LIVEPOL

EL PUERTO DE LIVERPOOL, S.A.B. DE C.V.

RESULTS OF OPERATIONS FOR THE FOURTH QUARTER OF 2017

Highlights

Positive:

- The **average exchange rate** for the quarter showed the peso to be 4.4% stronger than in the same period of last year, although by the close the quarter Mexican currency had weakened by 8.3% compared to the close of the prior quarter.
- Increase in **job creation, total payroll and remittances.**
- The **consumer confidence index** recouped the steep losses it suffered in January 2017, and in December reached its highest level since June 2016. Significantly, durable goods purchase intentions have risen by 14.7%, and stand at their highest level in the past three years.

Negative:

- **Inflation**: closed the year at 6.77%, its highest level since 2000.
- **Consumer credit**: growth has slowed to a current rate of less than 10%, though it remains on positive ground.
- **Banxico reference interest rate**: rose to 7.25% after successive hikes totaling 150pb.

Company results and outlook:

- **Same-store sales** grew 6.8% compared to the same quarter of 2016, and 5.8% for the full year, excluding Suburbia.
- **Total revenues**, including the integration of Suburbia, grew 26.2%. For the full year, growth in total revenues was 21.6%.
- Following the earthquake on September 19 of last year, the Galerías Coapa Liverpool and Suburbia stores and Galerías Coapa shopping center as a whole remained closed until the necessary repairs are carried out. Liverpool booked additional provisions of Ps. 98 million to cover the various expenses related to reparation of the damage from the earthquakes.
- The **gross margin** was 63bps lower than in 4Q16, while in the full year it was 23bps below its 2016 level.
- **Non-performing loans** closed the year at 4.5%, a 50pb increase over the preceding year.
- The **EBITDA margin** was 18.8%, down 128bps against the same quarter of last year, while the 12-month EBITDA margin was 15.0%, a decline of 100bps from 2016.
- **Net profit** for the quarter rose 16.5% and full-year net profit is off by 2.5%. Stripping out exchange-rate effects in the first quarter, net profit for the year 2017 would have been 4.3% higher.
- With a record number of openings, the company completed its plan for 2017, with **eleven new department stores** opening their doors: four Liverpool and seven Fábricas de Francia. We also opened the Galerías Tlaxcala shopping center.
- Two new Suburbia stores were opened.
- The store opening plan for 2018 includes the opening of four Liverpool stores, two Fábricas de Francia and five Suburbia stores.

Key figures

The following are the key figures presented in our income statement as of the close of the fourth quarter:

Pesos Thousands	QUARTER			TOTAL YEAR		
	4Q17	4Q16	VAR	2017	2016	VAR
Total revenue:	**44,546,281**	**35,305,723**	**26.2%**	**122,168,279**	**100,441,536**	**21.6%**
Commercial (includes services and other)	40,745,959	31,795,830	28.1%	108,583,138	87,897,130	23.5%
Interest	3,029,091	2,599,768	16.5%	10,480,928	9,365,108	11.9%
Leasing	771,231	910,125	-15.3%	3,104,213	3,179,298	-2.4%
Cost of sales	27,247,426	21,371,156	27.5%	73,387,487	60,107,806	22.1%
Gross income	**17,298,855**	**13,934,567**	**24.1%**	**48,780,792**	**40,333,730**	**20.9%**
Gross margin	**38.8%**	**39.5%**	**(0.63)**	**39.9%**	**40.2%**	**(0.23)**
Operating expenses	9,728,644	7,647,515	27.2%	33,549,108	26,927,339	24.6%
Operating income	**7,570,211**	**6,287,052**	**20.4%**	**15,231,684**	**13,406,391**	**13.6%**
Net income	5,635,796	4,838,856	16.5%	9,885,690	10,140,432	-2.5%
EBITDA	**8,382,902**	**7,097,542**	**18.1%**	**18,350,475**	**16,050,912**	**14.3%**
EBITDA margin	**18.8%**	**20.1%**	**(1.28)**	**15.0%**	**16.0%**	**(0.96)**
Customer's portfolio	**35,058,848**	**32,436,849**	**8.1%**			
Same-store growth	**6.8%**	**5.8%**	**1.0 p.p.**	**5.8%**	**7.6%**	**-1.8 p.p.**

RESULTS

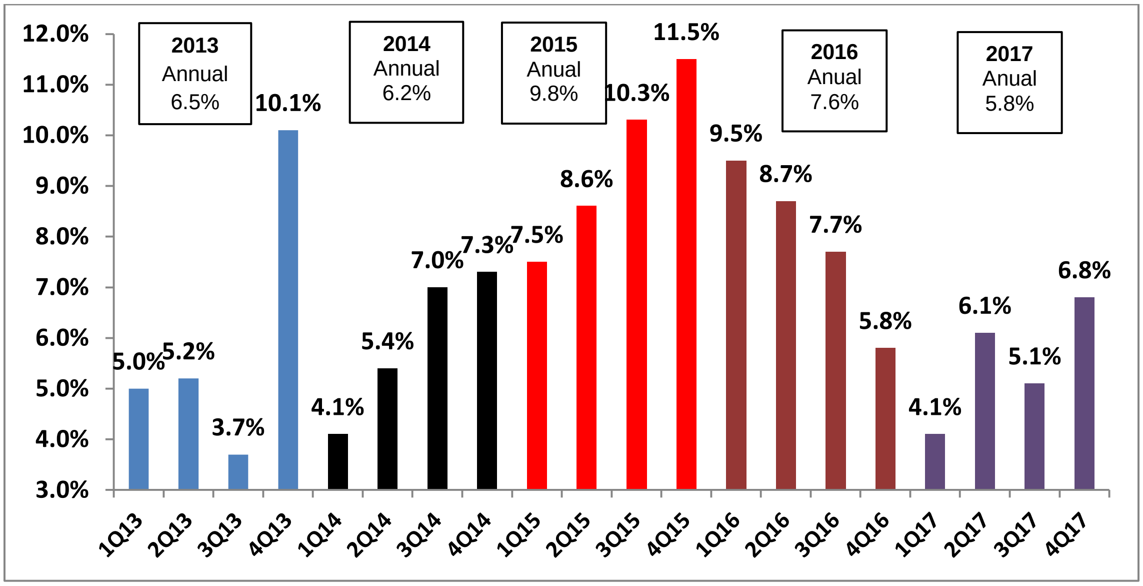
Sales of goods and services

Following the incorporation of Suburbia, total retail revenue in the fourth quarter grew 28.1%, and in the year as a whole advanced 23.5%.

	4Q2017		2017	
(Pesos Thousands)	**MPs**	**Dif.**	**MPs**	**Dif.**
Organic growth	34,900,602	9.8%	96,057,469	9.3%
Suburbia	5,845,357	n/a	12,525,669	n/a
Total	**40,745,959**	**28.1%**	**108,583,138**	**23.5%**

Same-store sales were up 6.8% for the quarter and 5.8% in 2017. For the purposes of perspective, same-store sales for Suburbia (not included in this indicator) rose 11.7% in the quarter and 6.2% in the year to date.

Same-Store Sales Growth



In the year 2017, the average ticket and traffic expanded by 5.7% and 0.1%, respectively. The slow growth in traffic was the result of inflationary pressures observed throughout the year. In the fourth quarter, however, this indicator picked up, gradually returning to its year-earlier levels.

Also significant in this result is the fact that the Villa Coapa Liverpool and Suburbia stores remain closed, affecting the calculation of same-store sales growth.

Figures published by ANTAD (the Spanish acronym for the Mexican Association of Supermarkets and Department Stores) as of December 31, 2017 indicate a 4.5% increase in same-store sales. Specifically, department stores affiliated with that Association report a 3.6% increase in same-store sales.

Broken down by category, above-average performance was seen in Furniture (mainly appliances and mattresses), Housewares (fueled by Bed & Bath, small household appliances and Kitchen), Cosmetics and Sports. The less robust departments were Clothing and Multimedia.

By geographic region, sales in the west-central, west and central regions saw the strongest expansion, while those of the Gulf region continue to feel the impact of the oil industry slowdown.

Growth in the e-commerce channel for the full 12 months of 2017 was 45.6% compared to the 2016, and this category accounted for 3.7% of retail revenue.

Omnichannel Strategy

The progress of our Omnichannel strategy brings us increasingly close to customer preferences, through initiatives such as the launch of an app for iOS and Android smartphones, logistical improvements to shorten delivery times, and "Click & Collect" online sales, which has become increasingly popular among our customers. We also continue to expand the initiative of equipping sales floor staff with tablets so they can offer customers our full catalog regardless of the size of the store they are shopping in.

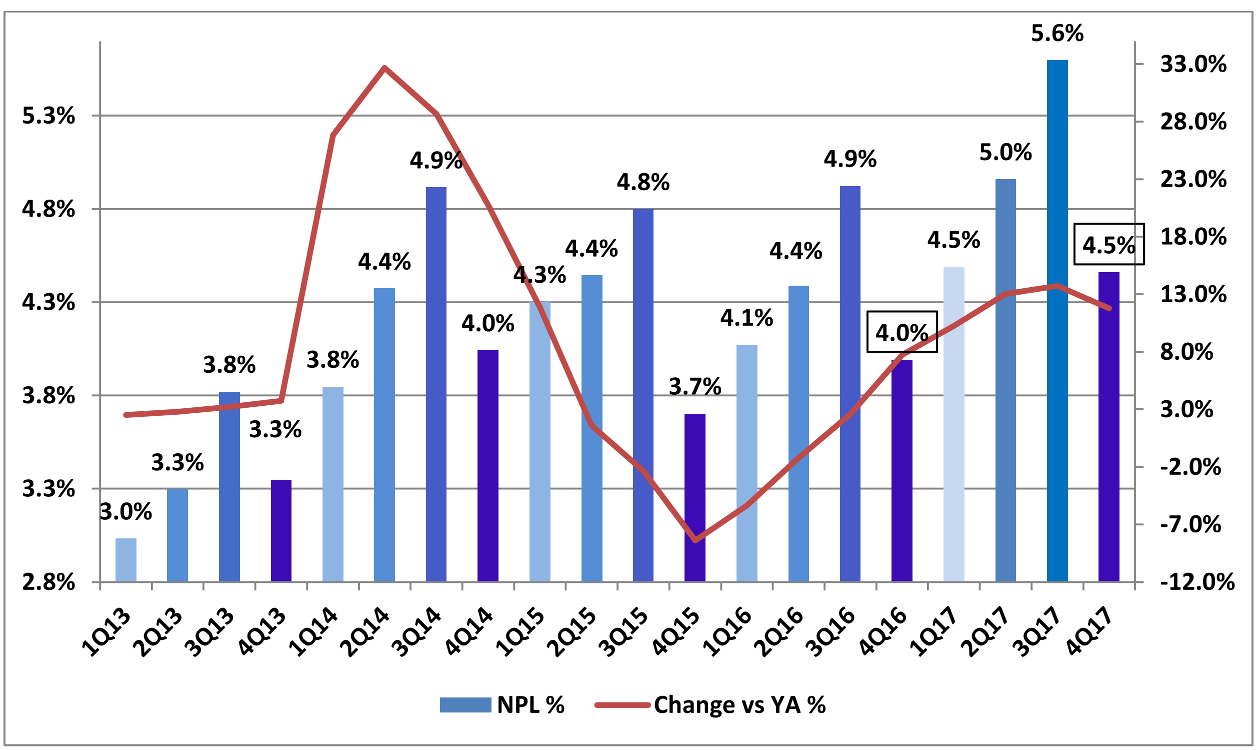
Interest Income and Customer Portfolio

In the fourth quarter of 2017, revenues in our credit division increased 16.5% over the same period of last year, and in the year as a whole they grew 11.9%. The customer portfolio expanded by 8.1% compared to the previous year. This reflects the growth of the performing credit portfolio (shorter terms in interest-free installment sales) and an increase in the interest rate.

Purchases made with Liverpool credit cards accounted for 45.8% of total sales, which is 60bps higher than in the same period of last year.

Credit payments more than 90 days past due accounted for 4.5% of the total portfolio, 50bps higher than at the close of the fourth quarter of 2016. Measures continue to be taken in new account openings, portfolio administration and collections, in order to contain the rise in past-due accounts.

<u>Accounts more than 90 days past due (%) and growth rate vs. the prior year</u>



Accumulated past-due account reserves as of December 31 were as follows:

Pesos	Dec 17	Dec 16	Dif %
Initial balance of reserve:	2,516,143	2,219,573	13.4%
(+) New reserves:	3,081,018	2,337,649	31.8%
(-) Write off:	(2,511,480)	(2,041,119)	23.0%
Ending balance of reserve	**3,085,681**	**2,516,103**	**22.6%**

Leasing

Quarterly leasing revenues saw a 15.3% year-over-year decline, and in the full year were 2.4% lower than in 2016. The effect of the change in the accounting treatment on occupancy rights, now deferred according to the contract's duration, had a negative impact on the accumulated results. These results also reflect the temporary closure of Galerías Coapa due to the effects of the September 2017 earthquakes. Occupancy levels in the shopping centers remained at around 97%.

Cost of Goods Sold and Gross Margin

Retail Margin

The retail margin both for 4Q17 reflects an erosion of 34bps. Excluding Suburbia, the decline would have been 42bps due to an increase in logistical expenses associated with the surge in home deliveries during the holiday season, and write-offs to reduce excess inventory at Williams Sonoma. In the year as a whole the margin stood 80bps higher; excluding Suburbia it increased by 27bps.

Pesos - Thousands	QUARTER			TOTAL YEAR		
TOTAL	**4Q17**	**4Q16**	**Dif %**	**2017**	**2016**	**Dif %**
Retail	40,745,959	31,795,830	28.1%	108,583,138	87,897,130	23.5%
Cost of goods sold	27,247,426	21,371,156	27.5%	73,387,487	60,107,806	22.1%
Retail Margin	**33.1%**	**32.8%**	**0.34**	**32.4%**	**31.6%**	**0.80**
Liverpool						
Retail	34,778,564	31,795,830	9.4%	96,057,469	87,897,130	9.3%
Cost of goods sold	23,521,134	21,371,156	10.1%	65,427,452	60,107,806	8.9%
Retail Margin	**32.4%**	**32.8%**	**- 0.42**	**31.9%**	**31.6%**	**0.27**
Suburbia						
Retail	5,967,395			12,525,669		
Cost of goods sold	3,726,292			7,960,035		
Retail Margin	**37.6%**			**36.5%**		

Because Suburbia has only been on the books since April, its gross margin benefited from the fact that it did not incorporate the results of post-holiday markdowns, which take place in first quarter of each year.

Total Gross Margin

This margin shrank by 63bps in the quarter, due in part to a change in the mix of business lines. With the incorporation of Suburbia, the Retail Division accounted for almost 92% of total revenues.

	QUARTER			CUMMULATIVE		
As % of total income	4Q17	4Q16	VAR bps	2017	2016	VAR bps
Retail	91.5%	90.1%	1.41	88.9%	87.5%	1.37
Interest	6.8%	7.4%	- 0.56	8.6%	9.3%	- 0.74
Leasing	1.7%	2.6%	- 0.85	2.5%	3.2%	- 0.62

Operating Expenses

Operating expenses excluding Suburbia grew 9.8% in the quarter, and 12.1% in all four quarters of the year. The main factors behind the result were: a) provisions for uncollectable accounts; b) the Omnichannel strategic initiative; and c) a rise in electrical rates. Furthermore, reserves were created for payment of the deductible and damages relating to the September 19 earthquake, in the amount of Ps. 98 million in the quarter, and a full-year amount of Ps. 285 million.

Breakdown of Expenses excluding Suburbia and Ripley:

	Quarter			Total Year		
Pesos - Thousands	4Q17	4Q16	Dif %	2017	2016	Dif %
Operating expenses	**9,728,644**	**7,647,515**	**27.2%**	**33,549,108**	**26,927,339**	**24.6%**
as % of income	**21.8%**	**21.7%**		**27.5%**	**26.8%**	
Extraordinary expenses:						
a. Suburbia's operating expenses	1,310,946			3,203,447		
as % of income	2.94%			2.62%		
b. Incorporation expenses Suburbia	19,886			152,178		
as % of income	0.04%			0.12%		
c. Ripley expenses	-			20,969		
as % of income	n/a			0.02%		
Normalized expenses	**8,397,812**	**7,647,515**	**9.8%**	**30,172,513**	**26,927,339**	**12.1%**
as % of income (excludes Suburbia income)	**21.8%**	**21.7%**		**27.5%**	**26.8%**	

EBITDA

Fourth-quarter EBITDA came to Ps. 8.38 billion, 18.1% higher than in the same quarter of 2016. Suburbia contributed Ps. 1.01 billion of this. Quarterly EBITDA excluding Suburbia grew 3.9% year-over-year. In the full year 2017, it totaled Ps. 18.35 billion, a 14.3% increase compared to the previous year. On a full-year basis, excluding Suburbia, EBITDA reached Ps. 16.73 billion pesos, 4.2% higher than in 2016.

The EBITDA margin was 18.8% for the fourth quarter, 128bps lower than in 4Q16. For the year 2017, the EBITDA margin was 15.0%, down 96bps from the year-earlier period. Excluding Suburbia, the EBITDA margin for the year was 15.3%, 72bps less than in 2016.

EBITDA	Fourth quarter			Total Year		
Pesos - Thousands	2017	2016	Increm.	2017	2016	Dif %
Organic growth	7,375,725	7,097,542	3.9%	16,728,259	16,050,912	4.2%
Suburbia	1,007,177	n/a	n/a	1,622,216	n/a	n/a
Total	**8,382,902**	**7,097,542**	**18.1%**	**18,350,475**	**16,050,912**	**14.3%**

	Fourth quarter			Total Año		
EBITDA MARGIN	2017	2016	Dif	2017	2016	Dif %
Organic growth	19.1%	20.1%	(104) bps	15.3%	16.0%	(72) bps
Suburbia	17.2%	n/a	n/a	13.0%	n/a	n/a
Total	**18.8%**	**20.1%**	(128) bps	**15.0%**	**16.0%**	(96) bps

Operating Income

Operating income for the fourth quarter of the year totaled Ps. 7.57 billion, a 20.4% expansion compared to the same quarter of 2016. In the year 2017, operating income came to Ps. 15.23 billion, rising 13.6% against the year 2016.

These figures also include the results of Suburbia, which in turn include Ps. 152 million in incorporation expenses for the year, and Ps. 20 million for the quarter reported.

Financial Expense and Income

Liverpool reported a net financial expense of Ps. 540 million for the quarter, and for the full year 2017, the result is a net financial loss of Ps. 2.99 billion. Note that 100% of the year-to-date foreign-exchange loss of Ps. 895 million was generated in the first quarter of the year and was equal to the foreign-exchange gain reported at the close of 2016. Net interest expense in the period covered by this report grew 27%, reflecting the higher debt levels associated with the acquisition of Suburbia. In 2017 as a whole, the increase was 108% compared to 2016.

(Pesos Thousands)	QUARTER			TOTAL YEAR		
Net Financial Income/(Expense)	**4Q17**	**4Q16**	**Dif %**	**2017**	**2016**	**Dif %**
Interest	(558,940)	(439,309)	(119,631)	(2,097,147)	(1,008,799)	(1,088,348)
Exchange Effect	18,680	696,131	(677,451)	(894,946)	749,801	(1,644,747)
Total Financial Income/(Expenses)	**(540,260)**	**256,822**	**(797,082)**	**(2,992,093)**	**(258,998)**	**(2,733,095)**

Equity in the results of associated companies and joint ventures

During the quarter covered by this report, this line increased by 18.6%, to Ps. 208.5 million. In the full year it reached a total of Ps. 628.0 million, which is 12.2% lower than in 2016.

With regard to the fraud detected in connection with some accounts receivable at Grupo Unicomer's subsidiary in Paraguay, reported in 3Q17, our external auditors confirmed that the corresponding effect should be entered on the books as a restructuring of our financial statements from 2015 forward.

Taxes

The effective tax rate dropped sharply during the period reported (from 27.9% to 24.4%), due to inflation effects.

Net income

Majority net income in the fourth quarter totaled Ps. 5.64 billion, 16.5% higher than in 2016. At the close of the year, this line was 2.5% lower than in 2016, reaching Ps. 9.89 billion.

BALANCE SHEET

Cash and Short-Term Investments

The balance of this account as of December 31, 2017 was Ps. 16.63 billion. Of this amount, 8.5% was invested in foreign currency (primarily USD) in order to cover 100% of accounts payable denominated in foreign currency.

Inventory and Accounts payable

Inventory totaled Ps. 18.49 billion at the close of the quarter, 14.6% higher than the year-earlier amount. Excluding Suburbia, inventory would declined by 1.4%. Accounts payable to vendors at the close of the quarter stood 18.0% higher than on the same date in 2016, totaling Ps. 22.59 billion. This balance also reflects the incorporation of Suburbia.

Cost-Bearing Debt and Cash Flow

The following shows the breakdown of our cost-bearing debt:

Pesos - Thousands	Dec 17	Dec 16	Dif %
Cost bearing debt	**(36,217,501)**	**(30,571,826)**	**18.5%**
Financial derivative instruments acquired for hedging purposes	**3,532,036**	**3,996,453**	**-11.6%**
TOTAL	**(32,685,465)**	**(26,575,373)**	**23.0%**

Note that 100% of our dollar-denominated debt (USD 1.05 billion) is hedged with a cross-currency swap that covers both principal and interest.

On December 21, we made an advance payment of Ps. 1.25 billion toward the balance of a syndicated loan for Ps. 5.0 billion taken out in March of last year. As of the date of this report, an additional pre-payment of Ps. 1.25 billion had been made on January 22, 2018.

The gross and net leverage ratios (gross and net debt to EBITDA) at the close of the fiscal year were 1.78 times and 0.87 times, respectively. These ratios have been calculated taking into account a mark-to-market valuation of the hedge instruments shown in the table above.

Capital Expenditures

As of December 31, 2017, Liverpool had invested a total of Ps. 8.14 billion in capital expenditures, 80% of which was invested in expansion and remodeling projects.

Cash Flow

Million pesos	2017	2016	2015
Operating income	**15,231.7**	**13,406.4**	**12,655.3**
Depreciation and amortization	3,118.8	2,644.5	2,215.1
EBITDA	**18,350.5**	**16,050.9**	**14,870.4**
Interests	(2,677.4)	(1,020.2)	(970.0)
Taxes	(4,438.2)	(3,678.2)	(4,645.2)
Working Capital	801.8	(1,083.2)	(1,045.3)
Other	10.6	1,422.1	442.0
Cashflow from operations	**12,047.4**	**11,691.4**	**8,651.9**
Capex	(8,143.0)	(7,958.2)	(4,873.1)
Cashflow before dividends	**3,904.4**	**3,733.2**	**3,778.8**
Dividends	(1,288.3)	(1,288.4)	(1,087.1)
Cashflow	**2,616.1**	**2,444.8**	**2,691.8**
Suburbia acquisition	(18,205.2)	0.0	0.0
Debt	6,650.0	14,546.2	0.0
Increase / (decrease)	**(8,939.2)**	**16,991.0**	**2,691.8**

Expansion and recent events

The 2017 opening plan represents a new high for the group, with eleven new stores and one shopping center adding 5.9% to our retail space in department stores and 5.6% in shopping centers, in addition to two Suburbia stores.

Liverpool stores:

1. Tlaxcala, Tlaxcala (opened April 19, 2017)
2. Tuxtla Oriente, Chiapas (opened May 3, 2017)
3. Puebla Zaragoza, Puebla (opened September 26, 2017)
4. Toreo, Mexico State (opened October 17, 2017)

Duty Free Cabo San Lucas and Playa del Carmen (closed)

Fábricas de Francia Stores:

1. Buenavista, Ciudad de México (opened March 21, 2017)
2. Apizaco, Tlaxcala (opened April 4, 2017)
3. Tonalá Plaza Lomas, Jalisco (opened April 11, 2017)
4. Saltillo, Coahuila (opened September 5, 2017)
5. Oaxaca Plaza Bella, Oaxaca (opened October 26, 2017)
6. Comitán, Chiapas (opened November 7, 2017)
7. Valle de Chalco, Mexico State (opened November 9, 2017)

Suburbia Stores:

1. Campeche, Campeche (opened October 19, 2017)
2. Aguascalientes, Aguascalientes (opened November 1st, 2017)

Shopping Centers:

Galerías Tlaxcala (opened September 12, 2017)

On December 13, we completed the acquisition of a controlling stake in "The Shoppes" shopping center in La Paz, Baja California Sur.

Remodeling and expansions:

1. Liverpool Perisur and Centro Comercial Perisur
2. Liverpool Monterrey Centro
3. Liverpool Monterrey and Centro Comercial Galerías Monterrey
4. Liverpool and Centro Comercial Plaza Satélite
5. Centro Comercial Galerías Mérida
6. Centro Comercial Galerías Atizapán

2018 Expansion Plan

For 2018, our opening plan is as follows:

Liverpool Department Stores:

1. Parque Antenas, Iztapalapa
2. Paseo Querétaro, Querétaro
3. Mérida Cabo Norte, Yucatán
4. Monclova, Coahuila

Fábricas de Francia Department Stores:

1. Fresnillo, Zacatecas
2. Atlixco, Puebla

Suburbia Stores:

We plan to open five new stores in 2018, and will be announcing their locations over the course of the year.

Capex 2018

Our investment plan for 2018 provides for Capex of Ps. 12 billion pesos, which will be applied to: a) the above-mentioned openings; b) the Galerías Santa Anita shopping center in Guadalajara, planned for opening in 2019; c) investment related to other openings in 2019; d) the “Arco Norte” logistics project; and e) investment in IT to continue the Omnichannel initiative and upgrade the Suburbia systems platform.

Debt maturities in 2018

In 2018, we have the following debt maturities coming due: a) principal payments of Ps. 625 million toward the balance of a syndicated loan, b) expiration of a bank loan of Ps. 921 million due May 18; and c) maturity of the LIVEPOL08 bond on August 24, for Ps. 1.0 billion.

Suburbia

Having completed the incorporation of virtually all of Suburbia’s processes, in the first quarter of 2018 we will be integrating point-of-sale and revenue control, all while guaranteeing business continuity and maintaining our commercial proposition toward the customer.

September 7 and 19 earthquakes

As of the date of this report, the Liverpool, Suburbia and Galerías Coapa shopping center located in Villa Coapa, to the south of Mexico City, remain closed. Taking into account the the repair work that must be done to safeguard the safety and comfort of our customers and employees, we expect to be able to re-open the Liverpool and Galerías Coapa facilities by the end of the year, and the Suburbia store in 2019.

Liverpool has insurance for both the property damage and business interruption. As we mentioned earlier, a Ps. 285 million provision was created to cover deductibles and other minor expenses. As of the date of this report, we have received insurance payments totaling Ps. 147 million pesos, as a partial recovery for the negative effects of business interruption.

Analyst Coverage

Pursuant to the Securities Market Act, the Company hereby discloses the list of Institutions and Financial groups that maintain coverage of its financial and operating performance:

Actinver	BTG Pactual	Goldman Sachs	Morgan Stanley
Bank of America Merrill Lynch	Citi	HSBC	Santander
Banorte IXE	Credit Suisse	Interacciones	Scotiabank
Barclays	Deutsche Bank	Intercam	Ve por más
BBVA Bancomer	GBM	Itaú BBA	Vector

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About the Company

El Puerto de Liverpool, S.A.B. de C.V.: (as of December 31, 2017)

Department stores:		
Liverpool	90	1,439,456 m2
Fábricas de Francia	41	257,023 m2
Total Department Stores	**131**	**1,696,479 m2**
Suburbia	124	465,415 m2
Shopping Centers:	27	511,972 m2
Boutiques:	121	82,873 m2

Credit Cards

Number of Cards	4Q 2017	4Q 2016	% Chg.
Liverpool Cards	4,703,986	4,364,874	7.8%

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