

## Soriana reports second quarter 2019 results

- Total revenues of \$39.096 billion pesos, 2.0% growth vs 2018
- A growth of 2.4% in Same Store Sales (SSS) for the quarter with a positive trend in June of 4.3%
- Increase of 50 basis points at EBITDA level, 9.5% growth

**Monterrey, N.L., July 26th, 2019.-** Organización Soriana, S.A.B. de C.V. (Soriana) reports financial results for the second quarter of 2019. The figures in this report are provided on a nominal basis and in accordance with the International Financial Reporting Standards ("IFRS").

### Operational performance

During the second quarter of the year, the Company's total revenues reached \$39.096 billion pesos, an increase of 2.0%. Regarding same stores sales, the increase was 2.4%. This positive variation in revenues was mainly influenced by the excellent response obtained from customers concerning the Julio Regalado campaign that began in June, which counteracted the impact on sales of the company derived from the closing of 15 units over the last twelve months, representing 0.8% of the quarterly sales, together with the impact derived from the integration of the Comercial Mexicana stores, which had a negative impact on quarterly sales of more than 1 percentage point.

Gross profit for the quarter showed a 0.6% increase versus the second quarter of 2018 reaching \$8.508 billion pesos representing 21.8% of the total sales, which means a decrease of 30 basis points due to a higher promotional investment needed for the Julio Regalado campaign.

Regarding operating expenses, a -3.6% decrease was recorded in the second quarter of this year in comparison with the same period of the previous year, as well as a 90 basis points decrease in sales percentage to reach 14.1% versus 15.0% in 2Q18. This decrease in the operating expense is due to the implementation of the standard IFRS-16 "Leases" which is amortized as an expense reduction adopted in 2019 by the Company, which amounted to \$351 million pesos in the quarter; excluding this accounting effect, the increase in expense would be only 1.6%, derived from an in-depth control of the operating expense throughout the company implemented since the beginning of the year that has contributed to minimize the negative effect at the EBITDA level due to the delay in sales as a consequence of the inconveniences that occurred in the supply chain during the previous quarters as a result of the systems integration.

The aforementioned variations yielded an EBITDA<sup>(1)</sup> result of \$3.010 billion pesos in 2Q19, equivalent to 7.7% as a percentage of sales, which meant an expansion of 50 basis points that represents an increase of 9.5% against the same period of the previous year.

Regarding financial items, the net financial cost of the quarter showed an increase of 57.1% year-over-year, closing at \$862 million pesos. This increasing effect, as previously noted, is mainly due to the implementation of IFRS 16 as of 2019, which resulted in a financial expense impact in the quarter due to the interest expense of the lease liability equivalent to \$280 million pesos.

Finally, the net cash earnings for the quarter were \$1.621 billion pesos, representing a 4.2% sales ratio.

(1) EBITDA is defined as operating income before depreciation and amortization

## Financial Position

Under the IFRS 16 "Leases" regulation, at the end of 2Q2019 the Company has recorded in its statement of financial position a lease liability of \$9.802 billion pesos and an asset named right of use of \$9.200 billion pesos, amount included in Property, plant and equipment.

At the end of 2Q19, there was an increase in accounts receivable of 46.9%, equivalent to \$2.553 billion pesos, mainly due to taxes generated in the current year, which will be recovered during the following two quarters.

## Debt Behavior

By the end of 2Q19, the Company had a bank and stock market debt of \$25.235 billion pesos, which represents an increase of \$1.994 billion compared to the same period of the previous year.

## Operational Information

Below is a comparative table of the number of operating units by store format at the close of the second quarter of 2019.

Store Format	2Q2019	2Q2018	Sales Floor Area as of 2Q2019
Hypermarkets	379	386	2,736,445
Súper	126	131	257,439
Mercado	165	165	721,068
Express	103	104	138,930
City Club	35	35	280,862
<b>Total</b>	<b>808</b>	<b>821</b>	<b>4,134,744</b>

*\* Store data is year-over-year comparable and reflects the migration of Comercial Mexicana stores to other traditional Soriana formats.*

During this second quarter, 2 stores were closed, one of which will lead to the creation of a Sodimac store in the state of Veracruz.

## Effects of the IFRS 16 "Leases"

Below is the impact that the implementation of the new IFRS 16 "Leases" had in the second quarter of 2019 over the Income Statement:

	\$	% /s
Operational Expenses (Leases)	351.2	0.9
Depreciation	(179.7)	(0.5)
<b>Operating Expenses</b>	<b>171.5</b>	<b>0.4</b>
Financial Expense	(280.4)	(0.7)
<b>Effect Before Taxes</b>	<b>(108.8)</b>	<b>(0.3)</b>
Deferred Tax	22.0	0.1
<b>Net Effect in IS 2Q19</b>	<b>(86.8)</b>	<b>(0.2)</b>

## Social Responsibility Activities

As part of our Corporate Social Responsibility strategy, we have 4 pillars that represent a solid platform of our Corporate Social Responsibility vis-à-vis our clients, suppliers, collaborators, shareholders and the community in general. These pillars were supported throughout the quarter by the following actions:

### a) Soriana Fundación

- During the second quarter of the year, 104 institutions were supported nationwide, of which 65 are focused on community development and 39 support Mexican children.
- The Soriana Playrooms project "Sonrisas de Corazón" (Heart Smiles) was implemented supporting 7 Foundations in 7 different states of the country. The support consisted of equipping 9 playrooms for the cognitive and emotional growth of 656 children to develop their skills through games.
- The program "Soriana te invita al museo" (Soriana invites you to the museum) benefited for the third consecutive year more than 29,436 children with free

admission to different museums such as: Arocena, Horno3, Museo Papalote, 3 Museos, Bosque de Chapultepec, Universum and Museo de la Luz.

- We stop supporting our project "Música por el cambio" (Music for Change) made in partnership with Fundación Dibujando un Mañana (Drawing a Tomorrow Foundation), which raised \$2.6 million pesos over 3 years, benefiting 3,201 children and young people in their development and training through musical education.

## **b) Soriana Universidad**

- We continue to support the growth and improvement of our employees and families through Soriana Universidad. During this quarter we enrolled 2,086 collaborators in the high school exam, all of whom will be able to obtain their academic level this year. Furthermore, we are in the process of applying primary and secondary evaluations through the "Educación en familia" program where, as of this year, the families of our collaborators will also be able to obtain the basic level of studies with the support of Soriana.
- In this second quarter, 1,018,330 hours of training were given to Soriana employees. This represents an average of 11 hours per employee in the quarter and 3.66 hours per month.

## **c) Good Business Practices**

- Our Supplier Development Program was present in different business meetings and SME fairs during this quarter, in which around 675 regional suppliers in the states of Nuevo León, Chiapas, Querétaro, Jalisco, CDMX, Sinaloa, Coahuila and Chihuahua were attended. As a result, 42 Suppliers are already exhibiting 200 products on the shelves of our stores.
- Through alliances with EDC Bank we have been able to encourage the import of Canadian products which represent an opportunity to offer to our customers distinctive and high-quality selected products.

## **d) Environment**

- On April 1st, started the commercial operation of the Vicente Guerrero Wind Farm, located in the municipality of Güémez, Tamaulipas, which is operated by the Mexican company specialized in renewable energy generation GEMEX. It has 118 MW power installed capacity, 33 wind turbines and a production of 454 GWh per year, which will be supplying energy to 313 Soriana Business Units, covering 81% of the business units.

- In June of this year, the report of Greenhouse Gas Emissions generated during the year 2018 was presented in due time and form to Semarnat. The carbon footprint for Tiendas Soriana S.A. de C.V. was 935,215 tons of CO<sub>2</sub>e. Emissions drop considerably in comparison to 2017, due to the incorporation of clean energy supply and the reduction in coolant consumption. Indirect emissions from electricity consumption accounted for only 41%, that is, 384,084 tons of CO<sub>2</sub>e.

### **e) Rankings and Recognitions**

- In June, Organización Soriana was ranked #26 in the "Las 500 empresas más importantes de México" (The 500 most important companies in Mexico) ranking published by Expansión magazine, determined by its level of sales, profit, assets, liabilities, capital, employment generation and corporate integrity.
- The Ministry of Health of Nuevo Leon (SSNL) gave the stores Soriana Hiper and City Club San Jerónimo, the certification of "Healthy Environment as a Market and Workplace", which recognizes them as places with a high standard of hygiene and safety. This was the second time that Soriana was recognized in this area, since at the end of 2016, the Soriana Hiper Contry store was the first supermarket in Mexico to be certified.

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

	<b>Second Quarter</b>				
	<b>2Q2019</b>	<b>%</b>	<b>2Q2018</b>	<b>%</b>	<b>Var. %</b>
Net Sales	39,096	100	38,346	100	2.0
Cost of Sales	30,588	78.2	29,884	77.9	2.4
<b>Gross Income</b>	<b>8,508</b>	<b>21.8</b>	<b>8,461</b>	<b>22.1</b>	<b>0.6</b>
Operating Expenses	5,530	14.1	5,734	15.0	(3.6)
<b>Income before other expenses, net</b>	<b>2,979</b>	<b>7.6</b>	<b>2,727</b>	<b>7.1</b>	<b>9.2</b>
Other Income and (Expenses), Net	31	0.1	20	0.1	54.3
<b>EBITDA</b>	<b>3,010</b>	<b>7.7</b>	<b>2,747</b>	<b>7.2</b>	<b>9.5</b>
Depreciation and Amortization	811	2.1	758	2.0	7.0
<b>Operating Income</b>	<b>2,199</b>	<b>5.6</b>	<b>1,990</b>	<b>5.2</b>	<b>10.5</b>
Interest Income and (Expenses), Net	(933)	(2.4)	(599)	(1.6)	55.8
Foreign Exchange Gain (Losses)	64	0.2	51	0.1	24.5
Utility (Loss) Exchange	7	0.0	(1)	0.0	(1,087)
<b>Comprehensive Financing Income</b>	<b>(862)</b>	<b>(2.2)</b>	<b>(548)</b>	<b>(1.4)</b>	<b>57.1</b>
Minority Interest	(133)	(0.3)	(82)	(0.2)	61.4
<b>Earnings Before Tax &amp; Profit Sharing</b>	<b>1,204</b>	<b>3.1</b>	<b>1,359</b>	<b>3.5</b>	<b>(11.4)</b>
Tax Provision	399	1.0	457	1.2	(12.7)
<b>Net Income</b>	<b>805</b>	<b>2.1</b>	<b>902</b>	<b>2.4</b>	<b>(10.7)</b>
Controlling interest	796	2.0	895	2.3	(11.1)
Non-controlling interest	9	0.0	7	0.0	31.1
<b>Cash Net Profit</b>	<b>1,621</b>	<b>4.2</b>	<b>1,649</b>	<b>4.3</b>	<b>(1.7)</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>2019</b>	<b>%</b>	<b>2018</b>	<b>%</b>	<b>Var. %</b>
Net Sales	74,351	100	73,832	100	0.7
Cost of Sales	57,669	77.6	57,356	77.7	0.5
<b>Gross Income</b>	<b>16,682</b>	<b>22.4</b>	<b>16,477</b>	<b>22.3</b>	<b>1.2</b>
Operating Expenses	11,018	14.8	11,319	15.3	(2.7)
<b>Income before other expenses, net</b>	<b>5,664</b>	<b>7.6</b>	<b>5,158</b>	<b>7.0</b>	<b>9.8</b>
Other Income and (Expenses), Net	117	0.2	96	0.1	22.4
<b>EBITDA</b>	<b>5,781</b>	<b>7.8</b>	<b>5,253</b>	<b>7.1</b>	<b>10.0</b>
Depreciation and Amortization	1,588	2.1	1,512	2.1	5.1
<b>Operating Income</b>	<b>4,193</b>	<b>5.6</b>	<b>3,741</b>	<b>5.1</b>	<b>12.1</b>
Interest Income and (Expenses), Net	(1,779)	(2.4)	(1,161)	(1.6)	53.2
Foreign Exchange Gain (Losses)	123	0.2	96	0.1	27.1
Utility (Loss) Exchange	12	0.0	9	0.0	29
<b>Comprehensive Financing Income</b>	<b>(1,644)</b>	<b>(2.2)</b>	<b>(1,056)</b>	<b>(1.4)</b>	<b>55.7</b>
Minority Interest	(237)	(0.3)	(131)	(0.2)	81.1
<b>Earnings Before Tax &amp; Profit Sharing</b>	<b>2,311</b>	<b>3.1</b>	<b>2,555</b>	<b>3.5</b>	<b>(9.5)</b>
Tax Provision	757	1.0	828	1.1	(8.6)
<b>Net Income</b>	<b>1,554</b>	<b>2.1</b>	<b>1,726</b>	<b>2.3</b>	<b>(10.0)</b>
Controlling interest	1,534	2.1	1,712	2.3	(10.4)
Non-controlling interest	20	0.0	14	0.0	45.5
<b>Cash Net Profit</b>	<b>3,147</b>	<b>4.2</b>	<b>3,208</b>	<b>4.4</b>	<b>(1.9)</b>

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

Millions of nominal pesos

	<b>2019</b>	<b>%</b>	<b>2018</b>	<b>%</b>	<b>Var. %</b>
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	2,795	1.9	3,009	2.3	(7.1)
Trade	673	0.5	520	0.4	29.4
Other Accounts Receivable	7,998	5.4	5,444	4.1	46.9
Inventories	35,075	23.7	29,157	22.2	20.3
Other Current Assets	466	0.3	375	0.3	24.3
Assets classified as held for sale	1,582	1.1	1,593	1.2	(0.7)
<b>Total Current Asset</b>	<b>48,589</b>	<b>32.8</b>	<b>40,098</b>	<b>30.5</b>	<b>21.2</b>
<b>Property and Equipment, Net</b>	<b>77,289</b>	<b>52.2</b>	<b>69,885</b>	<b>53.1</b>	<b>10.6</b>
<b>Intangible Assets</b>	<b>20,338</b>	<b>13.7</b>	<b>20,447</b>	<b>15.5</b>	<b>(0.5)</b>
<b>Other Assets</b>	<b>1,747</b>	<b>1.2</b>	<b>1,115</b>	<b>0.8</b>	<b>56.7</b>
<b>Total Assets</b>	<b>147,963</b>	<b>100</b>	<b>131,544</b>	<b>100</b>	<b>12.5</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Suppliers	32,959	22.3	30,036	22.8	9.7
Debt Certificates	6,281	4.2	5,185	3.9	21.1
Other Accounts Payable	1,527	1.0	1,676	1.3	(8.9)
Financial leases circulating portion	392	0.3	34	0.0	1,052.9
Other Liabilities without cost	2,885	1.9	2,506	1.9	15.1
<b>Total Current Liabilities</b>	<b>44,044</b>	<b>29.8</b>	<b>39,437</b>	<b>30.0</b>	<b>11.7</b>
Deferred Taxes	11,070	7.5	11,418	8.7	(3.0)
Long Term Debt	18,954	12.8	18,056	13.7	5.0
Liabilities for Financial Leasing	9,409	6.4	1,629	1.2	477.6
Other Liabilities	1,244	0.8	1,107	0.8	12.4
<b>Total Long Term Liabilities</b>	<b>40,677</b>	<b>27.5</b>	<b>32,210</b>	<b>24.5</b>	<b>26.3</b>
<b>Total Liabilities</b>	<b>84,721</b>	<b>57.3</b>	<b>71,647</b>	<b>54.5</b>	<b>18.2</b>
<b>Stockholders' Equity</b>					
Paid-In Capital Stock	1,171	0.8	1,171	0.9	0.0
Restatement of Paid-In Capital Stock	977	0.7	977	0.7	0.0
Premium on Sales of Shares	550	0.4	550	0.4	0.0
Repurchase Fund of Shares	-194	(0.1)	-26	(0.0)	646.2
Accumulated Earnings	60,655	41.0	57,142	43.4	6.1
<b>Total Stockholders' Equity</b>	<b>63,242</b>	<b>42.7</b>	<b>59,897</b>	<b>45.5</b>	<b>5.6</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>147,963</b>	<b>100</b>	<b>131,544</b>	<b>100</b>	<b>12.5</b>



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

	<u>2019</u>	<u>2018</u>	<u>Var. %</u>
<b><u>OPERATING ACTIVITIES</u></b>			
<b>Income before Income Tax</b>	<b>2,311</b>	<b>2,555</b>	<b>(9.5)</b>
<b><u>Items related to investment activities</u></b>			
Depreciation & Amortization	1,588	1,512	5.1
Sales of property and equipment	(48)	3	*
Participation in Subsidiaries	237	131	81.1
Foreign Exchange	7	72	(90.3)
<b><u>Items related to financing activities</u></b>			
Bank and stock debt interest expense	1,221	1,062	15.0
Interest Expense IFRS 16	558	100	459.6
<b>Total</b>	<b>5,874</b>	<b>5,434</b>	<b>8.1</b>
Clients	431	598	(28.0)
Inventories	(5,691)	(3,598)	58.1
Suppliers	3,300	2,020	63.3
Payable and receivable accounts	(1,574)	(1,154)	36.4
Income Tax Paid	(1,249)	(1,890)	(33.9)
<b>Net cash flow from operating activities</b>	<b>1,091</b>	<b>1,411</b>	<b>(22.7)</b>
<b><u>INVESTING ACTIVITIES</u></b>			
Acquisitions of property and equipment	(685)	(1,040)	(34.2)
Investments and loans in associates	118	82	42.6
Others	(300)	(250)	*
<b>Net Cash flow from investing activities</b>	<b>(1,125)</b>	<b>(1,189)</b>	<b>(5.4)</b>
<b>Cash receivable from financing activities</b>	<b>(34)</b>	<b>221</b>	<b>(115.4)</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Financing Obtained	110,210	73,650	49.6
Financing Repaid	(107,638)	(73,350)	46.7
Interest paid bank and stock market debt	(558)	(100)	*
Interest Paid IFRS 16	(1,221)	(1,062)	15.0
Liability for financial lease	(194)	(17)	1,012.5
<b>Net cash flow from financing activities</b>	<b>599</b>	<b>(879)</b>	<b>(168.2)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>565</b>	<b>(658)</b>	<b>(186.0)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>2,229</b>	<b>3,666</b>	<b>(39.2)</b>
<b>Cash and cash equivalents at end period</b>	<b>2,795</b>	<b>3,009</b>	<b>(7.1)</b>