

Soriana reports second quarter 2020 results

- Total Income of \$39.637 billion pesos, growth of 1.4%
- 2.6% growth in sales for same stores
- 5.9% cumulative growth for same stores in Q22020

Monterrey, N.L. July 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** in this second quarter reached \$39.637 billion pesos, which represents an increase of 1.4% over the previous year; and a 2.6% increase for same stores. However, there is a ticket increase of 33% in average in the quarter, with other effects that reduce it; such as the closure of 12 stores in the last twelve months, of which 2 were temporary, and the bonuses made in Rent to our company lessors from our commercial premises, related to the suspension of operations in their businesses due to the sanitary contingency. These effects impacted the income registered in the quarter in a negative way.

Gross profit reached \$8.421 billion pesos which equal a 21.2% on sales against a 21.8% of 2019; this contraction of 60 basis points is related to the income that was not obtained mainly due to the support given to our Company lessors by giving them bonuses made in Rent in order to help them through the suspension of their operations due to the sanitary contingency that we are currently facing.

The **operating expenses** line did not change regarding the percentage of sales to 14.1% versus last year, even when there were different extraordinary expenses related to the constant sanitization in all of our stores, distribution centers and offices, as well as the acquisition of materials of protection and self-care for our collaborators, showing and increase of 1.1% versus 2Q2019. This is the result of an exhaustive control in the operating expenses with positive results at the Company level which have reduced the adverse and extraordinary effects of this quarter.

As a consequence of the aforementioned variations, the result at the EBITDA⁽¹⁾ was \$2.853 billion pesos, equivalent to the 7.2% of sales presenting an decrease of 5.2% against 2Q2019. Excluding the effect of the rental rents bonuses, there would have been an increase of 1.3% in EBITDA⁽¹⁾ compared to 2Q2019.

Regarding the financial items, net income closed in \$708 million pesos, which represent a 17.8% decrease in comparison with the same period of last year, showing good variations in the Financial Expenses and the Utility Exchange of the quarter.

Finally, net income cash were \$1.330 billion pesos, equivalent to 3.4% as a percentage of sales which implies a 17.7% decrease in comparison with the same period of last year, and a cumulative of 2.7%.

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

Financial Position

Under the standard IFRS 16 "Leases", at the end of 1T20 the Company has recorded in its statement of financial position a lease liability of \$10.179 billion pesos and an asset named right of use of \$9.291 billion pesos, amount included in Property, equipment and use rights, net.

We have a reduction of \$3.375 billion pesos in inventory in comparison with Q22019, 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.

Debt Behavior

At the end of the quarter, the Company had bank and stock market debt of \$24.458 billion pesos which represents a decrease over the same period of last year of \$777 million pesos which equals 3%.

Capital Investment

During the quarter, we limited the cash flow originally designated to CAPEX, by postponing the organic expansion or investments that are not a priority to the Company for the moment, and limiting to only those expenses related to the right operation of the stores and distribution centers. With these measures, we estimate to close the year spending only the 50% of the amount that was initially projected and using those resources to accelerate the payment of Debt.

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	
	2Q2020	2Q2019	2Q2020	2Q2019
Hipermercados	376	379	2,689,261	2,736,445
Soriana Súper	125	126	254,434	257,439
Soriana Mercado	162	165	707,067	721,068
Soriana Express	104	103	140,124	138,930
City Club	34	35	272,151	280,862
Total	801	808	4,063,036	4,134,744

**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 2nd quarter, we had the definite closure of 5 units that correspond to the COFECE's disinvestment program after the acquisition of Comercial Mexicana stores in 2016. We also had one temporary closure in the city of Cancun in Quintana Roo due to the restrictions in the area caused by the sanitary contingency. At this present time, this store is opened to the public again.

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 supported more than 145 institutions in the country by highlighting the impulse through our three segments: childhood, food and support to the community. Our main campaigns support the education, rehabilitation, home for children, children with cancer, among others, where a social investment of more than \$13 million pesos was made during this period.
- Soriana Fundación* reaffirms its commitment with Mexico, therefore, alongside other companies, it joined the alliance "*Contagia Solidaridad*" (spread solidarity), which supports the medical service personnel with protection kits. With this effort in common, we are looking to protect 70,000 health personnel members in several states and hospitals of the country.
- A donation of 9,199 provisions was made in the different states of the country for \$1.4 million pesos, as well as the setting-up of 44 food storage modules in states such as Coahuila, Yucatan, Chihuahua, Sinaloa and Veracruz. Also, in this period

more than 560 tons of in-kind food was donated for more than \$14 million pesos to different food banks in the country.

- During this sanitary contingency period due to the COVID-19 virus, we continued with our support program for our senior packers in all of our self-service stores, where our commitment has been to duplicate the voluntary tip given by the customer. In this quarter, the amount given by Soriana for this project was \$73.3 million pesos, helping more than 13,500 seniors that give us their support in the cash lines.

b) Soriana Universidad

- We continue supporting the development and improvement of our collaborators in *Soriana Universidad*. In this second quarter 469 collaborators and their relatives signed up to the program to continue the basic education. Thanks to our Company's expansion, this program covers all the Mexican Republic.

c) Best Business Practices

- Thanks to their good development in sales and the attention to their products in their shelf, 14 SME suppliers have been benefited from selling their products in more Soriana stores by expanding their distribution network to other entities. This is the result of the good acceptance they have achieved with our customers, and at the same time contributing to a bilateral growth in those suppliers and our Company.
- Eleven new fresh produce suppliers are already directly delivering in stores of several regions of the country.
- 34 SME suppliers joined our home delivery service "*Super en tu casa*", where they additionally have the opportunity to offer their products to our customers so they can acquire them once they request the service. This way they will be able to strengthen their brand in the minds of our clients as well as increase their sales. This activity will continue permanently until each small supplier can sell their products in this platform.
- In this quarter, Soriana gave special support to 377 small businesses 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 second quarter we move forward with the substitution project of fluorescent luminaires using LED technology, we have installed it in 48 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 58% in savings of energy in such stores, which until June they account up to 2,763,698 kwh.
- In this quarter, the RENE (National Emissions Registry) was presented in time and form to SEMARNAT (Ministry of the Environment and Natural Resources), a federal regulation that requires the companies that exceed the 25,000 tCO₂e per year to report their emissions of Greenhouse Gases (GHG) annually. The carbon footprint for Soriana was 982,055.52 tons of CO₂e. Thanks to the great improvement that the Company has in the supply of renewable energy, the scope 2 emissions, or indirect emissions, that include the consumption of energy only accounted the 34% in total of GHG's emissions. The rest correspond to the scope 1 emissions, or direct emissions, related to the consumption of fuels and refrigerant gases.

e) Rankings and Recognitions

- **Empresas Verdes** (Eco-Friendly Companies) published their ranking "*The 21 most inclusive companies from Mexico*", where Organización Soriana reached the 3rd place. This report considers the progress, challenges and goals of the companies regarding equity and genre inclusion.
- **Mundo Ejecutivo** magazine published their ranking "*The Most Important Employing Companies of the Country*", based on 1,000 national and foreign companies in Mexico in which Organización Soriana was positioned in 9th place of the general ranking and in 4th regarding the number of employees.
- **Fortune** magazine in Spanish published the results of their first ranking "*The Most Ethical Companies 2020*", where the Company reached 27th place. It was also distinguished for its ethical philosophy in business, taking 9th place. This ranking is focused in recognizing the companies that make an effort to motivate an organizational culture based on values such as honesty, respect, responsibility and justice.
- **HR Ratings from Mexico** improved the perspective and rating of Organización Soriana. This modification that raises the Company's ratings is based on the expected refinancing of a part of the short-term debt, as well as the release strategy with prepayments of the debt, and the best expected generation of Free Cash Flow (FCF) for the next years, mainly due to the reduction in inventories in 2020 due to the adequate implementation of the shopping and inventory system, as well as operating efficiencies strategy related to the process standardization and the closure of San Mateo's offices, in the State of Mexico.

f) Actions taken for the COVID-19 contingency:

- Soriana has strengthen and continues with the actions carried out since the first quarter in the presence of this contingency, taking as a priority the benefit of our collaborators, customers, community, social partners and our commercial business partners. Among the main actions that we are taken, we can mention:
 - 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
 - Home Office for the administrative personnel
 - Up to 4 months of bonuses in Rent to our micro and small companies lessors, depending on the particular circumstances of each case
- Additionally, Soriana joined a solidarity action movement *UNIR y DAR* (join together and give) coordinated by the COMUNIDAR foundation which its main goal is to mitigate the impact of COVID-19 in the state of Nuevo Leon.

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

Millions of nominal pesos

	Second Quarter				
	2Q2020	%	2Q2019	%	Var. %
Net Sales	39,637	100	39,096	100	1.4
Cost of Sales	31,217	78.8	30,588	78.2	2.1
Gross Income	8,421	21.2	8,508	21.8	(1.0)
Operating Expenses	5,589	14.1	5,530	14.1	1.1
Income before other expenses, net	2,832	7.1	2,979	7.6	(4.9)
Other Income and (Expenses), Net	21	0.1	31	0.1	(31.3)
EBITDA	2,853	7.2	3,010	7.7	(5.2)
Depreciation and Amortization	799	2.0	811	2.1	(1.4)
Operating Income	2,054	5.2	2,199	5.6	(6.6)
Interest Income and (Expenses), Net	(837)	(2.1)	(933)	(2.4)	(10.3)
Foreign Exchange Gain (Losses)	67	0.2	64	0.2	4.4
Utility (Loss) Exchange	62	0.2	7	0.0	731
Comprehensive Financing Income	(708)	(1.8)	(862)	(2.2)	(17.8)
Minority Interest	(95)	(0.2)	(133)	(0.3)	(28.2)
Earnings Before Tax & Profit Sharing	1,251	3.2	1,204	3.1	3.9
Tax Provision	427	1.1	399	1.0	7.0
Net Income	824	2.1	805	2.1	2.3
Controlling interest	820	2.1	795	2.0	3.2
Non-controlling interest	4	0.0	11	0.0	(66.7)
Cash Net Profit	1,330	3.4	1,617	4.1	(17.7)

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

Millions of nominal pesos

	Second Quarter - Accumulated				
	2020	%	2019	%	Var. %
Net Sales	78,392	100	74,351	100	5.4
Cost of Sales	61,489	78.4	57,669	77.6	6.6
Gross Income	16,903	21.6	16,682	22.4	1.3
Operating Expenses	11,151	14.2	11,018	14.8	1.2
Income before other expenses, net	5,752	7.3	5,664	7.6	1.6
Other Income and (Expenses), Net	102	0.1	117	0.2	(12.9)
EBITDA	5,854	7.5	5,781	7.8	1.3
Depreciation and Amortization	1,594	2.0	1,588	2.1	0.3
Operating Income	4,261	5.4	4,193	5.6	1.6
Interest Income and (Expenses), Net	(1,668)	(2.1)	(1,779)	(2.4)	(6.2)
Foreign Exchange Gain (Losses)	123	0.2	123	0.2	0.2
Utility (Loss) Exchange	(197)	(0.3)	12	0.0	(1,763)
Comprehensive Financing Income	(1,742)	(2.2)	(1,644)	(2.2)	5.9
Minority Interest	(239)	(0.3)	(237)	(0.3)	0.9
Earnings Before Tax & Profit Sharing	2,280	2.9	2,311	3.1	(1.4)
Tax Provision	759	1.0	757	1.0	0.2
Net Income	1,521	1.9	1,554	2.1	(2.1)
Controlling interest	1,511	1.9	1,534	2.1	(1.5)
Non-controlling interest	10	0.0	20	0.0	(51.4)
Cash Net Profit	3,066	3.9	3,153	4.2	(2.7)

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	1,993	1.4	2,795	1.9	(28.7)
Trade	701	0.5	673	0.5	4.2
Other Accounts Receivable	7,445	5.2	7,998	5.4	(6.9)
Inventories	31,684	22.3	35,059	23.7	(9.6)
Other Current Assets	319	0.2	466	0.3	(31.5)
Assets classified as held for sale	800	0.6	1,582	1.1	(49.4)
Total Current Asset	42,942	30.3	48,573	32.8	(11.6)
Property, Equipment and Use Rights, Net	76,532	53.9	77,289	52.2	(1.0)
Intangible Assets	20,359	14.3	20,338	13.7	0.1
Other Assets	2,113	1.5	1,747	1.2	21.0
Total Assets	141,946	100	147,947	100	(4.1)
LIABILITIES					
Current Liabilities					
Suppliers	23,643	16.7	32,959	22.3	(28.3)
Short Term Debt	16,238	11.4	6,281	4.2	158.5
Other Accounts Payable	2,788	2.0	2,701	1.8	3.2
Short Term Lease Liabilities	512	0.4	392	0.3	30.6
Other Liabilities without cost	2,785	2.0	1,695	1.1	64.3
Total Current Liabilities	45,967	32.4	44,029	29.8	4.4
Deferred Taxes	10,999	7.7	11,070	7.5	(0.6)
Long Term Debt	8,220	5.8	18,954	12.8	(56.6)
Long Term Lease Liabilities	9,667	6.8	9,409	6.4	2.7
Other Liabilities	1,610	1.1	1,244	0.8	29.4
Total Long Term Liabilities	30,496	21.5	40,677	27.5	(25.0)
Total Liabilities	76,463	53.9	84,706	57.3	(9.7)
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	-454	(0.3)	-194	(0.1)	*
Accumulated Earnings	63,157	44.5	60,655	41.0	4.1
Total Stockholders' Equity	65,483	46.1	63,241	42.7	3.5
Total Liabilities and Stockholders' Equity	141,946	100	147,947	100	(4.1)

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	2,280	2,311	(1.4)
<u>Items related to investment activities</u>			
Depreciation & Amortization	1,594	1,588	0.3
Sales of property and equipment	(164)	(48)	239.6
Participation in Subsidiaries	239	237	0.9
Foreign Exchange	29	7	309.7
<u>Items related to financing activities</u>			
Bank and stock debt interest expense	1,105	1,221	(9.5)
Interest Expense IFRS 16	563	558	0.9
Total	5,646	5,874	(3.9)
Clients	270	431	(37.2)
Inventories	2,531	(5,691)	(144.5)
Suppliers	(6,624)	3,300	(300.7)
Payable and receivable accounts	811	(1,574)	(151.5)
Income Tax Paid	(1,100)	(1,249)	(11.9)
Net cash flow from operating activities	1,535	1,091	40.7
<u>INVESTING ACTIVITIES</u>			
Acquisitions of property and equipment	(435)	(685)	(36.4)
Sale of Fixed Assets	0	118	(100.0)
Loans to associates	0	(300)	(100.0)
Investments in associates	(510)	(250)	*
Others	189	(8)	(2,496.4)
Net Cash flow from investing activities	(756)	(1,125)	(32.8)
Cash receivable from financing activities	779	(34)	(2,367.4)
<u>FINANCING ACTIVITIES</u>			
Financing Obtained	73,840	110,210	(33.0)
Financing Repaid	(72,615)	(107,638)	(32.5)
Interest Paid IFRS 16	(563)	(558)	0.9
Interest paid bank and stock market debt	(1,105)	(1,221)	(9.5)
Lease payments	(263)	(194)	35.5
Net cash flow from financing activities	(706)	599	(217.8)
Net increase (decrease) in cash and cash equivalents	72	565	(87.2)
Cash and cash equivalents at beginning of period	1,921	2,229	(13.8)
Cash and cash equivalents at end period	1,993	2,795	(28.7)