

Soriana reports third quarter 2018 financial results

- Revenues of \$38.655 billion pesos.
- Same-Store Sales and Total revenues of -0.2%
- Debt reduction of \$3.123 billion pesos in the last 12 months.
- Opening of the 1st Sodimac store in Mexico.

Monterrey, N.L., October 19th, 2018. Organización Soriana, S.A.B. de C.V. (Soriana) announces the financial results corresponding to 3Q 2018. Figures in this report are shown in nominal terms in accordance with International Financial Reporting Standards (IFRS).

2018 Third Quarter Operating Performance

During the third quarter of the year, Company's total revenues reached an amount of \$38.655 billion pesos, which involved same-store and total sales results of -0.2%. In accumulated terms, revenues reached an amount of \$112.487 billion pesos. This variation in revenues was influenced by an operational efficiency program in our store platform, which has resulted in the closure of 11 units in the last 12 months. The aforementioned, as part of our continued micro-market consolidation effort that we started in 2017 to develop an improved and more efficient business platform for a better diversification of formats, promote a higher sale per square meter while at the same time reducing operational expenses.

Regarding to the gross income and margin results, the Company displayed a growth of 0.5% reaching a quarterly gross income of \$8.440 billion pesos in contrast to the \$8.399 billion pesos of 2017. In the same way, gross margin as a percentage of revenues displayed a progress of 10 basis points closing in 21.8% compared to the 21.7% reached in the third quarter of the year before. This increase at gross profit level was mostly influenced by a consolidation of synergies and better commercial strategies that compensated the negative effect of higher shrinkages caused by the alterations in the logistics system as a consequence of the changes made in the IT platform.

Operational expense (without depreciation and amortization), displayed an increase of 9.0%. In this same sense, it reflected an increase of 130 basis points as a percentage of sales caused by an increase in energy costs, the lack of operating leverage due to the lower increase in sales as well as a non-recurring negative effect in personnel costs. This is how this figure increased during this quarter to an amount of \$6.084 billion pesos equivalent to a 15.7% over sales.

The foregoing variations consequently resulted in an EBITDA⁽¹⁾ of \$2.373 billion pesos, equivalent to a margin of 6.1% as a percentage over sales, which is a reduction of 130 basis points comparing to the same period. In accumulated terms, EBITDA⁽¹⁾ closed in \$7.626

billion pesos which represent a margin of 6.8%, falling 90 basis points comparing to the same period of 2017.

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

In regard to the financial items in our income statement, the net financial cost of the quarter displayed a decrease of 13.3% compared to the same period of 2017 to \$518 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.

Finally, quarterly cash net income was of \$1.286 billion pesos, which represents a percentage over sales of 3.3% and implies a reduction vs. the 20.8% from same quarter last year.

Debt Performance

As of September 30th, 2018 the Company has a total debt of \$27.334 billion pesos, compared to an amount of \$30.457 billion pesos from same period the year before. This represents a reduction of 10.3% equivalent to \$3.123 billion pesos.

Operating Information

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

Store Format	3Q2018	3Q2017	Sales Floor Area as of 2018
Soriana Híper	295	270	2,157,971
Soriana Súper	126	128	256,842
Soriana Mercado	165	142	727,007
Soriana Express	104	103	142,043
City Club	35	35	281,243
Mega Soriana	89	144	680,458
Total	814	822	4,245,566

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

During this quarter, the Company permanently closed 8 stores, one of which will give be converted to a Sodimac store in the state of Morelos and another one in the state of San Luis Potosí that belonged to the COFECE disinvestment package.

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 Foundation

- We completed the delivery of our stage II program of "*Somos Familia con México*" where thanks to our customers that contributed with the fundraise and the participation of Soriana doubling those contributions, 112 houses were given to the families affected by the earthquakes of 2017.
- Through the contributions of our customer, we completed a social investment of \$232,000 pesos to open a computers room for a Community Center. This action will benefit 496 people, allowing them expand their skills of this community members.
- During the month of September and in response to the intense rains that fell in some cities of the north of the country, 12 collection centers were enabled to channel through the Red Cross all the support in kind donated by our customers.

b) Soriana University

- During this trimester 1,209,491 training hours were given to our collaborators. This represents a total of 12.88 hours per collaborator; in other words, an average of 4.29 monthly hours per employee.
- Regarding to academic development of our personnel, 235 collaborators achieved a higher academic level which will allow them to have better professional development.

c) Best Business Practices

- During this quarter we held 172 business interviews with suppliers of the states of Zacatecas, Campeche, Tamaulipas Nayarit and Queretaro. In this manner we continue promoting the development of Small and Medium-Sized Companies and expand our commercial offer by selling regional products in our stores.

d) Environment

- In regard of power consumption, as of September 2018 were reduced 25 million kWh comparing to 2017. From this amount, 11 million kWh belong to the stores that keep electric power monitoring systems. This reduction avoids the emission of 15,000 tons of CO₂ to the atmosphere.

- A 50% of progress has been achieved in the construction of an eolic park located in the community of Vicente Guerrero; this farm will have an installed capacity of 118 MW. Scheduled date for its commissioning is the 1st quarter of 2019.
- Last September 20th and 21st we held our first work day of the program “*Soriana Loves Your Beach*” on Los Corales and Marlín beaches in Cancún, Quintana Roo. Our purpose with these cleaning days is to contribute in the environmental improvement of Mexican beaches and promote higher levels of competitiveness in the different tourist destinations of our country.

e) Other Events

- In the fifth edition of the “Companies with the best corporate reputation” (*Las empresas con mejor reputación corporativa*) ranking chart developed by Monitor Empresarial de Reputación Corporativa (Merco), ranked Soriana in the 3rd place of the food retail sector and in 45th place for global ranking. The result of this evaluation is endorsed by KPMG.
- In the month of August, *Expansión* Magazine positioned Soriana in the 21th place of “The most important companies in Mexico” (*Las empresas más importantes de México*) and in the 7th place for the Northern region.

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

Millions of nominal pesos

	Third Quarter				
	3Q2018	%	3Q2017	%	Var. %
Net Sales	38,655	100	38,745	100	(0.2)
Cost of Sales	30,214	78.2	30,346	78.3	(0.4)
Gross Income	8,440	21.8	8,399	21.7	0.5
Operating Expenses	6,084	15.7	5,582	14.4	9.0
Income before other expenses, net	2,356	6.1	2,817	7.3	(16.4)
Other Income and (Expenses), Net	17	0.0	57	0.1	(70.7)
EBITDA	2,373	6.1	2,874	7.4	(17.4)
Depreciation and Amortization	695	1.8	779	2.0	(10.8)
Operating Income	1,678	4.3	2,096	5.4	(19.9)
Interest Income and (Expenses), Net	(508)	(1.3)	(592)	(1.5)	(14.3)
Foreign Exchange Gain (Losses)	(10)	(0.0)	(5)	(0.0)	115.0
Comprehensive Financing Income	(518)	(1.3)	(597)	(1.5)	(13.3)
Minority Interest	(86)	(0.2)	(11)	(0.0)	659.7
Earnings Before Income Tax & Profit Sharing	1,075	2.8	1,488	3.8	(27.7)
Tax Provision	427	1.1	499	1.3	(14.5)
Net Earnings	648	1.7	989	2.6	(34.4)
Controlling interest	640	1.7	981	2.5	(34.7)
Non-controlling interest	8	0.0	8	0.0	(4.0)
Cash Net Profit	1,286	3.3	1,624	4.2	(20.8)

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

Millions of nominal pesos

	Third Quarter - Accumulated				
	2018	%	2017	%	Var. %
Net Sales	112,487	100	112,608	100	(0.1)
Cost of Sales	87,570	77.8	87,498	77.7	0.1
Gross Income	24,917	22.2	25,110	22.3	(0.8)
Operating Expenses	17,336	15.4	16,531	14.7	4.9
Income before other expenses, net	7,580	6.7	8,579	7.6	(11.6)
Other Income and (Expenses), Net	46	0.0	65	0.1	(29.2)
EBITDA	7,626	6.8	8,644	7.7	(11.8)
Depreciation and Amortization	2,207	2.0	2,453	2.2	(10.0)
Operating Income	5,420	4.8	6,191	5.5	(12.5)
Interest Income and (Expenses), Net	(1,572)	(1.4)	(1,701)	(1.5)	(7.6)
Foreign Exchange Gain (Losses)	(1)	(0.0)	67	0.1	(101.2)
Comprehensive Financing Income	(1,573)	(1.4)	(1,634)	(1.5)	(3.7)
Gain from long-term liability extinguishment					
Minority Interest	(217)	(0.2)	(9)	(0.0)	*
Earnings Before Tax & Profit Sharing	3,630	3.2	4,548	4.0	(20.2)
Tax Provision	1,255	1.1	1,548	1.4	(18.9)
Net Earnings	2,374	2.1	3,000	2.7	(20.9)
Controlling interest	2,353	2.1	2,980	2.6	(21.1)
Non-controlling interest	21	0.0	20	0.0	8.0
Cash Net Profit	4,374	3.9	5,042	4.5	(13.3)

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

Millions of nominal pesos

	2018	%	2017	%	Var. %
ASSETS					
Current Assets					
Cash and Cash Equivalents	2,839	2.1	1,836	1.4	54.6
Trade	1,339	1.0	1,498	1.2	(10.6)
Other Accounts Receivable	6,111	4.6	4,927	3.8	24.0
Inventories	29,217	22.1	27,694	21.4	5.5
Other Current Assets	301	0.2	466	0.4	(35.4)
Assets classified as held for sale	1,467	1.1	1,546	1.2	(5.1)
Total Current Asset	41,274	31.2	37,967	29.4	8.7
Property and Equipment, Net	69,815	52.8	69,616	53.9	0.3
Intangible Assets	19,965	15.1	20,424	15.8	(2.2)
Other Assets	1,149	0.9	1,193	0.9	(3.7)
Total Assets	132,203	100	129,200	100	2.3
LIABILITIES					
Current Liabilities					
Suppliers	24,980	18.9	21,892	16.9	14.1
Debt Certificates	9,364	7.1	8,930	6.9	4.9
Other Accounts Payable	1,282	1.0	1,577	1.2	(18.7)
Other Liabilities without cost	2,392	1.8	2,834	2.2	(15.6)
Total Current Liabilities	38,018	28.8	35,233	27.3	7.9
Deferred Taxes	11,849	9.0	12,630	9.8	(6.2)
Long Term Debt	17,970	13.6	21,527	16.7	(16.5)
Other Liabilities	3,120	2.4	2,624	2.0	18.9
Total Long Term Liabilities	32,938	24.9	36,781	28.5	(10.4)
Total Liabilities	70,956	53.7	72,015	55.7	(1.5)
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	0.7	977	0.8	(0.0)
Repurchase Fund of Shares	550	0.4	550	0.4	0.0
Accumulated Earnings	58,467	44.2	54,405	42.1	7.5
Total Stockholders' Equity	61,247	46.3	57,185	44.3	7.1
Total Liabilities and Stockholders' Equity	132,203	100	129,200	100	2.3

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>
<u>OPERATING ACTIVITIES</u>			
Income before Income Tax	3,630	4,548	(20.2)
<u>Items related to investment activities:</u>			
Depreciation & Amortization	2,207	2,453	(10.0)
Sales of property and equipment	(30)	(91)	(67.3)
Participation in Subsidiaries	217	(9)	*
Foreign Exchange	50	(64)	(178.3)
<u>Items related to financing activities</u>			
Interest Expense	1,734	1,860	(6.8)
Total	<u>7,808</u>	<u>8,697</u>	<u>(10.2)</u>
Clients	541	376	43.9
Inventories	(2,722)	(1,726)	57.7
Suppliers	(2,953)	(6,100)	(51.6)
Payable and receivable accounts	(1,879)	(2,115)	(11.2)
Income Tax Paid	(2,552)	(1,712)	49.1
Net cash flow from operating activities	<u>(1,757)</u>	<u>(2,580)</u>	<u>(31.9)</u>
<u>INVESTING ACTIVITIES</u>			
Acquisitions of property and equipment	(1,730)	(942)	83.7
Cash receivable from financing activities	<u>(3,487)</u>	<u>(3,522)</u>	<u>(1.0)</u>
<u>FINANCING ACTIVITIES</u>			
Financing Obtained	116,250	122,588	(5.2)
Financing Repaid	(111,857)	(118,088)	(5.3)
Interest Paid	(1,734)	(1,860)	(6.8)
Net cash flow from financing activities	<u>2,659</u>	<u>2,640</u>	<u>0.7</u>
Net decrease in cash and cash equivalents	(828)	(882)	(6.1)
Cash and cash equivalents at beginning of period	<u>3,666</u>	<u>2,718</u>	<u>34.9</u>
Cash and cash equivalents at end period	<u>2,839</u>	<u>1,836</u>	<u>54.6</u>