

## Soriana reports first quarter 2017 financial results

- Revenues of \$35.248 billion pesos equal to 1.3% increase vs. 2016.
- Same-Store Sales of 1.7% in the 1Q17.
- Increase of 80 basis points in the consolidated gross margin to 22.5%.
- Expansion of 30 basis points in the EBITDA margin to 7.4%.
- 10.1% growth in net earnings of the quarter.
- Debt reduction of 11.4% in the last 12 months.

**Monterrey, N.L., April 27<sup>th</sup>, 2017.** Organización Soriana, S.A.B. de C.V. (Soriana) announces the financial results corresponding to 1Q2017. Figures in this report are shown in nominal terms in accordance with International Financial Reporting Standards (IFRS).

### 2017 First Quarter Operation Performance

During the first quarter, the Company's total revenue showed a positive behavior reaching an increase of 1.3%. This was mainly driven by the increase on the same-store sales indicator and the addition of 5 new stores in the last twelve months. It is important to highlight that the downward trend in the SSS indicator was influenced by certain factors, such as the decline of consumer's trust, the adverse comparison of the calendar caused by the difference in 2017 Holy Week in April, the leap year in 2016 that had an additional day in the calendar and due to the partial affectation in the operation of certain stores during the month of January. Likewise, the Company's total revenues were affected by the permanent or temporary closing of six stores during the first quarter of 2017.

In a favorable way, we have noticed that some macroeconomic indicators begin to give signs of recovery generating more optimism in the markets, thus strengthening our position to maintain the established financial goals for this year. This is how the first quarter of the year closes with total consolidated revenue of \$35.248 billion pesos compared to \$34.793 billion pesos in the same quarter of last year.

In regard to the result reached at gross income level, the Company had a 5.3% growth in quarterly profit of \$7.944 billion pesos, compared to \$7.543 billion pesos in 2016. Likewise, the gross margin as a percentage over revenue showed a progress of 80 basis points ending in 22.5% margin as compared to 21.7% reached in the first quarter of 2016. This increase at gross income level is mainly influenced by the consolidation of synergies and better commercial strategies.

Compared to the same period in 2016, operating expenses (without depreciation and amortization) showed an increase as a percentage over sales reaching 15.2% in the quarter equivalent to \$5.372 million pesos, which represent 5.6% increase. This increase was mainly due to an important double digit increase in the average cost of energy, especially in electric power consumption as well as to the increase in the overall revision of salaries of the Company's employees.

Despite variations above, quarter EBITDA<sup>(1)</sup> had a 4.4% expansion, reaching \$2.591 million pesos. As a percentage over sales, EBITDA<sup>(1)</sup> is placed in 7.4%, which represents a 30 basis point expansion compared to the same period in 2016.

Comprehensive Financing Income in the quarter displayed an increase of 13.3% at \$437 million pesos, compared to the same period in 2016. This is mainly because there were more financial expenses that affect the cost of the debt due to the increase shown since last year in the reference interest rates determined by Banco de Mexico, which have increased in 275 basis points against the level shown in March 2016. At the same time, there was a lower foreign exchange loss from \$38.1 million pesos in 2016 to a gain of \$72.5 million pesos at the closing of the quarter, a 290.5% variation. This was because of the appreciation of the Mexican peso during the first quarter of 2017 and because of the Company's reduction on liabilities in US dollars.

Lastly, the quarterly net earnings reached \$868 million pesos, representing a 2.5% over sales and therefore, a 10.1% expansion was achieved against the \$789 million pesos obtained in the first quarter of the previous year.

*(1) EBITDA means Earnings before Interest, Taxes, Depreciation and Amortization.*

## **Debt Performance**

As of the closing of the 2017 1Q, the Company has a gross debt with a cost of \$28.694 billion pesos compared to \$32.387 billion pesos of the same period of last year. This represents a reduction of 11.4% equivalent to \$3.693 billion pesos.

## **New Stores Information**

During the first 3 months of the year, the Company began its growth plan by opening one new Soriana Hiper store in the state of Nuevo León. 5 units in different regions of the country were permanently closed as part of an efficiency and profitability assessment program. Also, 1 MEGA store in the state of Tamaulipas was temporarily closed in order to convert it into a City Club format.

## Operating Information

Below is a comparative table of the number of units in operation per store format as of 1Q17

Store Format	1Q2017	1Q2016	Sales Floor Area as of 2017	Sales Floor Growth
Soriana Híper	273	272	2,003,161	0.1%
Soriana Súper	128	129	262,994	-1.4%
Soriana Mercado	141	141	616,357	0.0%
Soriana Express	103	105	144,553	-2.9%
City Club	35	34	281,243	2.6%
Mega	63	64	541,858	-1.3%
Comercial Mexicana	42	42	264,594	0.0%
Bodega Comercial	34	34	181,368	0.0%
Alprecio	3	3	3,840	0.0%
<b>Total</b>	<b>822</b>	<b>824</b>	<b>4,299,969</b>	<b>-0.1%</b>

## Social Responsibility Actions

As part of our Corporate Social Responsibility strategy, we have 4 pillars that represent a solid platform for our customers, community, suppliers, collaborators and shareholders. These pillars were supported throughout the year through the following actions:

### a) Soriana Fundacion

- In regard to community development and families in our country, we began the year with a project that required a \$1.1 million pesos investment, which benefitted 3 communities of the Sierra Tarahumara in Chihuahua, favoring 50 Raramuri families with the installation of solar panels that provide the use of solar energy, thus contributing to sustainable and renewable energy usage in these communities. In regard to the support given to children and youth, we collaborated in the construction of the Centro Comunitario del Mar (Community Center of the Sea), whereby, with the contribution of customers, we supported the Punta Mita and Monunalia Foundations. Lastly, Soriana Fundacion established strategic alliances with Comunalia (the Alliance of Community Foundations of Mexico), Fundacion Interamericana (IAF) and Charles Stewart Mott, to help in community development with a special emphasis on education, job creation, healthy recreation and sports in four states of Mexico.

## **b) Environment**

- In the beginning of January, 148 stores joined the clean energy program, thanks to the opening of a new wind power park located in the State of Tamaulipas. This park has 15 air generators, a capacity of 49.5 MW and production of 181 GWh per year. Additionally, an agreement was signed with the company Iberdrola Mexico for electric power supply through the Mercado Electrico Mayorista (MEM) (Wholesale Electricity Market) to 69 of our stores located in the state of Baja California. In regard to the actions carried out in our operation, there were training courses aimed to our store managers and maintenance supervisors to improve and more efficiently use energy. A monitoring center was installed at the headquarters offices to control and monitor electric power usage in real time for 295 stores in regard to air conditioning, commercial refrigeration and lighting equipment.

## **c) Good Business Practices**

- We attended the 34th EXPO ANTAD 2017, where the commercial team had the opportunity of interviewing more than 750 domestic and international suppliers, to learn about market launchings, novelties and trends. Additionally, we participated in the 2017 Encuentro de Articulación de Cadenas de Valor 2017" (Value Chain Articulation Gathering) in Monterrey and organized "Feria Pymes Morelos Soriana 2017" (Soriana's small and middle-sized businesses Morelos Fair) where 39 suppliers of that state offered 195 great quality products in our stores.

## **d) Soriana Universidad**

- During the quarter, 828 thousand hours of training were conducted, representing a total of 10.8 hours per collaborator; that is an average of 3.6 hours per month per employee. As a complement to this and looking for the academic development of our collaborators, an official announcement was launched so that those collaborators who wanted to continue with their education could enroll in any of the schools in which the Company has agreements. More than 1,000 employees responded to this call.

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

Millions of nominal pesos

	<b>First Quarter</b>				
	<b>1Q2017</b>	<b>%</b>	<b>1Q2016</b>	<b>%</b>	<b>Var. %</b>
Net Sales	35,248	100	34,793	100	1.3
Cost of Sales	27,304	77.5	27,251	78.3	0.2
<b>Gross Income</b>	<b>7,944</b>	<b>22.5</b>	<b>7,543</b>	<b>21.7</b>	<b>5.3</b>
Operating Expenses	5,372	15.2	5,088	14.6	5.6
<b>Income before other expenses, net</b>	<b>2,573</b>	<b>7.3</b>	<b>2,454</b>	<b>7.1</b>	<b>4.8</b>
Other Income and (Expenses), Net	18	0.1	28	0.1	(34.4)
<b>EBITDA</b>	<b>2,591</b>	<b>7.4</b>	<b>2,483</b>	<b>7.1</b>	<b>4.4</b>
Depreciation and Amortization	837	2.4	887	2.6	(5.7)
<b>Operating Income</b>	<b>1,754</b>	<b>5.0</b>	<b>1,595</b>	<b>4.6</b>	<b>9.9</b>
Interest Income and (Expenses), Net	(509)	(1.4)	(348)	(1.0)	46.5
Foreign Exchange Gain (Losses)	73	0.2	(38)	(0.1)	(290.5)
<b>Comprehensive Financing Income</b>	<b>(437)</b>	<b>(1.2)</b>	<b>(386)</b>	<b>(1.1)</b>	<b>13.3</b>
Minority Interest	8	0.0	24	0.1	(67.8)
<b>Earnings Before Income Tax &amp; Profit Sharir</b>	<b>1,325</b>	<b>3.8</b>	<b>1,234</b>	<b>3.5</b>	<b>7.4</b>
Tax Provision	456	1.3	445	1.3	2.6
<b>Net Earnings</b>	<b>868</b>	<b>2.5</b>	<b>789</b>	<b>2.3</b>	<b>10.1</b>
<b>Controlling interest</b>	<b>858</b>	<b>2.4</b>	<b>770</b>	<b>2.2</b>	<b>11.4</b>
Non-controlling interest	10	0.0	19	0.1	(45.0)
<b>Cash Net Profit</b>	<b>1,592</b>	<b>4.5</b>	<b>1,742</b>	<b>5.0</b>	<b>(8.6)</b>

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

Millions of nominal pesos

	2017	%	2016	%	Var. %
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	1,254	1.0	1,846	1.5	(32.1)
Trade	1,475	1.2	1,580	1.3	(6.6)
Other Accounts Receivable	4,306	3.4	5,368	4.4	(19.8)
Inventories	26,016	20.5	21,435	17.6	21.4
Other Current Assets	530	0.4	362	0.3	46.2
Assets classified as held for sale	1,509	1.2	1,147	0.9	31.5
<b>Total Current Asset</b>	<b>35,090</b>	<b>27.6</b>	<b>31,738</b>	<b>26.1</b>	<b>10.6</b>
<b>Property and Equipment, Net</b>	<b>70,151</b>	<b>55.2</b>	<b>69,877</b>	<b>57.5</b>	<b>0.4</b>
<b>Intangible Assets</b>	<b>19,591</b>	<b>15.4</b>	<b>17,749</b>	<b>14.6</b>	<b>10.4</b>
<b>Other Assets</b>	<b>2,313</b>	<b>1.8</b>	<b>2,258</b>	<b>1.9</b>	<b>2.4</b>
<b>Total Assets</b>	<b>127,145</b>	<b>100</b>	<b>121,622</b>	<b>100</b>	<b>4.5</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Suppliers	23,077	18.2	20,148	16.6	14.5
Debt Certificates	6,430	5.1	2,388	2.0	169.3
Other Accounts Payable	1,820	1.4	2,046	1.7	(11.0)
Other Liabilities without cost	2,723	2.1	1,951	1.6	39.5
<b>Total Current Liabilities</b>	<b>34,050</b>	<b>26.8</b>	<b>26,534</b>	<b>21.8</b>	<b>28.3</b>
Deferred Taxes	12,798	10.1	11,033	9.1	16.0
Long Term Debt	22,264	17.5	29,999	24.7	(25.8)
Other Liabilities	2,974	2.3	3,563	2.9	(16.5)
<b>Total Long Term Liabilities</b>	<b>38,037</b>	<b>29.9</b>	<b>44,596</b>	<b>36.7</b>	<b>(14.7)</b>
<b>Total Liabilities</b>	<b>72,088</b>	<b>56.7</b>	<b>71,130</b>	<b>58.5</b>	<b>1.3</b>
<b>Stockholders' Equity</b>					
Paid-In Capital Stock	83	0.1	83	0.1	0.0
Restatement of Paid-In Capital Stock	1,171	0.9	1,171	1.0	0.0
Premium on Sales of Shares	977	0.8	977	0.8	0.0
Repurchase Fund of Shares	550	0.4	550	0.5	(0.0)
Accumulated Earnings	52,277	41.1	47,712	39.2	9.6
<b>Total Stockholders' Equity</b>	<b>55,057</b>	<b>43.3</b>	<b>50,492</b>	<b>41.5</b>	<b>9.0</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>127,145</b>	<b>100</b>	<b>121,622</b>	<b>100</b>	<b>4.5</b>

**Organización Soriana, S.A.B. de C.V. and Subsidiaries**  
**Consolidated Cash Flow Statements**  
Millions of nominal pesos

	<u>2017</u>	<u>2016</u>	<u>Var. %</u>
<b><u>OPERATING ACTIVITIES</u></b>			
Income before Income Tax	1,325	1,234	7.4
<b><u>Items related to investment activities:</u></b>			
Depreciation & Amortization	837	887	(5.7)
Sales of property and equipment	(3)	(33)	(90.1)
Participation in Subsidiaries	(8)	(24)	(67.7)
Foreign Exchange	(105)	(91)	15.7
<b><u>Items related to financing activities</u></b>			
Interest Expense	567	430	31.9
<b>Total</b>	<b>2,612</b>	<b>2,402</b>	<b>8.7</b>
Clients	400	587	(31.9)
Inventories	(48)	(5,920)	(99.2)
Suppliers	(4,874)	428	(1,238.7)
Payable and receivable accounts	(1,045)	1,569	(166.6)
Income Tax Paid	(406)	(423)	(3.9)
<b>Net cash flow from operating activities</b>	<b>(3,362)</b>	<b>(1,356)</b>	<b>147.9</b>
<b><u>INVESTING ACTIVITIES</u></b>			
Acquisitions of property and equipment	(313)	(502)	(37.6)
Investment in business acquisition, net of assets acquired	0	(34,109)	*
Investment in shares	12	149	(92.0)
Sale of property	28	143	(80.1)
<b>Net Cash flow from investing activities</b>	<b>(273)</b>	<b>(34,320)</b>	<b>(99.2)</b>
<b>Cash receivable from financing activities</b>	<b>(3,634)</b>	<b>(35,676)</b>	<b>(89.8)</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Financing Obtained	20,350	15,277	33.2
Financing Repaid	(17,613)	0	*
Interest Paid	(567)	(430)	31.9
<b>Net cash flow from financing activities</b>	<b>2,170</b>	<b>14,847</b>	<b>(85.4)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,464)</b>	<b>(20,829)</b>	<b>(93.0)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,718</b>	<b>22,675</b>	<b>(88.0)</b>
<b>Cash and cash equivalents at end period</b>	<b>1,254</b>	<b>1,846</b>	<b>(32.1)</b>