prepayments and other current assets of Ps $875.

[2] Current liabilities consist of trade and accounts payables amounting to Ps 8,941 and taxes payable of Ps6,874

Goodwill consists mainly of market positions obtained through the expanded capabilities of the assets base of the Company. The recorded goodwill is not deductible for tax purposes.

No contingent liabilities have arisen from this acquisition that should be recorded. Neither are there any contingent consideration agreements.

The costs related to the acquisition amounts to Ps 877 and were recorded in the statement of income under the item of other expenses.

Revenues contributed by the assets of Savi San José de Alajuela, S. A. and Inversiones Arhuaco J & K, S. A. included in the consolidated statement of income since the acquisition date up to December 31, 2014 amounted to Ps161,086, and a net profit of Ps5,597. If the acquisition had occurred on January 1, 2014 the revenues would have increased by Ps214,781 and the net profit would have increased by approximately Ps7,462.

2013

f. Acquisition of Comercial Norteamericana, S. de R.L. de C.V. (ComNor)

On May 31, 2013, SIGMA acquired the total representative shares of the capital stock of ComNor, company dedicated to process and commercialize several types of meat. The company processes and commercializes beef, poultry and pork meat. This acquisition will allow SIGMA to extend the product portfolio and to reinforce its market position in the Food service segment. ComNor is based in Monterrey, where it operates a plant certified by the United States Department of Agriculture (USDA). It also has another plant in Hermosillo, as well as eight distribution centers in Mexico City, Cancún, Hermosillo, Monterrey, Guadalajara, Los Cabos, Puerto Vallarta and León.

The total consideration paid amounts to Ps1,555,613 (US$120,326). This amount was paid in cash. The business acquisition is included in the segment of Mexico, see Note 30.

At December 31, 2014, the Company concluded the purchase price allocation of the fair values of acquired assets.

The final purchase price allocation carried out in accordance with fair value was as follows.

Current assets (1)	Ps 590,125
Property, plant and equipment	266,882
Intangible assets (3) (*)	397,478
Current liability (2)	(88,133)
Employees' benefits	(26,729)
Deferred income tax (*)	(59,680)
Goodwill (*)	475,670
Consideration paid	Ps 1,555,613

(1) Current assets consist of cash and cash equivalents of Ps10,360, accounts receivable of Ps171,646, inventories of Ps400,043, recoverable taxes of Ps5,875 and prepayments and other current assets of Ps2,201.
(2)Current liabilities consist of trade and accounts payables amounting to Ps66,702, taxes payable of Ps1,431 and debts of Ps20,000.
(3) Intangible assets consist of trademak of Ps198,546, market development of Ps140,259 and Non-Compete agreements of Ps58,673.
(*)Certain balances from the previous year, related to the distribution of the purchase price, were amended in 2014 to recognize the end of the assets acquired and liabilities assumed fair values. At December 31, 2014 the Company reclassified certain items in the statement of financial position that were previously presented as additional goodwill. The amounts reclassified were adjusted to increase the brand value in $ 89,900 (indefinite life); increasing the value of intangible assets with finite useful lives $ 198,932;

increasing the deferred tax liability to $ 59,680 long term and reducing the value of goodwill at $ 229,152. The Company decided for comparison not perform these reclassifications retrospectively considering the above adjustments do not alter materially the value of the total assets, liabilities short and long term and shareholders' equity at December 31, 2013. The reclassification had no significant impact on the figures in the consolidated financial statements of income, stockholders' equity and cash flows.

Goodwill consists mainly of market positions obtained through the expanded capabilities of the assets base of the Company. The recorded goodwill is not deductible for tax purposes.

No contingent liabilities have arisen from this acquisition that should be recorded. Neither are there any contingent consideration agreements.

The costs related to the acquisition amounts to Ps3,705 and were recorded in the statement of income under the item of other expenses.

Revenues contributed by the assets of ComNor included in the consolidated statement of income since the acquisition date up to December 31, 2013 amounted to Ps1,037,480 and a net profit of Ps67,825. If the acquisition had occurred on January 1, 2013, the revenues would have increased by Ps741,057 and the net profit would have increased by approximately Ps 48,446.

g. Acquisition of Corporación Monteverde, C. R. Sociedad Anónima (Monteverde)

On April 2, 2013, SIGMA acquired all the representative shares of the capital stock of Monteverde, a company engaged in the preparation of cheese, yoghurt and meat processing in Costa Rica. The total consideration paid amounts to Ps112,187 (US$8,993). This amount was paid in cash. The business acquisition is included in the segment of other countries, see Note 30.

During 2014 the Company completed the purchase price allocation to the fair values of the acquired assets without identifying adjustments to the values determined as of December 31 2013, the date on which it was in the process of concluding this distribution.

The final purchase price allocation carried out in accordance with fair value was as follows.

Current assets (1)	Ps 101,582
Property, plant and equipment	111,302
Intangible assets (trademark)	6,061
Current liability (2)	(196,512)
Goodwill	89,754
Consideration paid	Ps 112,187

(1) Current assets consist of cash and cash equivalents of Ps3,658, accounts receivables of Ps30,173, inventories of Ps61,049, recoverable taxes of Ps3,964, prepayments of Ps1,928 and other current assets of Ps810.
(2) Current liabilities consist of trade and accounts payables amounting to Ps70,179, taxes payable of Ps1,455 and debts of Ps124,878.

Goodwill consists mainly of market positions obtained through the expanded capabilities of the assets base of the Company. The recorded goodwill is deductible for tax purposes.

No contingent liabilities have arisen from this acquisition that should be recorded. Neither are there any contingent consideration agreements.

The costs related to the acquisition amounts to Ps2,216 and were recorded in the statement of income under the item of other expenses.

Revenues contributed by the assets of Monteverde included in the consolidated statement of income since the acquisition date up to December 31, 2013 amounted to Ps209,637 and a net loss of Ps53,974.
If the acquisition had occurred on January 1, 2013, the revenues would have increased by Ps69,879 and the net profit would have decreased by approximately Ps17,991.

Note 3 - Summary of significant accounting policies:

The accompanying consolidated financial statements and notes were authorized for issuance on February 9, 2016, by officials with the legal power to sign the basic financial statements and accompanying notes.

The following are the most significant accounting policies followed by SIGMA, which have been consistently applied in the preparation of their financial information in the years presented, unless otherwise specified:

a. Basis for preparation

The consolidated financial statements of SIGMA have been prepared in accordance with the IFRS issued by the International Accounting Standards Board ("IASB"). IFRS include all International Accounting Standards ("IAS") in force and all related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), including those previously issued by the Standing Interpretations Committee ("SIC").

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets available for sale.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. Additionally, it requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where judgments and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

b. Consolidation

i. Subsidiaries

The subsidiaries are all the entities over which the Company has control. The Company controls an entity when it is exposed, or has the right to variable returns from its interest in the entity and it is capable of affecting the returns through its power over the entity. When the Company's participation in subsidiaries is less than 100%, the share attributed to outside stockholders is reflected recorded as non-controlling interest. Subsidiaries are consolidated in full from the date on which control is transferred to the Company and up to the date it loses such control.

The method of accounting used by the Company for business combinations is the acquisition method.

The Company defines a business combination as a transaction through which it obtains control over the business, by which it has the power to conduct and manage the relevant activities of all assets and liabilities of the business with the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable acquired assets and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree based on the share of the non-controlling interest in the net identifiable assets of the acquired entity.

The acquisition-related costs are recognized as expenses in the statement of income when incurred.

Goodwill is initially measured as the excess of the sum of the consideration paid and the fair value of the non-controlling interest in the acquired subsidiary over the net identifiable assets and liabilities assured. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statement of income.

If the business combination is achieved in stages, the value in books at the acquisition date of the equity previously held by the Company in the acquired entity is remeasured at its fair value at the acquisition date. Any loss or gain resulting from such remeasurement is recorded in profit of the year.

The Company accounts for business combinations using the predecessor method in a jointly controlled entity. The predecessor method involves the incorporation of the carrying amounts of the acquired entity, which includes the goodwill recognized at the consolidated level with respect to the acquire. Any difference between the carrying value of the net assets acquired at the level of the subsidiary and its carrying amount at the level of the Company are recognized in stockholders' equity.

Transactions and intercompany balances and unrealized gains on transactions between SIGMA companies are eliminated in preparing the consolidated financial statements. In order to ensure consistency with the policies adopted by the Company, the accounting policies of subsidiaries have been changed where it was deemed necessary.

At December 31, 2015 and 2014 the principal subsidiary companies of SIGMA were:

	Country (i)	Percentage of ownership	Functional currency
Alimentos Finos de Occidente, S. A. de C. V. (a)		100	Mexican Peso
Bar-S Foods Co. (a and c)	U. S. A.	100	U. S. Dollar
Bonanza Industrial, S. A. de C. V. (d)		100	Mexican Peso
Braedt, S. A. (a y c)	Peru	100	Peruvian Sol
Campofrío Food Group, S. A. (iii) (iv) (a and c)	Spain	95.49	Euro
Carnes Selectas Tangamanga, S. A. de C. V. (a)		100	Mexican Peso
Comercial Hacienda de Cerdos, S. A. (d)	Dominican Republic	100	Dominican Peso
Comercializadora de Embutidos ICO, S. A. de C. V. (a and c)		100	Mexican Peso
Comercial Norteamericana, S. de R. L. de C. V. (d)		100	Mexican Peso
Corporación Monteverde, C. R. S. A. (a and c)	Costa Rica	100	Colon
Empacadora de Carnes Frías Hidalmex, S. A. de C. V. (a and c)		100	Mexican Peso
Empacadora de Embutidos del Centro, S. A. de C. V. (a and c)		100	Mexican Peso
Empacadora de Carnes Premium, S. de R. L. de C. V. (a and c)		100	Mexican Peso
Empacadora Supremo de Monterrey, S. A. de C. V. (a and c)		100	Mexican Peso
Employee Services Unlimited S. de R. L. de C. V. (b)		100	Méxican Peso
Elaborados Cárnicos, S. A. (ii) (a and c)	Ecuador	100	U. S. Dollar
Fabrica Juris CIA, LTDA (iii) (a and c)	Ecuador	100	U. S. Dollar
Freedman Logistic, S. de R. L. de C. V. (b)		100	Mexican Peso
Grupo Chen, S. de R. L. de C. V. and subsidiary (b)		100	Mexican Peso
Industrias Alimentarias del Sureste, S. A. de C. V. (a and c)		100	Mexican Peso
Mexican Cheese Producers, Inc. (a)	U. S. A.	100	U. S. Dollar
Kinesis Food Service, S. A. de C. V. (ii) (d)	Mexico	100	Mexican Peso
Productos Cárnicos, S. A. de C. V. (a)	El Salvador	100	U. S. Dollar
Productos de Importación, S. A. de C. V. (c)	Honduras	100	Lempira
Productores Monteverde S.A. (a)	Costa Rica	100	Colon
Savi San José de Alajuela, S. A. (e)			
Inversiones Arhuaco J & K S. A. (iii) (a and c)	Costa Rica	100	Colon
Servilac, S. A. de C. V. (b)		100	Mexican Peso
Sigma Alimentos Centro, S. A. de C. V. (a)		100	Mexican Peso
Sigma Alimentos Costa Rica, S. A. (a)	Costa Rica	100	Colon
Sigma Alimentos Comercial, S. A. de C. V. (c)		100	Mexican Peso
Sigma Alimentos Congelados, S. A. de C. V. (a)		100	Mexican Peso
Sigma Alimentos Corporativo, S. A. de C. V. (b)		100	Mexican Peso
Sigma Alimentos Dominicana, S. A. (a and c)	Dominican Republic	100	Dominican Peso
Sigma Alimentos Lácteos, S. A. de C. V. (a)		100	Mexican Peso
Sigma Alimentos Noreste, S. A. de C. V. (a)		100	Mexican Peso
Sigma Alimentos Nicaragua, S. A. (c)	Nicaragua	100	Córdoba
Sigma Alimentos Guatemala, S. A. (a)	Guatemala	100	Quetzal
Sigma Alimentos International, Inc. (d)	U. S. A.	100	U. S. Dollar
Sigma Alimentos Prom, S. A. de C. V. (b)		100	Mexican Peso
Sigma Foods, LLC. (c)	U. S. A.	100	U. S. Dollar
Sigma Processed Meats, LLC. (a)	U. S. A.	100	U. S. Dollar

(i) Companies incorporated in Mexico, except as mentioned.
(ii) Subsidiaries acquired during 2015.
(iii) Subsidiaries acquired during 2014.
(iv) In 2015 the Company acquired 37% additional shares, see Note 2a.

a. Refrigerated food production.
b. Administrative and human resource services.
c. Commercialization and distribution of refrigerated food.
d. Process and commercialize several types of meat.

At December 31, 2015 and 2014, there are no significant restrictions for investment in shares of subsidiary companies mentioned above.

ii. Absorption (dilution) of control in subsidiaries

The effect of absorption (dilution) of control in subsidiaries, that is, an increase or decrease in the percentage of control, is recorded in stockholders' equity, directly in retained earnings, in the period in which the transactions that cause such effects occur. The effect of absorption (dilution) of control is determined by comparing the book value of the investment before the event of dilution or absorption against the book value after the relevant event. In the case of loss of control the dilution effect is recognized in income.

iii. Sale or disposal of subsidiaries

When the Company ceases to have control any retained interest in the entity is re-measured at fair value, and the change in the carrying amount is recognized in the income statement. The fair value is the initial carrying value for the purposes of accounting for any subsequent retained interest in the associate, joint venture or financial asset. Any amount previously recognized in comprehensive income in respect of that entity is accounted for as if the Company had directly disposed of the related assets and liabilities. This implies that the amounts recognized in the comprehensive income are reclassified to income for the year.

iv. Associates

Associates are all entities over which the Company has significant influence but not control. Generally an investor must hold between 20% and 50% of the voting rights in an investee for it to be an associate. Investments in associates are accounted for using the equity method and are initially recognized at cost. The Company's investment in associates includes goodwill identified at acquisition, net of any accumulated impairment loss.

If the equity in an associate is reduced but significant influence is maintained, only a portion of the amounts recognized in the comprehensive income are reclassified to income for the year, where appropriate.

The Company's share of profits or losses of associates, post-acquisition, is recognized in the income statement and its share in the other comprehensive income of associates is recognized as other comprehensive income. The cumulative movements after acquisition are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its equity in the associate, including unsecured receivables, the Company does not recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

The Company assesses at each reporting date whether there is objective evidence that the investment in the associate is impaired. If so, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes it in “share of profit/loss of associates recognized by the equity method” in the income statement.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company´s equity in such gains. Unrealized losses are also eliminated unless the transaction provides evidence that the asset transferred is impaired. In order to ensure consistency with the policies adopted by the Company, the accounting policies of associates have been modified. When the Company ceases to have significant influence over an associate, any difference between the fair value of the remaining investment, including any consideration received from the partial disposal of the investment and the book value of the investment is recognized in the income statement.

v. Joint arrangements

Joint arrangements are those where there is joint control since the decisions over relevant activities require the unanimous consent of each one of the parties sharing control.

Investments in joint arrangements are classified in accordance with the contractual rights and obligations of each investor such as: joint operations or joint ventures. When the Company holds the right over assets and obligations for related assets under a joint arrangement, this is classified as a joint operation. When the company holds rights over net assets of the joint arrangement, this is classified as a joint venture. The Company has assessed the nature of its joint arrangements and classified them as joint ventures. Joint ventures are accounted for by using the equity method applied to an investment in associates.

c. Foreign currency translation

i. Functional and presentation currency

The amounts included in the financial statements of each of the Company's subsidiaries and associates should be measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Mexican pesos, which is the Company’s presentation currency.

As of July 1, 2015, the Company concluded that the most adequate functional currency of Sigma Alimentos S. A. de C. V. is the US dollar (“US$”) based on the economic environment wherein the entity generates and uses cash. This is due primarily to the fact that revenues from dividends and revenues from brand use, starting the aforementioned date are collected in US$. The previous functional currency was the Mexican peso and in accordance with the International Accounting Standard 21- “Effects of changes in foreign exchange rates” (“IAS 21”), the changes are made prospectively. At the date of the change in the functional currency, all assets, liabilities, capital and income statement items were translated into US$ at the exchange rate at that date.

ii. Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the foreign exchange rates prevailing at the transaction date or valuation date when the amounts are re-measured. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing exchange rates are recognized as foreign exchange gain or loss in the income statement.

Changes in the fair value of securities or monetary financial assets denominated in foreign currency classified as available for sale are divided between fluctuations resulting from changes in the amortized cost of such securities and other changes in value. Subsequently, currency fluctuations are recognized in income and changes in the carrying amount arising from any other circumstances are recognized as part of comprehensive income.

Translation differences on non-monetary assets, such as investments classified as available for sale, are included in other comprehensive income.

iii. Consolidation of foreign subsidiaries with a currency different from the presentation currency.

Incorporation of subsidiaries whose functional currency is different from their recording currency.

The financial statements of foreign subsidiaries, having a recording currency different from their functional currency were translated into the functional currency in accordance with the following procedure:

a. The balances of monetary assets and liabilities denominated in the recording currency were translated at the closing exchange rates.

b. To the historical balances of monetary assets and liabilities and shareholders' equity translated into the functional currency the movements that occurred during the period were added, which were translated at historical exchange rates. In the case of the movements of non-monetary items recognized at fair value, which occurred during the period, stated in the recording currency, these were translated using the historical exchange rates in effect on the date when the fair value was determined.

c. The revenue, costs and expenses of the periods, expressed in the recording currency, were translated at the historical exchange rate of the date they were accrued and recognized in the income statement, except when they arose from non-monetary items, in which case the historical exchange rate of the non-monetary items was used.

d. The differences in exchange arising in the translation from the recording currency to the functional currency were recognized as income or expense in the income statement in the period they arose.

Incorporation of subsidiaries whose functional currency is different from their presentation currency.

The results and financial position of all the SIGMA entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the balance sheet date.

b) The stockholders' equity of each balance sheet presented is translated at historical rates.

c) Income and expenses for each income statement are translated at average exchange rate (when the average exchange rate is not a reasonable approximation of the cumulative effect of the rates of the transaction, to the exchange rate at the date of the transaction is used); and.

d) All the resulting exchange differences are recognized in comprehensive income.

The goodwill and adjustments to fair value arising at the date of acquisition of a foreign operation so as to measure them at fair value, are recognized as assets and liabilities of the foreign entity and translated at the exchange rate at the closing date. Exchange differences arising are recognized in equity.
Listed below are the principal exchange rates in the various translation processes:

		Local currency to Mexican pesos					
		Closing exchange rate at the end of December 31,			Average exchange rate at the end of December 31,		
Country	Local currency	2015	2014	2013	2015	2014	2013
United States	U.S. Dollar	Ps 17.206	Ps 14.718	Ps 13.076	Ps15.848	Ps 14.453	Ps 13.000
Peru	Peruvian sol	5.039	4.939	4.677	4.967	4.827	4.678
Spain	Euro	18.703	17.810	18.019	17.518	17.486	17.916
Ecuador	U. S. Dollar	17.206	14.718	13.076	15.848	14.453	13.000
Germany	Euro	18.703	17.810	18.019	17.518	17.486	17.916
Belgium	Euro	18.703	17.810	18.019	17.518	17.486	17.916
Netherlands	Euro	18.703	17.810	18.019	17.518	17.486	17.916
Italy	Euro	18.703	17.810	18.019	17.518	17.486	17.916
France	Euro	18.703	17.810	18.019	17.518	17.486	17.916
Costa Rica	Colon	0.032	0.027	0.026	0.029	0.026	0.026
El Salvador	U.S. dollar	17.206	14.718	13.076	15.848	14.453	13.000
Dominican Rep.	Dominican peso	0.378	0.331	0.306	0.352	0.322	0.306
Guatemala	Quetzal	2.254	1.936	1.667	2.070	1.868	1.662
Nicaragua	Cordoba	0.616	0.553	0.517	0.582	0.536	0.517
Honduras	Lempira	0.777	0.684	0.643	0.725	0.663	0.642

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits available for operations and other short-term investments of high liquidity with original maturities of three months or less, all of which are subject to insignificant risk of changes in value. Bank overdrafts are presented as other current liabilities.

e. Restricted cash

Cash whose restrictions cause them not to comply with the definition of cash and cash equivalents given above, are presented in a separate line in the statement of financial position and are excluded from cash and cash equivalents in the statement cash flows.

f. Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, investments held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition. Purchases and sales of financial assets are recognized on the settlement date.

Financial assets are written off in full when the right to receive the related cash flows expires or is transferred and the Company has also transferred substantially all risks and rewards of ownership, as well as control of the financial asset.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. At December 31, 2015 and 2014 the Company had no derivative financial instruments held for trading purposes or for hedging purposes.

Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Gains or losses from changes in fair value of these assets are presented in the income statement as incurred.

ii. Loans and receivables

The receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Loans and receivables are measured initially at fair value plus directly attributable transaction costs and subsequently at amortized cost, using the effective interest method. When circumstances occur that indicate that the amounts receivable will not be collected at the amounts originally agreed or will be collected in a different period, the receivables are impaired.

Financial liabilities

Financial liabilities that are not derivatives are initially recognized at fair value and are subsequently valued at amortized cost using the effective interest method. Liabilities in this category are classified as current liabilities if expected to be settled within the next 12 months, otherwise they are classified as non-current.

Trade payables are obligations to pay for goods or services that have been acquired or received from suppliers in the ordinary course of business. Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently carried at amortized cost; any difference between the funds received (net of transaction costs) and the settlement value is recognized in the income statement over the term of the loan using the effective interest method.

Offsetting financial assets and liabilities

Assets and liabilities are offset and the net amount is presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Impairment of financial instruments

a) Financial assets carried at amortized cost

The Company assesses at the end of each year whether there is objective evidence of impairment of each financial asset or group of financial assets. An impairment loss is recognized if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and provided that the loss event (or events) has an impact on the estimated future cash flows arising from the financial asset or group of financial assets that can be reliably estimated.

Aspects evaluated by the Company to determine whether there is objective evidence of impairment are:

- Significant financial difficulty of the issuer or debtor.
- Breach of contract, such as late payments of interest or principal
- Granting a concession to the issuer or debtor, by the Company, as a result of financial difficulties of the issuer or debtor and that would not otherwise be considered.
- There is a likelihood that the issuer or debtor will enter bankruptcy or other financial reorganization.
- Disappearance of an active market for that financial asset due to financial difficulties.
- Verifiable information indicates that there is a measurable decrease in the estimated future cash flows related to a group of financial assets after initial recognition, although the decrease cannot yet be identified with the individual financial assets of the Company, including:

  (i) Adverse changes in the payment status of borrowers in the group of assets
  (ii) National or local conditions that correlate with breaches of noncompliance by the issuers of the asset group.

Based on the items listed above, the Company assesses whether there is objective evidence of impairment. Subsequently, for the category of loans and receivables, when impairment exists, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the original effective interest rate. The carrying amount of the asset is reduced by that amount, which is recognized in the income statement.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. Alternatively, the Company could determine the impairment of the asset given its fair value determined on the basis of a current observable market price.

If in the subsequent years, the impairment loss decreases and the decrease can be related objectively to an event occurring after the date on which such impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the loss impairment is recognized in the income statement.

b) Financial assets available for sale

In the case of debt financial instruments, the Company also uses the above-listed criteria to identify whether there is objective evidence of impairment. In the case of equity financial instruments, a significant reduction of approximately to 30% of the cost of the investment against its fair value or a reduction of the fair value against the cost for a period longer than 12 months is considered objective evidence of impairment.

At December 31, 2015 and 2014 the Company only had financial assets and liabilities.

g. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average cost method. The cost of finished goods and work in progress includes costs of product design, raw materials, direct labor, other direct costs and production overheads (based on normal operating capacity). It excludes borrowing costs. The net realizable value is the estimated selling price in the normal course of business, less the applicable variable selling expenses. Costs of inventories include any gain or loss transferred from equity corresponding to raw material purchases that qualify as cash flow hedges.

h. Prepaid expenses

Prepaid expenses represent those expenditures made by the Company which have not been transferred the benefits and risks inherent in the assets to be acquired or the services to be received. Prepaid expenses are recorded at cost and are presented in the Consolidated Statement of Financial Position as current assets or non-current, depending on the category of the target item. Upon receipt of the goods and / or services relating to prepayments, these should be recognized as an asset or as an expense in the income statement for the period, respectively. At 31 December 2015 and 2014, the balance of prepaid expenses is represented mainly by advertising and prepaid insurance.

i. Property, plant and equipment

Items of property, plant and equipment are recorded at cost less the accumulated depreciation and any accrued impairment losses. The costs include expenses directly attributable to the asset acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flows to the Company and the cost of the item can be reliably measured. The carrying amount of the replaced part is derecognized. Repairs and maintenance are recognized in the income statement during the year they are incurred. Major improvements are depreciated over the remaining useful life of the related asset.

Depreciation is calculated using the straight-line method, considering separately each of the asset's components, except for land, which is not subject to depreciation. The average useful lives of assets families are as follows:

Building and constructions	30 years
Machinery and equipment	5 to 30 years
Transportation equipment	7 to 10 years
Furniture and laboratory and IT equipment	4 years
Tooling	7 to 10 years
Leasehold improvements	20 years

The spare parts to be used after one year and attributable to specific machinery are classified as property, plant and equipment in other fixed assets.

Borrowing costs related to financing of property, plant and equipment whose acquisition or construction requires a substantial period (nine months), are capitalized as part of the cost of acquiring such qualifying assets, up to the moment when they are suitable for their intended use or sale.

Assets classified as property, plant and equipment are subject to impairment tests when events or circumstances occur indicating that the carrying amount of the assets may not be recoverable. An impairment loss is recognized in the income statement in other expenses, net, for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

The residual value and useful lives of assets are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

In case that the carrying value is greater than the estimated recoverable amount, a decrease in the carrying amount of the asset is recognized immediately to its recoverable amount.

Gains and losses on disposal of assets are determined by comparing the value of the sale with the carrying amount and are recognized in other expense or income in the income statement.

j. Leases

The classification of leases as finance or operating depends on the substance of the transaction rather than the form of the contract.

Leases in which a significant portion of the risks and rewards relating to the leased property are retained by the lessor are classified as operating leases. Payments made under operating leases (net of incentives received by the lessor) are recognized in the income statement based on the straight-line method over the lease period.

Leases where the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the beginning of the lease, at the lower of the fair value of the leased property and the present value of the minimum lease payments. If its determination is practical, in order to discount the minimum lease payments to present value, the interest rate implicit in the lease is used; otherwise, the incremental borrowing rate of the lessee should be used. Any initial direct costs of the leases are added to the original amount recognized as an asset.

Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the outstanding balance. The corresponding rental obligations are included in non-current debt, net of finance charges. The interest element of the finance cost is charged to the income for the year during the period of the lease, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

k. Intangible assets

Intangible assets are recognized in the balance sheet when they meet the following conditions: they are identifiable, provide future economic benefits and the Company has control over such benefits.

Intangible assets are classified as follows:

i) Indefinite useful life - These intangible assets are not amortized and are subject to annual impairment assessment. To date, no factors have been identified limiting the life of these intangible assets.

ii) Finite useful life. - These assets are recognized at cost less accumulated amortization and impairment losses. They are amortized on a straight line basis over their estimated useful life, determined based on the expectation of generating future economic benefits, and are subject to impairment tests when triggering events of impairment are identified.

The estimated useful lives of the intangible assets with finite useful lives are as follows:

Development costs	10 to 22 years
Customer relationships	14 years
Software, licenses and trademarks	15 to 22 years
Other (Market development, non-compete agreements and intellectual property rights.)	7 years

(a) Goodwill

Goodwill represents the excess of the acquisition cost of a subsidiary over the Company's equity in the fair value of the identifiable net assets acquired, determined at the date of acquisition, and is not subject to amortization. Goodwill is shown under goodwill and intangible assets and is recognized at cost less accumulated impairment losses, which are not reversed. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Research costs

Research costs are recognized in income as incurred. Expenditures on development activities are recognized as intangible assets when such costs can be reliably measured, the product or process is technically and commercially feasible, potential future economic benefits are obtained and the Company intends also has sufficient resources to complete the development and to use or sell the asset. Their amortization is recognized in income by the straight-line method over the estimated useful life of the asset. Development expenditures that do not qualify for capitalization are recognized in income as incurred.

(c) Intangible assets acquired in a business combination

When an intangible asset is acquired in a business combination it is recognized at fair value at the acquisition date. Subsequently, such assets are as follows: trademarks, customer relations, intellectual property rights, no-competition agreements, among others, are carried at cost less accumulated depreciation and accumulated impairment losses.

(d) Trademarks and licenses

Trademarks and licenses acquired in a separate transaction are recorded at acquisition cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Licenses that have a defined useful life are presented at cost less accumulated amortization. Amortization is recorded based on the straight-line method over its estimated useful life of 15 to 22 years.

Trademarks that have demonstrated their ability to survive changes in the economic environment over the last 30-40 are not amortized but are subject to annual impairment tests.

Software license acquisitions are capitalized based on costs incurred from acquiring and using the specific software. Costs are amortized based on their useful life of 15 to 22 years.

Software development

Costs associated with the maintenance of software are recorded as expenses as incurred.

Development costs directly related with the design and tests of unique and identifiable software products controlled by the Company are recorded as intangible assets when they fulfill the following criteria:

- Technically, it is possible to complete the intangible asset so that it may be available for its use or sale;
- The intangible asset is completed for use or sale;
- The ability to use or sell the intangible asset;
- The way in which the intangible asset is to generate probable future economic benefits;
- The availability of the adequate technical, financial or other type of resources, to complete the development and to use or sell the intangible asset; and
- The ability to reliably calculate the disbursement attributable to the intangible asset during its development.

The amount initially recognized for an intangible asset generated internally, will be the sum of disbursements incurred from the moment the element fulfills the conditions for recording, as established above. When no intangible asset internally generated may be recognized, the disbursements for development are charged to income in the period they are incurred.

Software development costs recorded as assets, are amortized based on their useful life, which does not exceed twenty two years.

l. Impairment of goodwill and long-lived non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not depreciable or amortizable and are subject to annual impairment tests. Assets that are subject to amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels at which separately identifiable cash flows exist (cash generating units). Non-financial long-term assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

m. Income taxes

The item of income taxes in the income statement represents the sum of the current and deferred income taxes.

The deferred income taxes are determined in each subsidiary by the asset and liability method, applying the rate established by legislation enacted or substantially enacted at the balance sheet date wherever SIGMA and its subsidiaries operate and generate taxable income. The applicable rates are applied to the total of the temporary differences resulting from comparing the accounting and tax bases of assets and liabilities in accordance with the years in which the deferred asset tax is realized or the deferred liability tax is expected to be settled, considering, when applicable, any tax loss carry forwards expected to be that are considered to be recoverable. The effect of a change in tax rates is recognized in the income of the period in which the rate change is enacted.

Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable law is subject to interpretation. Provisions are recognized when appropriate based on the amounts expected to be paid to the tax authorities.

Deferred tax assets are recognized only when it is probable that future taxable profits will exist against which the deductions for temporary differences can be taken.

The deferred income tax on temporary differences arising from investments in subsidiaries and associates is recognized, unless the period of reversal of temporary differences is controlled by SIGMA and it is probable that the temporary differences will not reverse in the near future.

Deferred tax assets and liabilities are offset when a legal right exists and when the taxes are levied by the same tax authority.

The statutory income tax rates applicable to foreign subsidiaries were as follows:

	2015	2014	2013
Costa Rica	30.0%	30.0%	30.0%
Germany	30.0%	30.0%	15.0%
Belgium	34.0%	34.0%	34.0%
Dominican Republic	27.0%	28.0%	29.0%
El Salvador	30.0%	30.0%	30.0%
Honduras	25.0%	25.0%	25.0%
Guatemala	25.0%	28.0%	31.0%
Nicaragua	30.0%	30.0%	30.0%
Peru	28.0%	30.0%	30.0%
United States of America	35.0%	35.0%	35.0%
Spain	28.0%	30.0%	30.0%
Netherlands	25.0%	25.0%	25.0%
Italy	27.5%	27.5%	27.5%
France	33.3%	33.3%	33.3%
Portugal	21.0%	23.0%	25.0%
Ecuador	22.0%	22.0%	22.0%

n. Employee Benefits

i. Pension plans

Defined contribution plans:

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their service in the current and past periods. The contributions are recognized as employee benefit expense on the date that is required the contribution.

Defined benefit plans:

A defined benefit plan is a plan which specifies the amount of the pension an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rates in conformity with the IAS 19 that are denominated in the currency in which the benefits will be paid, and have maturities that approximate the terms of the pension liability.

Actuarial gains and losses from adjustments and changes in actuarial assumptions are recognized directly in stockholders' equity in other items of the comprehensive income in the year they occur.

The Company determines the net finance expense (income) by applying the discount rate to the liabilities (assets) from net defined benefits.

Past-service costs are recognized immediately in the income statement.

ii. Post-employment medical, benefits

The Company provides medical benefits to retired employees after termination of employment. The right to access these benefits usually depends on the employee´s having worked until retirement age and completing a minimum of years of service. The expected costs of these benefits are accrued over the period of employment using the same criteria as those described for defined benefit pension plans.

iii. Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date or when an employee accepts voluntary termination of employment in exchange for these benefits. The Company recognizes termination benefits in the first of the following dates: (a) when the Company can no longer withdraw the offer of these benefits, and (b) when the Company recognizes the costs from restructuring within the scope of the IAS 37 and it involves the payment of termination benefits. If there is an offer that promotes the termination of the employment relationship voluntarily by employees, termination benefits are valued based on the number of employees expected to accept the offer. Any benefits to be paid more than 12 months after the balance sheet date are discounted to their present value.

iv. Short term benefits

The Company provides benefits to employees in the short term, which may include wages, salaries, annual compensation and bonuses payable within 12 months. SIGMA recognizes an undiscounted provision when it is contractually obligated or when past practice has created an obligation.

v. Employee participation in profits and bonuses

The Company recognizes a liability and an expense for bonuses and employee participation in profits when it has a legal or assumed obligation to pay these benefits and determines the amount to be recognized based on the profit for the year after certain adjustments.

o. Provisions

Liability provisions represent a present legal obligation or a constructive obligation as a result of past events where an outflow of resources to meet the obligation is likely and where the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the value of money over time and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions for legal claims are recognized when the Company has a present obligation (legal or assumed) as a result of past events, it is likely that an outflow of economic resources will be required to settle the obligation and the amount can be reasonably estimated.

A restructuring provision is recorded when the Company has developed a formal detailed plan for the restructure, and a valid expectation for the restructure has been created between the people affected, possibly for having started the plan implementation or for having announced its main characteristics to them.

p. Stock based compensation

The Company's compensation plans are based on the market value of shares of ALFA in favor of certain senior executives of SIGMA. The conditions for granting such compensation to the eligible executives include among other things, compliance with certain metrics such as the level of profit achieved, remaining in the Company for up to 5 years, etc. The Board of Directors has appointed a technical committee to manage the plan, and it reviews the estimated cash settlement of this compensation at the end of the year. The payment plan is always subject to the discretion of the senior management of ALFA. Adjustments to this estimate are charged or credited to the income statement.

The fair value of the amount payable to employees in respect of share-based payments which are settled in cash is recognized as an expense, with a corresponding increase in liabilities, over the period of service required. The liability is included under other liabilities and is adjusted at each reporting date and the settlement date. Any change in the fair value of the liability is recognized as compensation expense in the income statement.

q. Capital stock

SIGMA common shares are classified as capital stock within stockholders' equity. Incremental costs directly attributable to the issue of new shares are included in equity as a deduction from the consideration received, net of tax. The capital stock includes the effect of inflation recognized up to December 31, 1997.

r. Comprehensive income

Comprehensive income is composed of net income plus other capital reserves, net of taxes, which are integrated by the effects of translation of foreign subsidiaries, actuarial gains or losses and other items specifically required to be reflected in stockholders' equity and which do not constitute capital contributions, reductions or distributions.

s. Segment reporting

Segment information is presented consistently with the internal reporting provided to the chief executive who is the highest authority in operational decision-making, resource allocation and assessment of operating segment performance.

t. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the normal course of operations. Revenue is shown net of estimated customer returns, rebates and similar discounts and after eliminating intercompany sales.

The Company grants discounts and incentives to customers, which are recognized as a deduction from income or as selling expenses depending on their nature. These programs include customer discounts for sales of products based on: i) sales volume (usually recognized as a reduction of revenue) and ii) promotions in retail products (usually recognized as selling expenses).

Revenue from the sale of goods and products are recognized when all and each of the following conditions are met:

- The risks and rewards of ownership have been transferred
- The amount of revenue can be reliably measured
- It is likely that future economic benefits will flow to the Company
- The company retains no involvement associated with ownership nor effective control of the sold goods
- The costs incurred or to be incurred in respect of the transaction can be measured reasonably.

Dividend income from investments is recognized once the rights of shareholders to receive this payment have been established (when it is probable that the economic benefits will flow to the entity and the revenue can be reliably valued).

Interest income is recognized when it is likely that the economic benefits will flow to the entity and the amount of revenue can be reliably valued by applying the effective interest rate.

u. Earnings per share

Earnings per share are calculated by dividing the profit attributable to the shareholders of the parent by the weighted average number of common shares outstanding during the year. There are no dilutive effects from financial instruments potentially convertible into shares.

v. Changes in accounting policy and disclosures

The following accounting policies were adopted by the Company beginning January 1, 2015 and did not have a material impact on the Company.

- Annual improvements to the IFRS - cycle 2010-2012 and cycle 2011-2013

- Defined benefit plans: Contributions - Changes to IAS 19

The adoption of these changes had no impact in the current period or any previous periods and it is not likely to affect future periods.

w. New accounting pronouncements effectives as of January 1, 2016

A new number of standards, amendments and interpretations to the accounting policies have been published, which are not effective for reporting periods at December 31, 2015, and have not been adopted in advance by the Company. The Company's assessment of the effects of these new standards and interpretations are detailed below.

IFRS 9 - "Financial instruments ", addresses the classification, measurement and recognition of financial assets and liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made additional changes to the classification and measurement rules and also introduced a new impairment model. These last changes now comprise the entire new financial instruments standard. Following the approved changes, the Company no longer expects any impact from the new rules of classification, measurement and decrease of its financial assets or liabilities. There will be no impact on the Company's accounting from financial liabilities, since the new requirements only affect financial liabilities at fair value through income and the Company has no such liabilities. The new hedge rules pair up the Company's hedge accounting and risk management. As a general rule, the hedge accounting will be much easier to apply since the standard introduces an approach based on principles. The new standard introduces extensive disclosure requirements and changes in presentation, which will continue to be assessed by the Company. The new impairment model is a model of expected credit losses; therefore, it would result in advance recognition of credit losses. The Company continues assessing how its hedge agreements and impairment provisions are affected by the new rules. The standard is effective for the periods beginning on or after January 1, 2018. Early adoption is allowed.

IFRS 15 - "Revenue from contracts with customers", is a new standard issued by the IASB for revenue recognition. This standard replaces IAS 18 "Revenues", IAS 11 "Construction contracts", as well as the interpretations to the aforementioned standards. The new standard is based on the fact that revenue should be recorded when the control over the good or different service is transferred to the customer, so that this control notion replaces the existing notion of risks and benefits.

The standard allows for a complete retrospective approach and a modified retrospective approach for its adoption. The Company is assessing which of the two approaches it can use and to date, it considers that the modified retrospective approach might be used for adoption. Under this approach the entities will recognize adjustments from the effect of initial application (January 1, 2018) in retained earnings in the financial statements at December 2018 without restating comparative periods, by applying the new rules to contracts effective as of January 1, 2018 or those that even when held in prior years continue to be effective at the date of initial application.

For disclosure purposes in the financial statements at 2018, the amounts of affected items must be disclosed, considering the application of the current revenue standard, as well as an explanation of the reason for the significant changes made.

The standard is effective for periods starting in or after January 1, 2018; however, its advance application is allowed.

IFRS 16 - "Leases". The IASB issued in January 2016 a new standard for lease accounting. This standard will replace current standard IAS 17, which classifies leases into financial and operating. IAS 17 identifies leases as financial in nature when the risks and benefits of an asset are transferred, and identifies the rest as operating leases. IFRS 16 eliminates the classification between financial and operating leases and requires the recognition of a liability showing future payments and assets for "right of use" in most leases. The IASB has included some exceptions in short-term leases and in low-value assets. The aforementioned amendments are applicable to the lease accounting of the lessee, while the lessor maintains similar conditions to those currently available. The most significant effect of the new requirements is shown in an increase in leasing assets and liabilities, also affecting the statement of income in depreciation expenses and financing of recorded assets and liabilities, respectively, and decreasing expenses relative to leases previously recognized as operating leases. At the date of issuance of these financial statements, the Company has not quantified the impact of the new requirements. The standard is effective for periods starting on or after January 1, 2019, allowing for the advance adoption if the IFRS 15 is also adopted.

There are no additional standards, amendments or interpretations issued but not effective that could have a significant effect on the Company.

Note 4 - Financial risks management:

4.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, interest rate risk on cash flows, and interest rate risk on fair values), credit risk and liquidity risk and inputs and products risk. The overall risk management program of the Company focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company constantly analyzes the impact of financial risk in order to determine the representative changes that can gradually be passed on the sales prices of their products and thereby achieve to hedge the risks from exchange rates and interest rates mainly.

The objective is to protect the financial health of the business considering the volatility associated to exchange rates and interest rates.

The parent company of SIGMA has a Risk Management Committee (RMC), constituted by the Committee's Chairman, the Chief Executive Officer, the Chief Financial Officer of the parent company and a top Risk Management officer of the parent company acting as technical secretary. The RMC supervises derivative transactions proposed by the subsidiaries of ALFA, among which is SIGMA, in which a worst case scenario analysis surpasses US$1 million.

This committee supports both the Chairman and the President of the parent company. All new derivative transactions which the Company proposes to enter into, as well as the renewal or cancellation of derivative arrangements, are required to be approved both by the subsidiary company, as well as by ALFA according to the following schedule of authorizations:

	Maximum Possible Loss US$ million	
	Individual Transaction	Annual Cumulative Transactions
Chief Executive Officer of SIGMA	1	5
ALFA Risk Management Committee	30	100
Finance Committee of ALFA's Board of Directors	100	300
ALFA Board of Directors	>100	>300

The proposed transactions must meet certain criteria, including that the hedges are lower than exposures, and that they are the result of a fundamental analysis and properly documented. Sensitivity analyses and other risk analyses should be performed before the operation is carried out.

(a) Market risk

(i) Exchange risk

The Company operates internationally and is exposed to foreign exchange risk, primarily related to the Mexican peso and the currencies other than the functional currency in which its subsidiaries operate. The Company is exposed to foreign exchange risk arising from future commercial transactions in assets and liabilities in foreign currencies and investments abroad.

The respective exchange rates of the Mexican pesos, the U.S. dollar and the euro, are very important factors for SIGMA by the effect they have on their performance. Moreover, in its determination, SIGMA has no interference. On the other hand, SIGMA estimated that 57%, 48% and 30% of its revenues are denominated in foreign currency, different to Mexican peso, either because they come from products that are exported from Mexico, or because of products that are manufactured and sold abroad.

For this reason, in the past, in times when the Mexican Peso has appreciated in real terms against other currencies such as the dollar, SIGMA profit margins have been increased. On the other hand, when the Mexican Peso has lost value, SIGMA profit margins have been reduced. However, although this factor correlation has appeared on several occasions in the close past, there is no assurance that it will happen again if the exchange rate between the Mexican Peso and other currencies fluctuate again.

The Company depends on imported inputs and has a debt in US dollars; therefore, its costs are exposed to exchange variation risks. A depreciation of the Mexican peso would negatively affect production costs, the service cost of debt and/or sales prices.

The cost of imported goods, denominated in US dollars and the euros, represent 50.6%, 50.0% and 52.0% of the production cost in Mexico. In this sense, a depreciation of the Mexican peso would increase the productions cost, affecting operation results of the Company. On the one hand, if the increase in production cost is absorbed, the operating margin would be reduced; on the other hand, if increase in the production cost is transferred to the consumer, sales would suffer a negative effect.

The Company has certain investments in foreign operations, the net assets of which are exposed to foreign currency exchange risk. The exposure of the currency arising from net assets from the Company's foreign transactions is mainly managed through loans denominated in the corresponding foreign currency.

At December 31, 2015, 2014 and 2013, if the exchange rate is seen increased / decreased by 5%, monetary position in foreign currency and non-monetary assets related to investments in foreign currencies would be modified at Ps2,301,876, Ps1,957,091 and Ps711,104, respectively.

Based on the exposure of the exchange rate in general at December 31, 2015, a hypothetical variation of 5% in the exchange rate MXN/USD and maintaining all other variables constant, it would result in an impact on the statement of income amounting Ps1,326,317.

(ii) Price risk

The Company acquires inputs for its manufacturing process; therefore, its costs are exposed to variations in the prices of such inputs and services. Considerable increases in their prices would negatively affect operating margin and/or sales. On the one hand, if the increase is absorbed by the production cost, the operating margin would be reduced; on the other hand, if this increase is transferred to the final price, sales would suffer a negative impact.

Prices of the most important inputs for the Company, such as chicken, turkey, pork, dairy and fuel, are subject to international prices. The meat prices depend on the price of cereals, since these are used as food for the animals. When the price of cereals increases, the price of meat increases; therefore, the Company's inputs do too.

At December 31, 2015, 2014 and 2013, the Company had no input price hedging for their manufacturing process. Based on the exposure of inputs in general at December 31, 2015, 2014 and 2013, a hypothetical increase (decrease) of 10% in prices of inputs and all other variable constant, such as exchange rates, the increase (decrease) would affect the statements of income in the amount of Ps5,236,153, Ps4,166,067 and Ps2,735,016, respectively.

(iii) Interest rate and cash flow risk

The interest rate risk for the Company arises from long-term loans. Loans at variable rates expose the Company to interest rate risk on cash flows that are partially offset by cash held at variable rates. Loans at fixed rates expose the Company to interest rate risk at fair value.

At December 31, 2015, 2014 and 2013, if interest rates on variable rate loans were increased or decreased by 10%, in interest expense would change results in Ps3,144, Ps5,066 and Ps4,931, respectively.

(b) Credit risk

Credit risk is managed on a group basis, except for the credit risk related to accounts receivable balances. Each subsidiary is responsible for managing and analyzing credit risk for each of its new customers before setting the terms and conditions of payment. Credit risk is generated from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposure to customers, including receivables and committed transactions. If wholesale customers are rated independent, these are the ratings used. If there is no independent rating, the Company´s risk control group evaluates the creditworthiness of the customer, taking into account their financial position, past experience and other factors.

Individual risk limits are determined based on internal and external ratings in accordance with limits set by the Board. The use of credit risk is monitored regularly. Sales to retail customers are in cash or by credit card.

During 2015 and 2014, credit limits were not exceeded and management does not expect losses in excess of the impairment recognized in the corresponding periods.

The impairment provision for doubtful accounts represents estimated losses resulting from the inability of customers to make required payments. In determining the allowance for doubtful accounts, significant estimates have to be made. The Company performs ongoing credit evaluations of its customers and adjusts credit limits based upon payment history and the customer's current creditworthiness, as determined by a review of their current credit information. In addition, the Company considers a number of factors to determine the size and appropriate timing for the recognition of allowances, including historical collection experience, customer base, current economic trends and the ageing of the accounts receivable portfolio.

(c) Liquidity risk

The projected cash flows are performed at each operating entity of the Company and subsequently, the finance department consolidates this information. The finance department of the Company continuously monitors the cash flow projections and liquidity requirements of the Company ensuring maintaining sufficient cash and investment with immediate implementation to meet operational needs, as well as to maintain some flexibility through open credit lines committed and uncommitted unused. The Company regularly monitors and makes decisions considering not violating the limits or covenants set forth in debt contracts. The projections consider financing plans of the Company, compliance with covenants, compliance with minimum liquidity ratios and internal legal or regulatory requirements.

The Company's treasury invests those funds in time deposits and marketable securities whose maturities or liquidity allow flexibility to meet the cash needs of the Company. At December 31, 2015 and 2014, the Company had time deposits of Ps4,840,531 and Ps3,925,682, respectively, which are considered sufficient to adequately manage liquidity risk.

The table analyzes the financial liabilities of the Company, grouped according to their maturity, as of the reporting date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are required to understand the timing of cash flows of the Company. The amounts disclosed in the table are contractual undiscounted cash flows.

The details of financial liabilities maturities at December 31, 2015, 2014 and 2013, are as follows [1]:

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
At December 31, 2015				
Trade and other payables	Ps 20,225,792	Ps -	Ps -	Ps -
Bank loans	2,107,437	15,941,292	-	-
Senior Notes	-	7,718,191	4,261,881	9,351,750
Stock certificates	-	1,668,295	-	-
Financial lease	19,575	40,159	17,974	55,176
Accrued interest payable from bank Loans, Senior Notes and stock certificates	1,421,230	2,646,142	962,622	473,432
Other current and non-current liabilities (2)	109,860	145,895	34,515	148,850

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
At December 31, 2014				
Trade and other payables	Ps 18,055,838	Ps -	Ps -	Ps -
Bank loans	858,548	900,187	9,225,701	-
Senior Notes	218,260	8,962,440	10,181,484	-
Stock certificates	63,701	-	1,654,534	-
Financial lease	-	39,461	89,722	-
Accrued interest payable from bank Loans, Senior Notes and stock certificates	1,577,636	2,360,050	928,373	-
Other current and non-current liabilities (2)	44,661	78,431	56,522	118,444
At December 31, 2013				
Trade and other payables	Ps 5,048,482	Ps -	Ps -	Ps -
Bank loans	2,027,538	788,035	3,942,162	-
Senior Notes	79,752	-	5,824,297	3,192,719
Stock certificates	1,703,509	-	1,628,250	-
Accrued interest payable from bank Loans, Senior Notes and stock certificates	737,317	1,468,864	1,380,903	194,901
Other current and non-current liabilities (2)	87,048	64,338	22,636	76,636

(1) The amounts included are undiscounted contractual cash flows; therefore, they differ from the amounts included in the consolidated financial statement and in Note 16.

(2) The amounts included employees' benefits, share-based payments, accounts payable of related party and notes payable, see Note 19.

SIGMA expects to meet its obligations with cash flows generated by operations. Additionally SIGMA has access to credit lines with various banks to meet possible requirements.

4.2 Equity risk management

The Company's objectives when managing equity are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure so as to reduce the cost of equity.

To maintain or adjust the equity structure, the Company may adjust the amount of dividends paid to shareholders, return equity to shareholders, issue new shares or sell assets to reduce debt.

SIGMA monitors capital based on the degree of leverage. This percentage is calculated by dividing the total liabilities by total capital.

The financial ratio of total liabilities/total equity (expressed in times multiple) was 4.79 and 3.48 as of December 31, 2015 and 2014, respectively.

4.3 Fair value estimation

The following is an analysis of financial instruments measured by the fair value valuation method. The 3 different levels used are presented below:

- Level 1: Quoted prices for identical instruments in active markets.

- Level 2: Other valuations including quoted prices for similar instruments in active markets that are directly or indirectly observable.

- Level 3: Valuations made through techniques in which one or more of its significant data are not observable.

At December 31, 2015 and 2014 SIGMA has no assets or liabilities measured at fair value.

There are no transfers between Levels 1 and 2, or between Levels 2 and 3 in the reported periods.

Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is considered active if quoted prices are clearly and regularly available from a stock exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regular market transactions at arm-length conditions. The trading price used for financial assets held by SIGMA is the current bid price.

Level 2

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data when available and relies as little as possible on estimates specific to the Company. If all significant inputs required to measure the fair value of an instrument are observable, the instrument is classified at Level 2.

Level 3

If one or more of the significant inputs are not based on observable market data, the instrument is categorized in Level 3.

Specific valuation techniques used to value financial instruments include:

- Market quotations or offers from retailers for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves.
- The fair value of forward exchange contracts determined using the exchange rates on the balance sheet date, with the resulting value discounted to present value.
- Other techniques, such as the analysis of discounted cash flows, which is used to determine fair value for the remaining financial instruments.

Note 5 - Critical accounting estimates and judgments:

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the established accounting policy (see Note 12). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Income taxes

The Company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. At December 31, 2015 if income before taxes increases/decreases by 5%, income tax will be increased/decreased by Ps118,442.

(c) Pension benefits

The present value of the pension obligations depends on the number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest according to IAS 19 "Employees' benefits" that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions.

(d) Long-lived assets

The Company estimates the useful lives of long-lived assets in order to determine the depreciation and amortization expenses to be recorded during the reporting period. The useful life of an asset is calculated when the asset is acquired and is based on past experience with similar assets, considering anticipated technological changes or any other type of changes. Were technological changes to occur faster than estimated, or differently than anticipated, the useful lives assigned to these assets could have to be reduced. This would lead to the recognition of a greater depreciation and amortization expense in future periods. Alternatively, these types of technological changes could result in the recognition of a charge for impairment to reflect the reduction in the value of the assets. The Company reviews assets on an annual basis for signs of impairment, or when certain events or circumstances indicate that the value in books may not be recovered during the remaining useful life of the assets.

To evaluate the impairment, the Company uses cash flows, which consider the administrative estimates for future transactions, including estimates for revenues, costs, operating expenses, capital expenses and debt service. In according with IFRS, if an assessment is required, future discounted cash flows associated to an asset, would be compared to the value in books of the asset to determine if an assets is impaired. In this case, the asset is reduced to its fair value. Based on the analysis of Company's cash flow, there was no impairment at December 31, 2015 and 2014.

5.2 Critical judgments in the application of accounting policies of the Company.

(a) Revenue recognition

The Company has recognized revenues of Ps93,567,683 from the sale of goods to third parties during 2015. The clients have the right to return the products if not satisfied. The Company believes that, based on previous experience in similar sales, the dissatisfaction rate and maturity shall not exceed 1%. Consequently, the Company has recognized revenues from this transactions with the corresponding provision against revenues from the estimate of returns. If the estimate changes by 10%, the revenues will be decreased/increased by Ps93,567.

(b) Recognition of deferred tax assets

SIGMA alone has tax losses to be applied derived mainly from exchange losses of the debt in US dollars originated during 2015 and 2014, which can be used in the following years and their maturity begins in 2024.

Based on the projections of tax revenues and gains to be obtained by SIGMA alone in the following years through a structured and solid business plan, including new services to be rendered to the Company's entities, increase in the collection of royalties, among others, to be executed as of 2016, management has considered using current tax losses before they expire. Therefore, it has been deemed adequate to record a deferred tax asset for those losses.

Note 6 - Cash and cash equivalents:

Cash and cash equivalents shown in the statement of the financial position, are comprised as follows:

	At December 31,	
	2015	2014
Cash at bank and on hand	Ps 3,607,563	Ps 986,330
Short term bank deposits	4,840,531	3,925,682
Total cash and cash equivalents	Ps 8,448,094	Ps 4,912,012

Nota 7 - Restricted cash

At December 31, the value of restricted cash are composed as follows:

	2015	2014
Current	Ps 137,644	Ps 110,385
Non-current	77,429	44,154
Restricted cash and cash equivalents	Ps 215,073	Ps 154,539

Restricted cash constitutes an escrow deposit in favor of SIGMA held with the former shareholders of JURIS and Ecarni (see Note 2c and 2d). Restricted cash will be released once the purchase price allocation is concluded and once the titles certifying the recording of the acquisition before the intellectual property institute of Ecuador have been issued. During 2015, the requirements to cease being filed as restricted cash have not been fulfilled. At December 31, 2015 the restricted cash related to the operation of Juris and of Ecarni amounts to $137,644 and $77,429, respectively.

Note 8 - Trade and other receivable , net:

	2015	2014
Trade	Ps 6,275,039	Ps 4,410,154
Accounts receivable from brokerage	-	346,086
Provision for impairment of trade receivables	(419,214)	(389,865)
Trade, net	5,855,825	4,366,375
Accounts receivables from related parties (Note 29)	21,953	49,222
Value-added tax recoverable	1,573,920	1,356,252
Interest receivable	1,341	681
Other debtors:		
Short-term notes receivable	131,146	144,126
Sundry debtors	291,199	836,670
	Ps 7,875,384	Ps 6,753,326

Trade and other receivables include due balances unimpaired of Ps903,935 and Ps704,548 at December 31, 2015 and 2014, respectively.

The aging analysis of balances due from trade and other receivables not impaired is as follows:

	At December 31,	
	2015	2014
1 to 30 days	Ps 717,472	Ps 478,902
30 to 90 days	107,662	135,240
90 to 180 days	22,010	63,803
More than 180 days	56,791	26,603
	Ps 903,935	Ps 704,548

At December 31, 2015 and 2014, trade and other accounts receivables of Ps6,301,464 and Ps5,397,074, respectively have an impairment provision (represented by customers and sundry debtors). The amount of the impairment provision at December 31, 2015 and 2014 amounts to Ps419,214 and Ps389,865, respectively. Trade and other accounts receivable impaired correspond mainly to companies going through difficult economic situations. Part of the impaired accounts are expected to be recovered

Movements in the provision for impairment of customers and other receivables are analyzed as follows:

	2015	2014
Opening balance (January 1)	Ps 389,865	Ps 79,822
Provision for impairment of trade receivables	75,982	85,522
Increase from acquisitions (Note 2)	2,079	276,987
Trade receivables written-off during the year	(48,712)	(52,466)
Ending balance (December 31)	Ps 419,214	Ps 389,865

Increases in the provision for impairment of customers and other receivables are recorded in the statement of income under sales expenses.

Note 9 - Inventories:

	At December 31,	
	2015	2014
Finished goods	Ps 3,383,127	Ps 2,618,851
Raw material and other consumables	4,574,516	3,720,166
Work in progress	4,061,326	4,110,371
	Ps 12,018,969	Ps 10,449,388

The cost of inventories recognized as an expense and included in “cost of sales” amounted to Ps52,631,532 and Ps41,660,676 for 2015 and 2014, respectively.

In the years ended on December 31, 2015 and 2014, damaged, slow-moving and obsolete inventory was charged to cost of sales in the amount of Ps24,542 and Ps112,056, respectively.

At December 31, 2015 and 2014, there were no inventories provided in guarantee.

Note 10 - Financial instruments:

a. Financial instruments by category

At December 31, accounts receivable and liabilities at amortized cost are analyzed as follows:

	2015	2014
Financial assets:		
Cash and cash equivalents	Ps 8,448,094	Ps 4,912,012
Restricted cash	215,073	154,539
Trade and other receivable	6,301,464	5,397,074
Prepaid expenses	327,808	435,329
Other non-current asset	1,031,171	940,365
	Ps 16,323,610	Ps 11,839,319
Financial liabilities		
Debt (Note 16)	Ps 41,298,592	Ps 32,194,037
Trade and other payables	20,225,792	18,055,838
Other non-current liability	442,689	298,058
	Ps 61,967,073	Ps 50,547,933

b. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	At December 31,	
	2015	2014
Counterparties with external credit rating		
"A"	Ps 1,241,132	Ps 539,633
"BBB+"	81,490	165,594
Other categories	164,339	132,935
	Ps 1,486,961	Ps 838,162
Counterparties without external credit rating		
"Clients type Y"	Ps 4,814,503	Ps 4,558,912
Total accounts receivable not impaired	Ps 6,301,464	Ps 5,397,074

	At December 31,	
	2015	2014
Cash and cash equivalents, Except for petty cash		
"A"	Ps 1,738,778	Ps 224,956
"A+"	1,627,281	515,492
“BBB”	3,408,168	2,756,856
"BB"	438,992	233,624
"BB+"	518,786	576,437
Other categories	30,681	18,824
Not rated	685,408	585,823
	Ps 8,448,094	Ps 4,912,012

Group Y - clients/current related parties (less than 12 months) with no past lack of compliance.

Other categories - Mainly Banco Mercantil del Norte, S. A. Institución de Banca Múltiple Grupo Financiero Banorte and local Banks of foreign entities.

Not Rated - relate mainly to bank balances of subsidiaries that are within the segment "other countries" which have no external rating and which have not presented non-compliance in the past for disposal of cash.

c. Fair value of financial assets and liabilities

The amounts of cash and cash equivalents, restricted cash, trade and other receivables, other current assets, suppliers and other payables, outstanding debt, provisions and other current liabilities approximate their fair value due to their short maturity. The carrying value of these accounts represents the expected cash flow.

The carrying value and estimated fair value of financial assets and financial liabilities carried at amortized cost are as follows (in millions of Mexican pesos):

	At December 31, 2015		At December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Related parties	Ps 260	Ps 265	Ps 265	Ps 278
Financial liabilities:				
Non-current debt	38,885	39,964	31,053	31,075

At December 31, 2015 and 2014, the weighted average discount rate to determine the fair value of financial assets amounted to 2.5% and 4.86%, respectively.

The estimated fair values were determined based on discounted cash flows. These fair values do not consider the current portion of financial assets and liabilities due the current portion approximates their fair value. This is a level 3 fair value measurement.

Note 11 - Property, plant and equipment, net:

	Land	Buildings and constructions	Machinery and equipment	Transportation equipment	Furniture, Lab equipment and information technology	Tooling and spare parts	Construc-tion in process	Leasehold improvements	Other fixed assets	Total
For the year ended December 31, 2014										
Opening net book value	Ps 1,218,286	Ps 2,740,676	Ps 4,462,767	Ps 1,120,371	Ps 216,038	Ps 54,667	Ps 658,420	Ps 234,079	Ps 302	Ps 10,705,606
Exchange differences	30,470	163,604	194,896	7,824	9,799	692	9,250	219	31	416,785
Additions	193,595	383,533	995,021	100,216	100,040	7,345	739,959	17,579	-	2,537,288
Additions from business combinations (Note 2)	1,524,440	5,334,249	6,694,421	29,536	97,639	-	826,763	-	-	14,507,048
Disposals	(130,399)	(184,897)	(1,489,416)	(28,734)	19,977	(2,817)	(487,360)	(60,611)	-	(2,364,257)
Transfers	(163,229)	(50,359)	851,611	53,365	48,612	-	(759,826)	19,898	(72)	-
Depreciation charges of the year	-	(297,221)	(999,867)	(247,585)	(116,628)	-	-	(20,835)	(205)	(1,682,341)
Balances at December 31, 2014	2,673,163	8,089,585	10,709,433	1,034,993	375,477	59,887	987,206	190,329	56	24,120,129
At December 31, 2014										
Cost	2,673,163	11,313,009	22,619,520	2,605,453	1,660,691	59,887	987,206	350,080	680	42,269,689
Accumulated depreciation	-	(3,223,424)	(11,910,087)	(1,570,460)	(1,285,214)	-	-	(159,751)	(624)	(18,149,560)
Net balances at December 31, 2014	Ps 2,673,163	Ps 8,089,585	Ps 10,709,433	Ps 1,034,993	Ps 375,477	Ps 59,887	Ps 987,206	Ps 190,329	Ps 56	Ps 24,120,129
For the year ended December 31, 2015										
Opening net book value	Ps 2,673,163	Ps 8,089,585	Ps 10,709,433	Ps 1,034,993	Ps 375,477	Ps 59,887	Ps 987,206	Ps 190,329	Ps 56	Ps 24,120,129
Exchange differences	117,145	396,687	559,880	18,953	25,676	1,535	60,374	378	41	1,180,669
Additions	41,828	109,061	1,393,714	471,976	79,031	5,994	1,746,087	22,536	9	3,870,236
Additions from business combinations (Note 2)	62,640	77,294	123,451	23,773	18,505	-	53,560	10,546	-	369,769
Disposals	(4,074)	(296,879)	(117,066)	(12,895)	(15,176)	(4,274)	(145,138)	(2,473)	274	(597,701)
Transfers	(35,517)	187,117	657,094	50,152	116,086	-	(971,741)	(3,291)	100	-
Depreciation charges of the year	-	(395,464)	(1,529,027)	(266,632)	(138,807)	1	-	(15,048)	(69)	(2,345,046)
Balances at December 31, 2015	2,855,185	8,167,401	11,797,479	1,320,320	460,792	63,143	1,730,348	202,977	411	26,598,056
At December 31, 2015										
Cost	2,855,185	11,972,258	25,689,317	3,140,603	1,726,827	63,143	1,730,348	377,560	1,201	47,556,442
Accumulated depreciation	-	(3,804,857)	(13,891,838)	(1,820,283)	(1,266,035)	-	-	(174,583)	(790)	(20,958,386)
Net balances at December 31, 2015	Ps 2,855,185	Ps 8,167,401	Ps 11,797,479	Ps 1,320,320	Ps 460,792	Ps 63,143	Ps1,730,348	Ps 202,977	Ps 411	Ps 26,598,056

At December 31, 2015 and 2014 there are acquisitions of property, plant and equipment that required no cash flows, since they were made on credit amounting to Ps364,715 and Ps381,619, respectively.

From depreciation expense, Ps2,345,046 and Ps1,682,341, have been charged in cost of sales Ps1,697,678 and Ps1,127,401, in selling expenses Ps488,585 and Ps419,826, and in administrative expenses Ps158,783 and Ps135,114, in 2015 and 2014, respectively.

At December 31, 2015, there aren't liabilities guaranteed with property, machinery and equipment. At December 31, 2014, there are liabilities for a total amount of Ps54,074, guaranteed with property, machinery and equipment for US$120,861 (US$8,212).

At December 31, 2015 and 2014, the Company has no capitalization of costs from loans.

At December 31, assets under finance leases comprise the following amounts in which the Company is the lessee:

	2015	2014
Cost - capitalized financial lease	$ 211,324	$ 195,637
Accumulated depreciation	(76,869)	(59,216)
Carrying value, net	$ 134,455	$ 136,421

The Company has entered into various non-cancellable lease agreements as lessee. The lease terms are between 2 and 3 years, and the ownership of the assets lies with the Company.

Note 12 - Goodwill and intangible assets:

	Finite life			indefinite life			
	Development Cost	Customer relationships	Software licenses and other	Goodwill	Trademarks	Other	Total
Cost							
At January 1, 2014	Ps 474,670	Ps 1,210,187	Ps 141,098	Ps 5,987,694	Ps 2,752,096	Ps 82,681	Ps 10,648,426
Exchange differences	332	-	20,941	100,637	64,650	-	186,560
Additions due to business Combinations (Note 2)	70	-	1,172,953	2,815,225	7,298,889	-	11,287,137
Additions	3,112	1,500	152,634	-	12,336	-	169,582
Disposals	-	-	(24,367)	-	-		(24,367)
Reclassification ComNor	-	140,259	58,673	(229,152)	89,900	-	59,680
At December 31, 2014	Ps 478,184	Ps 1,351,946	Ps 1,521,932	Ps 8,674,404	Ps 10,217,871	Ps 82,681	Ps 22,327,018
Exchange differences	67	244,884	117,800	483,250	679,009	-	1,525,010
Additions due to business Combinations (Note 2)	855	167,524	140,063	562,610	58,734	-	929,786
Additions	149	-	136,959	-	-	-	137,108
Disposals	-	-	(24,110)	-	-		(24,110)
Reclassification Juris (Note 2)	-	61,107	61,423	(181,442)	49,246	-	(9,666)
At December 31, 2015	Ps 479,255	Ps 1,825,461	Ps 1,954,067	Ps 9,538,822	Ps 11,004,860	Ps 82,681	Ps 24,885,146
Accumulated amortization							
At January 1, 2014	(Ps 349,071)	(Ps 287,440)	(Ps 25,859)	Ps -	Ps -	Ps -	(Ps 662,370)
Amortization	(1,978)	(88,083)	(138,328)	-	-	-	(228,389)
Exchange differences	(256)	(45,385)	(12,586)	-	-	-	(58,227)
At December 31, 2014	(Ps 351,305)	(Ps 420,908)	(Ps 176,773)	Ps -	Ps -	Ps -	(Ps 948,986)
Amortization	(2,250)	(145,924)	(336,347)	-	-	-	(484,521)
Exchange differences	(906)	(107,189)	(100,222)	-	-	-	(208,317)
At December 31, 2015	(Ps 354,461)	(Ps 674,021)	(Ps 613,342)	Ps -	Ps -	Ps -	(Ps 1,641,824)
Net book value							
Cost	478,184	1,351,946	1,521,932	8,674,404	10,217,871	82,681	22,327,018
Accumulated amortization and impairment	(351,305)	(420,908)	(176,773)	-	-	-	(948,986)
At December 31, 2014	Ps 126,879	Ps 931,038	Ps 1,345,159	Ps 8,674,404	Ps 10,217,871	Ps 82,681	Ps 21,378,032
Cost	479,255	1,825,461	1,954,067	9,538,822	11,004,860	82,681	24,885,146
Accumulated amortization and impairment	(354,461)	(674,021)	(613,342)	-	-	-	(1,641,824)
At December 31, 2015	Ps 124,794	Ps 1,151,440	Ps 1,340,725	Ps 9,538,822	Ps 11,004,860	Ps 82,681	Ps 23,243,322

Other intangible assets consist of: Market development, non-compete agreemenst and intellectual property rights.

From amortization expense, Ps484,521 and Ps228,389, have been charged in cost of sales Ps16,192 and Ps5,214, in selling expense Ps193,847 and Ps149,027, in administrative expenses Ps274,482 and Ps74,148, in 2015 and 2014, respectively.

Goodwill was increased in 2015 for the acquisition of PACSA, Ecarni and the settings of the final valuation of Juris acquisition in 2014 (see Note 2).

Impairment testing of goodwill

Goodwill is allocated to operating segments that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the acquire entity are assigned to those units or groups of units, as follows:

	December 31, 2015	December 31, 2014
México	Ps 1,783,553	Ps 1,492,595
USA	4,175,480	4,004,263
Europe	2,210,259	2,118,569
Other segments	1,369,530	1,058,977
	Ps 9,538,822	Ps 8,674,404

The estimated gross margin has been budgeted for based on past performance and on market development expectations. The growth rate used is consistent with the projections included in industry reports. The discount rate used is before taxes and reflects the specific risks related to the Company's operations.

The amount of recovery of the operating segments has been determined based on the calculations of the values in use. These calculations use cash flow projections based on pretax financial budgets approved by management covering a period of five years.

The key assumptions used in calculating the value in use in 2015 and 2014 are as follows:

	2015			
	México	USA	Europe	Other segments
Estimated gross margin	34.8%	30.3%	20.6%	16.9%
Growth rate	6.8%	12.9%	2.0%	7.3%
Discount rate	10.0%	7.9%	8.7%	13.6%

	2014			
	México	USA	Europe	Other segments
Estimated gross margin	35.9%	24.4%	27.3%	22.3%
Growth rate	9.9%	6.1%	2%	10.4%
Discount rate	10.1%	8.5%	7.6%	11.1%

Regarding the calculation of the value in use of the operating segments, SIGMA Management considers that a possible change in the key assumptions used, would not cause the carrying value of the operating segments to materially exceed its value in use.

Note 13 - Investments accounted for using the equity method and others:

	December 31, 2015	December 31, 2014
Long-term related parties (Note 29)	Ps 259,599	Ps 264,627
Long-term notes receivable	734,484	642,992
Investment in shares of associates (1)	808,650	755,812
Other non-current asset	37,088	32,746
Total other non-current assets	Ps 1,839,821	Ps 1,696,177

(1) Since June 2014, the Company consolidates Campofrío; therefore, it no longer uses the equity method for this investment. See Note 2(a) for more information.

Investment in associates

The change in investment in associates is as follows:

	2015	2014
Balance at January 1,	Ps 755,812	Ps 5,716,336
Equity method	(401,413)	(249,040)
Payment of commitments (i)	454,251	-
Associates from Campofrio (Note 2a)	-	943,598
Acquisitions and takeover (Note 2 a)	-	(5,655,082)
Balance at December 31,	Ps 808,650	Ps 755,812

(i) Campofrío decided to divest in its associate Jean Caby through the transfer of its equity at the price of one euro to Foxlease Food, unrelated entity owning 51% of the rest of Grupo Jean Caby's capital. The operation has led to giving up the net debit position that grupo Campofrío held before Grupo Jean Caby fully provisioned in prior years, as well as the contribution of additional resources of $454,251. Additionally, Campofrío reserves the right to receive 33% of the net benefits derived from the possible sale of fixed assets owned by Grupo Jean Caby.

The accumulated summarized financial information for associates of the group accounted for by the equity method, not considered material, is as follows.

	2015	2014
Operating losses	(Ps 604,239)	(Ps282,092)
Other items of comprehensive income	-	-
Comprehensive loss	(604,239)	(282,092)
Investment in associates at December 31	808,650	755,812

There are no contingent liabilities related to the investment of the group in the associates.

Nota 14 - Subsidiaries with significant non-controlling interest:

The non-controlling interest for the year ended December 31, 2015 and 2014 is integrated as follows:

	Non-controlling ownership percentage	Non-controlling interest income for the period		Non-controlling interest at December 31,	
		2015	2014	2015	2014
Campofrío [1]	4.51% y42.48%	(Ps 25,003)	Ps94,668	Ps 499,625	Ps3,470,657

[1] See Note 2a

The summarized consolidated financial information at December 31, 2015 and 2014 and for the year then ended, corresponding to each subsidiary with a significant non-controlling interest is shown below:

Statement of financial position	2015	2014
Current assets	Ps 14,662,981	Ps11,750,466
Non-current assets	23,700,980	22,073,774
Current liabilities	(14,264,619)	(13,421,366)
Non-current liabilities	(13,021,189)	(12,232,779)
Stockholders' equity	(11,078,153)	(8,170,095)
Statement of income		
Revenues	33,891,850	17,571,889
Net profit	2,580,835	222,852
Comprehensive income for the year	2,615,040	275,891
Cash flows		
Cash flows from operating activities	6,100,477	1,963,728
Net cash used from investments activities	(1,901,988)	2,277,436
Net cash used from financing activities	(1,496,130)	(904,284)
Net increase in cash and cash equivalents	2,702,359	3,318,217

The information above does not include the elimination of intercompany balances and transactions.

Note 15 - Trade and other payables:

	At December 31,	
	2015	2014
Trade	Ps 15,915,434	Ps 14,061,702
Taxes and withholdings payable	1,039,622	1,096,979
Annual performance liabilities	81,439	70,650
Short-term employees´ benefits	1,419,475	1,253,060
Other accounts payables and accrued expenses	1,769,822	1,573,447
	Ps 20,225,792	Ps 18,055,838

Note 16 - Debt:

	At December 31,	
	2015	2014
Current:		
Bank loans (1)	Ps 126,168	Ps 280,457
Current portion of non-current debt	2,287,009	860,051
Current debt	Ps 2,413,177	Ps 1,140,508

	At December 31,	
	2015	2014
Non-current:		
In dollars:		
Senior Notes (b)	Ps 12,065,004	Ps 10,279,361
Unsecured bank loans (a)	17,925,218	10,106,924
Secured bank loans	-	50,436
In euros:		
Senior Notes (b)	9,314,155	9,085,258
Secured bank loans	2,522	540,545
Finance leases	132,885	129,183
In Mexican pesos:		
Unsecured stock certificates (c)	1,732,640	1,718,235
In Peruvian Soles:		
Secured bank loans	-	3,638
	41,172,424	31,913,580
Less: Current portion of non-current debt	(2,287,009)	(860,051)
Non-current debt (2)	Ps 38,885,415	Ps 31,053,529

(1) At December 31, 2015 and 2014, bank loans and current notes payable caused interest at an average rate of 1.82% and 3.12%, respectively.

The fair value of bank loans and current notes payable approximate their current book value, as the impact of discounting is not significant.

(2) The carrying amounts, terms and conditions of non-current debt are as follows:

Description	Currency	Balance at December 31, 2015	Balance December 31, 2014	Maturity date DD/MM/YYYY	Interest rate	Interest effective rate
Market (b) Fixed rate	USD	Ps 7,802,448	Ps 6,651,165	14/12/2018	5.625%	5.764%
Market (b) Fixed rate	USD	4,262,556	3,628,196	16/12/2019	6.087%	6.352%
Market (b) Fixed rate	EUR	9,314,155	9,085,258	13/03/2022	3.375%	3.658%
Total Senior Notes		21,379,159	19,364,619			
Peru loans Fixed rate	SOL	-	3,638	01/03/2016	7.38%	7.38%
Ecuador loan Fixed rate	USD	-	12,370	23/10/2015	9.76%	9.76%
Ecuador loan Fixed rate	USD	-	4,013	15/04/2015	8.95%	8.95%
Ecuador loan Fixed rate	USD	-	34,053	15/04/2015	8.90%	8.90%
Total secured bank loans		-	54,074			
Syndicated loan (a) variable rate	USD	516,449	441,540	20/06/2016	1.47%	1.47%
Syndicated loan (a) variable rate	USD	516,610	441,540	20/06/2016	1.47%	1.47%
Syndicated loan (a) variable rate	USD	16,892,159	9,223,844	13/11/2018	1.47%	1.47%
Syndicated loan variable rate	EUR	-	535,583	01/10/2015	2.95%	2.95%
Syndicated loan variable rate	EUR	2,522	4,962	31/12/2016	2.00%	2.00%
Total unsecured bank loans		17,927,740	10,647,469			
SIGMA 08 (c) Fixed rate	MXN	1,047,833	1,047,549	12/07/2018	10.25%	10.25%
SIGMA 08U (c) Fixed rate	MXN	684,807	670,686	12/07/2018	5.32%	5.32%
Total unsecured stock certificates (c)		1,732,640	1,718,235			
Finance leases	EUR	132,885	129,183			
TOTAL		Ps 41,172,424	Ps 31,913,580			

At December 31, 2015, the annual maturities of non-current debt are as follows:

	2017	2018	2019	2020 onwards	Total
Bank loans	Ps 7,970,646	Ps 7,970,646	Ps -	Ps -	Ps 15,941,292
Senior Notes	-	7,698,403	4,242,017	9,222,099	21,162,519
Stock certificates	-	1,668,295	-	-	1,668,295
Finance leases	21,115	19,044	17,974	55,176	113,309
	Ps 7,991,761	Ps 17,356,388	Ps 4,259,991	Ps 9,277,275	Ps 38,885,415

At December 31, 2015 and 2014, the Company has contractual credit lines unused for a total of Ps1,720,650 (US$100,000) and Ps5,608,000 (€232,237 and US$100,000), respectively.

Relevant debt transactions:

(a) On June 15, 2015 Sigma requested a loan agreement from The Bank of Tokyo-Mitsubishi UFJ, LTD, in the amount of US$355,000 to acquire 37% of the remaining of the shares of Campofrío (see Note 2). The loan bears quarterly interest. For the first year, the rate corresponding to LIBOR plus 0.50% for the second year, LIBOR plus 0.90% and for the third year onwards LIBOR plus 1.25% with three amortizations in December 2016 (US$55,000), September 2017 (US$150,000) and June 2018 (US$150,000). The outstanding balance at December 31, 2015 is $6,108,307 (US$355,000).

On November 13, 2013, SIGMA obtained a syndicated loan with the Bank of Tokyo-Mitsubishi UFJ, Ltd. as global coordinator and administrative agent together with a group of banks (the "Syndicated Loan") for the amount of up to US$1,000,000 maturing on November 13, 2018, with four equal repayments in May 2017, November 2017, May 2018 and November 2018 (US$301,469 had been used as at December 31, 2013). Syndicated Loan interest will be payable monthly at LIBOR plus 1.250% of surtax. The proceeds of the syndicated loan are being used by the Company to complete the acquisition of Campofrío Food Group, SA ("Campofrío"). At December 31, 2015, the balance of this portion amounted to Ps 5,187,228.

On May 12, 2014 the Company requested an additional amount to Bank of Tokyo-Mitsubishi UFJ, LTD (Agent Bank), in the amount of US$ 325,000. The loan bears interest monthly based on LIBOR plus 1.25% per year, with four equal installments in May 2017, November 2017, May 2018 and November 2018, maturing on November 13, 2018. At December 31, 2015, the balance this portion amounted to Ps5,592,113.

On June 20, 2013, the Company entered into an unsecured loan with Rabobank Nederland for an amount of U.S.$30,000. The loan accrues interest monthly based on LIBOR plus 1.20% annually, maturing on June 20, 2016. As of December 31, 2015, the balance amounted to Ps 516,195.

On June 21, 2013, the Company entered into an unsecured loan with The Bank of Tokyo-Mitsubishi UFJ, Ltd. for an amount of U.S.$30,000. The loan accrues interest monthly based on LIBOR plus 1.20% annually, maturing on June 17, 2016. As of December 31, 2015, the balance amounted to Ps516,195.

(b) On March 3, 2015, Campofrío issued a bond in the amount of €500,000 in the international capital market under Rule 144A, Reg-S. The issued bond matures in 7 years with an interest rate of 3.375%. The bond was used to refinance the bond issued in 2009 by Campofrío. Interest is paid semi-annually in March and September. At December 31, 2015, the balance amounted to $9,351,750. Costs and expenses, including the premium, placement promotions and discounts of this issuance, which amounted to $129,651 at December 31, 2015 are amortized together with the loan based on the effective interest rate method.

On April 14, 2011 SIGMA completed the issuance of Senior Notes for a nominal amount of US$450 million (US$250 million in 2009) with a single maturity at December 14, 2018 (and at December 16, 2019 for the first issuance). Interests from the Senior Notes will be payable half-yearly at annual 5.625% (6.875% for the first issuance) starting October 14, 2011 onwards.

These Senior Notes were placed in private offerings pursuant to Rule 144A and Regulation S under the U.S. Securities Act of 1933; these Senior Notes are unconditionally guaranteed on an unsubordinated basis by certain subsidiaries of SIGMA joint obligation.

The Senior Notes were initially issued at a price equivalent equal to 99.163% (98.059% in 2009) of their nominal value to produce a yield to the investor of 5.73% (7.10% for 2009). At December 31, 2015 and 2014, the balance of the Senior Notes amounts to US$700 million in both years (Ps11,980,072 and Ps10,232,540 in 2015 and 2014, respectively). The net resources received from the Senior Notes amounted to US$446.2 million (US$245.1 million in 2009) net of the unamortized discount in the amount of US$3.8 million and (US$4.9 million in 2009). Additionally, the issuance of Senior Notes originated issuance costs and expenses in the amount of approximately US$3.6 million (US$3.4 million in 2009). The costs and expenses of the issue, including the discount in the placement of the Senior Notes, are presented net of debt and amortized along with the loan based on the method of effective interest rate.

The Senior Notes can be paid in advance at the Company's option, total or partially at any time, at a price of amortization equal to the greatest of any of the following: (i) 100% of the principal amount; or (ii) the sum of the net present value of each payment of principal and interest payable (excluding interest accrued at the amortization date) discounted at the amortization date half-yearly at a rate equal to the sum of the rate of the US treasury plus 0.40%, (0.50% in 2009) plus the accrued interest unpaid at the amortization date. In case of a change in the control structure of the Company together with a reduction in the international credit rating under the investment degree, the holders of the Senior Notes will have the right to demand from the Company the repurchase of obligations at a price equal to 101% of the principal amount plus unpaid interest accrued.

The proceeds from the issuance of Senior Notes were fully used by the Company to pay in advance the short and long-term bank loans.

Costs and expenses, including the premium, prizes and discounts from the placement of this new issuance, which at December 31, 2015 and 2014 amounted to Ps39,652 and Ps51,056, respectively, they amortized along with the loan based on the method of effective interest rate.

With the acquisition of Campofrio, SIGMA assumed certain obligations relating to the debt to the Company. The amount of these obligations is Ps9,042,788 which mainly consists of an issue of non-convertible bonds in 2009 for a nominal amount of € 500,000 and an interest rate of 8.250% maturing on October 31, 2016. See Note 2a.

(c) On July 24, 2008, SIGMA issued debt certificates of Ps1,000,000 and 500,000 UDIs (Investment Units) with a maturity in 2018, at a fixed interest rates of 10.25% and 5.32%, respectively.

Covenants:

Loan contracts and debt agreements contain restrictions, primarily relating to compliance with financial ratios, incurring additional debt or making loans that require mortgaging assets, dividend payments and submission of financial information, which if not met or remedied within a specified period to the satisfaction of creditors may cause the debt to become payable immediately.

Financial ratios to be fulfilled include the following:

a. Interest coverage ratio: which is defined as EBITDA for the period of the last four complete quarters divided by financial expenses, net or gross as appropriate, for the last four quarters, which shall not be less than 3.0 times.

b. Leverage ratio: which is defined as consolidated debt at that date, being the gross debt or net debt appropriate, divided by EBITDA for the period of the last four complete quarters, which shall not be more than 3.5 times.

During 2015 and 2014, the financial ratios were calculated according to the formulas set out in the loan agreements.

Currently, the Company is in compliance with all obligations and covenants contained in the credit agreements of its subsidiaries; such obligations, among other conditions and subject to certain exceptions, require or limit the ability of the subsidiaries to:

- Provide certain financial information;
- Maintain books and records;
- Maintain assets in appropriate conditions;
- Comply with applicable laws, rules and regulations;
- Incur additional indebtedness;
- Pay dividends;
- Grant liens on assets;
- Enter into transactions with affiliates;
- Perform a consolidation, merger or sale of assets, and
- Carry out sale and lease-back operations

At December 31, 2015 and 2014 and the date of issuance of these financial statements, the Company and its subsidiaries complied satisfactorily with such covenants and restrictions.

Pledge assets:

At December 31, 2014, there are liabilities for a total amount of Ps54,074, guaranteed with property, machinery and equipment for US$ 8,212 (Ps 120,864).

Note 17 - Deferred taxes:

The analysis of the deferred tax asset and deferred tax liability is as follows:

	At December 31,	
	2015	2014
Deferred tax asset:		
- To be recovered after more than 12 months	Ps 4,066,446	Ps 2,870,769
- To be recovered within 12 months	597,743	822,870
	4,664,189	3,693,639
Deferred tax liabilities:		
- To be recovered after more than 12 months	(6,563,515)	(5,869,058)
- To be recovered within 12 months	(20,785)	(54,766)
	(6,584,300)	(5,923,824)
Deferred tax liabilities, net	(Ps 1,920,111)	(Ps 2,230,185)

The gross movement on account of deferred income tax is as follows:

	2015	2014
At January 1	(Ps 2,230,185)	(Ps 90,983)
Credit to the income statement (Note 28)	414,085	304,491
Exchange differences	17,319	(13,104)
Business acquisition	(124,920)	(2,398,351)
Tax creditable/(payable) related to component of other comprehensive income (Note 28)	3,590	(32,238)
At December 31	(Ps 1,920,111)	(Ps2,230,185)

Balances of deferred income tax assets and liabilities during the year are as follows:

	(Assets) At December 31, 2015	(Assets) At December 31, 2014
Inventories	Ps 29,309	Ps 39,386
Customers	20,926	25,358
Advance payments from clients	364,589	546,859
Liabilities from retirement benefits	285,353	99,474
Provisions and other liabilities	535,092	736,029
Tax loss carryforwards	3,416,505	2,224,436
Other temporary differences, net	12,415	22,097
Deferred tax asset	4,664,189	3,693,639

	Liabilities At December 31, 2015	Liabilities At December 31, 2014
Inventories	Ps -	(Ps 10,552)
Advanced payments	(20,785)	(44,214)
Intangible asset	(3,151,093)	(2,913,021)
Property, plant and equipment	(2,987,786)	(2,929,169)
Other temporary differences, net	(424,636)	(26,868)
Deferred tax liability	(6,584,300)	(5,923,824)
Deferred tax liability, net	(Ps 1,920,111)	(Ps 2,230,185)

Net movements in timing differences for the years were as follows:

	Balance at December 31, 2014	(Charged) credited to income statement	Business acquisitions	(Charged) credited to other comprehensive income	Balance at December 31, 2015
Inventories	Ps 39,386	(Ps 10,077)	Ps -	Ps -	Ps 29,309
Customers	25,358	(4,432)	-	-	20,926
Advance payments from clients	546,859	(182,528)	258	-	364,589
Liabilities from retirement benefits	99,474	177,992	4,297	3,590	285,353
Provisions and other accrued	736,029	(200,937)	-	-	535,092
Tax loss carryforwards	2,224,436	1,191,924	145	-	3,416,505
Other temporary differences, net	22,097	(10,214)	532	-	12,415
Deferred tax asset	3,693,639	961,728	5,232	3,590	4,664,189
Inventories	(Ps 10,552)	Ps 17,724	(Ps 7,172)	Ps -	Ps -
Advanced payments	(44,214)	23,429	-	-	(20,785)
Intangible asset	(2,913,021)	(157,240)	(80,832)	-	(3,151,093)
Property, plant and equipment	(2,929,169)	(16,468)	(42,149)	-	(2,987,786)
Other temporary differences, net	(26,868)	(397,768)	-	-	(424,636)
Deferred tax liability	(5,923,824)	(530,323)	(130,153)	-	(6,584,300)
Deferred tax liability, net	(Ps 2,230,185)	Ps 431,405	(Ps 124,921)	Ps 3,590	(Ps 1,920,111)

	Balance at December 31, 2013	(Charged) credited to income statement	Business acquisitions	(Charged) credited to other comprehensive income	Balance at December 31, 2014
Inventories	Ps 32,349	Ps 7,037	Ps -	Ps -	Ps 39,386
Customers	16,659	8,699	-	-	25,358
Intangible asset	3,072	(3,072)	-	-	-
Advance payments from clients	822,905	(276,046)	-	-	546,859
Liabilities from retirement benefits	102,701	29,011	-	(32,238)	99,474
Provisions and other accrued expenses payable	127,195	10,942	597,892	-	736,029
Tax loss carryforwards	284,112	478,305	1,462,019	-	2,224,436
Other temporary differences, net	-	22,097	-	-	22,097
Deferred tax asset	1,388,993	(276,973)	2,059,911	(32,238)	3,693,639
Inventories	Ps -	Ps 939	(Ps 11,491)	Ps -	(Ps 10,552)
Advanced payments	(34,208)	(10,006)	-	-	(44,214)
Intangible asset	(420,834)	(189,820)	(2,302,367)	-	(2,913,021)
Property, plant and equipment	(782,069)	69,153	(2,216,253)	-	(2,929,169)
Other temporary differences, net	(242,865)	144,148	71,849	-	(26,868)
Deferred tax liability	(1,479,976)	14,414	(4,458,262)	-	(5,923,824)
Deferred tax liability, net	(Ps 90,983)	Ps 291,387	(Ps 2,398,351)	(Ps 32,238)	(Ps 2,230,185)

Deferred income tax asset is recorded as tax loss carryforwards as the realization of the tax benefit related through future tax profits becomes probable. Tax losses amount to Ps11,162,676 in 2015 and Ps7,414,787 in 2014.

Tax losses at December 31, 2015 and 2014, expire in the following years:

Year loss incurred	2015	2014	Year of expiration
2007 and earlier	Ps 74,039	Ps 83,002	2017
2008	108,733	104,759	2018
2009	25,660	25,660	2019
2010	26,237	57,271	2020
2011	43,806	444,156	2021
2012	108,390	131,033	2022
2013	6,746	1,026,601	2023
2014	2,042,746	1,925,499	2024
2015	4,360,706	-	2025
2014	4,365,613	3,616,806	Without maturity (*)
	Ps 11,162,676	Ps 7,414,787	

(*) Tax losses come from the acquisition of Campofrio, see note 2, and do not expire under current tax rules in the countries where they were generated.

Optional regime for groups of companies in Mexico (incorporation regime)

Derived from the elimination of the tax consolidation regime in Mexico, the Company chose to incorporate to the new optional regime for groups of companies beginning in 2014, this regime consists in grouping companies with specific characteristics, which are able to defer part of the income tax payable in three years; the deferral percentage is calculated using a factor determined in accordance to the amount of tax profit and losses of the year 2015. The long-term income tax balance payable in conformity with the new incorporation regime at December 31, 2015 is $398,749.

Nota 18 - Provisions:

	Disputes [(1)]	Restructuring [(1)]	Indemnities for dismissal and others [(1)]	Total
At December 31, 2013	Ps -	Ps -	Ps -	Ps -
Business acquisition [(1)]	28,781	594,241	230,821	853,843
Additions	12,734	10,098	-	22,832
Payments	(3,526)	(26,473)	(6,340)	(36,339)
At December 31, 2014	Ps37,989	Ps 577,866	Ps 224,481	Ps 840,336
Additions	9,408	10,979	321,738	342,125
Exchange differences	2,195	26,459	13,531	42,185
Payments	(8,473)	(126,380)	(305,784)	(440,637)
At December 31, 2015	Ps41,119	Ps 488,924	Ps 253,966	Ps 784,009

	2015	2014
Short-term provisions	Ps 207,763	Ps 267,401
Long-term provisions	576,246	572,935
At December 31,	Ps 784,009	Ps 840,336

(1) This provision comes from Campofrío and its strategic redefinition process.

Note 19 - Other liabilities:

	At December 31,	
	2015	2014
Current portion		
Income taxes payable	Ps 737,831	Ps 237,739
Employees' profit sharing payable	119,220	90,076
Employees' benefits based on shares (Note 23)	28,227	34,002
Notes payable	20,970	35,115
Accounts payable to affiliated company (Note 29)	48,938	11,061
Total other current liabilities	Ps 955,186	Ps 407,993
Non-current portion		
Notes payable and others	Ps 296,301	Ps 154,181
Employees' benefits based on shares (Note 23)	48,253	63,699
Total other non-current liabilities	344,554	217,880
Total other liabilities	Ps 1,299,740	Ps 625,873

Note 20 - Employee Benefits:

The valuation of employee benefits for retirement plans (covering approximately 80% of workers in 2015, and 2014) and is based primarily on their years of service, current age and estimated salary at retirement date.

The principal subsidiaries of the Company have established funds for the payment of retirement benefits through irrevocable trusts.

The employee benefit obligations recognized in the statement of financial position, by country, are shown below:

	At December 31,	
Country	2015	2014
Mexico	Ps 463,547	Ps 327,815
Europe	400,625	403,812
Honduras, Nicaragua and El Salvador	87,004	30,257
Total	Ps 951,176	Ps 761,884

The following summarizes key financial data of such benefits to employees:

	At December 31,	
	2015	2014
Obligation in the balance sheet:		
Pension benefits	Ps 944,364	Ps 755,605
Post-employment medical benefits	6,812	6,279
Liability in balance sheet	951,176	761,884
Charge in the income statement:		
Pension benefits	(Ps 105,052)	(Ps 129,813)
Post-employment medical benefits	(568)	(604)
	(Ps 105,620)	(Ps 130,417)

	At December 31,		
	2015	2014	2013
Actuarial gain (loss) recognized in the statement of other comprehensive income for the period	(Ps 10,768)	Ps 107,461	Ps 210,288
Cumulative actuarial gain (loss) recognized in other comprehensive income	Ps 136,862	Ps 147,630	Ps 40,169

Pension benefits

The Company operates defined benefit pension plans based on employees' pensionable remuneration and length of service. Most plans are externally funded. Plan assets are held in trusts, foundations or similar entities, governed by local regulations and practice in each country, as is the nature of the relationship between the Company and the respective trustees (or equivalent).

Amounts recognized in the balance sheet are determined as follows:

	At December 31,	
	2015	2014
Present value of funded obligations	Ps2,835,251	Ps 2,681,744
Fair value of plan assets	(1,890,887)	(1,926,139)
Present value of unfunded obligations	944,364	755,605
Liability in the balance sheet	Ps 944,364	Ps 755,605

At December 31, 2015 and 2014, the integration of plan assets calculated at fair value, is as follows:

	December 31, 2015	December 31, 2014
Fixed rent short and long term securities	Ps1,399,017	Ps1,401,659
Shares	491,870	524,480
Fair value of plan assets	Ps1,890,887	Ps1,926,139

The movement in the defined benefit obligation during the year is as follows:

	2015	2014
At January 1	Ps 2,681,744	Ps 1,078,691
Current service costs (Nota 27)	89,159	107,134
Interest cost	90,573	90,307
Employee contributions	51,313	99,519
Remeasurements:		
Financial actuarial (gains) losses	(133,904)	120,409
Past service costs	912	(1,900)
Exchange differences	80,570	4,128
Benefits paid	(82,959)	(73,278)
Liabilities acquired in business combination	61,654	1,260,142
Reducing losses	(3,811)	(3,408)
At December 31	Ps 2,835,251	Ps 2,681,744

The movement in the fair value of plan assets of the year is as follows:

	2015	2014
At January 1	(Ps 1,926,139)	(Ps 742,705)
Expected return on plan assets	(70,869)	(64,218)
Employee contributions	(20,953)	(21,923)
Benefits paid	37,532	32,428
Assets acquired in business combinations	-	(899,085)
Exchange differences	(55,165)	(3,444)
Actuarial remeasurements	144,707	(227,192)
At December 31	(Ps 1,890,887)	(Ps1,926,139)

The amounts recognized in the income statement are as follows:

	2015	2014	2013
Current service cost	(Ps 89,159)	(Ps107,134)	(Ps108,451)
Comprehensive financing expense, net	(19,704)	(26,089)	(23,735)
Reducing losses	3,811	3,410	6,211
Total included in staff costs	(Ps105,052)	(Ps129,813)	(Ps125,975)

Total recognized in other comprehensive income items described below:

	2015	2014	2013
Cumulative balance at beginning of year	Ps 147,630	Ps 40,169	(Ps 170,119)
Employees´ benefits remeasurements	(10,768)	107,461	210,288
Accumulated balance at end of year	Ps 136,862	Ps 147,630	Ps 40,169

The main actuarial assumptions were as follows:

	December 31,	
	2015	2014
Discount rate (México)	6.75%	6.75%
Discount rate (Europe)	2%	1.69%
Inflation rate	4.25%	4.25%
Salary increase rate (México)	5.25%	5.25%
Salary increase rate (Europe)	1% a 5%	2% a 5%
Future salary increase	4.25%	4.25%
Medical inflation rate	7.50%	7.50%

The average life of defined benefit obligations is 14.5 and 17.47 years at December 31, 2015 and 2014, respectively.

The sensitivity analysis of the main assumptions for defined benefit obligations were as follows:

	Effect in defined benefit obligations		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Discount rates	+1%	Increases by Ps327,454	Decrease by Ps354,192

Post-employment medical benefits

The Company operates post-employment medical benefits schemes mainly in Mexico and the United States. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes. Most of these plans are not being funded.

Amounts recognized in the balance sheet are determined as follows:

	At December 31,	
	2015	2014
Present value of funded obligations	Ps 6,812	Ps 6,279
Liabilities in the balance sheet	Ps 6,812	Ps 6,279

Movements in defined benefit obligations are as follows:

	2015	2014
At January 1	Ps 6,279	Ps 6,354
Current service cost (Note 27)	143	175
Cost of interest	425	428
Financial actuarial remeasurements	(35)	(678)
At December 31	Ps 6,812	Ps 6,279

The amounts recognized in the income statement are as follows:

	2015	2014	2013
Current service costs	Ps 143	(Ps 175)	(Ps 191)
Interest cost	425	(429)	(311)
Total included in staff costs	Ps 568	(Ps 604)	(Ps 502)

The sensitivity analysis of the main assumptions for defined benefit obligations were as follows:

	Effect in defined benefit obligations		
	Change in assumptions	Increase in assumptions	Decrease in assumptions
Medical inflation rate	+1%	Increases by Ps1,032	Decreases by Ps1,326

Note 21 - Stockholders' equity:

At December 31, 2015 and 2014, the capital stock is variable, with a fixed minimum to withdraw Ps27,081 represented by 1,290,654,555 shares Series "A", without par value, fully subscribed and paid.

The profit for the period is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until it reaches an amount equivalent the fifth part of the capital stock. At December 31, 2015 and 2014, the amount of the legal reserve amounted to Ps 5,416, which is included in other capital reserves.

In SIGMA's General Ordinary Meeting held on April 1, 2015, the stockholders agreed to declare dividends in cash for a total amount of Ps 1,922,105 (Ps1.49 dividends per share in pesos), which were Ps1,079,183 paid during 2015, and are derived fully from the Net Tax Profit Account ("CUFIN").

At the Ordinary General Assembly of SIGMA held on September 1, 2015, the shareholders revoked the resolution on the payment of dividends related to the outstanding amount of dividends declared on April 1, 2015, the amount of dividends was canceled Ps 842,922.

In SIGMA's General Ordinary Meeting held on February 26, 2014, the stockholders agreed to declare dividends in cash for a total amount of Ps 1,103,173 (Ps0.85 dividends per share in pesos), which were Ps675,552 paid during 2014, and are derived fully from the CUFIN.

At the Ordinary General Assembly of SIGMA held on December 17, 2014, the shareholders revoked the resolution on the payment of dividends related to the outstanding amount of dividends declared on February 26, 2014, the amount of dividends was canceled Ps 427,621.

In SIGMA's General Ordinary Meeting held on February 28, 2013, the stockholders agreed to declare dividends in cash for a total amount of Ps 1,026,576 (Ps 0.79 dividends per share in pesos), which were paid during 2013, and are derived fully from the CUFIN.

In accordance with the new Income Tax Law ("LISR") becoming effective on January 1, 2014, this law establishes a 10% tax on income generated starting 2014 on dividends paid to foreign residents and Mexican individuals when these correspond to tax profits generated starting 2014. It also establishes that for fiscal years 2001 to 2013, the net tax profit will be determined as established in the Income Tax Law effective in the corresponding fiscal year.

Dividends paid are not subject to income tax if paid from the CUFIN. Any dividends paid in excess of this account will cause a tax equivalent to 42.86%if they are paid in 2014. This tax is payable by the Company and may be credited against its income tax in the same year or the following two years or, if applicable, against the flat tax of the period. Dividends paid from profits which have previously paid income tax are not subject to tax withholding or to any additional tax payment.

In October 2013 the Chamber of Senators and of Representatives approved the issuance of a new Income Tax Law (LISR) becoming effective on January 1, 2014. Among other aspects, this Law establishes a 10% tax for revenues generated as of 2014 to dividends paid to foreign residents and to Mexican individuals. It also establishes that for fiscal years from 2001 to 2013, the net tax profit will be determined in accordance with the LISR effective in the corresponding fiscal year. During November 2015, a temporarily effective article was issued, through which a tax incentive is provided to individuals residing in Mexico subject to the additional 10% payment on distributed dividends or profits. The incentive is applicable provided that such dividends or profits have been generated in 2014, 2015, and 2016 and are reinvested in the legal entity generating such profits. It consists of a tax credit equal to the amount resulting from applying the percentage corresponding to the distribution year to the distributed dividend or profit, as follows:

Year of distribution of dividend or profit	Percentage of application to the amount of distributed profit or dividend
2017	1%
2018	2%
2019 onwards	5%

The calculated tax credit will only be credited to the additional 10% of ISR that the legal entity should withhold and pay.

In order to apply the credit, the following requirements must be fulfilled:

- The legal entity shall identify the records corresponding to profits or dividends generated in 2014, 2015, and 2016, as well as the corresponding distributions in its corresponding accounting records.

- Include in the notes to the financial statements, the analytical information of the period when the profits were generated, and the dividends were reinvested, or distributed.

For legal entities whose shares are not quoted in the Mexican Stock Market and which apply this incentive, shall choose to audit its financial statements for tax purposes in terms of Article 32-A of the Federal Fiscal Code.

Legal entities distributing dividends or profits with respect to shares placed within the investing public shall report to the brokerage house, credit institutions, investment operators, individuals who distribute shares of investment companies, or any other securities market broker, the fiscal years corresponding to the dividends so that such brokers carry out the corresponding withholding. During 2014, the company had no individuals among its investors.

In the event of a capital reduction, the provisions of the LISR arrange any excess of Stockholders' equity over capital contributions, is accounted with the same tax treatment as dividends.

Movements in other reserves for 2015, 2014 and 2013 are presented below:

	Effect of foreign currency translation	Legal reserve	Total
At January 1, 2013	(Ps 107,438)	Ps 5,416	(Ps 102,022)
Losses on foreign currency translation	271,873	-	271,873
At December 31, 2013	Ps 164,435	Ps 5,416	Ps 169,851
Gain on foreign currency translation	576,771	-	576,771
At December 31, 2014	741,206	5,416	746,622
Losses on foreign currency translation	(1,091,227)	-	(1,091,227)
At December 31, 2015	(Ps 350,021)	Ps 5,416	(Ps 344,605)

Foreign currency translation

The foreign exchange differences arising from the translation of financial statements of foreign subsidiaries are recorded.

Note 22 - Foreign currency position:

At February 9, 2016, issuance date of these financial statements, the exchange rate was Ps 18.69 nominal pesos per dollar.

The figures below are expressed in thousands of dollars and thousands of euros, since this is the prevailing foreign currency for the Company.

At 31 December 2015 and 2014, the Company has the following assets and liabilities in foreign currencies:

	At December 31, 2015									
	Dollars (USD)			Euros (€)			Other currencies			
	Thousands of USD		Thousands of Mexican Pesos	Thousands of Euros €		Thousands of Mexican Pesos	Thousands of USD		Thousands of Mexican Pesos	Thousands of Mexican Pesos total
Monetary assets	73,033	Ps	1,256,634	463,825	Ps	7,980,812	82,998	Ps	1,428,105	Ps 10,655,551
Liabilities										
Current	(195,765)		(3,368,437)	(765,001)		(13,162,995)	(47,736)		(821,371)	(17,352,803)
Non-Current	(1,741,264)		(29,961,051)	(541,179)		(9,311,795)	(4,500)		(77,429)	(39,350,275)
Currency monetary position	(1,863,996)	(Ps	32,072,854)	(842,355)	(Ps	14,493,978)	(30,762)	Ps	529,305	(Ps 46,047,527)
Non-monetary assets	372,240	Ps	6,413,545	1,196,255	Ps	20,583,367	180,252	Ps	3,101,514	Ps 30,098,426

	At December 31, 2014									
	Dollars (USD)			Euros (€)			Other currencies			
	Thousands of USD		Thousands of Mexican Pesos	Thousands of Euros €		Thousands of Mexican Pesos	Thousands of USD		Thousands of Mexican Pesos	Thousands of Mexican Pesos total
Monetary assets	69,996	Ps	1,030,196	306,071	Ps	5,451,215	78,056	Ps	1,148,827	Ps 7,630,238
Liabilities										
Current	(207,660)		(3,056,347)	(754,354)		(13,435,270)	(39,989)		(588,554)	(17,080,171)
Non-Current	(1,383,003)		(20,355,038)	(505,068)		(8,995,416)	(23,198)		(341,430)	(29,691,884)
Currency monetary position	(1,520,667)	(Ps	22,381,189)	(953,351)	(Ps	16,979,471)	14,869	Ps	218,843	(Ps 39,141,817)
Non-monetary assets	392,505	Ps	5,776,887	856,169	Ps	15,248,627	441,186	Ps	6,493,382	Ps 27,518,896

Nonmonetary assets of Mexican subsidiaries are those the manufacturing of which are made outside of Mexico and are expressed on the bases described in Note 3.

Note 23 - Shared-based payments:

SIGMA has a compensation scheme referenced to the value of its own share for Directors. According to the terms of the plan, eligible executives will receive a cash payment conditional on the achievement of quantitative and qualitative metrics from the following financial measures:

- Improved stock price
- Improvement in net income
- Continuance of the Directors in the Company

The program is to determine a number of shares the Directors shall be entitled to, which will be paid in cash in the next five years, i.e. 20% each year and will be paid at the average price of the share at the end of each year. The average price per share in 2015 and 2014 is Ps34.3 and Ps37.3 Mexican pesos, respectively.

At December 31, 2015 and 2014 the liability for share-based payments amounted to Ps76,480 and Ps97,701, respectively.

The short-term and long-term liability is comprised as follows:

	December 31,	
	2015	2014
Short term	Ps 28,227	Ps 34,002
Long term	48,253	63,699
Total carrying value	Ps 76,480	Ps 97,701

Note 24 - Expenses classified by their nature:

Cost of sales and selling and administrative expenses classified by nature are as follows:

	2015	2014	2013
Changes in inventory of finished goods and in progress	(Ps52,361,532)	(Ps41,660,676)	(Ps27,350,163)
Employee benefit expenses (Note 27)	(12,888,860)	(9,700,313)	(7,553,003)
Maintenance	(2,328,269)	(1,707,874)	(1,242,569)
Depreciation and amortization	(2,829,566)	(1,930,703)	(1,353,075)
Freight expenses	(2,386,687)	(1,083,159)	(435,431)
Advertising expenses	(1,771,849)	(1,569,826)	(1,187,490)
Energy and fuel consumption	(1,337,846)	(1,093,011)	(639,800)
Traveling expenses	(472,885)	(345,117)	(278,114)
Operating lease expenses	(492,340)	(393,702)	(273,207)
Technical assistance, professional fees and administrative services	(2,006,513)	(1,041,583)	(765,429)
Other	(7,293,495)	(4,293,080)	(2,489,069)
Total	(Ps86,169,842)	(Ps64,819,044)	(Ps43,567,350)

Note 25 – Other income (expense), net:

	2015	2014	2013
Reimbursement from insurance (1)	Ps 3,912,524	Ps 1,766,018	Ps -
Gain from sale of assets	2,429	31,838	5,533
Other	65,690	29,127	14,437
Other income	3,980,643	1,826,983	19,970
Damage to property, plant, equipment, inventory and others (1)	Ps -	(Ps1,857,915)	Ps -
Expenses related to acquisitions	(8,884)	(50,617)	(5,921)
Project consulting	(52,867)	-	(27,674)
Loss from sales of containers and platforms	-	-	(47,532)
Write off from removal of fixed and intangible assets	(157,917)	(127,790)	(79,837)
Other	(254,760)	(42)	(3,481)
Other expenses	(474,428)	(2,036,364)	(164,445)
Total other expenses, net	Ps 3,506,215	(Ps 209,381)	(Ps144,475)

(1) In November 2014 there was a fire in one of the plants of Campofrío, located in the city of Burgos, Spain ("Accident"). The losses recorded as a consequence of the accident amounted to Ps1,857,915, affecting property, plant and equipment, inventory and other costs.

These assets are covered by an insurance policy and based on the analysis and confirmations made by the Company's management, it has been concluded that such policy covers material damages, loss of benefits resulting from the reduction of revenues and additional costs that the Company may incur in to recover sales for a period of twelve months as of the date of the accident. At December 31, 2014, the Company has recorded an income from reimbursement of accident amounting Ps1,766,018, of which Ps1,274,733 were collected in cash. During 2015 the insurance payments were received in the amount of Ps2,598,000 and during the month of November 2015, the closing of the insurance indemnity was done in a total amount of Ps3,912,524.

Note 26 - Comprehensive financing expense, net:

	2015	2014	2013
Financial income:			
- Interest income on short-term bank deposits	Ps 36,942	Ps 46,343	Ps 44,792
- Other financial income	32,210	18,955	4,964
- Interest rate swaps	-	-	769
- Interest on accounts receivable	24,088	12,420	12,693
Financial income, excluding foreign exchange gain	93,240	77,718	63,218
Gain on foreign exchange	807,658	711,306	242,438
Total financial income	Ps 900,898	Ps 789,024	Ps 305,656

	2015	2014	2013
Financial expenses:			
- Interest expense on bank loans	(Ps 649,343)	(Ps 443,087)	(Ps 108,359)
- Interest expense, stock certificates and Senior Notes	(943,542)	(914,351)	(873,406)
- Financial expense from sale of portfolio	(18,521)	(37,555)	(32,151)
- Financial expense from employees' benefits	(20,129)	(26,518)	(24,046)
- Other financial expenses	(84,585)	(159,129)	(22,009)
Interest expense, excluding foreign exchange loss	(1,716,120)	(1,580,640)	(1,059,971)
Foreign exchange loss	(1,791,262)	(3,831,856)	(284,566)
Total financial expenses	(Ps3,507,382)	(Ps5,412,496)	(Ps1,344,537)
Financing cost, net	(Ps2,606,484)	(Ps4,623,472)	(Ps1,038,881)

Note 27 - Employee benefit expenses:

	2015	2014	2013
Salaries, wages and benefits	Ps10,987,815	Ps7,954,097	Ps 5,950,441
Contributions to social security	944,482	853,793	788,215
Employees' benefits (Note 20)	89,302	107,309	108,642
Other contributions	867,261	785,114	705,705
Total	Ps12,888,860	Ps9,700,313	Ps 7,553,003

Note 28 - Income tax of the year:

	2015	2014	2013
Current:			
Current income tax	(Ps1,972,026)	(Ps1,179,824)	(Ps1,176,293)
Adjustment to prior years provision	(28,076)	(47,205)	(14,812)
Total current income tax	(2,000,102)	(1,227,029)	(1,191,105)
Deferred:			
Origination and reversal of temporary differences	414,085	304,491	(187,674)
Total deferred income tax	414,085	304,491	(187,674)
Income tax expense	(Ps1,586,017)	(Ps 922,538)	(Ps1,378,779)

The reconciliation between the statutory and effective income tax rates for the years ended on December 31, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Income before income tax	Ps 7,896,159	Ps 1,563,862	Ps 4,233,701
Statutory rate (30% in 2015, 2014 and 2013)	30%	30%	30%
Income tax at statutory rate	(2,368,847)	(469,158)	(1,270,110)
Tax rate difference effect	(59,527)	33,583	10,228
(Add) deduct tax effect of:			
Income from dividends	-	-	(1,309)
Inflationary tax adjustment	(183,329)	(232,333)	(164,273)
Non-deductible expenses	(212,214)	(238,892)	(16,275)
Reserves	(3,615)	36,642	(47,920)
Differences in accounting/tax depreciation and amortization	96,269	114,432	101,231
Sale, write-off and capitalization of fixed assets and deferred charges	(32,012)	(66,464)	(10,844)
Deductible results in associated	-	102,617	-
Restatement of receivable tax balances	3,591	7,118	3,212
Tax deduction by exchange differences	1,035,148	-	15,752
Uncollected income from simplified regime activity	-	-	9,315
Non-deducible financial cost	38,691	(102,428)	-
Other differences, net	127,904	(60,450)	7,026
Provision relating to the operations of the year	(1,557,941)	(875,333)	(1,363,967)
Tax return prior years and other	(28,076)	(47,205)	(14,812)
Total provision for income taxes charged to income	(Ps 1,586,017)	(Ps 922,538)	(Ps 1,378,779)
Effective rate	20%	59%	33%

The charge/(credit) tax charge related to components of other comprehensive income is as follows:

	2015			2014		
	Before tax	Tax charged (credited)	After tax	Before tax	Tax charged (credited)	After tax
Actuarial losses /gains	(Ps 10,768)	Ps 3,590	(Ps 7,178)	Ps 107,461	(Ps32,238)	Ps 75,223
Exchange effect of foreign entities	(1,082,583)	-	(1,082,583)	620,461	-	620,461
Other items of comprehensive income	(Ps1,093,351)	Ps 3,590	(Ps 1,089,761)	Ps 727,922	(Ps32,238)	Ps 695,684

	2013		
	Before tax	Tax charged (credited)	After tax
Actuarial losses /gains	Ps 210,288	(Ps 63,093)	Ps 147,195
Exchange effect of foreign entities	271,873	-	271,873
Other items of comprehensive income	Ps 482,161	(Ps 63,093)	Ps 419,068

Note 29 - Related party transactions:

Transactions with related parties for the years ended December 31, 2015, 2014 and 2013, which were held as if conditions were equal to similar transactions with independent parties, were as follows:

	At December 31,		
	2015	2014	2013
Income (Affiliates)			
Leases	Ps 6,318	Ps 5,099	Ps 4,858
Interest	9,936	10,266	11,435
Expenses (Affiliates)			
Administrative services	Ps 163,859	Ps 173,863	Ps 172,812
Leases and other	213,856	137,554	143,845
Dividends paid to ALFA (Holding)	1,080,300	695,155	1,040,199

For the year ended December 31, 2015, wages and benefits received by top officials of the Company were Ps418,226 (Ps348,008 in 2014 and Ps269,564 in 2013), an amount comprising base salary, law benefits and benefits law and supplemented mainly by a variable compensation program governed primarily based on the results of the Company and the market value of Alfa's stock.

	Nature of the transaction	December 31, 2015	2014
Receivable:			
Affiliates	Loan	Ps 259,599	Ps 264,627
Affiliates	Services	21,953	49,222
Payable:			
Affiliates	Services	Ps 47,730	Ps 10,027
Affiliates	Interest	1,208	1,034

On November 25, 2011, the Company and ALFA Subsidiaries, S. A. de C. V. agreed to change the maturity of the open credit line agreement dated November 28, 2010. Such changes allow the Company to extend the credit agreement until November 28, 2016. The loan accrues interest at an annual TIIE rate plus 3.0%. On November 27, 2015 the Company made a new amendment to the loan agreement with Alfa Subsidiaries, S. A. de C. V. based on which it agrees to extend the maturity date up to November 28, 2019.

The Company and its subsidiaries do not have significant transactions with other related parties or conflicts of interest to disclose.

Note 30 - Segment Reporting:

Segment information is presented consistently with the internal reports provided to the chief executive officer (Chief Operating Decision Maker “CODM”) who is the highest authority in the operational decision making, resource allocation and performance assessment of the operating segments.

An operating segment is defined as a component of an entity on which separate financial information is regularly being evaluated. Inter-segment revenue from the sale of products and services are based on the approximate market price. The CODM considers the business from a geographic perspective. The geographies monitored by the CODM are defined as the Company’s operating segments. Geographically the CODM considers the performance in Mexico, United States, Europe (since the purchase of Campofrio) and other countries.

SIGMA controls and assesses its continued operations through segments that have been defined as established above; these segments are managed on a central level, even though markets are different, products offered in each one of the segments are similar and correspond to processed meat, dairy products and other refrigerated products.

The operations between operating segments are performed at market value and the accounting policies with which the financial information by segments is prepared, are consistent with those described in Note 3.

The Company evaluates the performance of each of the operating segments based on profit before financial results, income taxes, depreciation, amortization, write-off from removal of fixed and intangible assets and excess/deficit in the investment value (“EBITDA”), whereas this indicator is a good measure to evaluate operating performance and ability to meet principal and interest obligations with respect to indebtedness, and the ability to fund capital expenditures and working capital requirements. Nevertheless, EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net income as a measure of operating performance or cash flows as a measure of liquidity.

The Company has defined the adjusted EBITDA as the calculation of adding back or subtracting, as the case may be to the operating profit, depreciation and amortization and write-off from removal of fixed and intangible assets.

Following is the condensed financial information of these operative segments in millions of Mexican pesos:

For the year ended December 31, 2015:

	México	USA	Europe	Other countries	Total
Total income by segment	Ps 40,834	Ps 16,892	Ps 33,892	Ps 6,230	Ps 97,848
Intersegment income	(919)	(3,195)	-	(166)	(4,280)
Income with external clients	39,915	13,697	33,892	6,064	93,568
Adjusted EBITDA	5,557	2,126	5,619	589	13,891
Depreciation and amortization	(945)	(432)	(1,286)	(166)	(2,829)
Comprehensive financing expense, net	(2,213)	72	(487)	21	(2,607)
Cancellation of deferred charges	(11)	-	(26)	-	(37)
Write-off of property, plant and equipment	(76)	-	(45)	-	(121)
Investments in associates	(2)	-	(399)	-	(401)
Gain before tax	2,310	1,766	3,376	444	7,896
Capital expenditures (Capex):					
Property, plant and equipment	Ps 1,376	Ps 276	Ps 1,929	Ps 57	Ps 3,638
Non-current assets:					
Property, plant and equipment (*)	Ps 8,780	Ps 1,854	Ps 14,225	Ps 1,739	Ps 26,598
Intangible asset	3,387	986	8,653	678	13,704
Goodwill	1,784	4,175	2,210	1,370	9,539
Total non-current assets	Ps 13,951	Ps 7,015	Ps 25,088	Ps 3,787	Ps 49,841
Unallocated					
Deferred income tax					1,957
Other non-current assets					1,840
Total non-current assets					Ps 53,638
Total liability	Ps 38,184	Ps 2,186	Ps 27,515	Ps 950	Ps 68,835

For the year ended on December 31, 2014:

	México	USA	Europe	Other countries	Total
Total income by segment	Ps 38,201	Ps 15,799	Ps 17,572	Ps 4,490	Ps 76,062
Intersegment income	(814)	(3,665)	-	(118)	(4,597)
Income with external clients	37,387	12,134	17,572	4,372	71,465
Adjusted EBITDA	5,424	1,408	1,545	118	8,495
Depreciation and amortization	(826)	(363)	(629)	(113)	(1,931)
Comprehensive financing expense, net	(4,034)	-	(583)	(7)	(4,624)
Cancellation of deferred charges	-	-	(18)	-	(18)
Write-off of property, plant and equipment	(64)	-	(45)	-	(109)
Investments in associates	-	-	(249)	-	(249)
Gain before tax	500	1,045	21	(2)	1,564
Capital expenditures (Capex):					
Property, plant and equipment	Ps 1,083	Ps 218	Ps 495	Ps 75	Ps 1,871

	México	USA	Europe	Other countries	Total
Non-current assets:					
Property, plant and equipment (*)	Ps 8,089	Ps 1,727	Ps 12,875	Ps 1,429	Ps 24,120
Intangible asset	864	2,971	8,151	718	12,704
Goodwill	1,493	4,004	2,118	1,059	8,674
Total non-current assets	Ps 10,446	Ps 8,702	Ps 23,144	Ps 3,206	Ps 45,498
Unallocated					
Deferred income tax					839
Other non-current assets					1,696
Total non-current assets					Ps 48,033
Total liability	Ps 27,502	Ps 1,474	Ps 25,654	Ps 917	Ps 55,547

For the year ended on December 31, 2013:

	Mexico	USA	Other countries	Total
Total income by segment	Ps 34,428	14,577	4,024	Ps 53,029
Intersegment income	(720)	(3,215)	(105)	(4,040)
Income with external clients	33,708	11,362	3,919	48,989
Adjusted EBITDA	5,355	1,213	142	6,710
Depreciation and amortization	810	445	98	1,353
Comprehensive financing expense, net	(1,031)	-	(8)	(1,039)
Cancellation of deferred charges	-	-	50	50
Write-off of property, plant and equipment	30	-	(1)	29
Gain before tax	2,948	878	408	4,234
Capital expenditures (Capex):				
Property, plant and equipment	Ps 1,307	Ps 145	Ps 70	Ps 1,522
Non-current assets:				
Property, plant and equipment	Ps 7,986	Ps 1,543	Ps 1,177	Ps 10,706
Intangible asset	572	2,952	475	3,999
Goodwill	1,618	3,951	418	5,987
Total non-current assets	Ps 10,176	Ps 8,446	Ps 2,070	Ps 20,692

Unallocated	Mexico	USA	Other countries	Total
Deferred income tax				925
Other non-current assets				6,006
Total non-current assets				Ps 27,623
Total liability	Ps 24,295	Ps 1,118	Ps 589	Ps 26,002

The reconciliation between the Adjusted EBITDA and income before taxes for the years ended December 31, is as follows (in millions of Mexican pesos):

	2015	2014	2013
Adjusted EBITDA	Ps 13,891	Ps 8,495	Ps 6,710
Depreciation and amortization (Note 24)	(2,829)	(1,931)	(1,354)
Write-off from removal of fixed and intangible assets (Note 25)	(158)	(128)	(79)
Operating profit	10,904	6,436	5,277
Associates equity method	(401)	(249)	(4)
Comprehensive financing expense (Note 26)	(2,607)	(4,623)	(1,039)
Profit before taxes	Ps 7,896	Ps 1,564	Ps 4,234

(*) These assets are assigned based on operations in segments and physical location of the assets.

Revenue from external customers by products:	2015	2014	2013
Processed meat (1)	Ps 72,807	Ps 52,142	Ps 31,673
Dairy products (2)	16,927	15,445	14,270
Other refrigerated products (3)	3,834	3,878	3,046
Total	Ps 93,568	Ps 71,465	Ps 48,989

(1) Ham, sausage, and other lunch meat.
(2) Cheese, yogurt, cream, margarine and others
(3) Others include ready meals, chilled, unprocessed meat, desserts and drinks.

SIGMA's customers are commercial establishments classified into supermarkets, convenience stores, institutions and small grocery stores. In 2015, 2014 and 2013, sales of its major customer represented 10.7%, 11.7% and 12.0%, respectively, of total sales.

Note 31 - Contingencies and commitments:

In the normal course of its business, the Company is involved in disputes and litigation. While the results of the disputes cannot be predicted at December 31, 2015, the Company does not believe that there are actions pending application or threat, claims or legal proceedings against or affecting the Company which, if determined adversely to it, would damage significantly individual or overall results of its operations or financial positionat and income.

At December 31, 2015 and 2014, the Company and its subsidiaries had the following commitments:

a. Various subsidiaries contracts with suppliers and customers, for the acquisition of raw materials used in the manufacture of products. The contracts are effective for less than a year, and do not stipulate significant restrictions or guarantees for the parties.

b. Regarding operational expansion projects, the Company held various agreements related to the acquisition of engineering licenses and own design of production lines. These contracts provide various confidentiality restrictions on the engineering used and monthly royalty payments determined under certain monthly production level.

Note 32 - Subsequent events:

In preparing the financial statements the Company has evaluated the events and transactions for recognition or disclosure subsequent to December 31, 2015 and through February 9, 2016 (date of issuance of the financial statements), and has not identified subsequent events.

Mario H. Páez González	Eugenio Caballero Sada
Chief Executive Officer	Chief Financial and Marketing Officer

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

Condensed Consolidated Interim Financial Statements (unaudited)
As of September 30, 2016 and December 31, 2015 and for the nine and three months ended September 30, 2016 and 2015

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

Condensed Consolidated Statements of Financial Position
As of September 30, 2016 and December 31, 2015

(In thousands of Mexican pesos)

	Notes	September 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Assets			
Current Assets:			
Cash and cash equivalents	6	Ps 10,982,089	Ps 8,448,094
Restricted cash	7	146,242	215,073
Trade and other receivables, net	8	8,725,242	7,875,384
Income tax recoverable	14	659,623	664,842
Inventories		13,754,931	12,018,969
Prepaid expenses and others		439,521	327,808
Total current assets		34,707,648	29,550,170
Non-current Assets:			
Property, plant and equipment, net	9	30,574,686	26,598,056
Goodwill and intangible assets, net		26,535,239	23,243,322
Deferred income tax		2,903,971	1,956,551
Investments accounted for using the equity method and others		1,183,253	1,839,821
Total non-current assets		61,197,149	53,637,750
Total Assets		Ps 95,904,797	Ps 83,187,920
Liabilities and Equity			
Liabilities			
Current liabilities:			
Current debt	11	Ps 748,396	Ps 2,413,177
Trade and other payables		23,372,722	20,225,792
Income tax payable	14	1,118,449	737,831
Provisions		183,886	207,763
Other liabilities		209,525	217,355
Total current liabilities		25,632,978	23,801,918
Non-current liabilities:			
Non-current debt	11	45,529,542	38,885,415
Provisions		459,508	576,246
Deferred income tax		4,355,786	3,876,662
Income tax payable	14	1,366,151	398,749
Employees' benefits		1,134,318	951,176
Other liabilities		893,732	344,554
Total non-current liabilities		53,739,037	45,032,802
Total Liabilities		79,372,015	68,834,720
Stockholders´ Equity			
Controlling interest:			
Capital stock		27,081	27,081
Share premium		666,988	666,988
Retained earnings		13,942,957	13,504,111
Other reserves		1,291,283	(344,605)
Total controlling interest		15,928,309	13,853,575
Non- controlling interest		604,473	499,625
Total stockholders´ equity		16,532,782	14,353,200
Total Liabilities and stockholders ' equity		Ps 95,904,797	Ps 83,187,920

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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

Condensed Consolidated Interim Statements of Income
For the nine and three months ended September 30, 2016 and 2015

(In thousands of Mexican pesos)

		Unaudited			
		Nine months ended to		Three months ended to	
	Notes	September 30 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net sales		Ps 77,819,378	Ps 68,742,402	Ps 27,342,349	Ps 24,573,058
Cost of sales		(54,767,602)	(48,945,688)	(19,518,520)	(17,757,046)
Gross profit		23,051,776	19,796,714	7,823,829	6,816,012
Selling expenses		(13,003,832)	(11,259,901)	(4,510,157)	(3,941,207)
Administrative expenses		(3,476,811)	(3,111,895)	(1,146,668)	(1,071,220)
Other income (expenses), net		(331,326)	1,518,863	(213,308)	882,017
Operating profit		6,239,807	6,943,781	1,953,696	2,685,602
Financial income, including foreign exchange gain of Ps10,435,928 and Ps6,329,204 for the nine months ended to September 30, 2016 and 2015, respectively, and gain of Ps2,909,323 and Ps6,727,659 for three months ended to September 30, 2016 and 2015, respectively.	13	10,510,425	6,401,511	2,938,604	6,748,471
Financial expenses, including foreign exchange loss of Ps10,889,127 and Ps7,259,942 for the nine months ended to September 30, 2016 and 2015, respectively, and loss of Ps2,890,815 and Ps6,069,047 for the three months ended to September 30, 2016 and 2015, respectively.	13	(12,570,773)	(8,549,947)	(3,490,062)	(6,495,089)
Financing expense, net		(2,060,348)	(2,148,436)	(551,458)	253,382
Share on losses of investments accounted for using the equity method		33,907	(410,150)	16,289	17,704
Profit before income tax		4,213,366	4,385,195	1,418,527	2,956,688
Income tax	14	(853,841)	(658,890)	(517,907)	(8,387)
Net consolidated profit		Ps 3,359,525	Ps 3,726,305	Ps 900,620	Ps 2,948,301
Profit (loss) attributable to:					
Controlling interest		3,339,923	3,831,359	890,669	2,917,101
Non - Controlling interest		19,602	(105,054)	9,951	31,200
		Ps 3,359,525	Ps 3,726,305	Ps 900,620	Ps 2,948,301
Basic and diluted earnings per share, in pesos		Ps 2.59	Ps 2.97	Ps 0.69	Ps 2.26
Weighted average of outstanding shares		1,290,654,555	1,290,654,555	1,290,654,555	1,290,654,555

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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

Condensed Consolidated Interim Statements of Comprehensive Income
For the nine and three months ended September 30, 2016 and 2015

(In thousands of Mexican pesos)

		Unaudited			
		Nine months ended to September 30,		Three months ended to September 30,	
	Notes	2016	2015	2016	2015
Net consolidated profit for the period		Ps 3,359,525	Ps 3,726,305	Ps 900,620	Ps 2,948,301
Other comprehensive income for the period:					
Items to be reclassified to the statement of income:					
Translation effect of foreign entities	2 and 5	1,721,134	(1,347,079)	701,937	(1,325,668)
Total comprehensive income for the period		Ps 5,080,659	Ps 2,379,226	Ps 1,602,557	Ps 1,622,633
Attributable to:					
Controlling interest		Ps 4,975,811	Ps 2,711,265	Ps 1,532,515	Ps 1,557,537
Non - Controlling interest		104,848	(332,039)	70,042	65,096
Total comprehensive income for the period		Ps 5,080,659	Ps 2,379,226	Ps 1,602,557	Ps 1,622,633

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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

Condensed Consolidated Interim Statements of Changes in Equity
For the nine months ended September 30, 2016 and 2015

(In thousands of Mexican pesos)

	Notes	Capital stock	Share premium	Retained earnings	Other reserves	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances at January 1, 2015		Ps 27,081	Ps 666,988	Ps 11,030,837	Ps 746,622	Ps 12,471,528	Ps 3,470,657	Ps15,942,185
Transactions with stockholders:								
Change in functional currency of controlling entity		-	-	-	(320,005)	(320,005)	-	(320,005)
Dividends declared		-	-	(1,922,105)	-	(1,922,105)	-	(1,922,105)
Dividends canceled		-	-	842,922	-	842,922	-	842,922
Changes in the non - controlling interest		-	-	(2,656,803)	-	(2,656,803)	(2,709,613)	(5,366,416)
Total transactions with stockholders		-	-	(3,735,986)	(320,005)	(4,055,991)	(2,709,613)	(6,765,604)
Net profit		-	-	3,831,359	-	3,831,359	(105,054)	3,726,305
Translation effect of foreign entities		-	-		(1,120,094)	(1,120,094)	(226,985)	(1,347,079)
Comprehensive income		-	-	3,831,359	(1,120,094)	2,711,265	(332,039)	2,379,226
Balances at September 30, 2015 (unaudited)		27,081	Ps 666,988	Ps 11,126,210	(Ps 693,477)	Ps 11,126,802	Ps 429,005	Ps11,555,807
Balances at January 1, 2016		Ps 27,081	Ps 666,988	Ps 13,504,111	(Ps 344,605)	Ps 13,853,575	Ps 499,625	Ps14,353,200
Transactions with stockholders:								
Put option held by Non-controlling interest	12			(1,187,996)	-	(1,187,996)	-	(1,187,996)
Dividends declared	12			(1,713,081)	-	(1,713,081)	-	(1,713,081)
Total transactions with stockholders				(2,901,077)	-	(2,901,077)	-	(2,901,077)
Net profit		-	-	3,339,923	-	3,339,923	19,602	3,359,525
Translation effect of foreign entities		-	-	-	1,635,888	1,635,888	85,246	1,721,134
Comprehensive income		-	-	3,339,923	1,635,888	4,975,811	104,848	5,080,659
Balances at September 30, 2016 (unaudited)		Ps 27,081	Ps 666,988	Ps 13,942,957	Ps1,291,283	Ps 15,928,309	Ps 604,473	Ps16,532,782

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

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

Condensed Consolidated Interim Statements of Cash Flows
For the nine and three months ended September 30, 2016 and 2015

(In thousands of Mexican pesos)

		Unaudited	
	Notes	Nine months ended to September 30, 2016	Nine months ended to September 30, 2015
Cash flows from operating activities			
Profit before income tax		Ps 4,213,366	Ps 4,385,195
Depreciation and amortization		2,561,400	2,059,668
Costs related to seniority premiums and pension plans		103,515	81,587
Gain on the sale of property, plant and equipment		(16,025)	(3,426)
Foreign exchange, net	13	453,198	930,738
Interest accrued	13	1,558,049	1,242,732
Interest income	13	(56,461)	(55,004)
Other operating expenses		435,141	595,898
Increase in trade and other receivables		(200,634)	(1,032,287)
Increase in inventories		(433,593)	(1,611,698)
Decrease in trade and other payables		230,287	523,843
Income tax paid		(207,094)	(316,312)
Net cash generated from operating activities		8,641,149	6,800,934
Cash flows from investing activities			
Business acquisitions, net of cash acquired		(84,919)	(1,320,417)
Interest received		52,157	47,440
Acquisition of intangible assets		(68,580)	(63,956)
Acquisition of property, plant and equipment		(3,092,024)	(1,858,883)
Sale of property, plant and equipment		16,025	3,426
Net cash used in investing activities		(3,177,341)	(3,192,390)
Cash flows from financing activities			
Proceeds from loans and debt	11	17,672,886	6,900,897
Payments of loans and debt		(18,892,306)	(2,166,095)
Interest paid		(1,267,437)	(1,220,490)
Dividends paid to owners		(1,713,081)	(1,080,300)
Changes in the non - controlling interest		-	(5,366,416)
Net cash used in financing activities		(4,199,938)	(2,932,404)
Net increase in cash and cash equivalents		1,263,870	676,140
Exchange gains on cash and cash equivalents		1,270,125	622,966
Cash and cash equivalents at the beginning of the period		8,448,094	4,912,012
Cash and cash equivalents at the end of the period	6	Ps 10,982,089	Ps 6,211,118

Non-cash operating and financing activities
Put option held by Non-controlling interest see Note 12.
The accompanying notes are an integral part of these condensed consolidated interim financial statements.

(In thousands of Mexican pesos, except where otherwise indicated)

Note 1 - General information:

Sigma Alimentos, S. A. de C. V. ("SIGMA" or the "Company"), subsidiary of Alfa, S. A. B. de C. V. ("ALFA"), is a company engaged in the production, commercialization and distribution of processed meat, dairy products, and other refrigerated and frozen foods. Its activities are carried out through various subsidiary companies.

The Company has manufacturing operations in Mexico, U.S.A., Costa Rica, El Salvador, Dominican Republic, Peru, Ecuador, Spain, France, Italy, Netherlands, Belgium and Portugal. The Company sells its products to more than 530,000 customers through different distribution channels in these countries as well as Germany, Honduras, Nicaragua, Guatemala and 80 more countries through independent distributors. Distribution channels include the modern channel that consists of supermarkets, hypermarkets and convenience stores, the traditional channel that consists of small grocery stores, traditional butchers, delicatessen and wholesalers, and the foodservice channel that consists of hotels, restaurants, hospitals, etc. Sigma has maintained a close relationship for at least 15 years with some of its major customers in Mexico, United States and Europe that has allowed the Company to develop different businesses that provide added value to its operations. Its large brand portfolio has managed to cover different socioeconomic levels, allowing the Company to diversify its sales through a variety of markets.

SIGMA is located in Avenida Gomez Morin Avenue Sur No. 1111, Col. Carrizalejo, San Pedro Garza García, Nuevo León, México.

In the following notes to the financial statements references to pesos or "Ps", mean thousands of Mexican pesos. References to "US$" or dollars, mean thousands of dollars from the United States. References to "€", means thousands of euros.

Note 2 - Basis for preparation:

These condensed consolidated interim financial statements for the nine months ended September 30, 2016 are unaudited and have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The accompanying condensed consolidated interim financial statements have been prepared to be used in a debt offering.

Note 3 - Summary of significant accounting policies:

The accounting policies adopted are consistent with those of the previous financial year, except for the following:

Put options written over non-controlling interests in subsidiaries ("NCI puts")

The Company has written a put option over certain non-controlling interests in fully consolidated subsidiary. The option exercise price is determined according to a predefined formula based on the financial performance of the subsidiary and the option is exercisable on a fixed date.

Put options granted to non-controlling-interest shareholders, that retain the risks and rewards on the net assets of consolidated subsidiary, are recognized as financial liabilities at the present value of the redemption amount of the options, initially recorded with a corresponding reduction in shareholders' equity and subsequently accreted through finance charges in the income statement over the contractual period.

A number of standards have been modified on miscellaneous points with effect from January 1, 2016. Such changes include Annual Improvements to IFRSs 2012- 2014 Cycle (which made amendments to IAS 34, Interim Financial Reporting, among others). None of these amendments had a material effect on the Company's consolidated interim financial statements."

As of July 1, 2015, the Company concluded that the most adequate functional currency of Sigma Alimentos S. A. de C. V. is the US dollar ("US$") based on the economic environment wherein the entity generates and uses cash. This is due primarily to the fact that revenues from dividends and revenues from brand use, starting the aforementioned date are collected in US$. The previous functional currency was the Mexican peso and in accordance with the International Accounting Standard 21- "Effects of changes in foreign exchange rates" ("IAS 21"), the changes are made prospectively. At the date of the change in the functional currency, all assets, liabilities, capital and income statement items were translated into US$ at the exchange rate at that date.

Note 4 - Critical accounting estimates and judgments:

The preparation of the condensed consolidated interim financial statements requires the use of certain critical accounting estimates. Additionally, it requires the Company's management to use judgment in the process of applying the accounting policies of the Company and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from the estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in the process of applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2015, except for the present value of the exercise price of the options on Non-controlling interest in accordance with contractual clauses. The management's best estimate was established by assessing the likelihood of the final payment that will be required to settle the obligation and the amounts may be reasonably estimated. Throughout the life of the obligation, the Company may learn of additional information that can affect assessments regarding probability or the estimates of amounts involved. Changes in these assessments can lead to changes in recorded liability. The management considers the estimates used to determine the financial liability are critical estimates because the amounts that the Company may be required to pay are based on the management's judgment today, which will not necessarily coincide with the future outcome of the agreement. See Note 12.

Note 5 - Financial risk management:

5.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, interest rate risk on cash flow and interest rate risk on fair values), credit risk, liquidity risk and inputs and products risk.

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required for annual financial statements; they should be read in conjunction with the Company's annual financial statements as of December 31, 2015. There have been no changes in the risk management department since year end or in any risk management policies.

During the nine months ended September 30, 2016 and 2015, the Mexican peso to US dollar exchange rate fluctuated from Ps17.24 to Ps19.60 and from Ps14.55 to Ps17.11, respectively which resulted in a gain and loss on translation effect of Ps 1,721,134 and (Ps 1,347,079), respectively, both recognized in other comprehensive income during those periods.

At September 30, 2016 and December 31, 2015 if the exchange rate increased / decreased by 10%, monetary position in foreign currency and non-monetary assets related to investments in foreign currencies would be modified at Ps 172,113 and Ps 108,258, respectively.

5.2 Liquidity risk

The following table analyzes the financial liabilities of the Company, grouped according to their maturity, as of the reporting date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
At September 30, 2016				
Trade and other payables	Ps 23,372,722	Ps -	Ps -	Ps -
Bank loans	1,477	-	-	-
Senior Notes		8,740,942	4,821,145	30,142,900
Stock certificates	-	1,677,437	-	-
Financial lease	2,281	2,259	8,340	136,519
Accrued interest payable from bank Loans, Senior Notes and stock certificates	861,223	4,056,933	2,710,844	4,978,616
Other current and non-current liabilities(1)	14,508	510,313	66,109	328,257

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Over 5 years
At December 31, 2015				
Trade and other payables	Ps 20,225,792	Ps -	Ps -	Ps -
Bank loans	2,107,437	15,941,292	-	-
Senior Notes	-	7,718,191	4,261,881	9,351,750
Stock certificates	-	1,668,295	-	-
Financial lease	19,575	40,159	17,974	55,176
Accrued interest payable from bank loans, Senior Notes and stock certificates	1,421,230	2,646,142	962,622	473,432
Other current and non-current liabilities(1)	79,685	113,496	21,220	148,850

(1) These amounts include accounts payable to related parties and notes payable.

5.2 Estimation of Fair Value

At September 30, 2016 and December 31, 2015, the Company had not assets and liabilities that are measured at fair value.

There were no transfers between Levels 1 and 2 during the period. There were also no transfers between Level 2 and Level 3 during the period.

Note 6 - Cash and cash equivalents:

Cash and cash equivalents are comprised as follows:

	At September 30, 2016	At December 31, 2015
Cash at bank and on hand	Ps 5,045,034	Ps 3,607,563
Short term bank deposits	5,937,055	4,840,531
Total cash and cash equivalents	Ps 10,982,089	Ps 8,448,094

Note 7 - Restricted cash:

The value of restricted cash are as follows:

	At September 30, 2016	At December 31, 2015
Current	Ps 58,501	Ps 137,644
Non-current	87,741	77,429
Restricted cash and cash equivalents	Ps 146,242	Ps 215,073

Restricted cash constitutes an escrow deposit in favor of SIGMA held with the former shareholders of JURIS and ECARNI. Restricted cash will be released in full after two years of the purchase and will have partial releases during the two year period according to the contracts. At September 30, 2016 and December 31, 2015, the requirements to cease being filed as restricted cash have not been fulfilled. At September 30, 2016 and December 31, 2015, the restricted cash related to the operation of JURIS amounts to Ps58,501 and Ps137,644 and ECARNI amounts to Ps87,741 and Ps77,429, respectively.

Note 8 - Trade and other receivables, net:

	At September 30, 2016	At December 31, 2015
Trade receivables	Ps 6,976,116	Ps 6,275,039
Provision for impairment of trade receivables	(511,937)	(419,214)
Trade receivables, net	6,464,179	5,855,825
Accounts receivables from related parties	18,548	21,953
Value-added tax recoverable ("VAT")	1,667,665	1,573,920
Interest receivable	1,157	1,341
Other debtors:		
Short-term notes receivable	76,473	131,146
Sundry debtors	497,220	291,199
	Ps 8,725,242	Ps 7,875,384

Trade and other receivables include due balances unimpaired of Ps1,021,866 and Ps903,935 at September 30, 2016 and December 31, 2015, respectively.

The aging analysis of balances due from trade and other receivables not impaired is as follows:

	At September 30, 2016	At December 31, 2015
1 to 30 days	Ps 547,162	Ps 717,472
30 to 90 days	338,254	107,662
90 to 180 days	69,857	22,010
More than 180 days	66,593	56,791
	Ps 1,021,866	Ps 903,935

At September 30, 2016 and December 31, 2015, trade and other accounts receivable, except VAT, of Ps7,057,577 and Ps6,301,464, respectively, have an impairment provision (represented by customers and sundry debtors). The amount of the impairment provision at September 30, 2016 and December 31, 2015 amounts to Ps511,937 and Ps419,214, respectively. Trade and other accounts receivable impaired correspond mainly to companies going through difficult economic situations. Normally part of the impaired accounts are expected to be recovered.

The changes on the provision for impairment of trade and other receivables are analyzed as follows:

	At September 30, 2016	At December 31, 2015
Opening balance (January 1)	Ps 419,214	Ps 389,865
Provision for impairment of trade receivables	107,187	75,982
Increase from acquisitions	-	2,079
Trade receivables written-off during the year	(14,464)	(48,712)
Ending balance (September 30)	Ps 511,937	Ps 419,214

Movements in the provision for impairment of trade and other receivables are recognized in the statement of income within selling expenses.

Note 9 - Property, plant and equipment, net:

During the nine months ended September 30, 2016, the Company invested Ps 3,203,665 in property plant and equipment as capital expenditures, which the majority related to machinery and equipment.

	Total Property, Plant & Equipment
For the period ended September 30, 2016	
Initial balance at January 1, 2016	Ps 26,598,056
Exchange differences	2,910,184
Additions	3,203,665
Disposals	(106,535)
Depreciation charge of the period	(2,030,684)
Balance at September 30, 2016	Ps 30,574,686
For the period ended December 31, 2015	
Initial balance at January 1, 2015	Ps 24,120,129
Exchange differences	1,180,669
Additions	3,870,236
Additions from business combinations	369,769
Disposals	(597,701)
Depreciation charge of the period	(2,345,046)
Balance at December 31, 2015	Ps 26,598,056

Depreciation expense of Ps2,030,684 and Ps2,345,046, has been charged in cost of sales; Ps1,469,977 and Ps1,697,678 in selling expenses and Ps435,940 and Ps488,585 in administrative expenses Ps124,767 and Ps158,783, for the nine months ended on September 30, 2016 and December 31, 2015, respectively.

At September 30, 2016 and December 31, 2015 there were no pledged property, plant and equipment assets.

Assets under finance leases comprise the following amounts in which the Company is the lessee:

	At September 30, 2016	At December 31, 2015
Cost - capitalized financial lease	Ps 191,737	Ps 211,324
Accumulated depreciation	(42,338)	(76,869)
Carrying value, net	Ps 149,399	Ps 134,455

The Company has entered into various non-cancellable lease agreements as lessee. The lease terms are between 2 and 3 years, and the ownership of the assets lies with the Company.

Note 10 - Financial Instruments

a. *Financial instruments by category*

	As of September 30, 2016	As of December 31, 2015
	Loans and receivables at amortized costs	Loans and receivables at amortized costs
Financial assets:		
Cash and cash equivalents	Ps 10,982,089	Ps 8,448,094
Restricted cash	146,242	215,073
Trade and other receivables	7,057,577	6,301,464
Prepaid expenses	439,521	327,808
Other non-current assets	175,196	1,031,171
	Ps 18,800,625	Ps 16,323,610

	As of September 30, 2016	As of December 31, 2015
	Liabilities at amortized costs	Liabilities at amortized cost
Financial liabilities:		
Debt	Ps 46,277,938	Ps 41,298,592
Trade and other accounts payable	23,372,722	20,225,792
Other current and non-current liabilities	1,096,802	366,209
	Ps 70,747,462	Ps 61,890,593

b. *Fair value of financial assets and liabilities*

The amount of cash and cash equivalents, trade and other receivables, other current assets, trade and other payables, current debt and other current liabilities approximate their fair value due to their short maturity date. The fair value of bank loans and notes payable approximated their current carrying amounts as the impact of discounting is not significant. The carrying value of these accounts represents the expected cash flow.

The carrying value and estimated fair value of other financial assets and liabilities are presented below (million pesos):

	At September 30, 2016		At December 31, 2015	
	Book value	Fair value	Book value	Fair value
Financial assets				
Related parties and long-term notes receivable	Ps -	Ps -	Ps 260	Ps 265
Financial liabilities				
Non-current debt	Ps 45,529	Ps 47,530	Ps 38,885	Ps 39,964

The estimated fair values are based on discounted cash flows. These fair values consider only the non-current portion of financial assets and liabilities since the current portion approximates its fair value.

Note 11 - Debt:

	At September 30, 2016	At December 31, 2015
Current:		
Bank loans	Ps -	Ps 126,168
Current portion of non-current debt	748,396	2,287,009
Current debt	Ps 748,396	Ps 2,413,177
Non-current:		
In dollars:		
Senior Notes	Ps33,581,898	Ps12,065,004
Unsecured bank loans	-	17,925,218
In euros:		
Senior Notes	10,837,710	9,314,155
Secured bank loans	1,477	2,522
Finance leases	149,399	132,885
In Mexican pesos:		
Unsecured stock certificates	1,707,454	1,732,640
	46,277,938	41,172,424
Less: current portion of non-current debt	(748,396)	(2,287,009)
Non-current debt	Ps45,529,542	Ps38,885,415

a) At December 31, 2015, bank loans and current notes payable accrued interest at an average rate of 1.82%.

b) The carrying amounts, terms and conditions of non-current debt are as follows:

Description	Currency	September 30, 2016	Balance at December 31, 2015	Balance date DD/MM/YYYY	Maturity Interest rate	Effective interest rate
Market Fixed rate	USD	Ps 8,987,741	Ps 7,802,448	14/12/2018	5.625%	5.764%
Market Fixed rate	USD	4,931,934	4,262,556	16/12/2019	6.875%	6.352%
Market Fixed rate	USD	19,662,223	-	02/05/2026	4.125%	4.268%
Market Fixed rate	EUR	10,837,710	9,314,155	13/03/2022	3.375%	3.658%
Total Senior Notes		44,419,608	21,379,159			
Syndicated loan variable rate	USD	-	516,449	20/06/2016	1.77%	1.77%
Syndicated loan variable rate	USD	-	516,610	17/06/2016	1.70%	1.70%
Syndicated loan variable rate	USD	-	16,892,159	13/11/2018	1.77%	1.77%
Syndicated loan variable rate	EUR	1,477	2,522	31/12/2016	1.67%	1.67%
Total unsecured bank loans		1,477	17,927,740			
SIGMA 08 Fixed rate	MXN	1,022,208	1,047,833	12/07/2018	10.25%	10.25%
SIGMA 08U Fixed rate	MXN	685,246	684,807	12/07/2018	5.32%	5.32%
Total unsecured stock certificates		1,707,454	1,732,640			
Finance leases	EUR	149,399	132,885			
Total		Ps 46,277,938	Ps 41,172,424			

At September 30, 2016, the annual maturities of non-current debt are as follows:

	2018	2019	2020	2021 onwards	Total
Senior Notes	Ps 8,740,942	Ps 4,821,145	Ps -	Ps 30,142,900	Ps 43,704,987
Stock certificates	1,677,437	-	-	-	1,677,437
Finance leases	1,964	296	8,340	136,518	147,118
	Ps 10,420,343	Ps 4,821,441	Ps 8,340	Ps 30,279,418	Ps 45,529,542

During the nine months ended September 30, 2016 the Company disposed Ps456,160 of its credit lines.

At September 30, 2016 and December 31, 2015, the Company has contractual credit lines unused for a total of Ps1,950,020 (US$100,000) and Ps1,720,650 (US$100,000), respectively.

At September 30, 2016 and December 31, 2015 and at the date of issuance of these financial statements, the Company and its subsidiaries complied with such covenants and restrictions.

At September 30, 2016 and December 31, 2015, there aren't liabilities guaranteed with property, plant and equipment.

Debt refinancing process

During May 2016, SIGMA carried out a debt financing through the issuance of senior notes in the amount of US$1,000 million in foreign exchange markets. The notes were sold in the U.S., on behalf and for the benefit of U.S. citizens, except for qualified institutional buyers in relation with the exceptions of the registration provided by Rule 144A under the U.S. Securities Act of 1933 and to certain investors outside the U.S. under Regulation S of such Act. The proceeds from that note offering were used to repay in advance short-and long-term existing debt. This was considered as an extinguishment of the existing debt and the recognition of a new liability for accounting purposes.

The following is a summary of the maturity dates stated in dollars, immediately prior and subsequent to that offering and the use of proceeds there from:

	Subsequent to refinancing	Prior to refinancing
Debt level	US$ 997,970	US$ 1,041,469
Maturity	2026	2018
Interest rate	4.125%	1.77%
General conditions	Guarantee and endorsements of some subsidiaries	Guarantee and endorsements of some subsidiaries

Note 12 - Stockholders' equity:

The General Stockholders' Ordinary Meeting held on February 23, 2016 and June 15, 2016, agreed to declare dividends in cash for a total amount of Ps 1,713,081 (Ps1.49 dividends per share in pesos), which were paid during 2016, and are derived fully from the Net Tax Profit Account ("CUFIN").

In relation with Campofrio Food Group, S.A., a major subsidiary of the Company (hereinafter referred to as "CFG"), there were several signed agreements that could have resulted in the obligation of acquiring non-nontroling interest in that subsidiary, as well as other claims thereof. Based on the legal assessments, both internal and external, performed in prior years, the validity and scope of the aforementioned agreements and claims were deemed to possibly become void; therefore, the Company's Management considered there was no obligation given the inability to anticipate the date or impact of future negotiations or litigations that, in any case, had not been declared. During June 2016, due to the undergoing negotiation with respect to these issues, a Put option written over non-controlling interests in CFG has been recognized as a financial liability (See Note 3), net of a related account receivables. These agreements have resulted in recording these obligations in fiscal year 2016, as well as in the extinction of the associated contingencies. In consequence mentioned above at September 30, 2016, the Company recorded a decrease in retained earnings as shown in the interim statement of changes in equity for the nine months period ended on September 30, 2016.

Note 13 - Comprehensive financing expense, net:

	Unaudited			
	Nine months ended to		Three months ended to	
	September 30, 2016	ended to 2015	September 30, 2016	September 30, 2015
Financial income:				
- Interest income on short-term bank deposits	Ps 39,348	Ps 28,123	Ps 18,375	Ps 8,519
- Other financial income	17,113	26,881	3,864	5,560
- Interest on accounts receivable	18,036	17,303	7,042	6,733
Financial income, excluding foreign exchange gain	74,497	72,307	29,281	20,812
Gain on foreign exchange	10,435,928	6,329,204	2,909,323	6,727,659
Total financial income	Ps 10,510,425	Ps 6,401,511	Ps 2,938,604	Ps 6,748,471
Financial expenses:				
- Interest expense on bank loans	(Ps 384,543)	(Ps 501,171)	(Ps 95,087)	(Ps 146,930)
- Interest expense, stock certificates and Senior Notes	(1,125,625)	(695,498)	(478,331)	(247,587)
- Financial expense from sale of portfolio	(27,798)	(37,342)	(9,631)	(11,801)
- Financial expense from employees benefits	(5,367)	(9,931)	(22)	(4,518)
- Other financial expenses	(138,313)	(46,063)	(16,176)	(15,206)
Interest expense, excluding foreign exchange loss	(1,681,646)	(1,290,005)	(599,247)	(426,042)
Foreign exchange loss	(10,889,127)	(7,259,942)	(2,890,815)	(6,069,047)
Total financial expenses	(Ps 12,570,773)	(Ps 8,549,947)	(Ps 3,490,062)	(Ps 6,495,089)
Comprehensive financing expense, net	(Ps 2,060,348)	(Ps 2,148,436)	(Ps 551,458)	Ps 253,382

Note 14 - Income tax:

Derived from the elimination of the tax consolidation regime in Mexico, the Company chose to incorporate to the new optional regime for groups of companies beginning in 2014, this regime consists in grouping companies with specific characteristics, which are able to defer part of the income tax payable in three years; the deferral percentage is calculated using a factor determined in accordance to the amount of tax profit and losses of the year 2015 of the companies within the regime.

The changes on the provision for income tax payable and income tax recoverable of trade and other receivables are analyzed as follows:

	Income tax recoverable	Current income tax payable	Non-current income tax payable
Balances at January 1 2016	Ps 664,842	Ps 737,831	Ps 398,749
Increase in provision	20,793	1,752,523	1,796
Increase (decrease) from reclassification *	127,415	(838,192)	965,606
Tax recovered	(153,427)	(533,713)	-
Ending balance at September 30, 2016	Ps 659,623	Ps 1,118,449	Ps 1,366,151

* Reclassification from current to non-current corresponding to defer income tax payable to 3 years, amount determined by ALFA in February 2016 under the optional benefits regime for group companies in Mexico.

Income tax for the nine and three months ended September 30, are as follows:

	Unaudited			
	Nine months ended to		Three months ended to	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Tax incurred:				
Tax incurred on profits for the period	(Ps 1,619,798)	(Ps 1,266,811)	(Ps 497,645)	(Ps 365,627)
Deferred tax:				
Origin and reversal of temporary differences	765,957	607,921	(20,262)	357,240
Income tax expense	(Ps 853,841)	(Ps 658,890)	(Ps 517,907)	(Ps 8,387)

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual tax rate used for 2016 is 30%. The effective income tax rate for the nine months ended September 30, 2016 and 2015 was 20% and 15%, respectively. The effective tax rate has increased from September 2015 to September 2016 by the effects of change in the functional currency of Sigma Alimentos, SA de C. V. as individual entity (see Note 3). The change in functional currency was introduced in July 2015, if the effects of conversion have been submitted since January 1, 2015 the effective rate on September 30, 2015 would be 12%.

Note 15 - Transactions with related parties:

Transactions with related parties for the nine and three months ended September 30, 2016 and 2015, which were held as if conditions were equal to similar transactions with independent parties, were as follows:

	Unaudited			
	Nine months ended to		Three months ended to	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Income (Affiliates)				
Leases	Ps 5,772	Ps 4,638	Ps 1,953	Ps 1,608
Interest	4,571	7,435	-	2,503
Expenses (Affiliates)				
Administrative services	Ps 119,341	Ps 120,415	Ps 39,018	Ps 40,148
Leases and other	207,356	138,425	62,795	61,025

For the nine months ended September 30, 2016, salaries and benefits received by senior officers of the Company amounted to Ps 343,645 (September 30, 2015: Ps 315,032), comprising of base salary and law benefits and supplemented by a variable compensation program that is basically based on the performance of the Company and by the market value of its parent shares.

At September 30, 2016 and December 31, 2015, the balances with related parties are as follows:

	Nature of the transaction	September 30, 2016	December 31, 2015
Receivable:			
Affiliates	Services	Ps 18,548	Ps 21,953
Affiliates	Loan	-	259,599

	Nature of the transaction	September 30, 2016	December 31, 2015
Payable:			
Affiliates	Services	Ps 36,836	Ps 47,730
Affiliates	Interest	-	1,208

The Company does not to have significant transactions with other related parties or conflicts of interest to disclose.

Note 16 - Financial information by segments:

Segment information is presented consistently with the internal reports provided to the chief executive officer (Chief Operating Decision Maker “CODM”) who is the highest authority in the operational decision making, resource allocation and performance assessment of the operating segments.

The operations between operating segments are performed at market value and the accounting policies with which the financial information by segments is prepared, are consistent with annual financial statements

The Company evaluates the performance of each of the operating segments based on income before financial results, income taxes, depreciation, amortization impairment of assets and excess/deficit in the investment value ("EBITDA"), whereas this indicator is a good measure to evaluate operating performance and ability to meet principal and interest obligations with respect to indebtedness, and the ability to fund capital expenditures and working capital requirements. Nevertheless, EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net income as a measure of operating performance or cash flows as a measure of liquidity.

The Company has defined the adjusted EBITDA as the calculation of adding back or subtracting, as the case may be to the operating profit, depreciation and amortization and write-off from removal of fixed and intangible assets.

The operating results are not materially affected by seasonality, although the Company generally experiences higher sales of products during the year-end holiday season and in the case of Bar-S subsidiary, higher sales during the summer months.

Following is the condensed financial information of these operative segments in millions of Mexican pesos:

For the nine months ended September 30, 2016 (amounts in millions of Mexican pesos)

	México	USA	Europe	Other countries	Total
Total income by segment	Ps 32,703	Ps 13,602	Ps 28,740	Ps 5,625	Ps 80,670
Intersegment income	(755)	(1,965)	-	(131)	(2,851)
Income with external clients	31,948	11,637	28,740	5,494	77,819
Adjusted EBITDA	4,450	1,891	2,108	630	9,079
Depreciation and amortization	(844)	(374)	(1,162)	(181)	(2,561)
Financing expense, net	(1,715)	(3)	(348)	6	(2,060)
Write-off of property, plant and equipment	(94)	-	-	-	(94)
Impairment of intangible assets	-	-	(184)	-	(184)
Investments in associates	(3)	-	37	-	34
Gain before tax	1,794	1,514	451	455	4,214
Capital expenditures (Capex):					
Property, plant and equipment	Ps 1,039	Ps 394	Ps 1,644	Ps 67	Ps 3,144

	México	USA	Europe	Other countries	Total
Non-current assets					
Property, plant and equipment (*)	Ps 9,140	Ps 2,213	Ps 17,337	Ps 1,885	Ps 30,575
Intangible asset	3,825	1,021	10,071	713	15,630
Goodwill	1,984	4,891	2,589	1,442	10,906
Total non-current assets	Ps 14,949	Ps 8,125	Ps 29,997	Ps 4,040	Ps 57,111
Unallocated					
Deferred income tax					2,904
Other non-current assets					1,182
Total non-current assets					Ps 61,197
Total liability	Ps 43,657	Ps 2,393	Ps 32,359	Ps 963	Ps 79,372

For the nine months ended September 30, 2015 (amounts in millions of Mexican pesos)

	México	USA	Europe	Other countries	Total
Total income by segment	Ps 30,125	Ps 12,833	Ps 24,658	Ps 4,379	Ps 71,995
Intersegment income	(689)	(2,474)	-	(90)	(3,253)
Income with external clients	29,436	10,359	24,658	4,289	68,742
Adjusted EBITDA	4,125	1,653	2,909	413	9,100
Depreciation and amortization	(672)	(324)	(960)	(104)	(2,060)
Comprehensive financing expense, net	(1,805)	53	(388)	(8)	(2,148)
Cancellation of deferred charges	-	-	-	-	-
Write-off of property, plant and equipment	(65)	-	(32)	-	(97)
Investments in associates	(1)	-	(409)	-	(410)
Gain (loss) before tax	1,582	1,382	1,120	301	4,385
Capital expenditures (Capex):					
Property, plant and equipment	Ps 706	Ps 190	Ps 920	Ps 35	Ps 1,851
Non-current assets					
Property, plant and equipment (*)	Ps 8,364	Ps 1,824	Ps 13,749	Ps 1,699	Ps 25,636
Intangible asset	3,191	1,003	8,819	304	13,317
Goodwill	1,754	4,239	2,244	1,214	9,451
Total non-current assets	Ps 13,309	Ps 7,066	Ps 24,812	Ps 3,217	Ps 48,404
Unallocated					
Deferred income tax					1,878
Other non-current assets					1,879
Total non-current assets					Ps 52,161
Total liability	Ps 38,433	Ps 2,143	Ps 27,304	Ps 877	Ps 68,757

* These assets are assigned based on operations in segments and physical location of the assets.

The reconciliation between the Adjusted EBITDA and profit before taxes for the nine and three months ended September 30, is as follows (in millions of Mexican pesos):

	Nine months ended September 30,		Three months ended September 30,	
	2016	2015	2016	2015
Adjusted EBITDA	Ps 9,079	Ps 9,100	Ps 3,106	Ps 3,437
Depreciation and amortization	(2,561)	(2,060)	(930)	(729)
Impairment of intangible assets *	(184)	-	(184)	-
Write-off from removal of fixed and intangible assets	(94)	(97)	(39)	(22)
Operating profit	6,240	6,943	1,953	2,686
Associates equity method	34	(410)	16	18
Financing expense	(2,060)	(2,148)	(551)	253
Profit before taxes	Ps 4,214	Ps 4,385	Ps 1,418	Ps 2,957

* During the first nine months of the year, the Italian stock market has declined by 4.1% as a result of the country's economic situation and the significantly more stringent regulatory standards imposed by the World Health Organization "WHO" on this market compared to the rest of the markets where the Company operates. As a result of these factors, management recalculated the recoverable amount of the CGU in Italy, recognizing an impairment of PS$184 million at September 30, 2016, in the intangible assets of the CGU.

The recoverable amount of the CGUs was determined based on the calculations of the value-in-use, consistent with the methods used as at December 31, 2015, see note 12 of the annual financial statements for details. The following table sets out the key assumptions for the CGU impairment calculations as at September 30, 2016.

	Italy	
	2016	2015
Sales growth (% annual growth rate)	4.51%	8.40%
EBITDA/ budgeted sales (%)	7.54%	7.82%
Long term growth rate (%)	1.00%	1.00%
Discount rate	7.18%	7.18%

Revenue from external customers by products:

	Nine months ended September 30,		Three months ended September 30,	
	2016	2015	2016	2015
Processed meat [1]	Ps 60,019,120	Ps 53,573,600	Ps 21,106,622	Ps 19,256,848
Dairy products [2]	14,181,724	12,436,690	4,881,479	4,326,431
Other refrigerated products [3]	3,618,534	2,732,112	1,354,248	989,779
Total	Ps 77,819,378	Ps 68,742,402	Ps 27,342,349	Ps 24,573,058

(1) Ham, sausage, and other lunch meat.
(2) Cheese, yogurt, cream, margarine and others
(3) Others include prepared meals, refrigerated products, desserts and beverages.

SIGMA's customers are commercial establishments classified into supermarkets, convenience stores, institutions and small grocery stores. At September 30, 2016 and 2015, sales to its major customer represented 10.44% and 10.99%, respectively, of total sales.

Note 17 - Subsequent Events:

In preparing the financial statements the Company has evaluated the events and transactions for recognition or disclosure subsequent to September 30, 2016 and through January 24, 2017 (date of issuance of the financial statements), and has not identified subsequent events.

ISSUER

Sigma Alimentos, S.A. de C.V.
Ave. Gómez Morín 1111 Sur
Colonia Carrizalejo,
66254 San Pedro Garza García, Nuevo León
México

LEGAL ADVISORS

To the Issuer

As to U.S. law
Paul Hastings LLP
200 Park Avenue
New York, New York 10166
United States

To the Initial Purchasers

As to U.S. law
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
United States

As to Mexican law
Ritch, Mueller, Heather y Nicolau, S.C.
Avenida Pedregal 24
Piso 10
Colonia Molino del Rey
11040 Ciudad de México
México

INDEPENDENT AUDITORS

PricewaterhouseCoopers, S.C.
Ave. Rufino Tamayo No. 100
Col. Valle Oriente
66269 Garza García, Nuevo León
México

TRUSTEE, REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon
101 Barclay Street, Floor 7 East
New York, New York 10286
United States

PAYING AGENT

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

IRISH LISTING AGENT

The Bank of New York Mellon SA/NV, Dublin Branch
Hanover Building
Windmill Lane
Dublin 2
Ireland

€600,000,000

SIGMA ALIMENTOS, S.A. DE C.V.

2.625% Senior Notes due 2024

OFFERING MEMORANDUM

BNP PARIBAS | **J.P. Morgan**

MUFG | **Rabobank**