

Soriana reports third quarter 2020 results

- Total income of \$37.699 billion pesos
- Same-Store Sales of -3.3%
- Reopening of two stores during the quarter
- 23% reduction in debt balance in the last 12 months

Monterrey, N.L. October 28th, 2020.- Organización Soriana, S.A.B. de C.V. (Soriana) reports financial results for the third quarter of 2020. 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** reached \$37.699 billion pesos during the quarter, which represents a reduction of 4.5% over the previous year result; and a decrease of 3.3% in same stores sales. This Variation in total revenues was negatively affected due to the closure of 17 stores in the last twelve months, in which 2 of them were temporary closures, and from the bonuses granted in rent to our lessors from our commercial premises in support of their low operation in their businesses due to the sanitary contingency that extended until this 3Q2020.

During this period, part of our most important promotional campaign Julio Regalado was held, which is based on big merchandise volume and heavy customer' traffic. However, changes and adjustments within the commercial strategy had to be made due to the sanitary restrictions and the economic affectation of the Mexican families, which is not a fair comparison with the result obtained from last year campaign.

However, due to the affectation abovementioned in the income from the real estate business and derived from better commercial administration and improvements in the management of the Company's product shrinkage, **Gross margin** remained stable in 21.2% over sales which equals to \$7.994 billion pesos, which represents a 4.5% decrease in comparison with last year's gross profit of \$8.371 billion pesos.

Regarding the **Operating Expenses**, a strict control has been put under review and since its implementation in June of this year, a significant decrease has been shown in comparison with last year. However, 3Q2019 also shown a decrease in comparison with 2018, this had allowed us to control the negative effects in the EBITDA⁽¹⁾ after the decrease in sales and the extraordinary expenses from the last quarters due to the sanitary contingency such as: a constant sanitization in all our stores, distribution centers and headquarter offices, as well as the acquisition of materials for protection and health-care of our collaborators, in order to keep us without changes in a 14.4% over sales and a 4.8% decrease in comparison with 3Q2019. This is a very positive result as a Company that in the middle of this emergency situation that the country is going through, we needed to react efficiently for the benefit of our customers.

As a consequence of the aforementioned variations, we achieved to maintain a EBITDA⁽¹⁾ margin of 6.9% over sales with a result of \$2.616 billion pesos with a 3.9% decrease in comparison with the same period from last year.

Excluding the effect of the rental bonuses, EBITDA⁽¹⁾ margin would be 7.2% with an increase of 0.4% in comparison with 3Q2019.

Regarding the financial items, net financial cost reached \$701 million pesos, which represents an 18.8% decrease in comparison with the same period of last year due to the 23% reduction in debt balance as well as an improvement of the interest rate. This decrease is a part of a reduction in debt strategy and refinancing of liabilities and an effective cash management by reducing financing costs.

Finally, net income cash were \$572 million pesos, equivalent to 1.5% as a percentage over sales which implies a 4.6% increase in comparison with last year.

Financial Position

Under the standard IFRS 16 "Leases", at the end of 3Q2020 the Company has recorded in its statement of financial position a lease liability of \$10.07 billion pesos and an asset named right of use of \$9.11 billion pesos, amount included in Property, equipment and use rights, net.

We have a reduction of \$3.35 billion pesos in inventory in comparison with 3Q2019, which is the result of the appropriate implementation of the inventory system as well as a solid commercial and operational strategy use in the stores and in the supply chain.

The cash flow for working capital was generated thanks to the reduction of inventories as well as in the supplier's line, which made it unnecessary to increase debt for the *Julio Regalado campaign* as it was in the previous years.

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

Debt Behavior

At the end of the quarter, the Company had total debt of \$25.517 billion pesos which represents a decrease over the same period of last year of \$7.529 billion pesos which equals to 23%.

Capital Investment

Cash flow designated to CAPEX has been limited to only those expenses related to the proper operation of the stores and distribution centers and postponing the organic expansion or investments that are not a priority to the Company for the moment. The

remaining resources will be destined to accelerate the payment of debt. At the close of 3Q2020, CAPEX is \$668 million pesos, and the annual estimate is \$1 billion pesos.

Operational Information

Below is a comparative table of the number of units in operation by store format at the close of the 3Q2020.

Store Format	Units		Sales Floor Area	
	3Q2020	3Q2019	3Q2020	3Q2019
Hipermercados	371	380	2,661,205	2,743,483
Soriana Súper	125	127	253,348	260,841
Soriana Mercado	163	165	711,110	721,068
Soriana Express	104	103	140,124	138,930
City Club	34	35	272,151	280,862
Total	797	810	4,037,938	4,145,184

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

During the quarter 6 units were closed in which one of them is temporarily and it is located in the state of Zacatecas. The other 5 stores remain as definite closures. Likewise, at this present time there have been 2 additional definite closures.

These closures correspond to leased stores and were part of the operative efficiency program from the platform of the stores corresponding to *Gigante* and *Comerci*. They also correspond to the unification of micro markets that had contributed to the increments of the Company in its profitability since the beginning of the strategy back in 2018. Likewise, there was the reopening of 2 units during this quarter, one in the state of Quintana Roo and the other one in the state of Veracruz.

Social Responsibilities Activities

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 quarter by the following actions:

a) Soriana Fundación

- During the quarter we supported more than 116 institutions in the country through our voluntary contribution program, which are 46 food banks, 29 child support institutions and 41 of support to the community. Among the main institutions are: 19 *Cruz Roja* delegations in the country, *Un Kilo de Ayuda*, *Fundación Tarahumara*, *Fundación Pro Empleo*, among others, which promote Alimentation and Activation projects from the

social fabric and community development. With this, a social investment of \$9.2 million pesos was made.

- During this sanitary contingency period due to the COVID-19 virus, we continue supporting the seniors by giving them two monthly food pantries, with a social investment of \$8.2 million pesos. Likewise, 4,420 food pantries were given to several vulnerable areas.

b) Soriana Universidad

- During the quarter, a total of 1,995 students were registered in the *Soriana Universidad* program. Where the collaborators and their families have access to basic, middle and professional level of education. This way, we reinforce our commitment to the community by supporting the most vulnerable areas in order to form better academically prepared people so they can raise their quality of life as well as their professional and job performance

c) Best Business Practices

- Soriana continues giving special support to SME suppliers in order to face the affectation caused by the COVID-19 in the best possible way. Some of the benefits are: free billing service and addendum, a significant reduction of the interest rate in factoring payments, allocation of merchandise deliveries to regional distribution centers to reduce the chance of catching the virus, free access to the Soriana Portal, among others.

d) Environment

- Committed to the environmental care, in this 3Q2020 we continue forward with the substitution project of fluorescent luminaires using LED technology, we have installed it in 70 stores to improve the light level in the sales-floor in order to offer our customers a better shopping experience. We have also achieved a 59% in savings of energy in such stores, which until September they account up to 7.9 million of kWh.
- Training courses were given during this quarter to strengthen our "*Vamos a Ahorrar Juntos*" campaign about the efficiently use of energy directed towards the collaborators of the stores in the management, maintenance and security areas, which achieved a total of 1,644 trained collaborators.

e) Rankings and Recognitions

- **Expansión** Magazine published their ranking "*500 most important companies from Mexico,*" where Organización Soriana took the 26th place.

- Organización Soriana reached the 3rd place in labor equality and inclusion for decision making, and in the professional development and equality politics and inclusion from the list "21 most inclusive companies from Mexico" according to **Empresas Verdes** magazine.
- Soriana was also catalogued as one of the "Most solidary brands during the pandemic" published by **NEO** magazine and acknowledge by **Empresas Verdes** in 6th place for its "Contributions from the companies to the SDG 2030."

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

Millions of nominal pesos

	Third Quarter				
	3Q2020	%	3Q2019	%	Var. %
Net Sales	37,699	100	39,463	100	(4.5)
Cost of Sales	29,705	78.8	31,092	78.8	(4.5)
Gross Income	7,994	21.2	8,371	21.2	(4.5)
Operating Expenses	5,410	14.4	5,684	14.4	(4.8)
Income before other expenses, net	2,584	6.9	2,687	6.8	(3.8)
Other Income and (Expenses), Net	33	0.1	35	0.1	(5.7)
EBITDA	2,616	6.9	2,722	6.9	(3.9)
Depreciation and Amortization	801	2.1	844	2.1	(5.1)
Operating Income	1,815	4.8	1,877	4.8	(3.3)
Interest Income and (Expenses), Net	(775)	(2.1)	(905)	(2.3)	(14.4)
Foreign Exchange Gain (Losses)	66	0.2	62	0.2	6.6
Utility (Loss) Exchange	8	0.0	(20)	(0.1)	(138)
Comprehensive Financing Income	(701)	(1.9)	(863)	(2.2)	(18.8)
Minority Interest	(84)	(0.2)	(144)	(0.4)	(41.8)
Earnings Before Tax & Profit Sharing	1,030	2.7	870	2.2	18.5
Tax Provision	459	1.2	323	0.8	42.0
Net Income	572	1.5	547	1.4	4.6
Controlling interest	568	1.5	538	1.4	5.5
Non-controlling interest	4	0.0	9	0.0	(56.2)
Cash Net Profit	1,384	3.7	1,448	3.7	(4.4)

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

Millions of nominal pesos

	Third Quarter - Accumulated				
	2020	%	2019	%	Var. %
Net Sales	116,092	100	113,814	100	2.0
Cost of Sales	91,194	78.6	88,761	78.0	2.7
Gross Income	24,897	21.5	25,053	22.0	(0.6)
Operating Expenses	16,561	14.3	16,702	14.7	(0.8)
Income before other expenses, net	8,336	7.2	8,351	7.3	(0.2)
Other Income and (Expenses), Net	135	0.1	152	0.1	(11.3)
EBITDA	8,471	7.3	8,503	7.5	(0.4)
Depreciation and Amortization	2,395	2.1	2,433	2.1	(1.5)
Operating Income	6,076	5.2	6,070	5.3	0.1
Interest Income and (Expenses), Net	(2,443)	(2.1)	(2,684)	(2.4)	(9.0)
Foreign Exchange Gain (Losses)	189	0.2	185	0.2	2.3
Utility (Loss) Exchange	(189)	(0.2)	(9)	(0.0)	2,079
Comprehensive Financing Income	(2,443)	(2.1)	(2,508)	(2.2)	(2.6)
Minority Interest	(324)	(0.3)	(382)	(0.3)	(15.3)
Earnings Before Tax & Profit Sharing	3,310	2.9	3,181	2.8	4.1
Tax Provision	1,217	1.1	1,080	1.0	12.7
Net Income	2,092	1.8	2,101	1.9	(0.4)
Controlling interest	2,079	1.8	2,072	1.8	0.3
Non-controlling interest	14	0.0	29	0.0	(52.9)
Cash Net Profit	4,450	3.8	4,601	4.0	(3.3)

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

Millions of nominal pesos

	2020	%	2019	%	Var. %
ASSETS					
Current Assets					
Cash and Cash Equivalents	2,882	2.1	1,251	0.9	130.4
Trade	638	0.5	746	0.5	(14.5)
Other Accounts Receivable	7,055	5.0	8,332	5.7	(15.3)
Inventories	29,748	21.2	33,103	22.8	(10.1)
Other Current Assets	339	0.2	437	0.3	(22.4)
Assets classified as held for sale	781	0.6	1,551	1.1	(49.6)
Total Current Asset	41,444	29.6	45,421	31.3	(8.8)
Property, Equipment and Use Rights, Net	75,932	54.2	77,615	53.5	(2.2)
Intangible Assets	20,367	14.5	20,337	14.0	0.1
Other Assets	2,309	1.6	1,608	1.1	43.6
Total Assets	140,051	100	144,982	100	(3.4)
LIABILITIES					
Current Liabilities					
Suppliers	19,856	14.2	21,197	14.6	(6.3)
Short Term Debt	15,234	10.9	14,530	10.0	4.8
Other Accounts Payable	2,743	2.0	3,114	2.1	(11.9)
Short Term Lease Liabilities	518	0.4	492	0.3	5.3
Other Liabilities without cost	3,122	2.2	2,083	1.4	49.8
Total Current Liabilities	41,472	29.6	41,416	28.6	0.1
Deferred Taxes	11,022	7.9	11,025	7.6	(0.0)
Long Term Debt	10,283	7.3	18,516	12.8	(44.5)
Long Term Lease Liabilities	9,556	6.8	9,648	6.7	(1.0)
Other Liabilities	1,646	1.2	1,317	0.9	25.0
Total Long Term Liabilities	32,507	23.2	40,506	27.9	(19.7)
Total Liabilities	73,980	52.8	81,922	56.5	(9.7)
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	0.8	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	-437	(0.3)	-221	(0.2)	*
Accumulated Earnings	63,729	45.5	60,502	41.7	5.3
Total Stockholders' Equity	66,071	47.2	63,060	43.5	4.8
Total Liabilities and Stockholders' Equity	140,051	100	144,982	100	(3.4)

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

Consolidated Cash Flow Statements

Millions of nominal pesos

	<u>2020</u>	<u>2019</u>	<u>Var. %</u>
<u>OPERATING ACTIVITIES</u>			
Income before Income Tax	3,310	3,181	4.1
<u>Items related to investment activities</u>			
Depreciation & Amortization	2,395	2,433	(1.5)
Sales of property and equipment	(141)	(48)	192.1
Participation in Subsidiaries	324	382	(15.3)
Foreign Exchange	48	18	171.0
<u>Items related to financing activities</u>			
Bank and stock debt interest expense	1,598	1,839	(13.1)
Interest Expense IFRS 16	845	845	(0.0)
Total	8,379	8,649	(3.1)
Clients	334	357	(6.6)
Inventories	4,486	(3,718)	(220.7)
Suppliers	(10,431)	(8,473)	23.1
Payable and receivable accounts	1,475	(903)	(263.3)
Income Tax Paid	(1,554)	(1,852)	(16.1)
Net cash flow from operating activities	2,689	(5,941)	(145.3)
<u>INVESTING ACTIVITIES</u>			
Acquisitions of property and equipment	(668)	(1,069)	(37.5)
Sale of Fixed Assets	52	118	(56.2)
Loans to associates	0	(300)	(100.0)
Investments in associates	(710)	(250)	184.0
Others	160	(213)	(174.9)
Net Cash flow from investing activities	(1,167)	(1,715)	(31.9)
Cash receivable from financing activities	1,522	(7,656)	(119.9)
<u>FINANCING ACTIVITIES</u>			
Financing Obtained	99,840	169,070	(40.9)
Financing Repaid	(97,557)	(158,687)	(38.5)
Interest Paid IFRS 16	(845)	(845)	(0.0)
Interest paid bank and stock market debt	(1,598)	(1,839)	(13.1)
Lease payments	(401)	(322)	24.5
Dividends paid	0	(700)	*
Net cash flow from financing activities	(561)	6,677	(108.4)
Net increase (decrease) in cash and cash equivalents	961	(978)	(198.2)
Cash and cash equivalents at beginning of period	1,921	2,229	(13.8)
Cash and cash equivalents at end period	2,882	1,251	130.4