

Soriana reports third quarter 2019 results

- Total income of \$39.4 billion pesos, growth of 2.1%
- 2.2 % quarterly growth in sales for same stores
- Expansion of 80 base points at EBITDA level with 14.7% growth
- Opening of 2 stores during the quarter

Monterrey, N.L. October 25, 2019.- Organización Soriana, S.A.B. de C.V. (Soriana) announces its financial position corresponding to Q3 2019. The amounts included in this report are in nominal value and in compliance with International Financial Reporting Standards (IFRS).

Operating Performance

The Company's total income for the Q3 of the current year are \$39.4 billion Mexican pesos, which equal to a 2.1% increase and "same stores" had an increase of 2.2%. The total increase in sales of the Company is primarily due to the results of the strategy that has been implemented since 2017 for the consolidation of micro markets, which was offset with the effect resulting from closing 7 units in the past 12 months which represented 0.5% of quarterly sales, and with the effect resulting from integrating the Comercial Mexicana stores, which had a negative impact of more than 1 percentage point on quarterly sales.

The quarterly gross profit shows a 0.8% decrease in comparison with Q3 for 2018; i.e., \$ 8.3 billion Mexican pesos equal to 21.2% on total sales, which represents a contraction of 60 base points resulting from an extraordinary item that had a favorable effect of 60 base points in 2018.

The operating expenses caption shows a 6.6% decrease in the Q3 of the year in comparison with the same period of the prior year, representing a contraction of 130 base points as a percentage on sales resulting in 14.45 in comparison with 15.7% for Q32018. This decrease in operating expenses is the result of the Company's adoption of IFRS-16 "Leases" in 2019, which, as mentioned before, resulted in a liability that has been amortized with a decrease in cost; this effect equals to \$352 million Mexican pesos during the quarter. Besides the accounting effect, the expense had a 1.7% decrease resulting from an exhaustive control of operating expenses at Company level that was implemented at the beginning of the year and that has contributed in minimizing the negative effect on EBITDA as a result of the gap in sales.

The abovementioned variances resulted in an EBITDA ⁽¹⁾ level of \$2.7 billion Mexican pesos for Q319, which represents 6.9% of sales; i.e., an expansion of 80 base points in comparison with Q318 that is equal to a 14.7% increase compared to said period.

Regarding the financial items, the financial cost for the quarter shows an increase of 66.8% in comparison with Q318 that closed with \$864 million Mexican pesos. This increase is primarily due to the adoption of IFRS 16 in 2019, which gave rise to an effect on the finance interest from the interest on the lease liability equal to \$287 million Mexican pesos.

Finally, the net income cash for the quarter is \$1.4 billion Mexican pesos, equal to a 3.6% on sales, equal to a 5.2% increase in comparison with Q318.

(1) EBITDA is defined as the earnings ratio before depreciation and amortization

Financial Situation

Under IFRS 16 "Leases", at the closing of Q3 2019, the Company has recorded in its Statement of Financial Position a lease liability of \$10.1 billion Mexican pesos and an asset representing the right of use of \$9.4 billion Mexican pesos, net of depreciation as included under the caption Property, Plant and Equipment.

Dent Performance

At the closing of Q319, the Company has a bank and financial debt of \$33 billion Mexican pesos which equals to an increase in comparison to \$ 5.7 billion Mexican pesos of the prior year.

Description of the Business Operation

A comparative table with the number of operating units per store format at the closing of Q3 2019 is as follows:

Store Format	3Q2019	3Q2018	Sales Floor Area as of 3Q2019	Sales Floor Area as of 3Q2018
Hipermercados	380	384	2,743,483	2,838,431
Soriana Super	127	126	260,841	256,842
Soriana Mercado	165	165	721,068	727,007
Soriana Express	103	104	138,930	142,043
City Club	35	35	280,862	281,243
Total	810	814	4,145,184	4,245,566

"The store information is comparable year vs. year and reflects the migration of the stores from Comercial Mexicana to other traditional formats of Soriana".

Two stores were opened during the third quarter. 1 "Hipermercado" and 1 "Supermercado", both in the State of Mexico.

Effects of IFRS-16 "Leases"

The impact on the third quarter of 2019, resulting from the adoption of IFRS-16 "Leases" is shown in the Statement of Operations as follows:

Income Statements Impact Million pesos

	\$	% /s
Operating expenses (leases)	352	0.9
Depreciation	(208)	(0.5)
Operating expenses	144	0.4
Financial expense	(287)	(0.7)
Loss before income tax	(143)	(0.4)
Deferred taxes	21	0.1
Net Effect in IS 3Q19	(122)	(0.3)

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 with our customers, suppliers, collaborators, shareholders and the community in general. These pillars were supported during the quarter with the following actions:

a) Soriana Foundation

- During the third quarter of the year, the Company had a social responsibility investment of \$65.7 million Mexican peso for the aid of 364,641 people through 232 charitable institutions.
- Soriana Foundation and 49 food banks throughout Mexico came together to improve the living conditions and health of people in vulnerable situations with a social investment of \$2.9 million Mexican pesos that benefitted 15,385 people under food poverty in 29 states of Mexico.
- The aid provided to the "Asociación Programa Lazos, I.A.P", 895 children and parents of 14 states of Mexico were benefitted with the opportunity of taking part in the program "Con Lazos Descubro lo Bueno" which aids them in their academic formation and also seeks to foster in them ethical, moral and social principles.
- The program "Un Kilo de Ayuda" received an aid of \$1.0 million Mexican pesos through the campaign "1 Kdena de Ayuda" that will help 860 children ages 0 to 5 to have a comprehensive development through nutritional aid, weight and height

measurement, anemia diagnosis, timely stimulation techniques, parenting workshops, etc., focusing the program on the most vulnerable regions in the states of Chiapas, Oaxaca, State of Mexico, Sinaloa and Yucatan.

b) Soriana University

- As a result of the support provided by the Soriana University, 3,610 of our collaborators and their families have obtained a high academic degree, for which the number of students enrolled in the education and scholarship programs increased by 140% in this quarter. We are proud to play an active part for those who wish through hard work to grow and be better in the Company with the help of our educational platforms.
- During this quarter 2,078,929 hours of training were given to our collaborators, totaling 3,097,259 hours of training as at Q319. This is an average of 22.5 hours per quarter, per collaborator and 3.70 monthly hours.

c) Best Business Practices

- Our supplier development program had a total of 16 business encounters and PYME fairs to which 1,435 regional suppliers attended in the states of Nayarit, Yucatan, Puebla, Jalisco, Chiapas, Sinaloa, Chihuahua, Coahuila, CDMX, Queretaro and Nuevo Leon. Under this program, 1,056 regional products were incorporated to our commercial offering from a total of 177 suppliers, impacting the local economy of the different states.
- During September, Soriana carried out the event "Expo Soriana" in the state of Puebla, where over 1,700 collaborators with more than 300 suppliers gathered to establish a commercial strategy going forward to the year 2021.

d) Rankings and Acknowledgements

- The "Monitor Empresarial de Reputación Corporativa (Merco)" published the ranking of the 100 Companies with the best Corporate Reputation for 2019 in which the "Organización Soriana" moved 17 positions up to rank #28. This evaluation was made by the directors' committee, financial analysts, economic journalists, ONGs, university professors and they considered its commercial reputation.
- "Organización Soriana" was ranked #4 of the 50 most important employers of Mexico in the magazine "Mundo Ejecutivo". The methodology used was a comprehensive analysis of 1,000 companies, considering the total number of employees at 2018 year-end, generation of income per employee, employer profitability and best labor practices that have been implemented.

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

	Third Quarter				
	3Q2019	%	3Q2018	%	Var. %
Net Sales	39,463	100	38,654	100	2.1
Cost of Sales	31,092	78.8	30,214	78.2	2.9
Gross Income	8,371	21.2	8,440	21.8	(0.8)
Operating Expenses	5,684	14.4	6,084	15.7	(6.6)
Income before other expenses, net	2,687	6.8	2,356	6.1	14.0
Other Income and (Expenses), Net	35	0.1	17	0.0	108.5
EBITDA	2,722	6.9	2,373	6.1	14.7
Depreciation and Amortization	844	2.1	695	1.8	21.5
Operating Income	1,877	4.8	1,678	4.3	11.9
Interest Income and (Expenses), Net	(905)	(2.3)	(573)	(1.5)	58.0
Foreign Exchange Gain (Losses)	62	0.2	66	0.2	(4.9)
Utility (Loss) Exchange	(20)	(0.1)	(10)	(0.0)	106
Comprehensive Financing Income	(863)	(2.2)	(518)	(1.3)	66.8
Minority Interest	(144)	(0.4)	(86)	(0.2)	68.5
Earnings Before Tax & Profit Sharing	870	2.2	1,075	2.8	(19.1)
Tax Provision	323	0.8	427	1.1	(24.3)
Net Income	547	1.4	648	1.7	(15.6)
Controlling interest	538	1.4	640	1.7	(16.0)
Non-controlling interest	9	0.0	8	0.0	12.3
Cash Net Profit	1,436	3.6	1,366	3.5	5.2

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

Millions of nominal pesos

	Third Quarter - Accumulated				
	2019	%	2018	%	Var. %
Net Sales	113,814	100	112,487	100	1.2
Cost of Sales	88,761	78.0	87,570	77.9	1.4
Gross Income	25,053	22.0	24,917	22.2	0.5
Operating Expenses	16,702	14.7	17,403	15.5	(4.0)
Income before other expenses, net	8,351	7.3	7,514	6.7	11.1
Other Income and (Expenses), Net	152	0.1	112	0.1	35.2
EBITDA	8,503	7.5	7,626	6.8	11.5
Depreciation and Amortization	2,433	2.1	2,207	2.0	10.2
Operating Income	6,070	5.3	5,420	4.8	12.0
Interest Income and (Expenses), Net	(2,684)	(2.4)	(1,734)	(1.5)	54.7
Foreign Exchange Gain (Losses)	185	0.2	162	0.1	14.1
Utility (Loss) Exchange	(9)	(0.0)	(1)	0.0	97.8
Comprehensive Financing Income	(2,508)	(2.2)	(1,573)	(1.4)	59.4
Minority Interest	(382)	(0.3)	(217)	(0.2)	76.1
Earnings Before Tax & Profit Sharing	3,181	2.8	3,630	3.2	(12.4)
Tax Provision	1,080	1.0	1,255	1.1	(13.9)
Net Income	2,101	1.9	2,374	2.1	(11.5)
Controlling interest	2,072	1.8	2,353	2.1	(11.9)
Non-controlling interest	29	0.0	21	0.0	33.6
Cash Net Profit	4,584	4.0	4,574	4.1	0.2

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

Millions of nominal pesos

	2019	%	2018	%	Var. %
ASSETS					
Current Assets					
Cash and Cash Equivalents	1,251	0.9	2,839	2.2	(55.9)
Trade	746	0.5	597	0.5	25.0
Other Accounts Receivable	8,328	5.7	6,111	4.7	36.3
Inventories	33,134	22.8	29,019	22.1	14.2
Other Current Assets	437	0.3	301	0.2	45.3
Assets classified as held for sale	1,551	1.1	1,467	1.1	5.7
Total Current Asset	45,447	31.3	40,334	30.7	12.7
Property and Equipment, Net	77,615	53.5	69,815	53.2	11.2
Intangible Assets	20,337	14.0	19,965	15.2	1.9
Other Assets	1,608	1.1	1,149	0.9	40.0
Total Assets	145,009	100	131,263	100	10.5
LIABILITIES					
Current Liabilities					
Suppliers	21,197	14.6	25,067	19.1	(15.4)
Debt Certificates	14,530	10.0	9,364	7.1	55.2
Other Accounts Payable	1,915	1.3	1,282	1.0	49.3
Financial leases circulating portion	492	0.3	34	0.0	1,333.6
Other Liabilities without cost	3,308	2.3	2,749	2.1	20.3
Total Current Liabilities	41,442	28.6	38,498	29.3	7.6
Deferred Taxes	11,025	7.6	11,540	8.8	(4.5)
Long Term Debt	18,516	12.8	17,970	13.7	3.0
Liabilities for Financial Leasing	9,648	6.7	1,607	1.2	500.4
Other Liabilities	1,317	0.9	1,121	0.9	17.5
Total Long Term Liabilities	40,506	27.9	32,238	24.6	25.6
Total Liabilities	81,948	56.5	70,735	53.9	15.9
Stockholders' Equity					
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	-193	(0.1)	-42	(0.0)	365.2
Accumulated Earnings	60,473	41.7	57,789	44.0	4.6
Total Stockholders' Equity	63,060	43.5	60,528	46.1	4.2
Total Liabilities and Stockholders' Equity	145,009	100	131,263	100	10.5

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>
<u>OPERATING ACTIVITIES</u>			
Income before Income Tax	3,181	3,630	(12.4)
<u>Items related to investment activities</u>			
Depreciation & Amortization	2,433	2,207	10.2
Sales of property and equipment	(48)	(30)	*
Participation in Subsidiaries	382	217	76.1
Foreign Exchange	18	50	(64.4)
<u>Items related to financing activities</u>			
Bank and stock debt interest expense	1,839	1,585	16.0
Interest Expense IFRS 16	845	149	466.0
Total	8,649	7,808	10.8
Clients	357	541	(34.0)
Inventories	(3,718)	(2,722)	36.6
Suppliers	(8,473)	(2,946)	187.6
Payable and receivable accounts	(903)	(1,674)	(46.0)
Income Tax Paid	(1,852)	(2,488)	(25.6)
Net cash flow from operating activities	(5,941)	(1,481)	301.2
<u>INVESTING ACTIVITIES</u>			
Acquisitions of property and equipment	(1,069)	(1,750)	(38.9)
Investments and loans in associates	118	120	(2.2)
Others	(300)	(250)	*
Net Cash flow from investing activities	(1,715)	(1,980)	(13.4)
Cash receivable from financing activities	(7,656)	(3,461)	121.2
<u>FINANCING ACTIVITIES</u>			
Financing Obtained	169,070	116,250	45.4
Financing Repaid	(158,687)	(111,857)	41.9
Interest paid bank and stock market debt	(845)	(149)	*
Interest Paid IFRS 16	(1,839)	(1,585)	16.0
Liability for financial lease	(322)	(26)	1,152.3
Net cash flow from financing activities	7,377	2,633	180.2
Net increase (decrease) in cash and cash equivalents	(978)	(828)	18.2
Cash and cash equivalents at beginning of period	2,229	3,666	(39.2)
Cash and cash equivalents at end period	1,251	2,839	(55.9)