

LA COMER, S.A.B. DE C.V. (BMV: LACOMER) ANNOUNCES TODAY ITS 2NDQ18 RESULTS

Mexico City, July 25th, 2018. La Comer, S.A.B. de C.V., hereafter La Comer (BMV: LACOMER), holding company that operates in the retail sector in Mexico through supermarkets offering groceries, perishables and pharmacy; announced today its 2ndQ 2018 results.

Second Quarter 2018 Results

Highlights:

- ✓ Increase in total sales of 16.7% and same store sales growth of 8.9%
- ✓ Gross margin of 25.8%
- ✓ EBITDA margin of 8.1%

	2Q 2018				
	2018	%	2017	%	Var %
Net sales	4,829.8	100.0	4,137.3	100.0	16.7
Cost of sales	3,581.7	74.2	3,095.0	74.8	15.7
Gross profit	1,248.1	25.8	1,042.3	25.2	19.7
Operating expenses	1,044.6	21.6	865.4	20.9	20.7
Operating profit	203.5	4.2	176.9	4.3	15.0
EBITDA ¹	393.2	8.1	327.2	7.9	20.2
Net financial result	68.0	1.4	35.8	0.9	89.9
Taxes and other	73.6	1.5	64.5	1.6	14.4
Net Income	197.8	4.1	148.1	3.6	33.6
Same Store Sales (%)	8.9		9.0		
Clients (thousands)	16,344		15,250		7.2
Number of stores	62		58		6.9
Sales area (m ²)	253,554		236,712		7.1

In millions of Mexican pesos,

(1) EBITDA refers to Earnings before Interest, Taxes, Depreciation and Amortization.

Quarterly Results

Sales

Net sales for the quarter amounted \$4,830 million pesos, having an increase of 16.7% compared to the same period of 2017. Same store sales in the quarter grew 8.9%. Increases in same store sales continue to exceed the growth presented by the self-service sector of 4.3% published by ANTAD.

During this quarter we started for the third year with our promotional campaign "Orange Season" (*Temporada Naranja*), based on offering to our customers promotions in products from various departments and rotate them throughout the promotional period. This campaign has been developing very favorably. Additionally, we continue our weekly "*Miércoles de Plaza*" campaign, where we offer high-quality perishables every Wednesday at preferential prices. Both campaigns continue being widely accepted among our customers.

All formats, regions and categories present high positive numbers, but the Fresko format stood out with the highest same store sales increases in the quarter.

By region, the mayor increases in same store sales were in the Central Region of the country, without including the metropolitan area of Mexico City.

Gross Profit

Gross profit increased from \$ 1,042 million pesos in the second quarter of 2017 to \$ 1,248 million pesos in the second quarter of 2018; presenting an increase of 19.7%. The gross margin for the second quarter of 2018 was 25.8% compared to 25.2% in the same period of the previous year, presenting an increase of 65 basis points.

In addition to maintain a competitive acquisition costs of merchandise, the company continues obtaining greater logistical efficiencies which represent a lower cost of storage and distribution of products, as well as maintaining levels of shrinkage.

Operating profit and EBITDA

For the second quarter of 2018 there was an operating income of \$203 million pesos, presenting an operating margin of 4.2% and EBITDA margin of 8.1%. The operating cash flow for the quarter was \$393 million pesos, showing an increase of 20.2%.

During this quarter we continued with margins pressures in the administrative and sales expenses. Increase in some expenses is mainly explained by the need to ensure a level of service, in line with the company's differentiation strategy.

The expenses that had bigger increases were:

- Salaries, because our employees require more training and a higher level, having a more expensive profile. Additionally, we are hiring and training the staff that will attend the new stores that would open during this year.
- Advertising. To promote and adequately reinforce our *Temporada Naranja* campaign, as well as to reinforce our brands and company image.

- We had during the quarter some extraordinary expenses: special security measures; some minor natural disasters (flooding and earthquake); and some donations to assisting institutions.

Net Financial Result

The company presented a net financial income of \$68 million pesos due to \$31 million pesos on interest and return on investment and \$37 million pesos on gain of the exchange rate. Given the period of economic uncertainty regarding the level of exchange rates, the company has decided to maintain a position in dollars to cover its flows in this currency for the following 12 months, not only those related to the operation of the business, but also including the investments planned for the new stores.

The net income for the quarter was \$198 million pesos, presenting an increase of 33.6%.

As of June 2018 Results

Highlights:

- ✓ Increase in total sales of 15.3% as of June 30, 2018.
- ✓ Increase in same store sales of 9.7%
- ✓ EBITDA margin of 8.4%

	Acumulado				
	2018	%	2017	%	Var %
Net sales	9,117.1	100.0	7,903.9	100.0	15.3
Cost of sales	6,707.4	73.6	5,870.5	74.3	14.3
Gross profit	2,409.7	26.4	2,033.4	25.7	18.5
Operating expenses	1,999.5	21.9	1,694.1	21.4	18.0
Operating profit	410.3	4.5	339.3	4.3	20.9
EBITDA ¹	762.3	8.4	631.6	8.0	20.7
Net financial result	93.7	1.0	21.4	0.3	337.9
Taxes and other	133.8	1.5	109.8	1.4	21.9
Net Income	370.2	4.1	250.9	3.2	47.5
Same Store Sales (%)	9.7		9.0		
Clients (thousands)	31,515		29,851		5.6
Inventory days ratio	88		84		4.8
Supplier days ratio	99		85		16.5
Number of stores	62		58		6.9
Sales area (m ²)	253,554		236,712		7.1

In millions of Mexican pesos,

(1) EBITDA refers to Earnings before Interest, Taxes, Depreciation and Amortization

Net sales

In cumulative terms, for the first six months of the year, total sales amounted \$ 9,117 million pesos, presenting an increase of 15.3% compared to the same period of the previous year. Consolidated same store sales for the first half of the year increased 9.7%. These increases are due in part to the favorable consumption environment in the country and additionally, to the good acceptance that our formats are having during the year.

Total sales were favored by the re-opening of the store La Comer Insurgentes that was re-inaugurated in the month of March after a year of closure due to its total remodeling.

All the formats, regions and categories present positive numbers, but the Fresko as well as City Market formats presented the highest sales increases in the semester.

By region, there was greater growth in same store sales in the Central region of the country (without including the metropolitan area of Mexico City). By product category, we can highlight that for the first six months of the year, there were significant increases in the perishables category, especially in the food division.

Gross profit

Gross profit for the period had a margin of 26.4% as a percentage of sales, and an increase with respect to the previous year of 18.5%. This is due mostly because of efficiencies in our distribution centers.

Operating income and EBITDA

Operating income for the first six months of the year grew by 20.9% with a margin of 4.5% over sales. During this period, advertising expenses and salaries increased significantly. In the first semester of the year, we include also expenses for the closing of a store and pre-operative expenses of new and coming stores.

In cumulative terms the EBITDA margin was 8.4%, generating an operating cash flow of \$ 762 million pesos with a 20.7% increase compared for the same period of last year.

Financial income

Within this concept, the company presented an integral result of net financing of \$ 94 million pesos, due to \$ 67 million pesos of income from investment returns, as well as a foreign exchange profit of \$27 million pesos.

Taxes & Net profit

During this period, an amount of \$134 million pesos of taxes was reported.

For all the above, the net profit for the first six months of the year was \$370 million pesos compared to \$251 million for the same period of the previous year, presenting an increase of 47.5%.

Working Capital

The company presented during this period a cash balance of \$ 2,743 million pesos, growing \$197 million pesos against the cash balance as of December 2017. The operating cash flow of the company has been sufficiently solid, that it has allowed financing the strategic growth of the company without affecting the cash balance at all. Levels for inventories were \$3,202 million pesos and for suppliers \$3,617 million pesos. Inventory turnover as of June 2018 was of 88 days, and a turnover of 99 days for suppliers, having an eleven day difference.

Installed capacity 2Q2018

The company, as for the second quarter 2018, has 62 stores that operate in four different formats: City Market, Fresko, La Comer and Sumesa.

The installed capacity was as follows:

	Stores	Sq.mts.
La Comer	30	190,922
Sumesa	13	10,009
City Market	9	25,579
Fresko	10	27,044
	62	253,554

Investment projects

During the first six months of the year, the company re-opened La Comer Insurgentes store located in Mexico City and opened a La Comer store in the city of Puerto Vallarta. The company also closed a store in the State of Mexico at the beginning of the year.

Today, we are opening a City Market store in the City of Cuernavaca, to continue opening this format in new locations. With this latest opening, the company will have 63 stores in its different formats.

Sustainability and Social Responsibility

The company continues to support Un Kilo de Ayuda foundations; the Mexican Foundation for Rural Development, as well as various donations given to charities. It is worth mentioning that during this period, the company received recognition for the assistance to Educampo Chiapas. This recognition was granted to the company for the help in training and administrative advice to workers in the region, improving their production.

Research and analyst coverage

In compliance with Mexican Stock Exchange internal regulation, article 4.033.01 - VIII (maintenance requirements), La Comer informs that the following institutions provide coverage to Equity securities of the company:

- BBVA Bancomer (Miguel Ulloa)
- Grupo Bursátil Mexicano (Luis Rodrigo Willard)
- Itaú BBA (Joaquín Ley)
- Santander Investment (José Manuel Ramirez)
- Scotiabank Inverlat (Rodrigo Echagaray)
- Punto Casa de Bolsa (Cristina Morales)
- Barclays (Benjamin M Theurer)
- J.P. Morgan (Ulises Argote)
- Grupo Financiero Actinver (Carlos Herмосillo Bernal)
- Banorte-IXE (Valentín Mendoza Balderas)
- Nau Securities LTD (Pedro Baptista)

Sincerely,

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LA COMER, S.A.B. DE C.V.
QUARTER INCOME STATEMENT
(In thousands Mexican pesos as of June 30, 2018)

	2Q2018	%	2Q2017	%	Var.
Net sales	4,829,792	100.0%	4,137,309	100.0%	16.7%
Cost of sales	3,581,713	74.2%	3,095,009	74.8%	15.7%
Gross profit	1,248,079	25.8%	1,042,300	25.2%	19.7%
Selling expenses	867,177	18.0%	709,595	17.2%	22.2%
Administrative expenses	174,181	3.6%	168,296	4.1%	3.5%
Other income	10,200	0.2%	13,217	0.3%	-22.8%
Other expenses	13,481	0.3%	741	0.0%	1719.3%
Operating profit	203,440	4.2%	176,885	4.3%	15.0%
Financial income	79,338	1.6%	56,203	1.4%	41.2%
Financial expenses	11,352	0.2%	20,453	0.5%	-44.5%
Earnings before tax & profit sharing	271,426	5.6%	212,635	5.1%	27.6%
Income tax	73,583	1.5%	64,549	1.6%	14.0%
Gains from continued operations	197,843	4.1%	148,086	3.6%	33.6%
Depreciation & amortization	189,745	3.9%	150,307	3.6%	26.2%
EBITDA	393,185	8.1%	327,192	7.9%	20.2%

LA COMER, S.A.B. DE C.V.
INCOME STATEMENT
(In thousands Mexican pesos as of June 30, 2018)

	30-jun-18	%	30-jun-17	%	Var.
Net Sales	9,117,103	100.0%	7,903,880	100.0%	15.3%
Cost of sales	6,707,350	73.6%	5,870,475	74.3%	14.3%
Gross profit	2,409,753	26.43%	2,033,405	25.73%	18.5%
Operating expenses	1,645,407	18.0%	1,386,203	17.5%	18.7%
Administrative expenses	340,560	3.7%	321,312	4.1%	6.0%
Other income	16,688	0.2%	15,989	0.2%	4.4%
Other expenses	30,189	0.3%	2,598	0.0%	1062.0%
Operating profit	410,285	4.5%	339,281	4.3%	20.9%
Financial income	124,463	1.4%	105,513	1.3%	18.0%
Financial expenses	30,798	0.3%	84,090	1.1%	-63.4%
Earnings before tax & profit sharing	503,950	5.5%	360,704	4.6%	39.7%
Income tax	133,795	1.5%	109,774	1.4%	21.9%
Gains from continued operations	370,155	4.1%	250,930	3.2%	47.5%
Depreciation & amortization	352,062	3.9%	292,292	3.7%	20.4%
EBITDA	762,347	8.4%	631,573	8.0%	20.7%

LA COMER, S.A.B. DE C.V.
BALANCE SHEET
(In thousands Mexican pesos as of June 30, 2018)

	2Q2018	Dec. 2017
Current Assets		
Cash and Temporary investments	2,742,651	2,545,243
Clients (net account receivables)	703,639	719,598
Recoverable taxes	19,057	9,618
Inventories	3,202,268	2,376,227
Other assets	124,952	126,446
Total Current Assets	6,792,567	5,777,132
Property, plant and equipment (Net)	11,447,138	10,863,196
Property and leasehold improvements	749,710	752,048
Intangible assets other than goodwill	6,277,998	6,277,998
Deferred tax assets	198,155	149,827
Other non-current non-financial assets	697,418	764,305
Total noncurrent assets	19,370,419	18,807,374
Total Assets	26,162,986	24,584,506
Trade payables	4,374,220	3,348,743
Taxes payable	38,818	105,132
Other accrued liabilities	239,814	206,124
Current Liabilities	4,652,852	3,659,999
Provisions for employee long term benefits	81,289	77,911
Deferred tax liabilities	191,513	9,390
Total long-term liabilities	272,802	87,301
Total Liabilities	4,925,654	3,747,300
Capital Stock	1,966,662	1,966,662
Share issuance	193,896	193,896
Total Earned Capital	17,357,968	16,977,004
Other comprehensive income	1,718,806	1,699,644
Total controlling interest	21,237,332	20,837,206
Stock Holders' Equity	21,237,332	20,837,206
Total liabilities and stockholders' equity	26,162,986	24,584,506

LA COMER, S.A.B. DE C.V.
CASH FLOW STATEMENT
(In thousands Mexican pesos as of June 30, 2018)

Operation Activities	2018	2017
Earnings (Loss) net	370,155	250,930
Adjustments to reconcile earnings	2018	2017
Taxes payable	133,795	109,774
Financial income & expense	(66,852)	(76,777)
Depreciation and amortization expenses	352,062	292,292
Provisions	8,185	4,534
Income from disposal of current assets	18,970	(8,552)
Decrease (increase) in inventories	(826,041)	(635,214)
Decrease of clients	57,074	6,397
Increases in other receivables arising from operating activities	(53,093)	(134,304)
Increase (decrease) on suppliers	894,925	527,360
Increase (decrease) in other accounts payable	43,661	97,190
Total adjustments to reconcile profit	562,686	182,700
Net cash flows used in operations	932,841	433,630
Taxes on profits (paid)	1,631	(4,095)
Resources provided by operation activities	931,210	437,725
Cash Flows from Investment Activities	2018	2017
Cash flow from the loss of control of subsidiaries or other businesses	-	290,986
Amounts from the sale of property, plant and equipment	949	20,066
Purchases of property, plant and equipment	831,575	693,190
Interests income	70,392	79,142
Net cash flow from investment activities	(760,234)	(884,968)
Cash flows from (used) in financing activities	2018	2017
Payments to acquire shares of the company	(29,972)	58,175
Interest paid	3,540	2,365
Net cash flows from (used) in financing activities	26,432	(60,540)
Cash flow from investing activities	197,408	(507,783)
Financing activities	2018	2017
Increase/decrease in cash and temporary investments	197,408	(507,783)
Cash and temporary investments at beginning of year	2,545,243	3,225,363
Cash and temporary investments at the end of year	2,742,651	2,717,580