

## Soriana reports second quarter 2018 financial results

- Revenues of \$38.346 billion pesos
- Same-Store Sales of -0.6%
- Debt reduction of \$3.967 billion pesos in the last 12 months.

**Monterrey, N.L., July 27<sup>th</sup>, 2018.** Organización Soriana, S.A.B. de C.V. (Soriana) announces the financial results corresponding to 2Q 2018. Figures in this report are shown in nominal terms in accordance with International Financial Reporting Standards (IFRS).

### 2018 Second Quarter Operating Performance

Total revenue for the quarter accounted for \$38.346 billion pesos, a backdrop of 0.7% in the second quarter of 2017. With respect to the same store sales indicator this figure shows a decrease of 0.6%. In accumulated terms, revenues reached an amount of \$73.832 billion pesos. It is important to note that this variation in revenues was also affected by an efficiency program in our store platform, which has resulted in the closing of 5 units in the last 12 months. The aforementioned with the purpose of consolidating micro markets and promoting a greater sale per square meter and to reduce operating expenses, as well as to better use our business platform for the diversification of store formats.

Regarding to gross income, it reached an amount of \$8.461 billion and represents a 22.1% margin, a reduction of 60 basis points with respect to the 22.7% reached during the second quarter of 2017. This decrease at gross income level was caused by a major promotional investment implemented by the Company in order to keep commercial aggressiveness and leadership in low prices within the sector.

Relative to the operating expense (not considering depreciation and amortization), this figure displayed a slight increase of 2.9%, which is below the inflation growth. In this sense, operating expense as a percentage over sales reflected an increase of 60 basis points, this as result of the deleverage caused by the result in the SSS. That is how this line during the second quarter reached an amount of \$5.733 billion pesos, equivalent to a 15.0% over sales.

As a consequence of the foregoing variations, EBITDA<sup>(1)</sup> of the quarter presented a deceleration with respect to previous year, closing with a reduction of 13.8% reaching an amount of \$2.748 billion pesos. As a percentage of sales, EBITDA<sup>(1)</sup> closed in 7.2% margin.

In regard to the financial items in our income statement, the net financial cost of the quarter displayed a decrease of 9.8% compared to the same period of 2017 to \$548 million pesos. This variation was caused due to lower financial expenses derived from the reduction in debt levels that were kept below those maintained in 2017. Also, due to a lower exchange rate loss passing from a loss of \$8 million pesos in 2017 to \$800 thousand pesos at the end of the quarter, a reduction of 90.3%

Finally, quarterly cash net income was of \$1.572 billion pesos, which represents a percentage over sales of 4.1% and implies a reduction vs. the 14.3% from same quarter last year.

## Debt Performance

As of June 30<sup>th</sup>, 2018 the Company has a total debt of \$23.240 billion pesos, compared to an amount of \$27.207 billion pesos from same period the year before. This represents a reduction of 14.6% equivalent to \$3.967 billion pesos.

## Operating Information

Below is a comparative table that shows the number of units in operation per store format as June 2018.

Store Format	2Q2018	2Q2017	Sales Floor Area as of 2018	% Variation
Soriana Híper	296	297	2,168,716	-0.3%
Soriana Súper	131	130	267,566	0.6%
Soriana Mercado	165	165	725,576	0.0%
Soriana Express	104	106	142,043	-3.6%
City Club	35	35	281,243	0.0%
Mega Soriana	90	90	699,421	-0.8%
<b>Total</b>	<b>821</b>	<b>823</b>	<b>4,284,566</b>	<b>-0.4%</b>

*\* Number of units is in a comparative basis and reflects the migration of Comerci stores to the new Mega Soriana store format or to any other traditional Soriana store format.*

During the quarter, 2 Soriana Express stores were permanently closed in the states of Puebla and Estado de Mexico. In the last 12 months, 3 openings and 5 store closings were carried out, three of which were permanent and two temporarily.

(1) EBITDA is defined as the operational profit before depreciation and amortization

## 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

- During this quarter we delivered stage I of our program “Somos Familia con México”, which was created after the earthquakes of September 2017 that affected thousands of people. In this program, Soriana doubled the donations made by the customers and reached an amount of \$13.5 million pesos. Thanks to the participation of our customers and the work of our collaborators, this donation was translated into the construction of 112 houses in the state of Oaxaca, building 42 houses in municipality of Ixtepec and 70 more in Juchitan.

### b) Soriana Universidad

- During the quarter 170 of our collaborators took and approved CENEVAL test to obtain their high school diploma. Also, a new group of 760 students began courses to obtain their academic degree this year.
- We continue developing professional skills and attitudes among our collaborators. During the quarter, 1.5 million training hours were given. This represents a total of 15.79 hours per collaborator; in other words an average of 5.26 hours per month, per employee.

### c) Good Business Practices

- We participated in the event “Fabrica de Negocios” organized by GS1 in Mexico City. There, we interviewed 265 companies offering products for the different categories and store formats of our company. Through these events, Soriana keeps collaborating in the development of new suppliers by channeling them to the correct venue and keeping track of their different commercial offers that may have a local, regional or national scope.

### d) Environment

- 65 new stores were added to the clean power supply based on efficient co-generation technology provided by our business partner Iberdrola, located in its industrial park in the state of Queretaro.
- We continued with our in-store training courses as part of our campaign “Vamos a Ahorrar Juntos”, regarding the efficient use of power applied to air conditioning, refrigeration, lighting, among others.

- Progress in the construction of our Wind Farm Vicente Guerrero, located in the municipality of Guemez, Tamaulipas, is still on track. By the month of June, we completed a 14% of the project and we are expecting to start operations next year, providing electric power to 311 stores of our company through its 33 wind turbines and 118 MW of installed power capacity.
- In the month of June we completed the "Development of Greenhouse Gas Emission Inventory for 2017" working in collaboration with the consulting firm Factor CO<sub>2</sub>. These calculations results revealed that the emissions for year 2017 of two Soriana subsidiaries were of 590,470 Ton CO<sub>2</sub>e. We fulfilled in due time and manner SEMARNAT bylaws to comply with the National Register of Emissions in the Atmosphere (RENE for its acronym in Spanish). We had already placed a bid to begin the verification process of Soriana emissions by external auditors.

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

Millions of nominal pesos

	Second Quarter				
	2Q2018	%	2Q2017	%	Var. %
Net Sales	38,346	100	38,609	100	(0.7)
Cost of Sales	29,884	77.9	29,839	77.3	0.2
<b>Gross Income</b>	<b>8,461</b>	<b>22.1</b>	<b>8,770</b>	<b>22.7</b>	<b>(3.5)</b>
Operating Expenses	5,733	15.0	5,570	14.4	2.9
<b>Income before other expenses, net</b>	<b>2,728</b>	<b>7.1</b>	<b>3,201</b>	<b>8.3</b>	<b>(14.8)</b>
Other Income and (Expenses), Net	20	0.1	(12)	(0.0)	(264.1)
<b>EBITDA</b>	<b>2,748</b>	<b>7.2</b>	<b>3,189</b>	<b>8.3</b>	<b>(13.8)</b>
Depreciation and Amortization	758	2.0	839	2.2	(9.7)
<b>Operating Income</b>	<b>1,990</b>	<b>5.2</b>	<b>2,350</b>	<b>6.1</b>	<b>(15.3)</b>
Interest Income and (Expenses), Net	(548)	(1.4)	(600)	(1.6)	(8.7)
Foreign Exchange Gain (Losses)	(1)	(0.0)	(8)	(0.0)	(90.3)
<b>Comprehensive Financing Income</b>	<b>(548)</b>	<b>(1.4)</b>	<b>(608)</b>	<b>(1.6)</b>	<b>(9.8)</b>
Minority Interest	(82)	(0.2)	(5)	(0.0)	*
<b>Earnings Before Income Tax &amp; Profit Sharing</b>	<b>1,359</b>	<b>3.5</b>	<b>1,737</b>	<b>4.5</b>	<b>(21.7)</b>
Tax Provision	457	1.2	582	1.5	(21.5)
<b>Net Earnings</b>	<b>902</b>	<b>2.4</b>	<b>1,155</b>	<b>3.0</b>	<b>(21.9)</b>
<b>Controlling interest</b>	<b>895</b>	<b>2.3</b>	<b>1,148</b>	<b>3.0</b>	<b>(22.0)</b>
Non-controlling interest	7	0.0	7	0.0	1.9
<b>Cash Net Profit</b>	<b>1,572</b>	<b>4.1</b>	<b>1,834</b>	<b>4.8</b>	<b>(14.3)</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>2018</b>	<b>%</b>	<b>2017</b>	<b>%</b>	<b>Var. %</b>
Net Sales	73,832	100	73,857	100	(0.0)
Cost of Sales	57,356	77.7	57,142	77.4	0.4
<b>Gross Income</b>	<b>16,477</b>	<b>22.3</b>	<b>16,715</b>	<b>22.6</b>	<b>(1.4)</b>
Operating Expenses	11,252	15.2	10,941	14.8	2.8
<b>Income before other expenses, net</b>	<b>5,224</b>	<b>7.1</b>	<b>5,773</b>	<b>7.8</b>	<b>(9.5)</b>
Other Income and (Expenses), Net	29	0.0	6	0.0	357.8
<b>EBITDA</b>	<b>5,253</b>	<b>7.1</b>	<b>5,780</b>	<b>7.8</b>	<b>(9.1)</b>
Depreciation and Amortization	1,512	2.0	1,676	2.3	(9.8)
<b>Operating Income</b>	<b>3,741</b>	<b>5.1</b>	<b>4,104</b>	<b>5.6</b>	<b>(8.8)</b>
Interest Income and (Expenses), Net	(1,065)	(1.4)	(1,109)	(1.5)	(4.0)
Foreign Exchange Gain (Losses)	9	0.0	65	0.1	(85.8)
<b>Comprehensive Financing Income</b>	<b>(1,056)</b>	<b>(1.4)</b>	<b>(1,045)</b>	<b>(1.4)</b>	<b>1.1</b>
Gain from long-term liability extinguishment					
Minority Interest	(131)	(0.2)	2	0.0	*
<b>Earnings Before Tax &amp; Profit Sharing</b>	<b>2,555</b>	<b>3.5</b>	<b>3,062</b>	<b>4.1</b>	<b>(16.6)</b>
Tax Provision	828	1.1	1,038	1.4	(20.2)
<b>Net Earnings</b>	<b>1,726</b>	<b>2.3</b>	<b>2,023</b>	<b>2.7</b>	<b>(14.7)</b>
<b>Controlling interest</b>	<b>1,712</b>	<b>2.3</b>	<b>2,011</b>	<b>2.7</b>	<b>(14.9)</b>
Non-controlling interest	14	0.0	12	0.0	16.2
<b>Cash Net Profit</b>	<b>3,088</b>	<b>4.2</b>	<b>3,432</b>	<b>4.6</b>	<b>(10.0)</b>

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

Millions of nominal pesos

	<b>2018</b>	<b>%</b>	<b>2017</b>	<b>%</b>	<b>Var. %</b>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	3,009	2.3	1,607	1.2	87.2
Trade	1,282	1.0	1,396	1.1	(8.2)
Other Accounts Receivable	5,445	4.1	5,225	4.0	4.2
Inventories	29,974	22.6	30,138	22.9	(0.5)
Other Current Assets	375	0.3	553	0.4	(32.1)
Assets classified as held for sale	1,593	1.2	1,636	1.2	(2.6)
<b>Total Current Asset</b>	<b>41,679</b>	<b>31.4</b>	<b>40,555</b>	<b>30.8</b>	<b>2.8</b>
<b>Property and Equipment, Net</b>	<b>69,883</b>	<b>52.7</b>	<b>69,564</b>	<b>52.7</b>	<b>0.5</b>
<b>Intangible Assets</b>	<b>20,013</b>	<b>15.1</b>	<b>20,562</b>	<b>15.6</b>	<b>(2.7)</b>
<b>Other Assets</b>	<b>1,114</b>	<b>0.8</b>	<b>1,206</b>	<b>0.9</b>	<b>(7.6)</b>
<b>Total Assets</b>	<b>132,689</b>	<b>100</b>	<b>131,887</b>	<b>100</b>	<b>0.6</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Suppliers	29,969	22.6	28,885	21.9	3.8
Debt Certificates	5,185	3.9	6,080	4.6	(14.7)
Other Accounts Payable	1,676	1.3	1,582	1.2	6.0
Other Liabilities without cost	2,313	1.7	2,628	2.0	(12.0)
<b>Total Current Liabilities</b>	<b>39,142</b>	<b>29.5</b>	<b>39,175</b>	<b>29.7</b>	<b>(0.1)</b>
Deferred Taxes	11,912	9.0	12,774	9.7	(6.7)
Long Term Debt	18,056	13.6	21,127	16.0	(14.5)
Other Liabilities	2,965	2.2	2,657	2.0	11.6
<b>Total Long Term Liabilities</b>	<b>32,932</b>	<b>24.8</b>	<b>36,557</b>	<b>27.7</b>	<b>(9.9)</b>
<b>Total Liabilities</b>	<b>72,075</b>	<b>54.3</b>	<b>75,732</b>	<b>57.4</b>	<b>(4.8)</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	0.7	0.0
Repurchase Fund of Shares	550	0.4	550	0.4	0.0
Accumulated Earnings	57,834	43.6	53,375	40.5	8.4
<b>Total Stockholders' Equity</b>	<b>60,614</b>	<b>45.7</b>	<b>56,155</b>	<b>42.6</b>	<b>7.9</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>132,689</b>	<b>100</b>	<b>131,887</b>	<b>100</b>	<b>0.6</b>

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

	<u>2018</u>	<u>2017</u>	<u>Var. %</u>
<b><u>OPERATING ACTIVITIES</u></b>			
<b>Income before Income Tax</b>	<b>2,555</b>	<b>3,062</b>	<b>(16.6)</b>
<b><u>Items related to investment activities:</u></b>			
Depreciation & Amortization	1,512	1,676	(9.8)
Sales of property and equipment	3	(89)	(103.2)
Participation in Subsidiaries	131	(2)	*
Foreign Exchange	72	(91)	(179.6)
<b><u>Items related to financing activities</u></b>			
Interest Expense	1,161	1,214	(4.4)
<b>Total</b>	<b>5,434</b>	<b>5,770</b>	<b>(5.8)</b>
Clients	598	466	28.4
Inventories	(3,598)	(4,302)	(16.3)
Suppliers	2,020	931	116.9
Payable and receivable accounts	(1,421)	(2,577)	(44.9)
Income Tax Paid	(1,890)	(1,148)	64.7
<b>Net cash flow from operating activities</b>	<b>1,143</b>	<b>(860)</b>	<b>(233.0)</b>
<b><u>INVESTING ACTIVITIES</u></b>			
Acquisitions of property and equipment	(939)	(287)	227.5
<b>Cash receivable from financing activities</b>	<b>204</b>	<b>(1,147)</b>	<b>(117.8)</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Financing Obtained	73,650	61,500	19.8
Financing Repaid	(73,350)	(60,250)	21.7
Interest Paid	(1,161)	(1,214)	(4.4)
<b>Net cash flow from financing activities</b>	<b>(862)</b>	<b>35</b>	<b>*</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(658)</b>	<b>(1,111)</b>	<b>(40.8)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>3,666</b>	<b>2,718</b>	<b>34.9</b>
<b>Cash and cash equivalents at end period</b>	<b>3,009</b>	<b>1,607</b>	<b>87.2</b>