

Soriana reports fourth quarter and cumulative 2019 results

- Total income of \$41.93 billion pesos for the quarter, growth of 2.3%.
- 1.7% quarterly growth in sales for same stores
- EBITDA expansion of 120 basis points with 18.8% growth in the quarter
- Opening of 2 Sodimac stores during 2019

Monterrey, N.L., February 25th, 2020.- Organización Soriana, S.A.B. de C.V. (Soriana) reports financial results for the fourth quarter and cumulative 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

The Company's total income for the last quarter of the year reached \$41.93 billion pesos, which represents an increase of 2.3% over the previous year; and an increase of 1.7% for same stores. Regarding the annual income, were \$155,744 million pesos, which represent a 1.5% of increase in same store sales as a result of a very weak first quarter and with a steady growth in subsequent quarters due to the strict application of the operating model in all our stores, standardizing processes and focusing on customer recovery and satisfaction. At the end of the year, the effect of the *Comercial Mexicana* stores that had a decrease in sales due to logistical complications impacted 1% of the company's own store sales, so it is our priority that this group of stores improves quickly and substantially in the first quarters of 2020.

Gross profit for the **quarter** remained stable at 23%, reaching \$9.637 billion pesos, a 2.2% increase over last year's \$9.433 billion pesos; at the annual level we closed with \$34.690 billion pesos, an increase of 1% over 2018.

For the **fourth quarter operating expenses**, we had a 6.4% decrease versus last year, representing a contraction of 130 basis points as a percentage of sales to 13.9%. This decrease in operating expenses is mainly due to the application of IFRS-16 "Leases" which generates a liability that is amortized as a reduction of the expense, this effect accounted for \$355 million pesos in the quarter, compared to \$55 million pesos in the previous year. Excluding this accounting effect, there would be a 1.5% decrease in expenses, which is the result of an exhaustive control of operating expenses at the company level implemented since the beginning of the year, which has contributed to decrease the negative effect at the EBITDA level due to the sales gap.

As a result of the aforementioned variations, the fourth quarter result at the EBITDA level(1) was \$3.869 billion pesos, equivalent to 9.2% of sales, which represented an expansion of 120 basis points against the same period in 2018, which translates into an increase of 18.8% against that period. At the annual level, we reached \$12.372 billion pesos.

Regarding the financial items, the financial cost for the quarter showed an increase of 64.3% in comparison with 4Q18 that closed with \$884 million pesos with an impact of \$271 million for the interest on lease liabilities to be recognized due to the application of IFRS-16 "Leases" which reached \$3,392 million at an annual level with an increase of 60.6% versus the previous year. If we exclude the effects of enforcing the standard, the annual financial cost would have been \$2,276 million pesos, equal to a 1.5% of sales.

Finally, net income cash for the quarter were \$2.000 billion pesos, equivalent to 4.8% as a percentage of sales, which represents a 3.7% increase over 4Q18. On an annual basis, we reached \$6.584 billion pesos, equal to 4.2% of sales, a percentage that remains stable versus the previous year, but with a growth of 1.3% YoY.

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

Financial Position

Under the standard IFRS 16 "Leases", at the end of 4Q 2019 the Company has recorded in its statement of financial position a lease liability of \$10.113 billion pesos and an asset named right of use of \$9.366 billion pesos, amount included in Property, plant and equipment.

Debt Behavior

At the end of 4Q19, the Company had bank and stock market debt of MXN \$23.234 billion, which represents an increase of MXN \$571 million over the same period last year as a result of the debt refinancing in which the Short term was reduced by MXN \$1.594 billion and the Long term increased by MXN \$2.165 billion.

Operational Information

It is important to emphasize that during 2019 a campaign of efficiency in the productivity of the sales floor of our stores was initiated, which mainly implies the reduction of the area assigned to the traditional store that will bring with it, besides a better sale per square meter, a more efficient administration in the spaces for the distribution of the merchandise as well as to offer a better service to the client, and at the same time to generate additional benefits by the spaces that are cut.

Below is a comparative table of the number of units in operation by store format at the close of the 2019.

Store Format	2019	2018	Sales Floor Area as of 2019	Sales Floor Area as of 2018
Hipermercados	380	384	2,720,601	2,834,331
Soriana Súper	127	127	260,841	258,650
Soriana Mercado	165	165	719,425	727,007
Soriana Express	103	104	138,930	143,004
City Club	35	35	280,862	281,243
Total	810	815	4,120,660	4,244,236

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

During the year, 7 stores were permanently closed, where 6 of them are part of the efficiency plan in the platform of our stores and 1 resulted in 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 fourth quarter of 2019 on the Income Statement:

Income Statements Impact Million pesos

	\$	% /s
Operating expenses (leases)	355	0.9
Depreciation	(201)	(0.5)
Operating expenses	154	0.4
Financial expense	(271)	(0.7)
Loss before income tax	(117)	(0.3)
Deferred taxes	20	0.1
Net Effect in IS 4Q19	(98)	(0.2)

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 year, *Fundación Soriana* made a social investment of \$119.8 million pesos, which represents an increase of 5.8% compared to 2018, having as main lines the support to Mexican children, food and support to the community, managing to benefit more than half a million people through 393 institutions distributed throughout the country.
- During the last quarter of the year, the support to 10 institutions that assist women in their fight against cancer stands out, generating a social investment of more than \$1.4 million pesos in which nearly 3 thousand people benefited from studies and treatments.
- *Fundación Soriana* concreted a support to 49 Food Banks throughout the country to increase the quality of life and improve the level of health of people in situation of vulnerability, with a social investment superior to \$6.0 million pesos managing to benefit with it to more than 23 thousand people in food poverty in several states of the country.
- Finally, we carried out our annual campaign in favor of the children benefited by *Fundación Teletón*, contributing to the achievement of the goal set, in which we involve our clients and our collaborators.

b) Soriana Universidad

- Thanks to the support of *Soriana Universidad*, an increase of 87% in the number of employees who obtained a higher academic degree was achieved, with 1,053 employees graduating this year compared to 564 the previous year. This will undoubtedly allow them to have a better performance and work development, which confirms Soriana's effort to continue promoting our talents and their families to obtain a higher academic degree.
- Likewise, with the annual training program *Capacitación Espacio Soriana* more than 4.3 million hours of training were given to our collaborators which represents an average of 3.84 hours per month per collaborator.

c) Best Business Practices

- During 2019 our Supplier Development Program was present at various SME fairs with preferential exhibitions in stores in different states of the republic. This is the result of business meetings where we serve more than 3,000 regional suppliers located in all regions of the country. In this last quarter the fairs and business tables were held in the states of Nuevo León, Aguascalientes and Morelos and we opened an exhibition of Mexican Regional Product in stores in the state of Sonora

where 135 local products are available to our customers. At the close of 2019, 122 stores located in 11 states of the country, have regional product display.

- During the year, Soriana signed a collaboration contract with a leading British database management company, which will allow us to make better commercial decisions as well as to develop a direct and effective relationship with customers, based on customized communications and promotions according to their purchasing patterns.

d) Environment

- During 2019 we managed to supply 794 business units with renewable energy, equivalent to 81% of the company; 861.97 Gwh were supplied this year from this power source.
- Since the commissioning of the first wind farm (2014) until the fourth wind farm inaugurated in 2019, Soriana has stopped emitting 1,631,773 tons of carbon dioxide into the atmosphere, which is equivalent to taking 476,504 cars off the road.
- Committed to sustainability, three contracts were signed in the last quarter of the year, two in the area of water saving and reuse strategies and one in the integration of new technologies to the stores in the area of energy savings, these projects will be implemented during 2020.

e) Rankings and Recognitions

- Organización Soriana was ranked No. 11 in the 50 Most Outstanding Companies in Sustainability by Mundo Ejecutivo magazine. The assessment highlights commitments to anti-corruption, governance and climate change strategies, with Soriana ranking highest among retail companies.
- In its first edition of the Supermarket Ranking according to its plastic footprint, elaborated by Greenpeace Mexico, Soriana reached the 5th place. The objective of this ranking was to inform about the current situation of advances and plans that are driving the retailers to fulfill their part of responsibility in stopping this pollution.
- Soriana was recognized for its progress by ascending thirty-two places in the Corporate Responsibility and Governance Ranking published by Merco, where in 2019 we were positioned in 24th place.

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

Millions of nominal pesos

	Fourth Quarter				
	4Q2019	%	4Q2018	%	Var. %
Net Sales	41,930	100	40,988	100	2.3
Cost of Sales	32,293	77.0	31,555	77.0	2.3
Gross Income	9,637	23.0	9,433	23.0	2.2
Operating Expenses	5,844	13.9	6,240	15.2	(6.4)
Income before other expenses, net	3,794	9.1	3,193	7.8	18.8
Other Income and (Expenses), Net	76	0.2	65	0.2	17.1
EBITDA	3,869	9.2	3,258	8.0	18.8
Depreciation and Amortization	727	1.7	609	1.5	19.4
Operating Income	3,142	7.5	2,649	6.5	18.6
Interest Income and (Expenses), Net	(981)	(2.3)	(593)	(1.5)	65.3
Foreign Exchange Gain (Losses)	50	0.1	49	0.1	2.1
Utility (Loss) Exchange	47	0.1	7	0.0	613
Comprehensive Financing Income	(884)	(2.1)	(538)	(1.3)	64.3
Minority Interest	(137)	(0.3)	(148)	(0.4)	(7.8)
Earnings Before Tax & Profit Sharing	2,122	5.1	1,962	4.8	8.1
Tax Provision	955	2.3	627	1.5	52.4
Net Income	1,166	2.8	1,335	3.3	(12.7)
Controlling interest	1,163	2.8	1,333	3.3	(12.7)
Non-controlling interest	3	0.0	3	0.0	15.9
Cash Net Profit	2,000	4.8	1,928	4.7	3.7

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

Millions of nominal pesos

	Fourth Quarter - Accumulated				
	2019	%	2018	%	Var. %
Net Sales	155,744	100	153,475	100	1.5
Cost of Sales	121,054	77.7	119,125	77.6	1.6
Gross Income	34,690	22.3	34,350	22.4	1.0
Operating Expenses	22,546	14.5	23,592	15.4	(4.4)
Income before other expenses, net	12,144	7.8	10,758	7.0	12.9
Other Income and (Expenses), Net	228	0.2	125	0.1	81.7
EBITDA	12,372	7.9	10,884	7.1	13.7
Depreciation and Amortization	3,159	2.0	2,815	1.8	12.2
Operating Income	9,213	5.9	8,069	5.3	14.2
Interest Income and (Expenses), Net	(3,664)	(2.4)	(2,328)	(1.5)	57.4
Foreign Exchange Gain (Losses)	234	0.2	210	0.1	11.3
Utility (Loss) Exchange	38	0.0	6	0.0	562
Comprehensive Financing Income	(3,392)	(2.2)	(2,111)	(1.4)	60.6
Minority Interest	(519)	(0.3)	(365)	(0.2)	42.0
Earnings Before Tax & Profit Sharing	5,302	3.4	5,592	3.6	(5.2)
Tax Provision	2,036	1.3	1,882	1.2	8.1
Net Income	3,267	2.1	3,710	2.4	(11.9)
Controlling interest	3,235	2.1	3,686	2.4	(12.2)
Non-controlling interest	32	0.0	24	0.0	31.7
Cash Net Profit	6,584	4.2	6,503	4.2	1.3

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	1,921	1.3	2,229	1.7	(13.8)
Trade	972	0.7	1,145	0.9	(15.2)
Other Accounts Receivable	7,885	5.4	6,819	5.1	15.6
Inventories	34,006	23.3	29,484	22.2	15.3
Other Current Assets	209	0.1	245	0.2	(14.7)
Assets classified as held for sale	1,530	1.1	1,449	1.1	5.6
Total Current Asset	46,523	31.9	41,371	31.2	12.5
Property and Equipment, Net	77,006	52.8	69,912	52.7	10.1
Intangible Assets	20,367	14.0	20,353	15.3	0.1
Other Assets	1,833	1.3	996	0.8	84.1
Total Assets	145,728	100	132,632	100	9.9
LIABILITIES					
Current Liabilities					
Suppliers	30,222	20.7	29,652	22.4	1.9
Debt Certificates	6,840	4.7	8,434	6.4	(18.9)
Other Accounts Payable	2,646	1.8	1,913	1.4	38.4
Financial leases circulating portion	500	0.3	36	0.0	1,280.7
Other Liabilities without cost	2,909	2.0	2,554	1.9	13.9
Total Current Liabilities	43,117	29.6	42,588	32.1	1.2
Deferred Taxes	11,034	7.6	11,200	8.4	(1.5)
Long Term Debt	16,394	11.2	14,229	10.7	15.2
Liabilities for Financial Leasing	9,613	6.6	1,597	1.2	502.1
Other Liabilities	1,564	1.1	1,129	0.9	38.5
Total Long Term Liabilities	38,605	26.5	28,155	21.2	37.1
Total Liabilities	81,723	56.1	70,743	53.3	15.5
Stockholders' Equity					
Paid-In Capital Stock	83	0.1	83	0.1	(0.0)
Restatement of Paid-In Capital Stock	1,171	0.8	1,171	0.9	0.0
Premium on Sales of Shares	977	0.7	977	0.7	0.0
Repurchase Fund of Shares	550	0.4	550	0.4	0.0
Other Capital Accounts	-411	(0.3)	7	0.0	*
Accumulated Earnings	61,636	42.3	59,101	44.6	4.3
Total Stockholders' Equity	64,005	43.9	61,889	46.7	3.4
Total Liabilities and Stockholders' Equity	145,728	100	132,632	100	9.9

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	5,302	5,592	(5.2)
<u>Items related to investment activities</u>			
Depreciation & Amortization	3,159	2,815	12.2
Sales of property and equipment	(211)	8	*
Participation in Subsidiaries	519	365	42.0
Foreign Exchange	(17)	51	(133.1)
<u>Items related to financing activities</u>			
Bank and stock debt interest expense	2,549	2,129	19.7
Interest Expense IFRS 16	1,116	198	462.2
Total	12,417	11,159	11.3
Clients	132	(96)	(236.9)
Inventories	(4,567)	(3,790)	20.5
Suppliers	586	1,726	(66.0)
Payable and receivable accounts	111	(1,966)	(105.6)
Income Tax Paid	(2,305)	(2,878)	(19.9)
Net cash flow from operating activities	6,374	4,155	53.4
<u>INVESTING ACTIVITIES</u>			
Acquisitions of property and equipment	(1,678)	(2,651)	(36.7)
Sale of Fixed Assets	369	182	102.2
Loans to associates	(300)	(389)	(22.8)
Investments in associates	(632)	(116)	444.0
Others	(193)	20	(1,070.2)
Net Cash flow from investing activities	(2,435)	(2,953)	(17.6)
Cash receivable from financing activities	3,939	1,201	227.9
<u>FINANCING ACTIVITIES</u>			
Financing Obtained	210,840	158,950	32.6
Financing Repaid	(210,269)	(159,227)	32.1
Interest Paid IFRS 16	(1,116)	(198)	462.2
Interest paid bank and stock market debt	(2,549)	(2,129)	19.7
Liability for financial lease	(454)	(34)	1,232.1
Dividends paid	(700)		
Net cash flow from financing activities	(4,247)	(2,639)	60.9
Net increase (decrease) in cash and cash equivalents	(308)	(1,437)	(78.6)
Cash and cash equivalents at beginning of period	2,229	3,666	(39.2)
Cash and cash equivalents at end period	1,921	2,229	(13.8)