

Soriana reports first quarter 2020 results

- Total Income of \$38.75 billion pesos, growth of 9.9%.
- 9.6% growth in sales for same stores.
- 8.3% growth for EBITDA.
- 7.3% for reduction in debt in the last 12 months.
- Opening of 2 stores during the quarter.
- Opening of 1 Sodimac store

Monterrey, N.L. April 24th, 2020.- Organización Soriana, S.A.B. de C.V. (Soriana) reports financial results for the first 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 \$38.75 billion pesos, which represents an increase of 9.9% over the previous year; and an increase of 9.6% for same stores. This increase was influenced by a positive performance in February and a double-digit sale increase registered in March due to the contingency planning originated by COVID-19, which generated a ticket increase of 24.5% in average in that month.

Gross profit reached \$8.483 billion pesos which equal a 21.9% on sales against a 23.2% of 2019; this contraction is due to an extraordinary increase during 1Q2019 that affected the margin in a positive way, increasing the margin over sales, nevertheless it had an increase of 3.8% in comparison to the same period of last year.

For the **operating expenses**, we had a contraction of 120 basis points as a percentage of sales to 14.4% versus last year, which represents an increase of 1.3%, and is the result of an exhaustive control in the operating expenses implemented since last year at the Company level, which has had a punctual follow-up and by this matter is obtaining good results. This is letting us to correctly leverage our financial statement.

As a consequence of the aforementioned variations, the result at the EBITDA level⁽¹⁾ was \$3.001 billion pesos, equivalent to the 7.7% of sales presenting an increase of 8.3% against 1Q2019.

Regarding the financial items, net income showed an increase of 32.1% against the same period of last year, closing in \$1.034 billion pesos with a provision of \$238 million pesos for exchange loss due to the depreciation of the MXN during the quarter. If we exclude the effects, the increase in that line would have been of 2.9%.

Finally, net income cash were \$1.736 billion pesos, equivalent to 4.5% as a percentage of sales which implies a 13% increase against 1Q19.

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

Financial Position

Under the standard IFRS 16 "Leases", at the end of 1Q20 the Company has recorded in its statement of financial position a lease liability of \$10.216 billion pesos and an asset named right of use of \$9.401 billion pesos, amount included in Property, equipment and use rights, net.

Debt Behavior

At the end of 1Q20, the Company had bank and stock market debt of \$27.001 billion pesos which represents a decrease over the same period of last year of \$2.125 billion pesos.

Operational Information

Below is a comparative table of the number of units in operation by store format at the close of the 1Q2020.

Store Format	Units		Sales Floor Area	
	1Q2020	1Q2019	1Q2020	1Q2019
Hipermercados	379	380	2,711,443	2,746,235
Soriana Súper	128	127	262,926	258,636
Soriana Mercado	162	165	706,754	721,068
Soriana Express	104	103	140,124	138,930
City Club	34	35	272,151	280,862
Total	807	810	4,093,398	4,145,731

**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 this 1st quarter, there was an opening of two stores, a Super format in Baja California Sur and an Express format in Yucatan; there was also the closure of 5 units, one of them was due to the loss registered in the state of Veracruz, one more will become a Sodimac store in the state of Guanajuato, another one will be completely remodeled and the remain two correspond to the efficiency plan in our stores platform.

Additionally, there was an opening of a Sodimac store in the state of San Luis Potosi during the quarter, to get to 6 operating units in the country.

Social Responsibilities 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 this quarter we have had 48 Campaigns of Clients' Contributions at national level: 36 are supporting the Childhood segment including health, rehabilitation, home for children, education and food; the remaining 12 include the Community Development segment which includes support to Seniors, shelters, health, rehabilitation, among others. During the quarter, the social investment in this matter was \$14.7 million pesos.
- We started this year with the campaign "Music for Change" phase 2 in 4 states of the republic, with a total of 169 participating stores in this campaign which will support 212 kids in musical education.
- Derived from the health emergency situation that started in March for the contingency due to the COVID-19 virus and reaffirming our commitment to support the population in general, especially the more vulnerable, starting from March 20th in all of our self-service stores we initiated the support program for our senior packers, where our commitment has been to duplicate the voluntary tip given by the client. The amount granted by Soriana for this project in March was \$8.8 million pesos, with a total amount of \$17.6 million pesos, helping more than 13,500 older adults that bring us their assistance in cash lines.

b) Soriana Universidad

- In *Soriana Universidad* we continue promoting the academic development of our collaborators, and throughout different school programs we have accomplished to be part of it. In this first quarter, we made the announcement to start the high-school program where 1,984 new alumni started this new challenge in their lives.
- More than 1.2 million hours of training were given to the collaborators of Soriana, which equals an average of 12.83 hours per collaborator in the quarter; thus, an average of 4.28 monthly hours per collaborator, which represents a 12.5% of increase over 1Q19.

c) Best Business Practices

- During the quarter, our Supplier Development Program performed 2 business tables and 1 commercial meeting in the states of Sinaloa, the state of Mexico and Mexico City, which 198 suppliers attended and we received more than 600 proposals of products with the purpose of being added to our commercial catalogue. The purpose of business tables is to hold SME fairs in the stores of the state of Mexico and the Mexico City with the suppliers that accomplish the requirements.

d) Environment

- Committed to the environmental care, in this first quarter we started with the substitution project of fluorescent luminaires using LED technology in 100 of our stores to improve the light level in the sales-floor in order to offer our customers a better shopping experience. To the date, this technology has been implemented in 18 Units, which will lead us to achieve around 50% of savings in energy which equals to avoid the consumption of 4,295,750 kWh annually for these stores. This will avoid the emission of 2,500 tons of carbon dioxide (CO₂)* into the atmosphere.
- We continue consolidating stores to our Energy Management and Monitoring System. In this first quarter, 31 out of 42 of the planned stores were incorporated, these tools let us to analyze and control the consumptions through efficient operative programs. The expected savings for this project are 3,516,082 kWh annually which equals to stop emitting 2,046 tons of carbon dioxide (CO₂)* into the atmosphere.

e) Rankings and Recognitions

- Organización Soriana was ranked No. 10 in the 50 Companies with the Best Jobs by *Mejores Empleos* magazine. The programs and strategies are recognized in vital matters such as flexibility, compensations, collaborative spaces, leadership, feminine empowerment, diversity and inclusion.
- *Mundo Ejecutivo* magazine published the Most Innovative Companies of Mexico ranking, where Organización Soriana reached the 28th place.

- The Company was also included in the most valuable Brands of Mexico ranking by *BrandZTM* in 2020, taking position No. 20.
- Organización Soriana obtained No. 129th place in the edition 23 of the Global Powers of Retailing 2020 report published by *Deloitte*. This report recognizes the 250 biggest retailers worldwide according to their financial information, as well as their geographical development analysis.

f) Actions taken for the COVID-19 contingency:

- In the presence of this contingency caused by the COVID-19 in the country, and being aware of the commitment we have with the Mexican families, we have been implementing multiple actions in order to benefit our collaborators, clients, community, business partners and lessors.

The main actions that we are taken, in addition to a punctual compliance of the health recommendations made by the authorities, we can mention: a strong sanitization and hygiene campaign every 3 hours, closure of the departments of ready to eat and prepared food located inside our stores, we designated a preferential schedule for Seniors customers to shop, restricted access to pregnant women and children, the implementation of a single access point to our stores, the commitment to say "no" to prices speculations, Home Office for the administrative personnel, up to 2 months of bonuses to our micro and small companies lessors, an additional discount for the health care professionals to the current offers and prices in the store, among others.

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

Millions of nominal pesos

	First Quarter				
	1Q2020	%	1Q2019	%	Var. %
Net Sales	38,755	100	35,255	100	9.9
Cost of Sales	30,272	78.1	27,081	76.8	11.8
Gross Income	8,483	21.9	8,174	23.2	3.8
Operating Expenses	5,562	14.4	5,489	15.6	1.3
Income before other expenses, net	2,920	7.5	2,685	7.6	8.8
Other Income and (Expenses), Net	81	0.2	86	0.2	(6.3)
EBITDA	3,001	7.7	2,771	7.9	8.3
Depreciation and Amortization	795	2.1	777	2.2	2.2
Operating Income	2,207	5.7	1,994	5.7	10.7
Interest Income and (Expenses), Net	(831)	(2.1)	(845)	(2.4)	(1.7)
Foreign Exchange Gain (Losses)	56	0.1	58	0.2	(4.4)
Utility (Loss) Exchange	(259)	(0.7)	4	0.0	(6,092)
Comprehensive Financing Income	(1,034)	(2.7)	(782)	(2.2)	32.1
Minority Interest	(144)	(0.4)	(105)	(0.3)	37.8
Earnings Before Tax & Profit Sharing	1,029	2.7	1,107	3.1	(7.1)
Tax Provision	332	0.9	359	1.0	(7.4)
Net Income	697	1.8	748	2.1	(6.9)
Controlling interest	691	1.8	738	2.1	(6.4)
Non-controlling interest	6	0.0	11	0.0	(41.6)
Cash Net Profit	1,736	4.5	1,536	4.4	13.0

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	2,250	1.6	2,634	1.9	(14.6)
Trade	811	0.6	956	0.7	(15.2)
Other Accounts Receivable	7,932	5.5	7,385	5.2	7.4
Inventories	31,271	21.9	30,174	21.3	3.6
Other Current Assets	343	0.2	372	0.3	(7.8)
Assets classified as held for sale	1,481	1.0	1,466	1.0	1.0
Total Current Asset	44,088	30.8	42,987	30.3	2.6
Property, Equipment and Use Rights, Net	76,605	53.5	77,675	54.7	(1.4)
Intangible Assets	20,365	14.2	20,340	14.3	0.1
Other Assets	2,004	1.4	903	0.6	121.9
Total Assets	143,062	100	141,905	100	0.8
LIABILITIES					
Current Liabilities					
Suppliers	23,455	16.4	24,194	17.0	(3.1)
Debt Certificates	14,544	10.2	13,897	9.8	4.7
Other Accounts Payable	2,218	1.6	1,535	1.1	44.5
Short Term Lease Liabilities	505	0.4	373	0.3	35.4
Other Liabilities without cost	2,946	2.1	2,437	1.7	20.9
Total Current Liabilities	43,668	30.5	42,436	29.9	2.9
Deferred Taxes	10,977	7.7	11,136	7.8	(1.4)
Long Term Debt	12,457	8.7	15,229	10.7	(18.2)
Long Term Lease Liabilities	9,711	6.8	9,464	6.7	2.6
Other Liabilities	1,581	1.1	1,174	0.8	34.7
Total Long Term Liabilities	34,726	24.3	37,003	26.1	(6.2)
Total Liabilities	78,395	54.8	79,439	56.0	(1.3)
Stockholders' Equity					
Paid-In Capital Stock	83	0.1	83	0.1	0.0
Restatement of Paid-In Capital Stock	1,170	0.8	1,170	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	-446	(0.3)	-163	(0.1)	*
Accumulated Earnings	62,333	43.6	59,849	42.2	4.2
Total Stockholders' Equity	64,667	45.2	62,466	44.0	3.5
Total Liabilities and Stockholders' Equity	143,062	100	141,905	100	0.8

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	1,029	1,107	(7.1)
<u>Items related to investment activities</u>			
Depreciation & Amortization	795	777	2.2
Sales of property and equipment	(164)	(13)	1,133.4
Participation in Subsidiaries	144	105	37.8
Foreign Exchange	263	12	2,118.6
<u>Items related to financing activities</u>			
Bank and stock debt interest expense	550	568	(3.1)
Interest Expense IFRS 16	281	278	1.1
Total	<u>2,898</u>	<u>2,833</u>	<u>2.3</u>
Clients	161	197	(18.6)
Inventories	2,782	(707)	(493.7)
Suppliers	(7,047)	(5,471)	28.8
Payable and receivable accounts	(456)	(740)	(38.3)
Income Tax Paid	(461)	(557)	(17.1)
Net cash flow from operating activities	<u>(2,124)</u>	<u>(4,444)</u>	<u>(52.2)</u>
<u>INVESTING ACTIVITIES</u>			
Acquisitions of property and equipment	(238)	(378)	(37.1)
Sale of Fixed Assets	0	14	(100.0)
Loans to associates	0	(300)	(100.0)
Investments in associates	(290)	0	*
Others	174	(11)	(1,649.2)
Net Cash flow from investing activities	<u>(354)</u>	<u>(675)</u>	<u>(47.6)</u>
Cash receivable from financing activities	<u>(2,478)</u>	<u>(5,120)</u>	<u>(51.6)</u>
<u>FINANCING ACTIVITIES</u>			
Financing Obtained	46,239	48,050	(3.8)
Financing Repaid	(42,472)	(41,586)	2.1
Interest Paid IFRS 16	(281)	(278)	1.1
Interest paid bank and stock market debt	(550)	(568)	(3.1)
Lease payments	(130)	(94)	37.8
Net cash flow from financing activities	<u>2,807</u>	<u>5,524</u>	<u>(49.2)</u>
Net increase (decrease) in cash and cash equivalents	329	405	(18.7)
Cash and cash equivalents at beginning of period	<u>1,921</u>	<u>2,229</u>	<u>(13.8)</u>
Cash and cash equivalents at end period	<u>2,250</u>	<u>2,634</u>	<u>(14.6)</u>