

Soriana Announces second quarter financial results

- Revenues of \$36.892 billion pesos equal to 36.9% increase vs. 2Q15
- Same-store sales increased 6.9% in the second quarter
- Gross margin increased 160 b.p. to 22.4%
- EBITDA margin increased 160 b.p. to 8.1%
- Operating income increased 74.9% vs. 2Q15
- Net income increased 29.6% vs 2Q15 to \$1.000 billion pesos
- Introduction of *Julio Regalado* promotional campaign in 791 Soriana stores, starting June 8th
- Gross debt associated to Comercial Mexicana acquisition reduced to \$30.360 billion pesos as of 2Q16

Monterrey, N.L. on July 27, 2016.- Organización Soriana, S.A.B. de C.V. (Soriana) announces financial results for the second quarter of 2016. The amounts contained herein are nominal and in accordance with the International Financial Reporting Standards (IFRS).

2Q 2016 Operating Performance

Consumption in Mexico continued growing during the second quarter of this year, though at more moderate rates than on the first months of 2016, to the extent formal jobs continue to generate and inflation is still below Central Bank's target. The foregoing, in conjunction with the correct introduction of *Julio Regalado* Campaign in the last 3 weeks of June, generated a same-store sales growth of 6.9% during the quarter.

The total consolidated sales that added up to \$36.892 billion pesos imply an expansion of 36.9% vs. the 2Q15. In accumulated terms, the total consolidated sales that resulted in \$71.686 billion pesos represent a growth of 38.2% vs. the same period in 2015. We continue observing good performance in all our store formats, particularly Soriana Super, City Club and Soriana Hiper formats. As for CCM, the performance reported on Comercial Mexicana and Alprecio formats is outstanding.

Gross margin increased 1.6 percentage points vs. 2Q15 as a result of the integration of CCM operations and better commercial terms. Gross margin was 22.4%. Both companies continue with their commercial strategies with the purpose of providing better promotions and sales to

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customers. Gross profit this quarter reached \$8.245 billion pesos, representing a growth of 47.2% vs. 2Q15. In accumulated terms, gross profit increased 45.0% to \$15.788 billion pesos.

Operating expenses (without depreciation and amortization) decreased 20 basis points as a percentage of sales. In the quarter we had a decline as a percentage of sales in energy expenses and stores expenses as a result of the generation of synergies. In the second quarter of this year, operating expenses added up to \$5.252 billion pesos or a 14.2% margin and representing a 35.3% increase compared to the same period of 2015. In accumulated terms, expenses add up to \$10.340 billion pesos which represent 14.4% of total sales and translates to a 38.5% growth.

In view of the foregoing, EBITDA ⁽¹⁾ increased to \$2.995 billion pesos, growing 72.1% compared to 2Q15; this represents an 8.1% EBITDA margin. Year to date, EBITDA was \$5.478 billion pesos which represent a 7.6% margin and a 59.2% expansion.

Net financial cost in the quarter was \$505 million pesos vs. a financial cost of \$54 million pesos in the same period in 2015. This variation was mainly due to the fact that gross debt added up to \$30.360 billion pesos as a consequence of the acquisition of CCM and a foreign exchange loss greater than the one in 2Q 2015, given that there was no interest-bearing debt in the second quarter of 2015.

Finally, the consolidated net income of the quarter resulted in \$1.000 billion pesos which represent a net margin of 2.7% and imply an annual increase of 29.6%. Tax rate was 38.4% as a consequence, among others, of the amortization of the intangible asset upon the purchase of CCM and inflation adjustment upon the debt taken to purchase CCM, thus significantly affecting the deferred tax allowance of the quarter. In accumulated terms, net income was \$1.788 billion pesos which represent an increase of 15.2% vs. same period last year and a net margin of 2.5%.

(1) EBITDA is defined as operating earnings before depreciation and amortization.

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Opening of New Stores

During the second quarter we opened one Soriana Hiper and one City Club in Mexico City. Also we had the reopening after refurbishing of a Soriana Hiper in Mexico City resulting in a total of 825 units and a sales floor expansion of 30.9%.

Operating Information

The following chart compares the number of units in operation per store format by the end of June 2016, and it already considers CCM operations.

Store Format	2Q2016	2Q2015	Sales Floor Area as of 2Q2016	Sales Floor Area as of 2Q2015	Sales Floor Growth
Soriana Hiper	273	272	2,007,872	2,001,742	0.3%
Soriana Super	128	126	264,054	260,427	1.4%
Soriana Mercado	141	140	616,358	613,119	0.5%
Soriana Express	105	105	148,796	148,533	0.2%
City Club	35	34	281,243	274,115	2.6%
Mega	64	-	549,158	-	*
Comercial Mexicana	42	-	264,594	-	*
Bodega Comercial	34	-	181,368	-	*
Alprecio	3	-	3,840	-	*
Total	825	677	4,317,283	3,297,936	30.9%

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Important Event

Last July 8th, Organización Soriana, S.A.B. de C.V., announced to investors that it had reached a final partnership agreement with S.A.C.I. Falabella (Falabella) to jointly develop specialized stores focused on home improvement and construction in Mexico through its affiliate company, Sodimac, and to create a financial business to develop an integrated offer of CMR credit products and services. The partnership agreement provides the arrangements the parties have reached and that Soriana will contribute with Mexican consumer and market knowledge, besides the lots where Sodimac stores will be developed. The initial investment plan considers the opening of approximately 20 stores in the following five years; the first one is expected to open by the end of 2017. Moreover, this partnership will offer financial services through the new Sodimac stores to be developed and all current Soriana formats in an attempt to complement the services offered to customers through an accessible and efficient credit tool that furthers the sale of high-value items.

Social Responsibility Activities

Our Corporate Social Responsibility strategy encompasses 4 pillars that represent a solid platform of our Corporate Social Responsibility before our customers, community in general, suppliers, employees and shareholders. Throughout the second quarter these pillars were supported by means of the following actions:

a) Soriana Foundation

- In Soriana "Damos luz y bienestar a tu vida con Acciones de Corazón" (we bring light and comfort to your life with actions from the heart), alliances were made within the social programs to render a more complete and integral benefit to different communities. This is the case of the partnership with Sollar City-ILIOS. In the month of April, solar panels and ecological stoves were installed in the community of Zontecomatlan, Veracruz (Santa Ana, Cuacomul and Hueytlamaya).

b) Environment

- This second quarter we executed the contract to integrate 49 business units to our systems that monitor, automate and control the main energy consumption loads in Express-format stores and through which we estimate an annual saving of 1,946,704 kWh which represent 1,154.4TON of CO2 equivalent to the energy consumed by 671 homes in a year.

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- The Alliance between Nissan and Soriana will enable the installation of charging stations for electric vehicles known as “Electrolineras” in the parking lots of 11 chain stores strategically located in Mexico City, Guadalajara and Monterrey this year.

c) Good Business Practices

- We attended the “Business Factory” event in June organized by GSI Mexico which took place in Mexico City. There were 161 suppliers from all company divisions like groceries, produce, general merchandise and apparel.

d) Soriana University

- This second quarter of 2016, we provided 1,046,302 training hours to our employees. This represents a total of 14.07 hours per employee. That is, an average of 4.69 hours a month per employee.

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Organización Soriana, S.A.B. de C.V. and Subsidiaries
Consolidated Statements of Income

Millions of nominal pesos

	Second Quarter				
	2Q2016	%	2Q2015	%	Var. %
Net Sales	36,892	100	26,949	100	36.9
Cost of Sales	28,647	77.6	21,346	79.2	34.2
Gross Income	8,245	22.4	5,603	20.8	47.2
Operating Expenses	5,252	14.2	3,881	14.4	35.3
Income before other expenses, Net	2,993	8.1	1,722	6.4	73.8
Other Income and (Expenses), Net	2	0.0	19	0.1	(89.1)
EBITDA	2,995	8.1	1,741	6.5	72.1
Depreciation and Amortization	892	2.4	538	2.0	65.7
Operating Income	2,104	5.7	1,203	4.5	74.9
Interest Income and (Expenses), Net	(411)	(1.1)	(32)	(0.1)	(*)
Foreign Exchange Gain (Losses)	(94)	(0.3)	(22)	(0.1)	327.6
Comprehensive Financing Income	(505)	(1.4)	(54)	(0.2)	833.1
Minority Interest	23	0.1	16	0.1	41.0
Earnings Before Tax & Profit Sharing	1,621	4.4	1,165	4.3	39.2
Tax Provision	622	1.7	394	1.5	58.0
Net Earnings	1,000	2.7	771	2.9	29.6
Controlling Interest	995	2.7	771	2.9	29.0
Non- Controlling Interest	5	0.0	0	0.0	(*)
Cash Net Profit	1,789	4.8	1,590	5.9	12.5

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Consolidated Statements of Income

Millions of nominal pesos

	Second Quarter - Accumulated				
	2Q2016	%	2Q2015	%	Var. %
Net Sales	71,686	100	51,873	100	38.2
Cost of Sales	55,898	78.0	40,986	79.0	36.4
Gross Income	15,788	22.0	10,886	21.0	45.0
Operating Expenses	10,340	14.4	7,468	14.4	38.5
Income before other expenses, Net	5,448	7.6	3,418	6.6	59.4
Other Income and (Expenses), Net	30	0.0	23	0.0	31.1
EBITDA	5,478	7.6	3,441	6.6	59.2
Depreciation and Amortization	1,779	2.5	1,071	2.1	66.1
Operating Income	3,699	5.2	2,370	4.6	56.0
Interest Income and (Expenses), Net	(759)	(1.1)	(52)	(0.1)	(*)
Foreign Exchange Gain (Losses)	(132)	(0.2)	(104)	(0.2)	26.5
Comprehensive Financing Income	(890)	(1.2)	(156)	(0.3)	471.0
Minority Interest	47	0.1	34	0.1	36.1
Earnings Before Income Tax & Profit Sharing	2,855	4.0	2,249	4.3	27.0
Tax Provision	1,067	1.5	697	1.3	53.0
Net Earnings	1,788	2.5	1,552	3.0	15.2
Controlling Interest	1,778	2.5	1,552	3.0	14.6
Non-controlling interest	10	0.0	0	0.0	(*)
Cash Net Profit	3,530	4.9	2,920	5.6	20.9

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Organización Soriana, S.A.B. de C.V. and Subsidiaries
Consolidated Balance Sheet

Millions of nominal pesos

	<u>2016</u>	<u>%</u>	<u>2015</u>	<u>%</u>	<u>Var. %</u>
ASSETS					
Current Cash					
Cash and Cash Equivalents	3,151	2.5	983	1.3	220.5
Trade	1,849	1.5	2,550	3.2	(27.5)
Other Accounts Receivable	3,393	2.7	2,225	2.8	52.5
Inventories	24,805	19.7	16,756	21.3	48.0
Other Current Assets	398	0.3	169	0.2	134.9
Assets Classified as Held for Sale	1,267	1.0	0	0.0	(*)
Total Current Assets	34,863	27.7	22,683	28.9	53.7
Property and Equipment, Net	70,634	56.0	44,350	56.5	59.3
Intangible Assets	19,624	15.6	10,562	13.4	85.8
Other Assets	909	0.7	963	1.2	(5.6)
Total Assets	126,030	100	78,559	100	60.4
LIABILITIES					
Current Liabilities					
Suppliers	25,798	20.5	16,505	21.0	56.3
Debt Certificates	1,988	1.6	0	0.0	(*)
Other Accounts Payable	2,074	1.6	954	1.2	117.4
Other Liabilities Without Cost	2,035	1.6	783	1.0	160.0
Total Current Liabilities	31,895	25.3	18,242	23.2	74.8
Deferred Taxes	9,979	7.9	8,833	11.2	13.0
Long Term Debt	28,372	22.5	0	0.0	(*)
Other Liabilities	3,867	3.1	3,532	4.5	9.5
Total Long Term Liabilities	42,219	33.5	12,365	15.7	241.4
Total Liabilities	74,113	58.8	30,607	39.0	142.1
Stockholder's Equity					
Paid-in Capital Stock	83	0.1	83	0.1	0.0
Restatement of Paid-In Capital Stock	1,171	0.9	1,171	1.5	0.0
Premium on Sale of Shares	977	0.8	977	1.2	0.0
Share Repurchase Fund	550	0.4	550	0.7	0.0
Accumulated Earnings	49,137	39.0	45,172	57.5	8.8
Total Stockholder's Equity	51,917	41.2	47,952	61.0	8.3
Total Liabilities and Stockholders' Equity	126,030	100	78,559	100	60.4

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Organización Soriana, S.A.B. de C.V. and Subsidiaries
Consolidated Cash Flow Statement

Millions of nominal pesos

	<u>2016</u>	<u>2015</u>	<u>Var. %</u>
<u>OPERATING ACTIVITIES</u>			
Income before Income Tax	2,855	2,249	26.9
<u>Items Related to Investment Activities:</u>			
Depreciation & Amortization	1,779	1,071	66.1
Loss on the Sale of Property and Equipment	(361)	(136)	165.9
Participation in Subsidiaries	(47)	(34)	36.1
Foreign Exchange	11	(42)	(125.2)
<u>Items Related to Financing Activities</u>			
Interest Expense	888	126	604.7
Total	5,125	3,233	58.5
Clients	1,185	718	64.9
Inventories	(7,634)	(612)	(*)
Suppliers	6,042	(3,188)	(289.5)
Payable and Receivable Accounts	476	(272)	(275.0)
Income Tax Paid	(903)	(799)	12.9
Other, Net	(22)	(4)	446.2
Net Cash Flow from Operating Activities	4,268	(924)	(562.2)
<u>INVESTING ACTIVITIES</u>			
Acquisition of Property and Equipment	(1,770)	(858)	106.2
Investment in Business Acquisition, Net of Assets Acquired	(35,217)	0	(*)
Investment in Shares	150	17	760.2
Sale of Property	781	204	283.7
Net Cash Flow from Investing Activities	(36,055)	(637)	(*)
Cash Receivable from Financing Activities	(31,786)	(1,561)	(*)
<u>FINANCING ACTIVITIES</u>			
Financing Obtained	34,627	13,650	153.7
Financing Repaid	(21,477)	(13,650)	57.3
Other Financing Activities	0	(2)	(100.0)
Interest Paid	(888)	(127)	596.9
Net Cash Flow from Financing Activities	12,262	(129)	(*)
Net Decrease in Cash and Cash Equivalents	(19,524)	(1,690)	(*)
Cash and Cash Equivalents at the Beginning of the Period	22,675	2,673	748.3
Cash and Cash Equivalents at the End of Period	3,151	983	220.5

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