

## Soriana reports second quarter 2017 financial results

- Revenues of \$38.609 billion pesos equal to 4.7% increase vs. 2016.
- Same-Store Sales of 5.2% in the 2Q17.
- Increase of 40 basis points in the consolidated gross margin to 22.7%.
- Expansion of 20 basis points in the EBITDA margin to 8.3%.
- Net earnings increased 15.5% to \$1.155 billion pesos.
- Debt reduction of \$3.153 billion pesos in the last 12 months.

**Monterrey, N.L., July 28<sup>th</sup>, 2017.** Organizacion Soriana, S.A.B. de C.V. (Soriana) announces the financial results corresponding to 2Q2017. Figures in this report are shown in nominal terms in accordance with International Financial Reporting Standards (IFRS).

### 2017 Second Quarter Operation Performance

Throughout the second quarter of this year, Company's total income registered a positive performance reaching an increase of 4.7% driven by the growth in same-store sale indicator. In this manner, the second quarter of this year closed with a total consolidated income of MXP \$38.609 billion pesos compared to \$36.892 billion pesos obtained for this same period in 2016. In cumulative terms, it reached \$73.857 billion pesos; a growth of 3.0% compared to the same period in 2016. Referring to performance per format, we continue keeping positive results in all our store formats most especially in Mega, Soriana Mercado and Soriana Express formats.

With respect to profit and gross margin results, the Company displayed during this quarter a growth of 6.7% reaching a gross profit of \$8.770 billion pesos in comparison to \$8.223 billion pesos of the year before. Likewise, it was observed an expansion of 40 base points in margin over sales to end in 22.7% compared to 22.3% reached in the second quarter of 2016. The foregoing has been obtained thanks to the consolidation of the synergies achieved in 2016 and the negotiation of better commercial terms despite the strong margin invested in Julio Regalado campaign. Cumulative gross profit increased 6.2% to \$16.715 billion pesos.

With respect to operational expenses (without depreciation and amortization), during this quarter they showed a slight increase of 20 base points as percentage of sales with respect to the same period in 2016 to reach a 14.4%, equivalent to \$5.570 billion pesos, which represents an increase of 6.5% with respect to the same period of the year before. This increase in the operational expense is attributable mostly to the considerable increases in the prices of energy sources, especially the electric power where the cost per kWh recorded double-digit increments. In cumulative terms, the expenditures reached \$10.941 billion pesos, representing a 14.8% of total income, which means a growth of 6.3% compared to annual records.

As a consequence of the variations referred to above and the efficiencies obtained at gross profit level, Company's quarterly EBITDA(1) showed an increase of 6.5% to reach an amount of \$3.189 billion pesos, which represents a margin over sales of 8.3%. This is equivalent to an expansion of 20 base points with respect to the same period of the previous year. In cumulative terms, EBITDA was of \$5.780 billion pesos, representing a margin of 7.8% and an annual growth of 5.5%.

On the other hand, net financial cost displayed in this second quarter of the year an increase of 20.4% to reach \$608 million pesos compared to the same period of 2016. The foregoing caused by greater financial expenses due to an increase in the reference interest rates determined by Banco de Mexico which increased 325 basis points from the level incurred in June 2016. This has a direct effect over the payment of interests for the debt acquired on the purchase of Comercial Mexicana. At the same time, a lower exchange loss was registered by passing from a loss of \$93.8 million pesos in 2016 to a loss of \$7.9 million pesos by the end of this quarter, a reduction of 91.6%. The foregoing was caused by an appreciation of Mexican peso during the second quarter of 2017.

Finally, quarterly consolidated net profit reached \$1.155 billion pesos, which represents a 3.0% percent over sales obtaining in this manner an expansion of 15.5% with respect to the \$1.000 billion pesos obtained in the second quarter of the previous year.

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

## Debt Performance

As of the closing of the 2017 2Q, the Company has a total debt of \$27.207 billion pesos compared to \$30.360 billion pesos of the same period of last year. This represents a reduction of 10.4%.

## New Stores Information

During the month of June, one Soriana Express store was opened in the in the state of Yucatan. During the last 12 months the Company has inaugurated 4 stores and 6 units were permanently closed.

## Operating Information

Below is a comparative table that show the number of units in operation per store format as of 2Q17

Store Format	2Q2017	2Q2016	Sales Floor Area as of 2Q2017	Sales Floor Growth
Soriana Híper	273	273	2,003,161	-0.2%
Soriana Súper	128	128	262,994	-0.4%
Soriana Mercado	142	141	618,812	0.4%
Soriana Express	103	105	143,435	-3.6%
City Club	35	35	281,243	0.0%
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>823</b>	<b>825</b>	<b>4,301,305</b>	<b>-0.4%</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 Soriana Fundacion we strive to perform Acciones de Corazón (Actions of the Heart) based on our guiding principles of childhood, nutrition and community support, in benefit of the most vulnerable groups of our society. In this occasion we managed to support our childhood by establishing a campaign named "Music for Change", an alliance created between Soriana Fundación and Dibujando un Mañana (Drawing a Future), which is based in the transforming power of music. Its purpose is to promote the development and education of underprivileged children by supporting music education projects in 6 states of the Mexican Republic. We collected for this cause, MXP \$1.1 million pesos benefiting 7 institutions that promote the development and education of 918 boys, girls and teenagers.
- Also, other 118 charity institutions received our support thanks to the contributions of our customers; among them were several Red Cross programs in 13 states of Mexico.

## **b) Environment**

- A new Wind Farm started operations in the month of June. It is located in the state of Tamaulipas, and will supply 129 stores. This new wind farm has 15 wind turbines and a capacity of 49.5 MW producing 181 GWh per year. This is equal to avoiding the release of 82,898 tons of CO<sub>2</sub> to the atmosphere.
- Soriana and Iberdrola México signed an agreement for supplying electric power through Mercado Eléctrico Mayorista (Wholesale Electricity Market) where 55 Soriana stores and 14 Comercial Mexicana stores will be supplied. The first stage of the scheme will begin with 18 stores in Baja California, supply will be furnished from the Central plant of Ciclo Combinado Baja California III located in Ensenada, which has a capacity of 314 MW.
- To comply with the provision of the Secretariat of Environment and Natural Resources (SEMARNAT) of publishing the results of Company's greenhouse gas emissions, we completed such report during the month of June. Together with the consultant Factor CO<sub>2</sub>, we determined that the emissions released during 2016 by Tiendas Soriana S.A. de C.V. and Servicios de Transportes CAD S.A. de C.V. were of 677,168 Ton CO<sub>2</sub>e.

## **c) Good Business Practices**

- During the second quarter of the year we held three business meetings in the states of Guanajuato, Quintana Roo and Veracruz attended by more than 100 suppliers that will participate in future PYME fairs that Soriana will held in their corresponding states and cities. Also, during this quarter we attended to several events such as Expo Agro Sinaloa 2017 (Sinaloa Agricultural Show 2017), Fabrica de Negocios GS1 (GS1 Business Factory) and Expo PESCAMAR 2017 (Sea Fishing Show 2017) with the purpose of finding new products to be considered by our commercial areas.

## **d) Soriana Universidad**

- During the second quarter of the year, 271 collaborators took their CENEVAL (National Center for the Evaluation of Superior Education) high-school degree test, as part of our purpose to promote continued education for personal and professional development of Soriana collaborators. Parallel to this effort, and very successfully, we began classes for a second group of high school with more than 900 students distributed in 11 venues throughout the Mexican Republic.
- Also, 1.1 million hours of training were provided to Soriana collaborators in this period. This represents, a total of 14.4 hours per collaborator; in other words, an average of 4.8 hours per month per employee.

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

Millions of nominal pesos

	<b>Second Quarter</b>				
	<b>2Q2017</b>	<b>%</b>	<b>2Q2016</b>	<b>%</b>	<b>Var. %</b>
Net Sales	38,609	100	36,892	100	4.7
Cost of Sales	29,839	77.3	28,670	77.7	4.1
<b>Gross Income</b>	<b>8,770</b>	<b>22.7</b>	<b>8,223</b>	<b>22.3</b>	<b>6.7</b>
Operating Expenses	5,570	14.4	5,230	14.2	6.5
<b>Income before other expenses, net</b>	<b>3,201</b>	<b>8.3</b>	<b>2,993</b>	<b>8.1</b>	<b>6.9</b>
Other Income and (Expenses), Net	(12)	(0.0)	2	0.0	(687.9)
<b>EBITDA</b>	<b>3,189</b>	<b>8.3</b>	<b>2,995</b>	<b>8.1</b>	<b>6.5</b>
Depreciation and Amortization	839	2.2	892	2.4	(6.0)
<b>Operating Income</b>	<b>2,350</b>	<b>6.1</b>	<b>2,104</b>	<b>5.7</b>	<b>11.7</b>
Interest Income and (Expenses), Net	(600)	(1.6)	(411)	(1.1)	46.0
Foreign Exchange Gain (Losses)	(8)	(0.0)	(94)	(0.3)	(91.6)
<b>Comprehensive Financing Income</b>	<b>(608)</b>	<b>(1.6)</b>	<b>(505)</b>	<b>(1.4)</b>	<b>20.4</b>
Minority Interest	(5)	(0.0)	23	0.1	(124.1)
<b>Earnings Before Income Tax &amp; Profit Sharing</b>	<b>1,737</b>	<b>4.5</b>	<b>1,621</b>	<b>4.4</b>	<b>7.1</b>
Tax Provision	582	1.5	622	1.7	(6.4)
<b>Net Earnings</b>	<b>1,155</b>	<b>3.0</b>	<b>1,000</b>	<b>2.7</b>	<b>15.5</b>
<b>Controlling interest</b>	<b>1,148</b>	<b>3.0</b>	<b>995</b>	<b>2.7</b>	<b>15.4</b>
Non-controlling interest	7	0.0	5	0.0	44.1
<b>Cash Net Profit</b>	<b>1,834</b>	<b>4.8</b>	<b>1,719</b>	<b>4.7</b>	<b>6.7</b>

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

Millions of nominal pesos

	<b>Second Quarter - Accumulated</b>				
	<b>2017</b>	<b>%</b>	<b>2016</b>	<b>%</b>	<b>Var. %</b>
Net Sales	73,857	100	71,686	100	3.0
Cost of Sales	57,142	77.4	55,942	78.0	2.1
<b>Gross Income</b>	<b>16,715</b>	<b>22.6</b>	<b>15,743</b>	<b>22.0</b>	<b>6.2</b>
Operating Expenses	10,941	14.8	10,296	14.4	6.3
<b>Income before other expenses, net</b>	<b>5,773</b>	<b>7.8</b>	<b>5,448</b>	<b>7.6</b>	<b>6.0</b>
Other Income and (Expenses), Net	6	0.0	30	0.0	(79.0)
<b>EBITDA</b>	<b>5,780</b>	<b>7.8</b>	<b>5,478</b>	<b>7.6</b>	<b>5.5</b>
Depreciation and Amortization	1,676	2.3	1,779	2.5	(5.8)
<b>Operating Income</b>	<b>4,104</b>	<b>5.6</b>	<b>3,699</b>	<b>5.2</b>	<b>11.0</b>
Interest Income and (Expenses), Net	(1,109)	(1.5)	(759)	(1.1)	46.2
Foreign Exchange Gain (Losses)	65	0.1	(132)	(0.2)	(149.0)
<b>Comprehensive Financing Income</b>	<b>(1,045)</b>	<b>(1.4)</b>	<b>(890)</b>	<b>(1.2)</b>	<b>17.3</b>
Gain from long-term liability extinguishment					
Minority Interest	2	0.0	47	0.1	(95.0)
<b>Earnings Before Tax &amp; Profit Sharing</b>	<b>3,062</b>	<b>4.1</b>	<b>2,855</b>	<b>4.0</b>	<b>7.2</b>
Tax Provision	1,038	1.4	1,067	1.5	(2.6)
<b>Net Earnings</b>	<b>2,023</b>	<b>2.7</b>	<b>1,788</b>	<b>2.5</b>	<b>13.1</b>
<b>Controlling interest</b>	<b>2,011</b>	<b>2.7</b>	<b>1,779</b>	<b>2.5</b>	<b>13.1</b>
Non-controlling interest	12	0.0	10	0.0	24.6
<b>Cash Net Profit</b>	<b>3,432</b>	<b>4.6</b>	<b>3,531</b>	<b>4.9</b>	<b>(2.8)</b>

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

Millions of nominal pesos

	<b>2017</b>	<b>%</b>	<b>2016</b>	<b>%</b>	<b>Var. %</b>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	1,607	1.2	3,151	2.5	(49.0)
Trade	1,408	1.1	981	0.8	43.5
Other Accounts Receivable	5,225	4.0	4,261	3.4	22.6
Inventories	30,269	22.9	24,805	19.7	22.0
Other Current Assets	553	0.4	398	0.3	38.9
Assets classified as held for sale	1,636	1.2	1,267	1.0	29.1
<b>Total Current Asset</b>	<b>40,698</b>	<b>30.8</b>	<b>34,863</b>	<b>27.7</b>	<b>16.7</b>
<b>Property and Equipment, Net</b>	<b>69,564</b>	<b>52.7</b>	<b>70,635</b>	<b>56.0</b>	<b>(1.5)</b>
<b>Intangible Assets</b>	<b>19,431</b>	<b>14.7</b>	<b>18,589</b>	<b>14.7</b>	<b>4.5</b>
<b>Other Assets</b>	<b>2,337</b>	<b>1.8</b>	<b>1,944</b>	<b>1.5</b>	<b>20.2</b>
<b>Total Assets</b>	<b>132,030</b>	<b>100</b>	<b>126,030</b>	<b>100</b>	<b>4.8</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Suppliers	28,897	21.9	25,798	20.5	12.0
Debt Certificates	6,080	4.6	1,988	1.6	205.8
Other Accounts Payable	1,582	1.2	1,705	1.4	(7.2)
Other Liabilities without cost	2,759	2.1	2,335	1.9	18.2
<b>Total Current Liabilities</b>	<b>39,318</b>	<b>29.8</b>	<b>31,826</b>	<b>25.3</b>	<b>23.5</b>
Deferred Taxes	12,774	9.7	10,265	8.1	24.4
Long Term Debt	21,127	16.0	28,372	22.5	(25.5)
Other Liabilities	2,657	2.0	3,651	2.9	(27.2)
<b>Total Long Term Liabilities</b>	<b>36,557</b>	<b>27.7</b>	<b>42,288</b>	<b>33.6</b>	<b>(13.6)</b>
<b>Total Liabilities</b>	<b>75,875</b>	<b>57.5</b>	<b>74,113</b>	<b>58.8</b>	<b>2.4</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	0.9	0.0
Premium on Sales of Shares	977	0.7	977	0.8	0.0
Repurchase Fund of Shares	300	0.2	550	0.4	(45.4)
Accumulated Earnings	53,625	40.6	49,137	39.0	9.1
<b>Total Stockholders' Equity</b>	<b>56,155</b>	<b>42.5</b>	<b>51,917</b>	<b>41.2</b>	<b>8.2</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>132,030</b>	<b>100</b>	<b>126,030</b>	<b>100</b>	<b>4.8</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>			
<b>Income before Income Tax</b>	<b>3,062</b>	<b>2,855</b>	<b>7.2</b>
<b><u>Items related to investment activities:</u></b>			
Depreciation & Amortization	1,676	1,779	(5.8)
Sales of property and equipment	(89)	(361)	(75.5)
Participation in Subsidiaries	(2)	(47)	(94.9)
Foreign Exchange	(91)	11	(952.7)
<b><u>Items related to financing activities</u></b>			
Interest Expense	1,214	888	36.8
<b>Total</b>	<b>5,770</b>	<b>5,125</b>	<b>12.6</b>
Clients	466	1,185	(60.7)
Inventories	(4,302)	(7,634)	(43.7)
Suppliers	931	6,042	(84.6)
Payable and receivable accounts	(2,577)	454	(667.3)
Income Tax Paid	(1,148)	(903)	27.1
<b>Net cash flow from operating activities</b>	<b>(860)</b>	<b>4,268</b>	<b>(120.1)</b>
<b><u>INVESTING ACTIVITIES</u></b>			
Acquisitions of property and equipment	(694)	(1,770)	(60.8)
Investment in business acquisition, net of assets acquired	0	(35,217)	*
Investment in shares	(16)	150	(110.6)
Sale of property	423	781	(45.8)
<b>Net Cash flow from investing activities</b>	<b>(287)</b>	<b>(36,055)</b>	<b>(99.2)</b>
<b>Cash receivable from financing activities</b>	<b>(1,146)</b>	<b>(31,787)</b>	<b>(96.4)</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Financing Obtained	61,500	34,627	77.6
Financing Repaid	(60,250)	(21,477)	180.5
Interest Paid	(1,214)	(888)	36.8
<b>Net cash flow from financing activities</b>	<b>35</b>	<b>12,262</b>	<b>(99.7)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,111)</b>	<b>(19,524)</b>	<b>(94.3)</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>1,607</b>	<b>3,151</b>	<b>(49.0)</b>