LIVEPOL

# EL PUERTO DE LIVERPOOL, S.A.B. DE C.V.
## RESULTS OF OPERATIONS FOR THE THIRD QUARTER OF 2019

**Macroeconomic Highlights**

**Positive:**

- **Wages** advanced by 3.5% in real terms over the third quarter of 2018.
- **Wage remittances** in peso terms grew 9.9% in the first eight months of the year, and 16.9% in the last twelve months.
- Twelve-month **inflation** closed the quarter at 3.0%, in line with Banco de Mexico's target range.
- The average **exchange rate** in the quarter showed a 2.5% devaluation for the peso compared to the same quarter of last year. The average exchange rate for the first nine months of the year shows a 1.1% devaluation from the previous year.
- The **consumer confidence index** recovered in September, returning to levels seen at the start of this year.
- **Benchmark interest rate**: During the quarter, Banco de Mexico dropped the benchmark rate by 2.5 percentage points on two occasions; it now stands at 7.75%.

**Negative:**

- Estimated **GDP** growth in 2019 continues to decline, and analysts now forecast an expansion of just 0.2%.
- In August, **consumer credit** grew by 3.2% in real terms year-over-year.
- **Job creation** in the first nine months of the year was 46.9% slower than in the same period of 2018.
- **Investment** shrank by 0.7% in September, the sharpest decline on record since January 2014. Between January and July, the reduction was 4.6% annually; levels unseen since 2009.

**Company results and outlook:**

In order to maintain comparability with last year's figures, the following comments **do not** take into account the effects of the new IFRS 16 - Leases. The effects of this new reporting standard are described in a paragraph towards the end of the report.

- **Same-store sales for Liverpool** grew 0.4% during the quarter, and 4.2% in the first nine months of the year.
- **At Suburbia, same-store sales** declined by 5.9% in the third quarter and 0.3% in the year to date.
- **Total revenues** for the quarter were up 3.1%, and comparing the first three quarters of this year against the same period of last year, the increase was 7.0%.

- **The EBITDA margin** for the third quarter of the year was 12.5%, 26bp lower than the year before, and 12.3% for the first nine months of the year, also 26bp lower than the same period of 2018.
- **Non-performing loans** ended the quarter at 6.0% of the total portfolio, 25bp higher than in the same quarter of 2018, due to the growth of Suburbia credit cards.
- In the third quarter, **net profit** grew 1.9%; for the first nine months of the year, the increase was 8.3%.

## Key figures

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

| | QUARTER | | | | | |
|---|---|---|---|---|---|---|
| **Million pesos** | **3Q2019** | **3Q2018** | **VAR %** | **2019 IFRS 16** | **VAR %** | **Income effects with IFRS 16** |
| **Total revenue:** | **30,145.8** | **29,244.3** | **3.1%** | **30,145.8** | **3.1%** | |
| Commercial (includes services and other) | 25,972.7 | 25,546.2 | 1.7% | 25,972.7 | 1.7% | |
| Interest | 3,293.7 | 2,889.5 | 14.0% | 3,293.7 | 14.0% | |
| Leasing | 879.4 | 808.6 | 8.8% | 879.4 | 8.8% | |
| Cost of sales | 17,781.0 | 17,464.3 | 1.8% | 17,781.0 | 1.8% | |
| **Gross income** | **12,364.8** | **11,780.1** | **5.0%** | **12,364.8** | **5.0%** | |
| Gross margin | 41.0% | 40.3% | 0.7 p.p. | 41.0% | 0.7 p.p. | |
| **Total operating expenses** | **9,480.6** | **8,876.6** | **6.8%** | **9,301.2** | **4.8%** | **(179.4)** |
| Operating Expenses | 8,605.0 | 8,057.0 | 6.8% | 8,120.8 | 0.8% | (484.2) |
| Depreciation & Amortization | 875.6 | 819.6 | 6.8% | 1,180.5 | 44.0% | 304.8 |
| **Operating income** | **2,884.2** | **2,903.5** | **(0.7%)** | **3,063.6** | **5.5%** | **(179.4)** |
| Financing Expense | **446.8** | **463.0** | **(3.5%)** | **714.6** | **54.3%** | 267.9 |
| Net income | 1,949.3 | 1,913.0 | 1.9% | 1,884.1 | (1.5%) | (65.2) |
| **EBITDA** | **3,759.8** | **3,723.1** | **1.0%** | **4,244.0** | **14.0%** | **(484.2)** |
| **EBITDA margin** | **12.5%** | **12.7%** | **(0.3 p.p)** | **14.1%** | **1.3 p.p.** | |
| **Same-store growth Liverpool** | **0.4%** | **6.3%** | **(5.9 p.p)** | | | |
| **Same-store growth Suburbia** | **(5.9%)** | **11.7%** | **(17.6 p.p)** | | | |
| **Same-store growth Total** | **-0.5%** | **7.0%** | **(7.5 p.p)** | | | |

| Million pesos | 2019 | 2018 | VAR % | YTD 2019 IFRS 16 | 2018 | VAR % | Income effects with IFRS 16 |
|---|---|---|---|---|---|---|---|
| **Total revenue:** | **93,278.4** | **87,140.1** | **7.0%** | **93,278.4** | **87,140.1** | **7.0%** | |
| Commercial (includes services and other) | 80,769.0 | 76,250.1 | 5.9% | 80,769.0 | 76,250.1 | 5.9% | |
| Interest | 9,890.1 | 8,346.5 | 18.5% | 9,890.1 | 8,346.5 | 18.5% | |
| Leasing | 2,619.3 | 2,543.5 | 3.0% | 2,619.3 | 2,543.5 | 3.0% | |
| Cost of sales | 55,537.5 | 51,976.3 | 6.9% | 55,537.5 | 51,976.3 | 6.9% | |
| **Gross income** | **37,741.0** | **35,163.8** | **7.3%** | **37,741.0** | **35,163.8** | **7.3%** | |
| Gross margin | 40.5% | 40.4% | 0.1 p.p. | 40.5% | 40.4% | 0.1 p.p. | |
| **Total operating expenses** | **28,874.8** | **26,648.2** | **8.4%** | **28,367.8** | **26,648.2** | **6.5%** | **(507.0)** |
| Operating Expenses | 26,262.9 | 24,217.2 | 8.4% | 24,870.3 | 24,217.2 | 2.7% | (1,392.6) |
| Depreciation & Amortization | 2,611.9 | 2,431.0 | 7.4% | 3,497.5 | 2,431.0 | 43.9% | 885.6 |
| **Operating income** | **8,866.1** | **8,515.6** | **4.1%** | **9,373.1** | **8,515.6** | **10.1%** | **(507.0)** |
| Financing Expense | **1,308.8** | **1,406.4** | **(6.9%)** | **2,102.5** | **1,406.4** | **49.5%** | 793.7 |
| Net income | 6,094.2 | 5,628.1 | 8.3% | 5,883.3 | 5,628.1 | 4.5% | (210.9) |
| **EBITDA** | **11,478.0** | **10,946.6** | **4.9%** | **12,870.6** | **10,946.6** | **17.6%** | **(1,392.6)** |
| **EBITDA margin** | **12.3%** | **12.6%** | **(0.3 p.p)** | **13.8%** | **12.6%** | **1.2 p.p.** | |
| **Customer's portfolio** | **31,794.1** | **30,173.8** | **5.4%** | | | | |
| **Same-store growth Liverpool** | **4.2%** | **6.6%** | **(2.4 p.p)** | | | | |
| **Same-store growth Suburbia** | **(0.3%)** | **13.2%** | **(13.5 p.p)** | | | | |
| **Same-store growth Total** | **3.6%** | **7.5%** | **(3.9 p.p)** | | | | |
| **EBITDA 12 Months** | **20,768.1** | **19,329.5** | **7.4%** | | | | |
| | **14.7%** | **14.7%** | **(0.0 p.p)** | | | | |

## RESULTS

### I. Sales of goods and services

In the third quarter of 2019, total retail revenues grew 1.7%, year to date the growth was 5.9%.

| Million pesos<br>Commercial Revenues | QUARTER 3Q2019 | 3Q2018 | VAR % | YTD 2019 | 2018 | VAR % |
|---|---|---|---|---|---|---|
| Liverpool | 22,287.0 | 22,024.5 | 1.2% | 69,607.0 | 65,822.6 | 5.7% |
| Suburbia | 3,685.7 | 3,521.8 | 4.7% | 11,162.0 | 10,427.5 | 7.0% |
| **Total** | **25,972.7** | **25,546.2** | **1.7%** | **80,769.0** | **76,250.1** | **5.9%** |

Note that the third quarter included a calendar effect, in which there was one less Sunday this year than there was in the same quarter last year.

### Liverpool

In third quarter, same-store sales grew 0.4%, and in the first nine months of the year they were 4.2% higher than in the year-earlier period.

The average ticket at Liverpool grew 4.2% while traffic decreased 0.1%. Broken down by product category, Menswear, Sporting Goods and Furniture all outperformed the average, while Children, Women's and Cosmetics were less robust.

By geographic region, results in the Northern, Central-Western and Southeast regions showed a stronger expansion, while those of the Mexico City Metropolitan Area and Western Mexico grew at rates below the average.

**Suburbia**

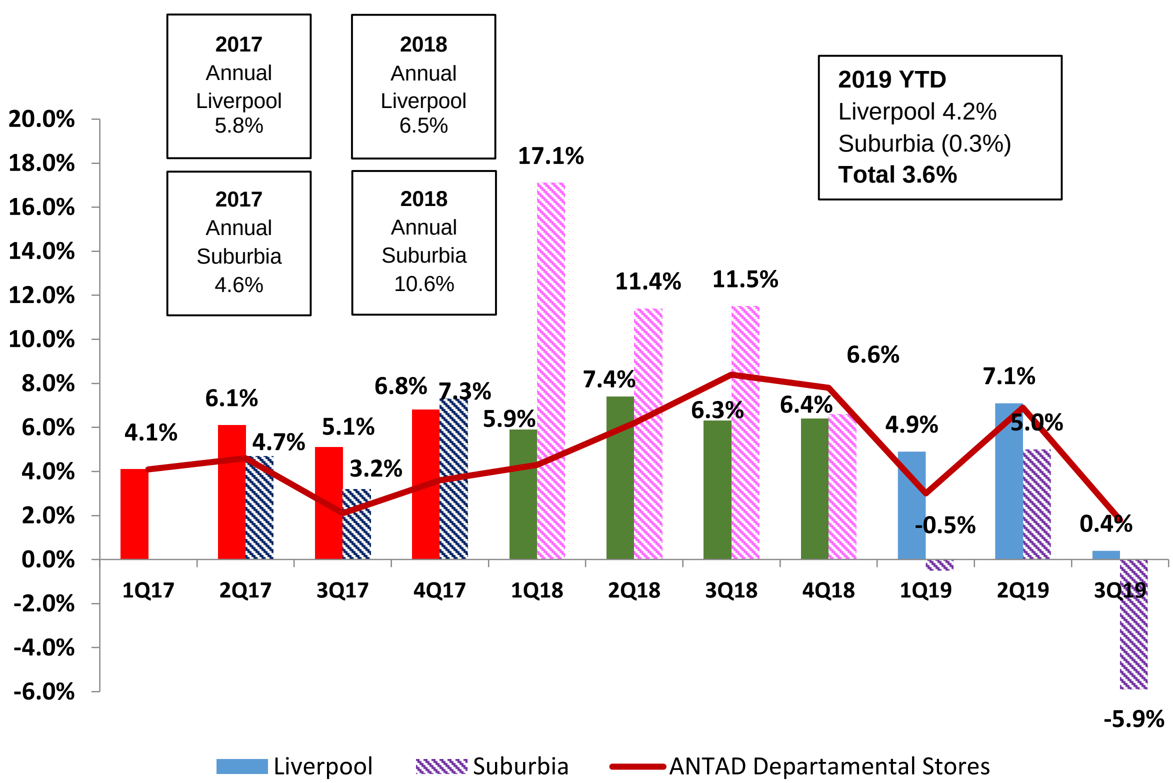
Same-store sales declined by 5.9% in the quarter. Part of this erosion is attributable to the recent change of technological platform, which caused some complications in the receipt and shipment of merchandise from the distribution center to the stores. In the year to date, the decline was 0.3%.

At the product category level, Children and General Merchandise outperformed the average, while Menswear and Women's were less vigorous.

By geographic region, the Southeast, Western-Central and South regions led the expansion, while the Mexico City metropolitan area underperformed the average.

We are continuing our strategy of accelerated expansion and now have 146 Suburbia stores. We opened 6 new stores in the quarter and converted 5 Fábricas de Francia units into Suburbia format stores.

**Same-Store Sales Growth**



The Galerías Coapa Suburbia store reopened its doors on September 12, 2019, so it is once again excluded from the calculation of same-store sales. Liverpool Coapa, which reopened its doors on October 31, 2018, is also excluded.

Figures published by ANTAD as of September 30, 2019 showed quarterly growth of 2.4% in nominal same-store sales terms. Department stores affiliated with ANTAD reported same-store sales growth of 1.8% in the third quarter.

**II. Omnichannel Business**

Digital transformation is a strategic priority for El Puerto de Liverpool. At the close of the third quarter of 2019 digital sales, excluding effects associated with promotional changes in connection with the transformations of Fábricas de Francia, grew by close to 40%.

Liverpool's digital sales accounted for 8.6% of retail sales in the year to date.

Our fastest-growing digital channel, Liverpool Pocket, saw a 144% increase in sales in the first nine months of this year, and a 60% increase in downloads.

We continue our effort to digitalize our clients, through campaigns encouraging them to use digital channels. The percentage of Omnichannel clients at the close of the quarter was 11.8%, an 18% increase compared to previous quarter, while sales for this group of customers accounted for 28.4% of the total.

Our focus on collaboration between bricks-and-mortar stores and digital sales made significant progress during the year. We continue the launch of the new app for our sales personnel, which expedites the process of selecting and sending orders from the stores. At the close of the third quarter, 87% of digital sales orders were stocked directly from the stores. Both real-time inventory management, which has been in operation since 2018, and store restocking algorithms, strengthen the process of order stocking from the store without causing distortions in our inventory.

One result of this was a 10% reduction in client shipment times since the start of the year, and that 91% of orders were delivered on time or earlier than promised.

Click & Collect modules handle close to half of our digital orders.

The primary means of payment for digital sales is the Liverpool card, which made up 60% of our sales in the first nine months of this year.

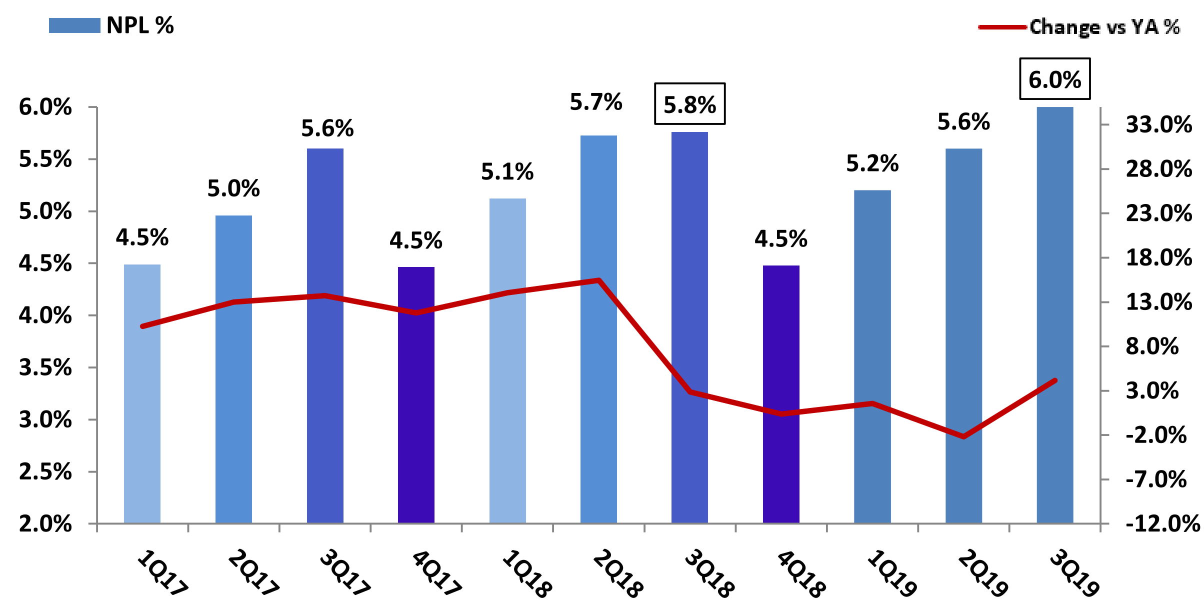
**III. Financial Businesses**

**Interest Income and Customer Portfolio**

In the third quarter, revenues in our credit division increased 14.0% over the same period of last year, and in the first three quarters of the year the growth was 18.5%. The customer portfolio expanded 5.4% year-over-year.

Credit payments more than 90 days past due made up 5.9% of the total portfolio, 10bp higher than in the third quarter of 2018. Counting Suburbia cards, the total non-performing loan rate is 6.0%. Thanks to new lending and collection models introduced last year, we have been able to keep this indicator stable.

**Accounts more than 90 days past due (%) and growth rate vs. the prior year**




As we had expected, the creation of reserves for uncollectible accounts in the third quarter is set against a difficult base the year before, and as of September 30, 2019, these reserves were as follows:

| | QUARTER | | | YTD | | |
|---|---|---|---|---|---|---|
| **Million pesos** | 3Q2019 | 3Q2018 | VAR % | 2019 | 2018 | Dif % |
| Initial balance of reserve: | 4,635.7 | 3,640.2 | 27.3% | 3,982.3 | 3,085.7 | 29.1% |
| (+) New reserves: | 921.6 | 770.8 | 19.6% | 3,158.0 | 2,800.1 | 12.8% |
| (-) Write off: | (843.8) | (796.3) | 6.0% | (2,426.8) | (2,271.1) | 6.9% |
| **Ending balance of reserve** | **4,713.5** | **3,614.7** | **30.4%** | **4,713.5** | **3,614.7** | **30.4%** |

Note that 66% of the sequential growth in new reserves was due to portfolio associated with Suburbia credit.

Sales transacted using Liverpool store cards accounted for 46.3% of total sales, a 50bp increase over the year-earlier quarter.

The Suburbia card contributed had almost 570 thousand accounts at the close of the quarter, and a net portfolio totaling more than Ps. 940 million. Its share in the year to date is 15.5%, and counting Liverpool cards the total shares is 21%.

### IV. Leasing

Quarterly leasing revenues grew 8.8% year-over-year, reflecting the reopening of Galerías Coapa. In the first nine months of the year revenues were 3.0% higher. Occupancy in our shopping centers stands at 95.2%.

### V. Cost of Goods Sold and Gross Margin

#### Retail Margin

The retail margin shrank by 10bp in the third quarter of the year. In accumulated terms the retail margin was down 60bp in the first three quarters of the year.

| | QUARTER | | | YTD | | |
|---|---|---|---|---|---|---|
| **Million pesos** | **3Q2019** | **3Q2018** | **Dif %** | **2019** | **2018** | **Dif%** |
| Commercial sales | 25,972.7 | 25,546.2 | 1.7% | 80,769.0 | 76,250.1 | 5.9% |
| Cost of goods sold | 17,781.0 | 17,464.3 | 1.8% | 55,537.5 | 51,976.3 | 6.9% |
| **Commercial margin** | **31.5%** | **31.6%** | **(0.1 p.p)** | **31.2%** | **31.8%** | **(0.6 p.p)** |

#### Consolidated Gross Margin

This margin improved by 74bp in the quarter and also advanced in the year to date, gaining 11bp over the first nine months of 2018. This can be attributed to a rise in the weight of the Credit Division during the year.

| | QUARTER | | | YTD | | |
|---|---|---|---|---|---|---|
| **As % of total income** | **3Q2019** | **3Q2018** | **VAR bps** | **2019** | **2018** | **VAR bps** |
| Retail | 86.2% | 87.4% | (1.2 p.p) | 86.6% | 87.5% | (0.9 p.p) |
| Interest | 10.9% | 9.9% | 1.0 p.p. | 10.6% | 9.6% | 1.0 p.p. |
| Leasing | 2.9% | 2.8% | 0.2 p.p. | 2.8% | 2.9% | (0.1 p.p) |

### VI. Operating Expenses before Depreciation

In the third quarter, operating expenses before depreciation rose 6.8%, and in the year to date, the increase was 8.4%. We should note that Ps. 200 million were set aside in 2018 for the transformation and closure of the Fábricas de Francia stores. The main factors behind the increase were: a) provisioning for uncollectible accounts; b) increases in electricity costs; c) personnel expenses; and d) store opening expenses.

## VII. EBITDA

EBITDA for the third quarter totaled Ps. 3.76 billion, 1.0% higher than in the same quarter of 2018, and in the first nine months of the year it reached Ps. 11.48 billion, a 4.9% growth. The quarterly EBITDA margin was 12.5%, and the margin for the first nine months was 12.3%, in both cases 26pb lower than the corresponding period of 2018.

## VIII. Operating Income

For the third quarter of 2019, operating income was Ps. 2.88 billion, a decrease of 0.7% compared to the same quarter of last year; accumulating the first nine months of the year it was Ps. 8.87 billion, a 4.1% year-over-year advance.

## IX. Financial Expense and Income

For this quarter, our net financial expense was Ps. 447 million, 3.5% less than in the same period of last year. In the year to date, our net financial expense totals Ps. 1.31 billion, a 6.9% reduction.

| Million pesos | QUARTER | | | YTD | | |
|---|---|---|---|---|---|---|
| **Net Financial Income/(Expense)** | **3Q2019** | **3Q2018** | **Effect** | **2019** | **2018** | **Effect** |
| Interest | (481.7) | (475.0) | 1.4% | (1,321.9) | (1,407.9) | -6.1% |
| Exchange Effect | 35.0 | 12.0 | 191.5% | 13.2 | 1.5 | 768.0% |
| **Total Financial Income/(Expense)** | **(446.8)** | **(463.0)** | **(3.5%)** | **(1,308.8)** | **(1,406.4)** | **(6.9%)** |

## X. Equity in the results of associated companies and joint ventures

During the quarter covered by this report, this line totaled Ps. 179.5 million, an 89% increase. This result includes almost Ps. 100 million pesos associated with the audited financial statements of Grupo Unicomer as of March 31. Excluding this effect, equity in the results of associated companies would have fallen by 12% in the quarter. For the first three quarters of the year, the increase was 32.7%, reaching a total of Ps. 570.2 million.

## XI. Taxes

The effective income tax rate for the quarter was 27.7%.

## XII. Net income

Majority net income in the third quarter totaled Ps. 1.95 billion, 1.9% higher than in the same quarter of 2018; in the first nine months of the year the increase was 8.3% and net profits totaled Ps. 6.09 billion.

## XIII. Balance Sheet

### Cash and Short-Term Investments

The balance of this account as of September 30, 2019 was Ps. 5.56 billion. Of this amount, 62.1% was invested in foreign currency (primarily USD).

### Inventory and Accounts payable

Inventory totaled Ps. 28.28 billion at the close of the third quarter, 19.7% higher than the year-earlier amount.

The balance of supplier accounts payable was Ps. 20.55 billion, a 5.1% increase over the third quarter of 2018.

### Cost-Bearing Debt and Cash Flow

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

| Million pesos | 2019 | 2018 | VAR % |
|---|---|---|---|
| Cost bearing debt | (30,621.2) | (29,559.3) | 3.6% |
| Financial derivative instruments acquired for hedging purposes* | 2,227.1 | 1,165.2 | 91.1% |
| **TOTAL** | **(28,394.1)** | **(28,394.1)** | **0.0%** |

*Cross currency swap

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. At the same time, 100% of our debt was at a fixed rate. Our next debt maturity comes due in 2020, totaling Ps. 3.0 billion.

The gross and net leverage ratios (gross and net debt to 12-month EBITDA) at the close of the third quarter were 1.37 and 1.10 times, respectively. These ratios have been calculated taking into account a mark-to-market valuation of the hedge instruments shown in the table above.

| Cashflow (Million pesos) | 2019 | 2018 | 2019 with IFRS 16 |
|---|---|---|---|
| **Operating income** | **8,866.1** | **8,515.6** | **9,373.1** |
| Depreciation and amortization | 2,611.9 | 2,431.0 | 3,497.5 |
| **EBITDA** | **11,478.0** | **10,946.6** | **12,870.6** |
| Interests | (1,571.3) | (1,700.5) | (1,571.3) |
| Taxes | (2,987.7) | (3,645.4) | (2,987.7) |
| Working capital | (6,282.5) | (3,144.0) | (6,282.5) |
| *Other* | (2,960.8) | (413.3) | (2,075.4) |
| **Cashflow from operations** | **(2,324.3)** | **2,043.5** | **(46.3)** |
| Capex | (5,648.6) | (6,257.9) | (5,648.6) |
| **Cashflow** | **(7,972.9)** | **(4,992.8)** | **(6,580.2)** |
| Paid Loans | - | (5,671.5) | - |
| Lease liabilities | - | - | (1,392.6) |
| **Increase / (Decrease)** | **(7,972.9)** | **(10,664.3)** | **(7,972.9)** |

## XIV. Capital Expenditures

As of September 30, 2019, the company had invested a total of Ps. 5.65 billion in capital expenditures, which was allocated primarily to store growth and remodeling, shopping centers, logistics, systems and maintenance.

## XV. Dividends

The General Shareholders' Meeting held March 7 declared a dividend of Ps. 1.48 billion, equivalent to 12.6% of net income in 2018. This was paid in two installments, the first on May 24 for a total of Ps. 886 million, and remaining Ps. 590 million on October 11 of this year.

## XVI. Effect of IFRS 16 on the Income Statement and Balance Sheet

The adoption of the new IFRS 16 standard had a negative effect on the Income Statement, totaling Ps. 65 million, or 3.5% of net income. In the first nine months of the year the negative effect on net profits was Ps. 211 million, or 3.6%.

IFRS 16 Effects
**Million Pesos**

| **Operating expenses** | **3Q19** | **2Q19** | **1Q19** | **YTD** |
|---|---|---|---|---|
| Leasing equipment | **403.3** | **386.1** | **377.4** | **1,166.8** |
| Leasing building | **81.0** | **75.0** | **69.9** | **225.9** |
| Depreciation and amortization | **(304.8)** | **(294.5)** | **(286.3)** | **(885.6)** |
| **Financial expenses** | | | | |
| Interests | **(267.9)** | **(261.8)** | **(264.0)** | **(793.7)** |
| **Associated companies** | **(2.8)** | **(2.9)** | **(3.4)** | **(9.1)** |
| **Pre-tax effct** | **(91.3)** | **(98.0)** | **(106.5)** | **(295.8)** |
| Taxes | **26.1** | **28.4** | **30.4** | **84.9** |
| **IRFS 16 effect** | **(65.2)** | **(69.6)** | **(76.1)** | **(210.9)** |

Note that the effects of IFRS 16 on equity in the results of associates is reflected only for Sfera; figures for Unicomer still do not include those effects.

The balance sheet reflects a right-to-use asset of Ps. 11.33 billion pesos, and a lease liability of Ps. 11.61 billion.

**Balance Sheet**
**As of September 2019**
**with IFRS 16 effects**

| Million Pesos | 2019 | 2018 | Dif |
|---|---|---|---|
| Cash / cash equivalent | 5,562.6 | 5,970.8 | (408.2) |
| Loan portfolio | 31,794.1 | 30,173.8 | 1,620.3 |
| Inventories | 28,276.6 | 23,615.7 | 4,660.8 |
| Investment in associates | 8,268.8 | 7,843.8 | 425.0 |
| Fixed assets | 49,599.5 | 46,352.9 | 3,246.5 |
| Right of use assets | 11,326.9 | 0.0 | 11,326.9 |
| Investment properties | 21,516.8 | 20,034.3 | 1,482.6 |
| Other | 30,309.2 | 28,635.0 | 1,674.2 |
| **Total Assets** | **186,654.4** | **162,626.3** | **24,028.1** |
| | | | |
| Suppliers | 20,545.6 | 19,554.4 | 991.2 |
| Short term loans | 3,000.0 | 0.0 | 3,000.0 |
| Long termn loans | 27,621.2 | 29,559.3 | (1,938.0) |
| Lease liabilities | 11,613.5 | 0.0 | 11,613.5 |
| Other liabilities | 20,396.9 | 20,080.8 | 316.1 |
| **Total Liabilities** | **83,177.3** | **69,194.5** | **13,982.8** |
| | | | |
| **Stockholders' equity** | **103,477.2** | **93,431.8** | **10,045.3** |

## XVII. Expansions and recent events

The 2019 opening plan incorporates four new Liverpool stores along with nineteen Suburbia stores and one shopping center. As of the date of this report we have the following openings, remodels and expansions:

| | | Openings/Closures 2019 |
|---|---|---|
| **Liverpool Stores:** | | |
| 1 | Monclova, Coahuila | Opened April 4th |
| 2 | Guanajuato, Guanajuato | Opened April 9th |
| **Suburbia Stores:** | | |
| 1 | Cuautla, Morelos | Opened May 15th |
| 2 | Monterrey Paseo Juárez, Nuevo León | Opened July 4th |
| 3 | Guanajuato, Guanajuato | Opened July 10th |
| 4 | Pachuca, Hidalgo | Opened July 25th |
| 5 | Tlalpan, Ciudad de México | Reopened September 12th |
| 6 | Monclova, Coahuila | Opened September 13th |
| 7 | Mérida, Yucatán | Opened September 26th |
| 8 | Azcapotzalco, Ciudad de México | Opened October 17th |
| | Aguascalientes Centro, Aguascalientes | Closed June 16th |
| | Lomas Verdes, Estado de México | Closed June 30th |
| | Tapachula Centro, Chiapas | Closed July 15th |
| **Remodeling and openings (in process):** | | |
| | Liverpool Perisur y Centro Comercial Perisur | |
| | Liverpool y Centro Comercial Galerías Monterrey | |
| | Liverpool y Centro Comercial Plaza Satélite | |
| | Centro Comercial Galerías Insurgentes | |

**XVIII. Conversion of Fábricas de Francia stores to Liverpool and Suburbia**

As of the date of this report, we had converted 41 Fábricas de Francia units. Twenty-four of them were converted to Liverpool stores, three were closed definitely, and 14 became Suburbia stores.

The stores converted to Liverpool format showed an average increase in sales of close to 20%. The results of the Suburbia conversions reflect an improvement in the retail margin and reduction in operating expense, making these units more profitable.

**XIX. Social Responsibility and Sustainability**

In September, the results of the RobecoSAM assessment were published, providing a reference on El Puerto de Liverpool's standing within the international retail industry in economic, social and environmental issues. This year, we improved our ranking with a performance above that of 58% of the companies in our industry, and better than 73% of them in social issues.

This result reflects the impacts of actions we have taken in the areas of strategic purchasing, environment and education, and our conviction about the importance of strengthening corporate governance.

El Puerto de Liverpool is committed to the national "Youth Building the Future" program, and at present we have 469 interns active under the program.

On September 24, we signed a second contract for the supply of solar energy with IEnova, which will enable us to save on energy costs and continue to fulfill our commitment to care for the environment by reducing CO2 emissions. The contract has a term of 15 years and will start up operations in the second half of 2020.

**XX. Arco Norte**

Work is continuing on construction of our new logistical distribution center, Arco Norte. This new facility will enable us to improve customers' shopping and service experience. The first phase includes warehouse and distribution of big-ticket merchandise and is scheduled for startup in the second quarter of 2021. Capex invested in this project at the close of September was Ps. 814 million.

**XXI. Stock repurchase fund**

On August 28, a Shareholders' Meeting was held in which it was agreed to increase the stock buyback reserve to Ps. 6 billion.

**XXII. 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:

| Analysts | | |
|---|---|---|
| Actinver | Citi | Itaú BBA |
| Bank of America Merrill Lynch | Credit Suisse | JP Morgan |
| Banorte IXE | GBM | Monex |
| Barclays | Goldman Sachs | Santander |
| BBVA | HSBC | Scotiabank |
| BTG Pactual | Intercam | Vector |

## XXIII. About the Company

El Puerto de Liverpool, S.A.B. de C.V.: (as of 30 September 2019)

| | | |
|---|---|---|
| Department Stores: | | |
| Liverpool | 120 | 1, 682,308 m2 |
| Fábricas de Francia | 1 | 7,481 m2 |
| **Total Stores** | **121** | **1, 689,789 m2** |
| Tiendas Suburbia | 146 | 551, 633 m2 |
| Shopping Centers: | 27 | 536,436 m2 |
| Boutiques: | 129 | 77,408 m2 |

## XXIV. Credit cards

| Number of cards | 3Q19 | 3Q18 | % CHG. |
|---|---|---|---|
| Liverpool | 4,820,858 | 4,777,335 | 0.9% |
| Suburbia | 569,895 | 83,023 | 586.4% |

## Contacts

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**Annex – Basic Financial Statements**

**Balance Sheet**

| Balance Sheet<br>As of September 2019<br>with IFRS 16 effects<br>Million Pesos | 2019 | 2018 | Dif |
|---|---|---|---|
| Cash / cash equivalent | 5,562.6 | 5,970.8 | (408.2) |
| Loan portfolio | 31,794.1 | 30,173.8 | 1,620.3 |
| Inventories | 28,276.6 | 23,615.7 | 4,660.8 |
| Investment in associates | 8,268.8 | 7,843.8 | 425.0 |
| Fixed assets | 49,599.5 | 46,352.9 | 3,246.5 |
| Right of use assets | 11,326.9 | 0.0 | 11,326.9 |
| Investment properties | 21,516.8 | 20,034.3 | 1,482.6 |
| Other | 30,309.2 | 28,635.0 | 1,674.2 |
| **Total Assets** | **186,654.4** | **162,626.3** | **24,028.1** |
| | | | |
| Suppliers | 20,545.6 | 19,554.4 | 991.2 |
| Short term loans | 3,000.0 | 0.0 | 3,000.0 |
| Long termn loans | 27,621.2 | 29,559.3 | (1,938.0) |
| Lease liabilities | 11,613.5 | 0.0 | 11,613.5 |
| Other liabilities | 20,396.9 | 20,080.8 | 316.1 |
| **Total Liabilities** | **83,177.3** | **69,194.5** | **13,982.8** |
| | | | |
| **Stockholders' equity** | **103,477.2** | **93,431.8** | **10,045.3** |

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## Income Statement

| Million pesos | QUARTER 2019 | 2018 | % VAR. | IFRS 16 | 2019 con IFRS 16 | % VAR. |
|---|---|---|---|---|---|---|
| **Commercial Income** | **25,972.7** | **25,546.2** | **1.7** | | **25,972.7** | **1.7** |
| **Leasing Income** | **879.4** | **808.6** | **8.8** | | **879.4** | **8.8** |
| **Interest Income** | **3,293.7** | **2,889.5** | **14.0** | | **3,293.7** | **14.0** |
| **Total Income** | **30,145.8** | **29,244.3** | **3.1** | | **30,145.8** | **3.1** |
| COGS | (17,781.0) | (17,464.3) | 1.8 | | (17,781.0) | 1.8 |
| **Commercial Gross Profit** | **8,191.7** | **8,082.0** | **1.4** | | **8,191.7** | **1.4** |
| **Commercial Margin** | 31.5% | 31.6% | (0.1 p.p) | | 31.5% | (0.1 p.p) |
| **Net Gross Profit** | **12,364.8** | **11,780.1** | **5.0** | | **12,364.8** | **5.0** |
| Gross Margin | 41.0% | 40.3% | 0.7 p.p. | | 41.0% | 0.7 p.p. |
| **Operating expenses without depreciation, overdue accounts and one time provisions** | **(7,683.4)** | **(7,286.2)** | **5.5** | **484.2** | **(7,199.1)** | **(1.2)** |
| **Provisions for overdue accounts** | **(921.6)** | **(770.8)** | **19.6** | **-** | **(921.6)** | **19.6** |
| **EBITDA Expenses** | **(8,605.0)** | **(8,057.0)** | **6.8** | **484.2** | **(8,120.8)** | **0.8** |
| Depreciation & Amortization | (875.6) | (819.6) | 6.8 | (304.8) | (1,180.5) | 44.0 |
| **Net Operating Expenses** | **(9,480.6)** | **(8,876.6)** | **6.8** | **179.4** | **(9,301.2)** | **4.8** |
| Consolidated Operating Income | 2,884.2 | 2,903.5 | (0.7) | 179.4 | 3,063.6 | **5.5** |
| **Consolidated EBITDA** | **3,759.8** | **3,723.1** | **1.0** | **484.2** | **4,244.0** | 14.0 |
| Consolidated EBITDA Margin | 12.5% | 12.7% | (0.3 p.p) | 1.6 p.p. | 14.1% | 1.3 p.p. |
| **Financing expense** | **(481.7)** | **(475.0)** | **1.4** | **(267.9)** | **(749.6)** | **57.8** |
| **Foreign exchange gain** | **35.0** | **12.0** | **191.5** | - | **35.0** | **191.5** |
| **Profit before income tax** | **2,437.4** | **2,440.5** | **(0.1)** | **(88.5)** | **2,348.9** | **(3.8)** |
| Income Tax | (674.4) | (618.4) | 9.1 | 26.1 | (648.2) | 4.8 |
| Effective Rate | 27.7% | 25.3% | 0.0% | 0.0 p.p. | 27.6% | - |
| **Net Income before Investment in Associates** | **1,763.1** | **1,822.1** | **(3.2)** | **(62.3)** | **1,700.7** | **(6.7)** |
| **Investment in Associates** | **179.5** | **95.0** | **89.0** | **(2.8)** | **176.6** | **86.0** |
| **Net Income** | **1,942.5** | **1,917.0** | **1.3** | **(65.2)** | **1,877.3** | **(2.1)** |
| **Non-controlling Net Income** | **6.8** | **(4.0)** | **267.6** | **-** | **6.8** | **267.6** |
| **Controlling Net Income** | **1,949.3** | **1,913.0** | **1.9** | **(65.2)** | **1,884.1** | **(1.5)** |

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## Income statement

| Million pesos | 2019 | 2018 | % VAR. | YTD IFRS 16 | 2019 IFRS 16 | 2018 | % VAR. |
|---|---|---|---|---|---|---|---|
| **Commercial Income** | **80,769.0** | **76,250.1** | **5.9** | | **80,769.0** | **76,250.1** | **5.9** |
| **Leasing Income** | **2,619.3** | **2,543.5** | **3.0** | | **2,619.3** | **2,543.5** | **3.0** |
| **Interest Income** | **9,890.1** | **8,346.5** | **18.5** | | **9,890.1** | **8,346.5** | **18.5** |
| **Total Income** | **93,278.4** | **87,140.1** | **7.0** | | **93,278.4** | **87,140.1** | **7.0** |
| COGS | (55,537.5) | (51,976.3) | 6.9 | | (55,537.5) | (51,976.3) | 6.9 |
| **Commercial Gross Profit** | **25,231.5** | **24,273.8** | **3.9** | | **25,231.5** | **24,273.8** | **3.9** |
| **Commercial Margin** | 31.2% | 31.8% | (0.6 p.p) | | 31.2% | 31.8% | (0.6 p.p) |
| **Net Gross Profit** | **37,741.0** | **35,163.8** | **7.3** | | **37,741.0** | **35,163.8** | **7.3** |
| Gross Margin | 40.5% | 40.4% | 0.1 p.p. | | 40.5% | 40.4% | 0.1 p.p. |
| **Operating expenses without depreciation, overdue accounts and one time provisions** | **(23,104.9)** | **(21,417.1)** | **7.9** | **1,392.6** | **(21,712.3)** | **(21,417.1)** | **1.4** |
| **Provisions for overdue accounts** | **(3,158.0)** | **(2,800.1)** | **12.8** | **-** | **(3,158.0)** | **(2,800.1)** | **12.8** |
| **EBITDA Expenses** | **(26,262.9)** | **(24,217.2)** | **8.4** | **1,392.6** | **(24,870.3)** | **(24,217.2)** | **2.7** |
| Depreciation & Amortization | (2,611.9) | (2,431.0) | 7.4 | (885.6) | (3,497.5) | (2,431.0) | 43.9 |
| **Net Operating Expenses** | **(28,874.8)** | **(26,648.2)** | **8.4** | **507.0** | **(28,367.8)** | **(26,648.2)** | **6.5** |
| Consolidated Operating Income | 8,866.1 | 8,515.6 | 4.1 | 507.0 | 9,373.1 | 8,515.6 | **10.1** |
| **Consolidated EBITDA** | **11,478.0** | **10,946.6** | **4.9** | **1,392.6** | **12,870.6** | **10,946.6** | 17.6 |
| Consolidated EBITDA Margin | 12.3% | 12.6% | (0.3 p.p) | 1.5 p.p. | 13.8% | 12.6% | 1.2 p.p. |
| **Financing expense** | **(1,321.9)** | **(1,407.9)** | **(6.1)** | **(793.7)** | **(2,115.6)** | **(1,407.9)** | **50.3** |
| **Foreign exchange gain** | **13.2** | **1.5** | **768.0** | - | **13.2** | **1.5** | **768.0** |
| **Profit before income tax** | **7,557.3** | **7,109.2** | **6.3** | **(286.7)** | **7,270.7** | **7,109.2** | **2.3** |
| Income Tax | (2,038.1) | (1,903.3) | 7.1 | 84.9 | (1,953.2) | (1,903.3) | 2.6 |
| Effective Rate | 27.0% | 26.8% | 0.0% | 0.0 p.p. | 26.9% | 26.8% | **-** |
| **Net Income before Investment in Associates** | **5,519.2** | **5,205.9** | **6.0** | **(201.8)** | **5,317.5** | **5,205.9** | **2.1** |
| **Investment in Associates** | **570.2** | **429.6** | **32.7** | **(9.1)** | **561.1** | **429.6** | **30.6** |
| **Net Income** | **6,089.4** | **5,635.5** | **8.1** | **(210.9)** | **5,878.6** | **5,635.5** | **4.3** |
| **Non-controlling Net Income** | **4.7** | **(7.4)** | **164.0** | **-** | **4.7** | **(7.4)** | **164.0** |
| **Controlling Net Income** | **6,094.2** | **5,628.1** | **8.3** | **(210.9)** | **5,883.3** | **5,628.1** | **4.5** |

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**Cash flow**

| **Cashflow (Million pesos)** | **2019** | **2018** | **2019 with IFRS 16** |
|---|---|---|---|
| **Operating income** | **8,866.1** | **8,515.6** | **9,373.1** |
| Depreciation and amortiz | 2,611.9 | 2,431.0 | 3,497.5 |
| **EBITDA** | **11,478.0** | **10,946.6** | **12,870.6** |
| Interests | (1,571.3) | (1,700.5) | (1,571.3) |
| Taxes | (2,987.7) | (3,645.4) | (2,987.7) |
| Working capital | (6,282.5) | (3,144.0) | (6,282.5) |
| Clients | 4,469.5 | 4,966.7 | 4,469.5 |
| Inventaries | (7,603.3) | (5,129.3) | (7,603.3) |
| Suppliers | (3,148.7) | (2,981.4) | (3,148.7) |
| *Other* | (2,960.8) | (413.3) | (2,075.4) |
| **Cashflow from operation** | **(2,324.3)** | **2,043.5** | **(46.3)** |
| Capex | (5,648.6) | (6,257.9) | (5,648.6) |
| **Cashflow** | **(7,972.9)** | **(4,992.8)** | **(6,580.2)** |
| Paid Loans | - | (5,671.5) | - |
| Lease liabilities | - | - | (1,392.6) |
| **Increase / (Decrease)** | **(7,972.9)** | **(10,664.3)** | **(7,972.9)** |