

Soriana reports third quarter 2017 financial results

- Revenues of \$38.745 billion pesos equal to 4.2% increase vs. 2016.
- Same-Store Sales of 4.6% in the 3Q17.
- Expansion of 10 basis points in the EBITDA⁽¹⁾ margin to 7.4%.
- Net earnings increased 11.8% to \$989 million pesos.
- Net Debt / EBITDA⁽²⁾ ratio of 2.3x

Monterrey, N.L., October 27th, 2017. Organización Soriana, S.A.B. de C.V. (Soriana) announces the financial results corresponding to 3Q2017. Figures in this report are shown in nominal terms in accordance with International Financial Reporting Standards (IFRS).

2017 Third Quarter Operation Performance

Throughout the July-September quarter, the Company's total revenues registered a positive performance reaching \$38.745 billion pesos, which is higher than what was registered in the same period in 2016, showing a 4.2% increment. This growth in the Company's revenues is mainly due to a 4.6% increase in same-store sales indicator. Even though this result is far from the Company's growth potential, we expect a solid year-end closing which will allow us to reach the goal set at the beginning of the year in this indicator. In cumulative terms, revenues reached \$112.608 billion pesos; a 3.4% growth compared to the same period in 2016.

On the other hand, the results at gross profit and gross margin showed a slight pressure during the quarter, due to a more commercial aggressiveness in order to compete during the summer season through the Julio Regalado campaign. Thus, this indicator displayed a 3.2% increase in the quarter, reaching a gross profit of \$8.399 billion pesos compared to \$8.137 billion pesos of the previous year, which is equivalent to a decrease of 20 basis points in gross margin to end in 21.7% compared to 21.9% reached in 3Q16. In cumulative terms, the gross margin increased 5.2% to \$25.110 billion pesos and a 22.3% gross margin.

The operational expenses (without depreciation and amortization) showed a slight increase of 3.0% compared to 2016. This is mostly due to considerable increases in the prices of energy sources, especially in electricity, where the average kWh cost registered double-digit increments. The expenditures reached \$5.582 billion pesos compared to \$5.422 billion pesos of 3Q2016. As percentage of sales, the operational expenses showed a reduction of 20 basis points, due to an operational leverage achieved from the combination of a controlled expenditure and a positive performance in sales. In cumulative terms, expenditures reached \$16.531 billion pesos, accounting for 14.7% over sales, which means a 5.2% increase compared to annual records.

The above mentioned variations brought as a consequence a result at EBITDA⁽¹⁾ level of \$2.874 billion pesos, which meant a 7.4% margin as percentage over sales, equivalent to a 10 basis point expansion compared to the same period of the previous year. In cumulative terms, EBITDA⁽¹⁾ closed in \$8.644 billion pesos representing a 7.7% margin, a 20 base point expansion compared to the same period in 2016 and 5.5% annual growth.

In regard to the financial items in our income statement, the net financial cost of the quarter displayed a 42.4% increase compared to 2016 at \$592 million pesos. This was caused by higher financial expenses due to the increase in the reference interest rates determined by Banco de México, which directly affects the payment of interests for the debt that the Company currently has. Additionally, there was a slightly higher exchange loss, from a loss of \$3.1 million pesos in 2016 to a loss of \$4.6 million pesos at the closing of the quarter; that is, a 48.4% increase.

This way, the net earnings of the quarter reached \$989 million pesos, equivalent to 2.6% over the Company's total income, which represents an 11.8% increase compared to \$885 million pesos obtained in 3Q2016, equivalent to a 20 basis point expansion as a percentage over sales.

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

Debt Performance

As of the closing of the 3Q2017, the Company has a total debt of \$30.457 billion pesos equivalent to a net debt / EBITDA⁽²⁾ ratio of 2.3x

(2) Information corresponding for the last twelve months

Operating Information

Below is a comparative table that show the number of units in operation per store format as of 3Q17

Store Format	3Q2017	3Q2016	Sales Floor Area as of 3Q2017	Sales Floor Growth
Soriana Híper	270	272	1,988,582	-0.8%
Soriana Súper	128	129	262,994	-0.9%
Soriana Mercado	142	142	618,812	0.0%
Soriana Express	103	104	143,435	-2.0%
City Club	35	35	281,243	0.0%
Mega	65	66	549,264	-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%
Total	822	827	4,294,133	-0.7%

Note: The information contained in the above table was adjusted to reflect changes resulting from: remodeling, store format conversion and layout updates made during the year.

In September, due to the earthquake in the central zone of the country, a Soriana Hiper store was temporarily closed in Mexico City for its complete reconstruction.

Social Responsibility Actions

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

a) Soriana Fundacion

- Because of the earthquakes that took place in September and committed to our community, we joined efforts in order to support those who needed it the most in the states affected by such events. Thus, there were installed 85 collection centers in our stores in different parts of our country. Also, we launched a campaign for voluntary donations through our cashier lines in favor of "Construyamos Mexico" in all stores network of the Company. Also, we were able to collect and then distribute, through regional Red Cross centers, 775 food packages for the state of Chiapas and 1,230 for the state of Oaxaca, an equivalent of 6.6 tons of food which benefitted 2,063 families. Likewise, were delivered 10,000 food packages to the national Red Cross in support

for Mexico City, Morelos and Puebla. Additionally, donations were given in specie, such as 71 tents, 581 cot beds, 258 sleeping bags and 1,656 alkaline batteries. Also, free medical consultation was offered to the population in 68 stores.

- Committed to the childhood of our country, we continue supporting the development of Mexican children. Thus, after 10 consecutive years supporting Fundacion Teleton, we carried out different activities, such as the visit of some of our collaborators to some CRIT centers in the country, as well as having the opportunity of meeting and spending time with a group of Teleton children who visited our corporate offices.

b) Environment

- From August 1st, we started receiving energy to 24 stores as part of the 2nd stage of the new Mercado Electrico Mayorista (MEM) (Wholesale Electric Market) in the state of Baja California. In total, there are 42 stores under this scheme, and the incorporation of new business units to this agreement are scheduled throughout October.
- On the other hand, there were business meetings to present the results and confirm operational knowledge in energy savings for 155 collaborators, covering 120 business units. Likewise, work was carried out to run a pilot test that will serve as reference for other stores, where, through chemical products detect refrigerant leaks to later correct them. This is part of our strategy to decrease direct CO₂ emissions to the atmosphere and for a better performance of our refrigeration equipment.

c) Good Business Practices

- During this quarter, we participated in 9 different events, such as business meetings, expos and fairs in the states of Nuevo Leon, Baja California Sur, Zacatecas, Hidalgo, Guerrero, Chihuahua, Michoacan, Queretaro and Sonora, where different product offers were made from more than 200 suppliers. In stores, there were more than 400 regional products exhibited in our store shelves, as part of the action carried out by the Company in order to provide incentives to producers who are interested in commercializing their products in the stores, offering them preferential business conditions that will allow them develop and make business, not only in their region of origin, but throughout all the places where Soriana is present.

d) Soriana Universidad

- In order to foster continuous learning and personal and professional development for all of Soriana's collaborators, during this quarter 714 of our collaborators took the CENEVAL test in order to obtain their high school diploma. There was also an announcement and invitation to continue forward with undergraduate studies.

- During this period, there were 1.1 million hours of training for Soriana’s collaborators, which represented a total of 14.1 hours per collaborator; that is, an average of 4.70 hours per employee per month.

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

Millions of nominal pesos

	Third Quarter				
	3Q2017	%	3Q2016	%	Var. %
Net Sales	38,745	100	37,197	100	4.2
Cost of Sales	30,346	78.3	29,060	78.1	4.4
Gross Income	8,399	21.7	8,137	21.9	3.2
Operating Expenses	5,582	14.4	5,422	14.6	3.0
Income before other expenses, net	2,817	7.3	2,715	7.3	3.8
Other Income and (Expenses), Net	57	0.1	2	0.0	2,298.4
EBITDA	2,874	7.4	2,718	7.3	5.8
Depreciation and Amortization	779	2.0	907	2.4	(14.2)
Operating Income	2,096	5.4	1,810	4.9	15.8
Interest Income and (Expenses), Net	(592)	(1.5)	(416)	(1.1)	42.4
Foreign Exchange Gain (Losses)	(5)	(0.0)	(3)	(0.0)	48.4
Comprehensive Financing Income	(597)	(1.5)	(419)	(1.1)	42.4
Minority Interest	(11)	(0.0)	20	0.1	(157.1)
Earnings Before Income Tax & Profit Sharir	1,488	3.8	1,411	3.8	5.4
Tax Provision	499	1.3	526	1.4	(5.2)
Net Earnings	989	2.6	885	2.4	11.8
Controlling interest	981	2.6	878	2.4	11.7
Non-controlling interest	8	0.0	7	0.0	15.3
Cash Net Profit	1,624	4.2	1,801	4.8	(9.8)

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

Millions of nominal pesos

	Third Quarter - Accumulated				
	2017	%	2016	%	Var. %
Net Sales	112,608	100	108,883	100	3.4
Cost of Sales	87,498	77.7	85,003	78.1	2.9
Gross Income	25,110	22.3	23,880	21.9	5.2
Operating Expenses	16,531	14.7	15,717	14.4	5.2
Income before other expenses, net	8,579	7.6	8,163	7.5	5.1
Other Income and (Expenses), Net	65	0.1	33	0.0	98.3
EBITDA	8,644	7.7	8,196	7.5	5.5
Depreciation and Amortization	2,453	2.2	2,687	2.5	(8.7)
Operating Income	6,191	5.5	5,509	5.1	12.4
Interest Income and (Expenses), Net	(1,701)	(1.5)	(1,174)	(1.1)	44.8
Foreign Exchange Gain (Losses)	67	0.1	(135)	(0.1)	(149.9)
Comprehensive Financing Income	(1,634)	(1.5)	(1,309)	(1.2)	24.8
Gain from long-term liability extinguishment					
Minority Interest	(9)	(0.0)	67	0.1	(113.4)
Earnings Before Tax & Profit Sharing	4,548	4.0	4,266	3.9	6.6
Tax Provision	1,548	1.4	1,593	1.5	(2.8)
Net Earnings	3,000	2.7	2,673	2.5	12.2
Controlling interest	2,980	2.7	2,652	2.5	12.4
Non-controlling interest	20	0.0	21	0.0	(4.5)
Cash Net Profit	5,042	4.5	5,332	4.9	(5.4)

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

Millions of nominal pesos

	2017	%	2016	%	Var. %
ASSETS					
Current Assets					
Cash and Cash Equivalents	1,836	1.4	2,008	1.6	(8.5)
Trade	1,498	1.2	1,410	1.1	6.3
Other Accounts Receivable	4,926	3.8	4,359	3.5	13.0
Inventories	27,694	21.4	24,254	19.6	14.2
Other Current Assets	466	0.4	361	0.3	29.0
Assets classified as held for sale	1,546	1.2	1,106	0.9	39.7
Total Current Asset	37,967	29.4	33,498	27.0	13.3
Property and Equipment, Net	69,616	53.9	69,179	55.8	0.6
Intangible Assets	20,424	15.8	20,389	16.4	0.2
Other Assets	1,193	0.9	932	0.8	28.1
Total Assets	129,200	100	123,998	100	4.2
LIABILITIES					
Current Liabilities					
Suppliers	21,892	16.9	21,834	17.6	0.3
Debt Certificates	8,930	6.9	5,680	4.6	57.2
Other Accounts Payable	1,577	1.2	1,340	1.1	17.7
Other Liabilities without cost	2,835	2.2	2,515	2.0	12.7
Total Current Liabilities	35,233	27.3	31,369	25.3	12.3
Deferred Taxes	12,630	9.8	10,855	8.8	16.4
Long Term Debt	21,527	16.7	25,664	20.7	(16.1)
Other Liabilities	2,624	2.0	3,562	2.9	(26.3)
Total Long Term Liabilities	36,782	28.5	40,082	32.3	(8.2)
Total Liabilities	72,015	55.7	71,451	57.6	0.8
Stockholders' 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	0.9	0.0
Premium on Sales of Shares	977	0.8	977	0.8	0.0
Repurchase Fund of Shares	550	0.4	550	0.4	(0.0)
Accumulated Earnings	54,404	42.1	49,766	40.1	9.3
Total Stockholders' Equity	57,184	44.3	52,546	42.4	8.8
Total Liabilities and Stockholders' Equity	129,200	100	123,998	100	4.2

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>
<u>OPERATING ACTIVITIES</u>			
Income before Income Tax	4,548	4,266	6.6
<u>Items related to investment activities:</u>			
Depreciation & Amortization	2,453	2,687	(8.7)
Sales of property and equipment	(91)	(404)	(77.5)
Participation in Subsidiaries	(9)	(67)	(86.6)
Foreign Exchange	(64)	62	(204.1)
<u>Items related to financing activities</u>			
Interest Expense	1,860	1,370	35.8
Total	8,697	7,914	9.9
Clients	376	749	(49.8)
Inventories	(1,726)	(6,932)	(75.1)
Suppliers	(6,100)	2,069	(394.9)
Payable and receivable accounts	(2,115)	468	(552.3)
Income Tax Paid	(1,712)	(1,456)	17.6
Net cash flow from operating activities	(2,580)	2,811	(191.8)
<u>INVESTING ACTIVITIES</u>			
Acquisitions of property and equipment	(1,378)	(1,870)	(26.3)
Investment in business acquisition, net of assets acquired	0	(35,418)	*
Investment in shares	4	145	(97.6)
Sale of property	433	855	(49.4)
Net Cash flow from investing activities	(942)	(36,288)	(97.4)
Cash receivable from financing activities	(3,522)	(33,477)	(89.5)
<u>FINANCING ACTIVITIES</u>			
Financing Obtained	122,588	46,906	161.3
Financing Repaid	(118,088)	(32,727)	260.8
Interest Paid	(1,860)	(1,370)	35.8
Net cash flow from financing activities	2,640	12,809	(79.4)
Net decrease in cash and cash equivalents	(882)	(20,667)	(95.7)
Cash and cash equivalents at beginning of period	2,718	22,675	(88.0)
Cash and cash equivalents at end period	1,836	2,008	(8.5)