

DON ALBERTO BAILLÈRES' SPEECH AT THE 125TH ANNIVERSARY OF THE
FOUNDATION OF EL PALACIO DE HIERRO, OCTOBER 9, 2013, MEXICO CITY

Very appreciated and esteemed friends and partners

I thank each and every one of you for your presence on this very special occasion, the 125th year celebration of the foundation of El Palacio de Hierro.

I am very pleased to be here tonight, sharing with you this singular and endearing event. Few companies survive and prosper for five decades. I am honored to preside over the board of directors of this company and to head this unusual and even epic event.

This company was founded in 1888 by French immigrants Jules and Henry Tron, Joseph Léautaud and Demian Antoine Proal, first with the name of Tron y Cía, and then in 1898 with the corporate name El Palacio de Hierro. We salute and admire their vision and entrepreneurial accomplishment.

The construction of the first store, where we are gathered tonight, took nearly 10 years and it opened its doors on April 6, 1898. Its founders were determined to design a large five-story store with avant-garde architecture of the time on a par with the best department stores in Paris and New York.

They even sought the opinion of the French engineer (Gustave) Eiffel. It was the first steel building in the country. The name, El Palacio de Hierro, was the spontaneous response of the people when they saw the construction of a large structure made out of steel.

Its founders also had to build a big factory, whose beautiful building still remains in Colonia Obrera, to make clothing and furniture, since the high-quality merchandise was not produced in the country. El Palacio was also a pioneer in the industrialization of Mexico.

The inauguration of the first store raised great interest in society. It was a reflection of the vigorous progress of the time. It was a huge commercial success. The store had electric power that was supplied through its own generating plant.

In 1914, a terrible fire destroyed the building. It was decided to build a new store, and Paul Dubois was commissioned as the architect. Meanwhile, customers were served in an annex.

The present building was inaugurated in 1921. It was one of the first ones made of reinforced concrete and according to the standards of the French *Art Nouveau*. In addition to its simplicity and geometry, the decoration is inspired by nature and reflected in glazed mosaics in which the colors yellow, green and blue prevail. The

large central patio was covered by stained glass designed by Jacques Gruber and manufactured by Tiffany.

This magnificent and iconic building was restored in 2010 to recover its original splendor, and in this way contribute to the celebrations of the bicentennial of the Independence of Mexico.

The commercial success and growth of Mexico City led to the opening of the second department store. So, in February of 1958, the second store was inaugurated on Durango Street, in Colonia Roma. It is a splendid, modern, functional and luxurious establishment.

In October of 1963, my father and I each acquired 50% of the shares of El Palacio de Hierro, taking advantage of the opportunity, after a group of Mexican investors declined the option to buy it. I became the CEO of El Palacio de Hierro, while I was also the CEO of Cervecería Moctezuma. Consequently, this year, and in this same month, we are also celebrating 50 years since the acquisition of El Palacio de Hierro. The coinciding of these celebrations fills me with pride and satisfaction.

The challenge was extraordinary. We had to define the strategy and commercial identity of El Palacio de Hierro: the store on Durango Street would maintain the original vision of an exclusive store of the highest quality goods and services while the downtown store turned into a discount store. We also had to develop an expansion plan, strengthening the administrative areas, and an advertising and image strategy. Of course, we also had to strengthen the merchandise acquisition systems and interior decoration and modernize credit schemes.

El Palacio de Hierro today has 12 stores and soon will have 14. In addition, new commercial formats have been developed such as Casa Palacio -an interior decoration and design leader-, Viajes Palacio, Boutique Palacio and a portfolio of independent boutiques.

We have not given up on our efforts to be the best department store in the country by offering the best shopping experience, having the most select merchandise to satisfy the needs of the most demanding consumers, and offering the best service to our distinguished clientele.

Our stores are on par with the best in the world. They show a commitment to Mexico and are a reflection of a modern and thriving Mexico. The beautiful and refined avant-garde architecture engenders community pride and is an urban icon in each area where the stores are built. Their interior decoration is designed to make the shopping experience unforgettable and pleasant. The international awards given to the architecture and decoration of our stores are proof of this.

Our advertising campaigns are innovative and creative. They communicate intimately with our customers, who are our reason for being, and for whom we strive, day after day, to give our best service.

Ladies and gentlemen:

I would like to thank you for your presence on this gala night that is so significant to me and to my partners at El Palacio de Hierro. We hope that you enjoy everything we have prepared to celebrate this double event: 125 years of El Palacio de Hierro and 50 years of our acquisition. I would like to thank all of our customers for their preference and sponsorship. We owe this to you. We will continue striving to be "*Totalmente Palacio.*" Long Live El Palacio de Hierro! Happy Birthday! Thank you for your support.