

Soriana reports Fourth Quarter and Full Year 2018 Financial Results

- Annual revenues of \$153.475 billion pesos.
- Same-Store Sales of 0.1% in the full year and 0.3% in the 4Q18
- Opening of 2 stores in the quarter.
- Three opening of Sodimac stores in Mexico.

Monterrey, N.L., February 22nd, 2019. Organizacion Soriana, S.A.B. de C.V. (Soriana) announces the financial results corresponding to 4Q 2018 and full year 2018. Figures in this report are shown in nominal terms in accordance with International Financial Reporting Standards (IFRS).

Fourth Quarter and Full Year 2018 Operating Performance

Total Company income for the last quarter 2018 reached \$40.988 billion pesos, which represents an increase on same store sales of 0.3% as compared to the previous year. In accumulated terms, sales reached an amount of \$153.475 billion pesos, that represent an increase of 0.1% in same store sales. This variation in revenues was influenced by an operating efficiency program in our store platform, which resulted in the closure of 11 units during 2018 and impacted total sales comparing with last year. The aforementioned in the future will allow us to have a more efficient an operation and store presence.

Regarding to the gross income, the Company expanded 50 basis points in the fourth quarter comparing with same period in the last year reaching \$9.433 billion pesos that represent 23.0% margin, as compared to \$9.247 billion pesos reached in 2017. In this way, gross income shown an increase of 2.0%. This increase at gross margin level was mainly motivated by the synergies consolidation and better commercial strategies that allow offsetting the negative effect of shrinkage caused by the alterations in our logistic systems as a consequence of the changes made in the technological platform. This indicator at an annual level remained the same when compared to 2017 at 22.4% as a percentage of the total revenues.

Operating expenses (without depreciation and amortization) increased 7.2% in the quarter and 5.5% in the full year. Likewise, this line shown 100 basis points expansion as a percentage over sales in 4Q18 versus 4Q17, and 80 basis points expansion in the full year mainly caused by the increase in energy cost in the fourth quarter despite the savings generated in the kilowatt consumption in the same period, as well as a negative non-recurrent effect due to extraordinary expenses originated by the migration of the systems platform and reorganization of the operations linked to the stores acquired from Comercial Mexicana.

Thus, operating expenses during the fourth quarter 2018 reached \$6.277 billion pesos, that is 15.3% over sales and in accumulated terms is \$23.614 billion pesos equivalent to 15.4% over sales.

The foregoing variations consequently resulted in an EBITDA⁽¹⁾ of \$3.258 billion pesos for the 4Q18, which represents 8.0% as a percentage over sales. This means a contraction of 120 basis points against the same period in the previous year where half of that reduction, was originated by non-recurrent revenues that were recognized in the last quarter of 2017. In accumulated terms, EBITDA⁽¹⁾ closed in \$10.884 billion pesos representing 7.1% as a percentage over sales, with a 12.2% decrease as compared to 2017.

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

In regards to financial items in our P&L, quarterly net financial cost showed a decrease of 3.1% as compared to same period in 2017 to end up in \$538 million pesos.

Finally, cash net income for the quarter resulted in \$1.674 billion pesos that represents 4.1% over sales and imply a decrease comparing with same period of previous year to 3.0%. In accumulated terms, this line shown an amount of \$6.047 billion pesos equivalent to 3.9% over sales.

Debt Performance

At the year-end the Company has a total debt of \$22.663 billion pesos, compared to the \$22.940 billion pesos from year-end amount of 2017 which represent a \$277 million pesos reduction.

New Stores Openings

During the year two stores were opened: (1) *Soriana Hiper* in the state of *Baja California Sur*, and (1) *Soriana Super* in Mexico City. In addition and for the first time, there were three openings of *Sodimac* stores in Mexico.

Operating Information

Below is a comparative table showing the number of units in operation per store format as year closing 2018:

Store Format	2018	2017	Sales Floor as of 2018
Soriana Híper	295	270	2,153,874
Soriana Súper	127	129	258,650
Soriana Mercado	165	142	727,007
Soriana Express	104	103	143,004
City Club	35	35	281,243
Mega Soriana	89	145	680,458
Total	815	824	4,244,236

* 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 year, the Company closed 11 stores, one of which became a Sodimac store in the state of Morelos and another one in San Luis Potosí that belonged to the COFECE disinvestment package stores.

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

- Social investment realized during 2018 was \$113.4 million pesos, mainly supporting 3 key areas: Mexican childhood, feeding and community support. In total were beneficiated 481,363 people through 479 institutions distributed along the country.
- During the year were delivered Phase I and II of the program "*Somos Familia con México*" (*We are a family with Mexico*) that were affected from the earthquakes occurred in September 2017. Thanks to our customers and Soriana's collaborators who joined the effort of collecting money, were delivered 112 houses to families affected in Oaxaca State.

During the last quarter of the year the highlights are: support to 58 food banks within the World Food Day, our "Pasillo Rosa" campaign to support institutions specialized in female cancer patients and our campaign to support children awarded by "Fundación Teletón", in which our customers and collaborators participate together with Soriana's contribution.

b) Soriana University

- During 2018 were provided a total of 4,988,237 hours of training to our collaborators. This means an increase of 32% as compared to the previous year, equivalent to a monthly average per collaborator of 4.43 training hours.
- On the other hand, thanks to Soriana University, 564 of our collaborators achieved a higher academic degree. This effort will allow them to have a better performance and work development.

c) Good Business Practices

- During 2018 our Suppliers Development Program had presence in various business fairs, taking care of 323 regional suppliers located in various states in Mexico.
- We strive to have regional products of our customer's taste, that is why this year we worked to strengthen their exhibition in our stores by signaling them with institutional materials with the objective to push sales and profitability of these products. This exhibition started in the States of Chihuahua, Campeche and Coahuila. We will continue with this implementation during 2019.

d) Environment

- During 2018 there were supplied with renewable energy 614 stores with a total amount of 711.7 million kWh, preventing 414,226 metric tons of CO2 emissions into the atmosphere. In addition, our program of monitoring and electric power management allowed us to reduce consumption in 2.01%.
- The *Vicente Guerrero* wind power plant has significant progress and will have 118 MW installed capacity. Start-up is scheduled by the first quarter of 2019.
- The National Emissions Registration (RENE) verification process was completed on the last quarter with a positive opinion, thus complying with SEMARMAT procedure and instructions.

e) Other Events

- "Companies with the Best Corporate Reputation" ranking fifth edition (Las empresas con mejor reputación corporativa) executed by *Monitor Empresarial de Reputación Corporativa (Merco)* (Corporate Reputation Company Monitor) our company took the 3rd place within the self-service retail sector and number 45 in the global ranking. Outcome of this assessment is endorsed by KPMG.
- *Expansión* business magazine ranked Soriana as the 21st company within "the most important companies in Mexico" and number 7 in northern Mexico.

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

	Fourth Quarter				
	4Q2018	%	4Q2017	%	Var. %
Net Sales	40,988	100	41,031	100	(0.1)
Cost of Sales	31,555	77.0	31,784	77.5	(0.7)
Gross Income	9,433	23.0	9,246	22.5	2.0
Operating Expenses	6,277	15.3	5,857	14.3	7.2
Income before other expenses, net	3,156	7.7	3,389	8.3	(6.9)
Other Income and (Expenses), Net	102	0.2	371	0.9	(72.6)
EBITDA	3,258	8.0	3,761	9.2	(13.4)
Depreciation and Amortization	609	1.5	796	1.9	(23.6)
Operating Income	2,649	6.5	2,964	7.2	(10.6)
Interest Income and (Expenses), Net	(545)	(1.3)	(544)	(1.3)	0.1
Foreign Exchange Gain (Losses)	7	0.0	(12)	(0.0)	(157.4)
Comprehensive Financing Income	(538)	(1.3)	(556)	(1.4)	(3.1)
Minority Interest	(148)	(0.4)	(20)	(0.0)	660.7
Earnings Before Tax & Profit Sharing	1,962	4.8	2,389	5.8	(17.9)
Tax Provision	708	1.7	782	1.9	(9.5)
Net Income	1,255	3.1	1,607	3.9	(21.9)
Controlling interest	1,252	3.0	1,601	3.9	(21.8)
Non-controlling interest	3	0.0	6	0.0	(54.3)
Cash Net Profit	1,674	4.1	1,726	4.2	(3.0)

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

	Fourth Quarter - Accumulated				
	2018	%	2017	%	Var. %
Net Sales	153,475	100	153,637	100	(0.1)
Cost of Sales	119,125	77.6	119,281	77.6	(0.1)
Gross Income	34,350	22.4	34,356	22.4	(0.0)
Operating Expenses	23,614	15.4	22,389	14.6	5.5
Income before other expenses, net	10,736	7.0	11,966	7.8	(10.3)
Other Income and (Expenses), Net	148	0.1	435	0.3	(66.1)
EBITDA	10,884	7.1	12,401	8.1	(12.2)
Depreciation and Amortization	2,815	1.8	3,251	2.1	(13.4)
Operating Income	8,069	5.3	9,150	6.0	(11.8)
Interest Income and (Expenses), Net	(2,117)	(1.4)	(2,245)	(1.5)	(5.7)
Foreign Exchange Gain (Losses)	6	0.0	49	0.0	(88.0)
Comprehensive Financing Income	(2,111)	(1.4)	(2,197)	(1.4)	(3.9)
Minority Interest	(365)	(0.2)	(28)	(0.0)	1,184.1
Earnings Before Tax & Profit Sharing	5,592	3.6	6,925	4.5	(19.2)
Tax Provision	1,963	1.3	2,319	1.5	(15.4)
Net Income	3,629	2.4	4,605	3.0	(21.2)
Controlling interest	3,605	2.3	4,580	3.0	(21.3)
Non-controlling interest	24	0.0	26	0.0	(5.9)
Cash Net Profit	6,047	3.9	6,762	4.4	(10.6)

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	2,231	1.7	3,666	2.8	34.8
Trade	1,146	0.9	1,880	1.5	(39.0)
Other Accounts Receivable	6,773	5.1	4,031	3.1	68.0
Inventories	30,297	22.8	26,502	20.5	14.3
Other Current Assets	245	0.2	242	0.2	1.1
Assets classified as held for sale	1,451	1.1	1,561	1.2	(7.1)
Total Current Asset	42,143	31.7	37,884	29.3	11.2
Property and Equipment, Net	69,910	52.6	69,970	54.1	(0.1)
Intangible Assets	19,919	15.0	20,224	15.6	(1.5)
Other Assets	996	0.7	1,263	1.0	(21.2)
Total Assets	132,968	100	129,340	100	2.8
LIABILITIES					
Current Liabilities					
Suppliers	29,651	22.3	27,876	21.6	6.4
Debt Certificates	8,434	6.3	5,537	4.3	52.3
Other Accounts Payable	1,979	1.5	2,477	1.9	(20.1)
Other Liabilities without cost	2,053	1.5	2,441	1.9	(15.9)
Total Current Liabilities	42,116	31.7	38,330	29.6	9.9
Deferred Taxes	11,425	8.6	12,036	9.3	(5.1)
Long Term Debt	14,229	10.7	17,403	13.5	(18.2)
Other Liabilities	3,253	2.4	2,689	2.1	21.0
Total Long Term Liabilities	28,907	21.7	32,128	24.8	(10.0)
Total Liabilities	71,024	53.4	70,458	54.5	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	0.7	977	0.8	0.0
Repurchase Fund of Shares	550	0.4	550	0.4	0.0
Accumulated Earnings	59,164	44.5	56,102	43.4	5.5
Total Stockholders' Equity	61,944	46.6	58,882	45.5	5.2
Total Liabilities and Stockholders' Equity	132,968	100	129,340	100	2.8

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	5,592	6,925	(19.2)
<u>Items related to investment activities</u>			
Depreciation & Amortization	2,815	3,251	(13.4)
Sales of property and equipment	8	(166)	(104.8)
Participation in Subsidiaries	365	28	1,184.1
Foreign Exchange	51	(35)	(244.9)
<u>Items related to financing activities</u>			
Interest Expense	2,328	2,453	(5.1)
Total	11,159	12,456	(10.4)
Clients	(95)	(6)	1,461.0
Inventories	(3,786)	(582)	550.6
Suppliers	1,724	(145)	(1,289.0)
Payable and receivable accounts	(2,000)	101	(2,073.2)
Income Tax Paid	(2,878)	(3,703)	(22.3)
Net cash flow from operating activities	4,124	8,121	(49.2)
<u>INVESTING ACTIVITIES</u>			
Acquisitions of property and equipment	(2,651)	(2,105)	25.9
Investments and loans in associates	(505)	(125)	303.7
Others	202	526	(61.5)
Net Cash flow from investing activities	(2,953)	(1,704)	73.3
Cash receivable from financing activities	1,170	6,417	(81.8)
<u>FINANCING ACTIVITIES</u>			
Financing Obtained	158,950	155,490	2.2
Financing Repaid	(159,228)	(158,506)	0.5
Interest Paid	(2,328)	(2,453)	(5.1)
Net cash flow from financing activities	(2,605)	(5,469)	(52.4)
Net decrease in cash and cash equivalents	(1,435)	948	(251.4)
Cash and cash equivalents at beginning of period	3,666	2,719	34.9
Cash and cash equivalents at end period	2,231	3,666	(39.1)