

Soriana reports fourth quarter and full year 2017 financial results

- Revenues of \$153.637 billion pesos equal to 2.8% increase vs. 2016.
- Same-Store Sales of 3.2% in the year and 1.2% in the 4Q17.
- Increase of 20 basis points in the consolidated gross margin to 22.4%.
- Expansion of 20 basis points in the quarter and annual EBITDA margin to 9.2% and 8.1% respectively.
- 9.4% growth in net income of the year.
- Opening of 5 stores.

Monterrey, N.L., February 23rd, 2018. Organización Soriana, S.A.B. de C.V. (Soriana) announces the financial results corresponding to 4Q and FY2017. Figures in this report are shown in nominal terms in accordance with International Financial Reporting Standards (IFRS).

2017 Fourth Quarter and Full Year Operating Performance

The Company was able to end the year 2017 with a positive trend in total revenues reaching \$153.637 billion pesos, which represents a 2.8% increase compared to \$149.522 billion pesos reached the previous year. This moderate growth was the product of an increase in the same-store sales indicator of 3.2% and the opening of 5 stores, which were countered by the closing of 8 units throughout the year. Three of those closings will be temporary. Meanwhile, fourth quarter total revenues increased 1.0% to \$41.031 billion pesos, while same-store sales grew 1.2%.

During the year, all of our store formats showed positive results in the SSS indicator. It should be noted that City Club, MEGA and Soriana Express stood out, their increments were above the result of total Company.

In regard to the result at gross profit and gross margin level, it should be pointed out that synergies and certain efficiencies continued developing throughout the year. This allowed us to improve the administration of our investment in promotions. The result was a 3.6% increase in the gross profit and also an increase in the gross margin in 20 basis points. Quarterly gross margin had a contraction of 20 bps as a consequence of a larger promotional investment for year-end closing campaigns, such as El Buen Fin and the Christmas season.

Regarding operating expenses (excluding depreciation and amortization), showed a 4.8% increase, which was below inflation to \$22.390 billion pesos in 2017. This was mainly because due to a higher energy cost, especially in electricity consumption, where the average kWh cost continued having double-digit increments. Operating expenses increased 4.6% to \$5.857 billion pesos in the last quarter of the year.

Due to the foregoing variations, both, the quarterly and yearly EBITDA¹ showed an expansion of 20 basis points compared to their respective periods in 2016, ending in \$3.761 billion pesos equivalent to a 9.2% over sales in the fourth quarter and cumulatively, reaching \$12.401 billion pesos and a sales margin of 8.1%. This last figure is within the range of year-closing projections estimated by the Company at the beginning of 2017.

The net financial cost showed during the year an increase of 16.1% at \$2.197 billion pesos from higher financial expenses due to an increase in interest rates compared to 2016. On the other hand, exchange rate results showed a profit of \$49 million pesos due to the peso-dollar exchange rate fluctuations, a variation of 121% compared to the \$236 million pesos loss in 2016. In the fourth quarter, the net financial cost was \$556 million pesos, figure lower than the \$583 million pesos reported in the same period in 2016.

For the fiscal matter there is a reduction of 1.4% in the tax provision of the year 2017 compared to the previous year, due to a higher payment of cash taxes by 17.1%, which is offset by a negative deferred tax, this situation has allowed the Company to reduce in 8% the deferred taxes liability account of the Balance sheet.

Finally, net income for the year showed a 9.4% increase compared to the previous year, reaching \$4.606 billion pesos, equivalent to a percentage over sales of 3.0%. On the other hand, the quarterly net income closed at \$1.608 billion pesos, which represents a percentage over sales of 3.9% and an increase in regard to the same quarter of the previous year of 4.7%.

Debt Performance

As of December 31, 2017 the Company has a total debt of \$22.941 billion pesos, which is an 11.6% reduction compared to the year-end amount in 2016. The net debt / EBITDA⁽²⁾ ratio is 1.6x.

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

(2) Information corresponding for the last twelve months

New Stores openings

During the year, 5 stores were inaugurated in the country: (2) MEGA Soriana, one of them in the Estado de Mexico and another one in the state of Queretaro, (1) Soriana Híper in the state of Nuevo Leon, (1) Soriana Súper in the state of Jalisco, and finally (1) Soriana Express in the state of Yucatan, totaling the year with 824 units in operation.

Operating Information

Below is a comparative table that shows the number of units in operation per store format as year closing 2017.

Store Format	2017	2016	Sales Floor Area as of 2017	Sales Floor Growth
Soriana Híper	270	274	1,988,582	-1.2%
Soriana Súper	129	129	264,512	-0.3%
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	69	64	574,726	4.7%
Comercial Mexicana	40	42	249,070	-5.9%
Bodega Comercial	33	34	175,368	-3.3%
Alprecio	3	3	3,840	0.0%
Total	824	827	4,299,589	-0.6%

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.

During 2017, 5 units were permanently closed in different regions of the country as part of an efficiency evaluation program. Likewise, 3 units were temporarily closed; one of them in the state of Tamaulipas to be later converted into a City Club, another one in the State of Mexico, which will become a Sodimac store format, and finally one more in Mexico City, which will be rebuilt after the earthquakes of September.

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

- Soriana Fundacion continues placing Mexican childhood in the center of their programs, channeling 58.7% of the resources for this cause and other causes related to education, rehabilitation and food programs. In 2017, 424 institutions were supported which in turn benefitted 532,349 people. Social investment throughout the year was of \$124.7 million pesos.

b) Environment

- During 2017, there were supplied by renewable energy 641 of our business units; that is, 623.1 million kilowatts/hour (kWh). This avoided the emission of 282,876 tons of carbon dioxide (CO₂) to the atmosphere. We increased the supply of clean energy from 29.3% that we had in 2016 to 39.98% in 2017.

c) Good Business Practices

- At Soriana, small suppliers have a special and distinctive place. We invited them to business tables and celebrated PYME (Small and Medium-size Companies) fairs in their regions of origin with spaces and preferential conditions for them in order to place their products in the preference of our customers. In 2017, we inaugurated 6 PYME fairs in the states of Morelos, Hidalgo, Michoacan, Sonora, Quintana Roo and Baja California Sur. A total of 150 suppliers and 748 new products were displayed in our stores in those states. Additionally, we participated in 13 Supplier Development events, listening to proposals from 1,276 suppliers coming from 23 states.

d) Soriana Universidad

- At Soriana Universidad, our main objective is to foster the development of our collaborators through agreements with different recognized educational institutions. Year after year, we have continued with our purpose and this year we were able to be part of the academic growth of more than 530 collaborators. Also, there were more than 3.7 million hours of training for our Soriana collaborators. This represents a total of 49.82 hours per collaborator; that is, a monthly average of 4.1 hours per employee.

Fourth Quarter

	<u>4Q2017</u>	<u>%</u>	<u>4Q2016</u>	<u>%</u>	<u>Var. %</u>
Net Sales	41,031	100	40,639	100	1.0
Cost of Sales	31,784	77.5	31,403	77.3	1.2
Gross Income	9,246	22.5	9,236	22.7	0.1
Operating Expenses	5,857	14.3	5,600	13.8	4.6
Income before other expenses, net	3,389	8.3	3,636	8.9	(6.8)
Other Income and (Expenses), Net	371	0.9	8	0.0	4,472.4
EBITDA	3,761	9.2	3,644	9.0	3.2
Depreciation and Amortization	796	1.9	777	1.9	2.5
Operating Income	2,964	7.2	2,867	7.1	3.4
Interest Income and (Expenses), Net	(544)	(1.3)	(482)	(1.2)	12.8
Foreign Exchange Gain (Losses)	(12)	(0.0)	(101)	(0.2)	(88.6)
Comprehensive Financing Income	(556)	(1.4)	(583)	(1.4)	(4.7)
Minority Interest	(20)	(0.0)	11	0.0	(274.1)
Earnings Before Tax & Profit Sharing	2,389	5.8	2,295	5.6	4.1
Tax Provision	782	1.9	760	1.9	2.9
Net Income	1,607	3.9	1,535	3.8	4.7
Controlling interest	1,602	3.9	1,529	3.8	4.8
Non-controlling interest	6	0.0	6	0.0	(11.3)
Cash Net Profit	1,726	4.2	1,925	4.7	(10.3)

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

Millions of nominal pesos

	Fourth Quarter - Accumulated				
	2017	%	2016	%	Var. %
Net Sales	153,637	100	149,522	100	2.8
Cost of Sales	119,281	77.6	116,361	77.8	2.5
Gross Income	34,356	22.4	33,161	22.2	3.6
Operating Expenses	22,389	14.6	21,362	14.3	4.8
Income before other expenses, net	11,966	7.8	11,799	7.9	1.4
Other Income and (Expenses), Net	435	0.3	41	0.0	969.0
EBITDA	12,401	8.1	11,840	7.9	4.7
Depreciation and Amortization	3,251	2.1	3,464	2.3	(6.1)
Operating Income	9,150	6.0	8,376	5.6	9.2
Interest Income and (Expenses), Net	(2,245)	(1.5)	(1,657)	(1.1)	35.5
Foreign Exchange Gain (Losses)	49	0.0	(236)	(0.2)	(120.6)
Comprehensive Financing Income	(2,197)	(1.4)	(1,892)	(1.3)	16.1
Minority Interest	(28)	(0.0)	78	0.1	(136.6)
Earnings Before Tax & Profit Sharing	6,925	4.5	6,561	4.4	5.5
Tax Provision	2,319	1.5	2,353	1.6	(1.4)
Net Income	4,606	3.0	4,208	2.8	9.4
Controlling interest	4,580	3.0	4,187	2.8	9.4
Non-controlling interest	26	0.0	22	0.0	18.0
Cash Net Profit	6,763	4.4	7,214	4.8	(6.3)

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	3,666	2.8	2,719	2.1	34.8
Trade	1,880	1.5	1,874	1.5	0.3
Other Accounts Receivable	4,033	3.1	4,371	3.4	(7.7)
Inventories	26,502	20.5	25,968	20.1	2.1
Other Current Assets	218	0.2	230	0.2	(4.9)
Assets classified as held for sale	1,547	1.2	1,499	1.2	3.2
Total Current Asset	37,848	29.3	36,660	28.4	3.2
Property and Equipment, Net	69,983	54.1	70,450	54.6	(0.7)
Intangible Assets	20,224	15.6	20,798	16.1	(2.8)
Other Assets	1,263	1.0	1,168	0.9	8.1
Total Assets	129,317	100	129,076	100	0.2
LIABILITIES					
Current Liabilities					
Suppliers	27,876	21.6	28,056	21.7	(0.6)
Debt Certificates	5,537	4.3	4,555	3.5	21.6
Other Accounts Payable	2,477	1.9	2,351	1.8	5.4
Other Liabilities without cost	2,438	1.9	2,471	1.9	(1.3)
Total Current Liabilities	38,329	29.6	37,433	29.0	2.4
Deferred Taxes	12,022	9.3	13,408	10.4	(10.3)
Long Term Debt	17,404	13.5	21,402	16.6	(18.7)
Other Liabilities	2,689	2.1	2,535	2.0	6.1
Total Long Term Liabilities	32,114	24.8	37,345	28.9	(14.0)
Total Liabilities	70,443	54.5	74,778	57.9	(5.8)
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	56,095	43.4	51,517	39.9	8.9
Total Stockholders' Equity	58,875	45.5	54,297	42.1	8.4
Total Liabilities and Stockholders' Equity	129,317	100	129,076	100	0.2

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	6,925	6,561	5.5
<u>Items related to investment activities</u>			
Depreciation & Amortization	3,251	3,464	(6.1)
Sales of property and equipment	(166)	(454)	(63.4)
Participation in Subsidiaries	28	(78)	(136.6)
Foreign Exchange	(35)	118	(129.7)
<u>Items related to financing activities</u>			
Interest Expense	2,453	1,902	29.0
Total	12,456	11,514	8.2
Clients	(6)	510	(101.2)
Inventories	(582)	(3,170)	(81.6)
Suppliers	(145)	3,015	(104.8)
Payable and receivable accounts	(928)	(1,054)	(12.0)
Income Tax Paid	(2,673)	(1,730)	54.6
Net cash flow from operating activities	8,121	9,086	(10.6)
<u>INVESTING ACTIVITIES</u>			
Acquisitions of property and equipment	(2,105)	(2,587)	(18.6)
Investment in business acquisition, net of assets acquired	0	(33,618)	*
Net cash outflow on acquisition of associates	0	(225)	*
Investment in shares	(128)	144	(188.3)
Sale of property	529	1,172	(54.8)
Net Cash flow from investing activities	(1,704)	(35,114)	(95.1)
Cash receivable from financing activities	6,418	(26,029)	(124.7)
<u>FINANCING ACTIVITIES</u>			
Financing Obtained	195,378	67,060	191.3
Financing Repaid	(198,394)	(59,085)	235.8
Interest Paid	(2,453)	(1,902)	29.0
Net cash flow from financing activities	(5,469)	6,073	(190.1)
Net decrease in cash and cash equivalents	948	(19,956)	(104.8)
Cash and cash equivalents at beginning of period	2,718	22,675	(88.0)
Cash and cash equivalents at end period	3,666	2,719	34.8