

## EL PUERTO DE LIVERPOOL, S.A.B. DE C.V. 2014 FIRST QUARTER EARNINGS RELEASE

During the first quarter of 2014 Mexican economy remained weak which was evident by the deterioration of the main economic indicators as well as dimness in the consumer's mood.

Within this context Liverpool's total income grew 8.4% compared to the same period of 2013 driven by its three business divisions.

### Key figures

(Millions of Mexican pesos)

|                                    | 1Q 2014  | 1Q 2013  | VAR % |
|------------------------------------|----------|----------|-------|
| Total Revenues:                    | 15,279.5 | 14,100.1 | 8.4%  |
| Sale of Goods (including services) | 12,789.8 | 11,947.7 | 7.0%  |
| Interests                          | 1,834.5  | 1,593.4  | 15.1% |
| Leases                             | 655.2    | 559.0    | 17.2% |
| Cost of Sales                      | 8,969.5  | 8,473.5  | 5.9%  |
| Gross Profit                       | 6,309.9  | 5,626.6  | 12.1% |
| General Expenses                   | 4,948.4  | 4,398.1  | 12.5% |
| Operating Profit                   | 1,368.9  | 1,272.7  | 7.6%  |
| Majority Net Profit                | 948.1    | 964.5    | -1.7% |
| EBITDA                             | 1,831.1  | 1,687.7  | 8.5%  |

Operations by line of business are described as follows:

**Retail:** ANTAD's figures for the first quarter of 2014 made evident both a weakness in consumption and better results of department stores over supermarkets. Same-stores-sales for department stores grew 2.3% whereas for supermarkets decline 2.7%. Total stores sales for department stores increased 6.6% and 1.1% for supermarkets. This includes the negative impact of the late arrival of Easter in 2014.

Liverpool's revenues from merchandise sales amounted to Ps. 12,779 million, reaching same-store-sales growth of 4.1% and 7.1% growth for total stores.

**Interest:** Interest related to Liverpool's credit cards amounted to Ps. 1,835 million in the first quarter of 2014, 15.1% higher than the one recorded during the same period in 2013. The Company has adjusted its promotional offer to improve its productivity while providing additional payment

alternatives to its customers. Additionally, more than 18,000 new accounts were issued during the quarter.

**Leasing:** During the first three months of 2014 revenues coming from leasing amounted to Ps. 655 million. This figure was 17.2% higher than the prior year due to the opening of two shopping malls and the corresponding minority stake in a third one, all in 2013. It is worth to mention that this growth will normalize within the next months as the Company does not expect to collect the same level of revenues derived from key money as those compared to 2013.

### **Cost of Sales and Gross Margin**

Despite an increasing competitive environment in retail sales in Mexico, Liverpool's gross margin for the first quarter of 2014 was 41.3%, showing an increase of 139 basis points when compared to the same period of 2013. This improvement was achieved due to better inventory management and promotion planning which eventually lead to a 5.9% increase in cost of sales.

### **Operating Expenses**

Operating expenses grew 12.5% compared to those recorded in the first quarter of 2013 primarily as a result of higher reserves for bad debts derived from the growth of the credit portfolio; higher corporate expenses related to the Company's expansion as well as on-line sales' growth; expenses related to the implementation of new information systems and its corresponding maintenance and depreciation and expenses related to the opening of 4 stores, 3 shopping malls and 24 specialty boutiques in the last twelve months.

In perspective, increase in reserves for bad debts represented 4.1 percentage points of the operating expenses growth for the quarter. Without considering this effect, operating expenses grew 8.4%, reasonably in line with the total revenues growth.

### **Operating Income**

As a result of the afore mentioned, operating income for the first quarter of 2014 amounted to Ps. 1,369 million, 7.6% higher than in 2013. Operating margin was 9.0%, practically the same as of 2013.

### **EBITDA**

Accumulated EBITDA for the first three months of 2014 amounted to Ps. 1,831 million, 8.5% higher than the one recorded during the first quarter of 2013. EBITDA margin was 12.0%, the same level recorded in 2013. Last twelve months EBITDA margin was 16.8%

### **Integral cost of financing**

Net financial expenses for the first three months of 2014 were 17.5% higher than those recorded in 2013. This was attributable to an increase in net debt used to finance part of the Company's expansion and working capital needs.

### **Net majority income**

Net majority income for the first quarter was Ps. 948 million, 1.7% lower compared to the same period of 2013.

## **BALANCE SHEET**

### **Cash and short-term Investments**

As of March 31<sup>st</sup>, 2014, the balance of this account was Ps. 503million, 78.5% lower than the Ps. 2,341 million recorded in 2013.

### **Credit Portfolio**

At the end of the first quarter of 2014 the credit portfolio amounted to Ps. 25,387 million for an increase of 12.8% with respect to 2013. It is worth mentioning that credit revenues grew 15.1% in the same period. Non-performing loans were 3.6% of the total portfolio, 60 basis points higher than the first quarter of 2013.

### **Inventories**

Starting January 1<sup>st</sup> 2014, the Company incorporated in-transit merchandise as part of the inventories. At the end of the first quarter of 2014 inventories were Ps. 13,113 million, 12.0% higher than previous year, out of which 3.0 percentage points were related to this adjustment. This change does not affect the Company's working capital.

### **Cost-bearing Debt**

Cost-bearing debt at the end of the first quarter was Ps. 15,512 million, representing a 1.2x debt to last twelve months EBITDA ratio.

### **Expansion and Recent Events**

During first quarter 2014 a Liverpool store and an Aéropostale boutique were opened in the "Antea" shopping center in the city of Queretaro.

Expansion plans for 2014 include two more Liverpool stores and two shopping centers in the cities of Toluca and Puebla, as well as two Fabricas de Francia stores and approximately 50 specialty boutiques.

Also, during April 2014 a Sfera in Pachuca, Hidalgo; an Aéropostale in Plaza Satelite's shopping center in the State of Mexico and the first Chico's boutique in the Perisur's shopping center at Mexico City were opened.

### Capital Expenditure

As of March 2014, capital expenditure related to expansion and remodeling projects reached the amount of Ps. 1,213 million.

### Analysts' Coverage

In compliance with the Mexican Securities Market Act, the Company hereby discloses the list of institutions and financial groups that evaluate its performance from a financial and operative perspective:

|               |            |
|---------------|------------|
| Actinver      | HSBC       |
| Barclays      | Itaú BBA   |
| BBVA Bancomer | JP Morgan  |
| BTG Pactual   | Santander  |
| Deutsche Bank | Ve por más |
| GBM           |            |

### Company Profile

El Puerto de Liverpool, S.A.B. de C.V. is the largest full-scale department store Company in Mexico, with 102 units in operation under three different brand names: Liverpool; Fábricas de Francia; and Liverpool Duty Free.

The Company has more than 1.4 million square meters of sales floor and is present in 57 cities throughout the Mexican Republic.

Liverpool's real estate operations are supported by 22 shopping malls in 15 different Mexican cities, in which Liverpool has more than 395 thousand square meters of gross leasing space.

Liverpool is the third largest credit card issuer in Mexico, with more to 3.5 million cards.

### Contacts

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| <b>CONSOLIDATED INCOME STATEMENT</b>                                   |                 |              |                 |              |             |
|--|-----------------|--------------|-----------------|--------------|-------------|
| (MILLIONS OF PESOS)  | 1Q14            | %            | 1Q13            | %            | VAR. %      |
| <b>REVENUES</b>  | <b>15,279.5</b> | <b>100.0</b> | <b>14,100.1</b> | <b>100.0</b> | <b>8.4</b>  |
| SALE OF GOODS (INCLUDING SERVICES)                                     | 12,789.8        | 83.7         | 11,947.7        | 84.7         | 7.0         |
| INTERESTS  | 1,834.5         | 12.0         | 1,593.4         | 11.3         | 15.1        |
| LEASES   | 655.2           | 4.3          | 559.0           | 4.0          | 17.2        |
| COST OF SALES  | 8,969.5         | 58.7         | 8,473.5         | 60.1         | 5.9         |
| <b>GROSS PROFIT</b>  | <b>6,309.9</b>  | <b>41.3</b>  | <b>5,626.6</b>  | <b>39.9</b>  | <b>12.1</b> |
| GENERAL EXPENSES   | 4,948.4         | 32.4         | 4,398.1         | 31.2         | 12.5        |
| PROFIT (LOSS) BEFORE OTHER INCOME (EXPENSE), NET                       | 1,361.5         | 8.9          | 1,228.5         | 8.7          | 10.8        |
| OTHER INCOME (EXPENSE), NET  | 7.4             | 0.0          | 44.2            | 0.3          | -83.3       |
| <b>OPERATING PROFIT</b>  | <b>1,368.9</b>  | <b>9.0</b>   | <b>1,272.7</b>  | <b>9.0</b>   | <b>7.6</b>  |
| FINANCE INCOME (COSTS), NET  | -220.1          | -1.4         | -187.4          | -1.3         | 17.5        |
| SHARE OF PROFIT (LOSS) OF ASSOCIATES AND JOINT VENTURES                | 70.9            | 0.5          | 143.1           | 1.0          | -50.5       |
| PROFIT (LOSS) BEFORE INCOME TAX  | 1,219.6         | 8.0          | 1,228.4         | 8.7          | -0.7        |
| INCOME TAX EXPENSE   | 269.6           | 1.8          | 263.6           | 1.9          | 2.3         |
| <b>PROFIT (LOSS), ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>        | <b>1.9</b>      |              | <b>0.4</b>      | <b>0.0</b>   |             |
| <b>PROFIT (LOSS), ATTRIBUTABLE TO OWNERS OF PARENT</b>                 | <b>948.1</b>    | <b>6.2</b>   | <b>964.5</b>    | <b>6.8</b>   | <b>-1.7</b> |
| <b>EARNINGS BEFORE INTERESTS, TAXES, DEPRECIATION AND AMORTIZATION</b> | <b>1,831.1</b>  | <b>12.0</b>  | <b>1,687.7</b>  | <b>12.0</b>  | <b>8.5</b>  |

| <b>BALANCE SHEET</b>                               |                 |                 |
|--|-----------------|-----------------|
| (MILLIONS OF PESOS)                                | 1Q14            | 1Q13            |
| <b>TOTAL ASSETS</b>                                | <b>93,078.3</b> | <b>85,057.4</b> |
| <b>TOTAL CURRENT ASSETS</b>                        | <b>35,267.9</b> | <b>33,205.8</b> |
| CASH AND CASH EQUIVALENTS & SHORT-TERM INVESTMENTS | 503.4           | 2,340.6         |
| TRADE RECEIVABLES (NET)                            | 18,974.4        | 16,842.3        |
| OTHER RECEIVABLES (NET)                            | 2,415.2         | 2,155.4         |
| INVENTORIES  | 13,113.4        | 11,703.8        |
| OTHER CURRENT ASSETS                               | 261.5           | 163.8           |
| <b>TOTAL NON-CURRENT ASSETS</b>                    | <b>57,810.4</b> | <b>51,851.6</b> |
| ACCOUNTS RECEIVABLE, NET                           | 6,412.7         | 5,654.1         |
| PROPERTY, PLANT AND EQUIPMENT, NET                 | 29,366.2        | 26,910.5        |
| INVESTMENT PROPERTY                                | 14,618.0        | 12,641.8        |
| INTANGIBLE ASSETS, NET                             | 1,736.1         | 1,559.5         |
| INVESTMENTS IN ASSOCIATES AND JOINT VENTURES       | 4,038.1         | 3,665.7         |
| OTHER INVESTMENTS                                  | 658.4           | 645.1           |
| OTHER NON-CURRENT ASSETS                           | 981.1           | 774.9           |
| <b>TOTAL LIABILITIES</b>                           | <b>37,245.4</b> | <b>35,535.4</b> |
| <b>TOTAL CURRENT LIABILITIES</b>                   | <b>23,025.5</b> | <b>17,559.3</b> |
| SHORT TERM DEBT                                    | 6,590.3         | 0.0             |
| TRADE PAYABLES                                     | 9,335.6         | 9,700.1         |
| OTHER CURRENT LIABILITIES                          | 7,099.7         | 7,859.2         |
| <b>TOTAL NON-CURRENT LIABILITIES</b>               | <b>14,219.8</b> | <b>17,976.1</b> |
| LONG TERM DEBT                                     | 8,921.5         | 12,921.5        |
| DEFERRED TAX LIABILITIES                           | 5,197.3         | 4,277.2         |
| OTHER NON-CURRENT LIABILITIES                      | 101.1           | 777.4           |
| <b>TOTAL EQUITY</b>                                | <b>55,832.9</b> | <b>49,522.1</b> |
| EQUITY ATTRIBUTABLE TO OWNERS OF PARENT            | 55,828.7        | 49,519.7        |
| NON-CONTROLLING INTERESTS                          | 4.3             | 2.4             |