



Ready for a new phase

Our history



2008

- Consolidation of the Group and the beginning of a new phase.

2006-2007

- Grupo Gigante harvests the benefits of the Transformation Plan.

2003

- The Gigante Transformation Process begins, which encompasses the strengthening and consolidation of the total operation of the chain.

2002

2000

- Another format is introduced in the Company's business portfolio under the Super Precio name.

1991

- Grupo Gigante shares begin trading on the Mexican Stock Exchange.
- The Company opens the first two establishments outside Mexico, in the Los Angeles, California area.
- Two joint-ventures are established: one with Office Depot and another with Radio Shack.

1972-1980

- Gigante's national presence is expanded through strategic purchases of other self-service chains. Its presence grows in northwestern and central Mexico.

1971

- The first business parallel to the self-service stores begins to operate with the opening of a family-style restaurant under the Toks name.

1962

- The first store, Gigante Mixcoac, opens in Mexico City.



Throughout its history, Grupo Gigante achieved significant milestones that marked its development and growth until it became one of the most important companies in the country.

Financial highlights

Income statement

(In thousands of pesos, as of December 31, 2007)

	2007	2006	% variation	
Net sales	\$ 7,976,255	\$ 6,885,139	15.8	
Operating expenses	2,485,966	2,244,283	10.8	
EBITDA	1,504,615	1,299,854	15.8	
Income from continuing operations	513,794	304,390	68.8	
Income from discontinued operations	4,215,917	11,873	354.1	times
Net income	4,712,476	305,029	14.4	times
Basic earnings per common share	\$ 4.78	\$ 0.31	14.4	times
Diluted earning per share	\$ 4.73	\$ 0.31	14.3	times
Common shares outstanding	988,637,769	982,389,877		
Price of share	\$ 22.00	\$ 11.00		

Consolidated balance sheet

(In thousands of pesos, as of December 31, 2007)

	2007	2006	% variation	
Assets	\$ 30,200,333	\$ 25,010,063	20.8	
Cash and cash equivalents	634,823	414,647	53.1	
Inventories	1,345,693	1,189,562	13.1	
Fixed assets	12,942,399	12,646,847	2.3	
Others	8,763,587	1,169,357	6.5	times
Discontinued operations	6,513,831	9,589,650	(32.1)	
Liabilities and stockholders' equity	\$ 30,200,333	\$ 25,010,063	20.8	
Trade accounts payable	983,507	985,846	(0.2)	
Others	4,640,365	1,625,578	1.9	times
Discontinued operations	6,137,595	8,543,670	(28.2)	
Stockholders' equity	18,438,866	13,854,969	33.1	

Sales breakdown by format



Office Depot	60 %
Radio Shack	14 %
Super Precio	6 %
Toks	17 %
Real Estate Group	3 %

87
stores



53
stores



58
stores



7
stores



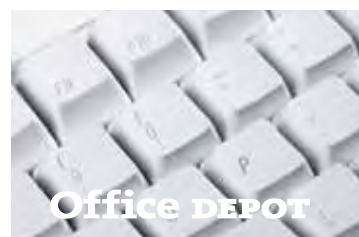
86
stores



74
restaurants

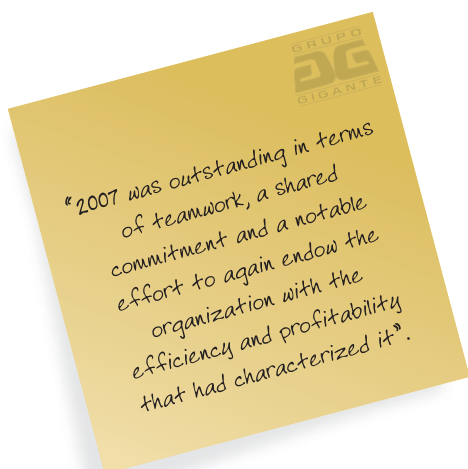


160
stores



176
stores





"The strategic decisions made during the final months of 2007 converged in a new phase that opens great perspectives of consolidation, growth and investment for the Group in Mexico".

Dear shareholders:

I am pleased to inform you that the results for the year 2007 are highly satisfactory in terms of the added value that they represent for Grupo Gigante.

At the end of the previous year, an extraordinary event took on special importance for those of us that are directly linked with Grupo Gigante, the various businesses that comprise our activity and, in general, for the self-service market in Mexico.

These events are the result of the dedicated and professional work of all our organization. The strategic decisions made during the final months of 2007 converged in a new phase that opens great perspectives of consolidation, growth and investment for the Group in Mexico, a country that today, more than ever, requires companies that are more dynamic and creative, willing to continue investing and generating employment and development opportunities.

The year 2007 was particularly outstanding in terms of teamwork, a shared commitment and a notable effort to again endow the organization with the efficiency and profitability that had characterized it. All of this allows us to deliver an annual report with very positive results, placing us in an excellent position to face the challenges of the future, with a positive spirit and the conviction that we will capitalize opportunities in the interest of value.

The most important event was, without a doubt, the divestiture of our self-service business, through the transaction by which the operation and administration of 205 self-service stores owned by our Group went on to form part of the Mexican corporation, Tiendas Soriana, S.A. de C.V. ("Soriana"). In addition to the economic and financial aspect, one of the major achievements in this transaction was the protection and preservation of the jobs of more than 24,000 employees of the stores and distribution centers, which also opened up to them new opportunities for personal and professional development.

This was possible thanks to the creative strategic design of the transaction, to its efficient and timely execution and the proper financial management of the Group, elements that made it possible to settle the transaction in such a successful manner.

The highly profitable growth obtained by Toks, Office Depot, Radio Shack and Super Precio at the end of the year was the result of the consolidation of their operations, as well as the increase in sales floor area, in total sales and higher margins. Thus, we confirm having implemented the correct strategy, opening new areas of opportunity for Grupo Gigante.

Divestiture of the self-service stores

Our Board of Directors recommended at the General Stockholders' Meeting the divestiture of the self-service stores business, with the exception of Super Precio, through a fundamentally real estate transaction. This was the result of an in-depth analysis of various strategic alternatives, among which the divestiture of other assets was also considered, as well as mergers, associations, acquisitions and others.

Having heard the conclusions of internal analysis, together with the recommendation of the Board of Directors, as well as that of the financial advisors, Ixe Banco, Citigroup and Deloitte Mexico, our General Stockholders' Meeting approved the divestiture on December 24, 2007.

After having carried out a successful private auction process, the proposal from "Soriana" represented the highest benefit because of the economic value (consisting of a payment of US \$1,351 million, plus inventories), because of its proposals related with the agreements involved in the transaction and its proposed rental payment of the stores that it took under lease for the following years.

The transaction was structured as a transfer of assets and rights and did not represent the sale of shares of the issuer or that of its subsidiaries. The property of more than 100 real estate assets was maintained and the Super Precio stores did not form part of the operation.

The transaction included the transfer of the leasing agreements related with the self-service stores under the "Gigante", "Bodega Gigante", "Super Gigante" and "Gigante USA" formats, as well as those of the corresponding distribution centers. It also considered a non-competition agreement in the divested sector, along with the sale of the furniture and equipment associated with the operation of the above-mentioned self-service stores.

In line with our philosophy, in which we emphasize our interest and commitment to the workers in the organization, we were able to sign an employer substitution agreement, through which more than 24,000 jobs were protected and maintained. This agreement included all the employees and officers involved in the operation of the 198 stores located in Mexico.

Additionally, the necessary and sufficient negotiations were carried out with the more than 3,000 suppliers of the chain and practically all the agreements were closed in a climate of mutual understanding and reciprocity.

All of this important transaction was planned and executed under the absolute premise of compliance with the laws and regulations applicable in Mexico, in particular with the Federal Law of Economic Competition, the Securities Market Law, and the laws and all other provisions of a fiscal, labor, civil and mercantile nature.

As a complementary part of the transaction, Grupo Gigante successfully concluded a purchase process of its outstanding bond placed abroad, for US\$ 260 million (senior notes), with maturity date in 2016.

Social Responsibility. Fundación Gigante: integrity and congruence

Faithful to a 45-year tradition of social commitment, at Office Depot, Toks, Radio Shack and Gigante, we intensified our efforts to benefit more than 1.4 million people directly, through Fundación Gigante (the Gigante Foundation) programs, which in 2007 contributed more than 180 million pesos and collaborated with 42 institutions that work toward different social causes.

During the 2007 fiscal year, our Response to Natural Disasters Program was particularly significant. This program was created to counteract the adverse effects of natural phenomena, such as hurricanes Dean and Lorenzo and the floods that occurred in Tabasco and Chiapas. Through this program, immediate attention was provided to serve the basic needs of food, health and housing of the communities affected, in collaboration with the Mexican Red Cross, the United Nations Development Program (UNDP) and the Mexican association "Unidos por Ellos" (United for Them).

The remaining programs directed their efforts toward the sectors that most require them in the areas of health, nutrition, education and the development of productive projects, which made it possible for the benefits of Fundación Gigante and of the companies and employees of the Group to be transferred effectively to society, of which we feel proud.

Profitability, moving forward and the future

The results of the year reflected excellent execution and the strengthening of our strategic plan for the different businesses of the Company.

In 2007, Office Depot continued its consolidation as the leading chain of office supply stores in Mexico and Central America. We continued our strategy of saturation of the Mexican market with the opening of 23 stores, representing an increase of 11.3% in sales floor area compared to 2006. This, together with a strict control of expenses and greater operating efficiency, allowed us to achieve a record operating profit for the Company.

Radio Shack also executed an aggressive expansion plan. In 2007 we opened 32 units, representing an increase of 16.6% in sales floor area. In addition, we observed a substantial increase in sales in the existing units, which improved our operating margins.

In our Toks restaurant business, we again surpassed our sales and profitability expectations, with 5 times higher growth than that of the restaurant industry. At the same time, we increased our number of seats 18.9% by opening 11 restaurants.

Excellent results were obtained in Super Precio in the year, confirming the success of our strategy. There was an increase in client traffic, which consequently led to higher sales, and as in our other businesses, our operating margins improved.

The positive close in 2007 in financial, operating and commercial terms, and the successful divestiture of the self-service sector, place us in an excellent position that benefits the Group's profitability and operating efficiency. This includes the real estate area, through the Real Estate Group, the restaurant sector through Toks Restaurants, and joint ventures through Office Depot and Radio Shack. We will be identifying, evaluating and setting in motion the best formulas that will allow us to continue maximizing the strength and value of the Group.

To achieve the objectives of maximizing value through growth and consolidation with profitability, we announced the creation of a Strategic Consulting Committee, comprised of 4 distinguished independent consultants and the Chairman of the Board of Directors. This interdisciplinary group, with the support of top-level management officers and a consulting firm, will deal with the proposal to define the strategic redirection of the Group, based on the new reality of Grupo Gigante, taking into account the strategic position of the treasury and cash assets, the value of our real estate holdings, and our human resources, as well as the opportunities for the development of new businesses and formats that we shall have to identify and pursue in Mexico and other places where we already are or could be.

I would like to conclude by reiterating my commitment and absolute willingness to build a promising future for our Grupo Gigante, in which we will maintain a leadership presence and will continue to be generators of investment and employment in the country. I thank you once again for your confidence and that of our personnel, clients and suppliers in our organization, which is one of the Mexican corporations with the greatest tradition and commitment. Be assured that Grupo Gigante will undoubtedly continue to be a leading player in Mexico's economic, social and cultural life.

Sincerely,



Ángel Losada Moreno

Chairman of the Board of Directors and
Chief Executive Officer of Grupo Gigante, S.A.B. de C.V.



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839,275 m²
sales floor

21,771
employees

198
stores

Transformation program

With the aim of guaranteeing our customers the best shopping experience, in 2007 we continued the Transformation Program that began in 2004. During the year we remodeled 29 units, the highest number in recent years (18 in 2006 and 20 in 2005).

The Transformation Program included the 3 formats: 13 Gigante, 7 Super Gigante and 9 Bodega stores. At the close of the year, 53% of the stores had optimum infrastructure, which resulted in significant improvements in the operating and financial indicators.

Our goal of providing value to our consumers went beyond simply offering them modern facilities. We made a special effort to consider every detail involved in the process that be-

gins when the client enters one of our stores and ends when he leaves. To this end, we replaced obsolete equipment in the cashiers' area, improved signs to identify and locate products on the sales floor and carefully redesigned the layout to facilitate identifying the merchandise.

Complementing the Transformation Program, we continued our expansion plan and opened 4 units: 1 Gigante and 3 Bodega stores. At the same time we closed 5 units that did not comply with our profitability requirements. At the close of the fiscal year we had 198 stores with a total sales floor area of 839,275 square meters.

The Transformation Program included the 3 formats: 13 Gigante, 7 Super Gigante and 9 Bodega stores.

GIGANTE

A watermelon with two slices and a bunch of vegetables including a red bell pepper, broccoli, and asparagus are arranged around a central red text box.

During the year
we remodeled

29
units,
the highest number
in recent years.

Commercial strategy

During 2007, the commercial strategy followed in our 3 formats — Gigante, Bodega Gigante and Super Gigante — was focused on achieving a single objective: total customer satisfaction. Toward this end we implemented a novel price-setting system (KSS) that allows determining the optimum price for each article, based on a vast range of variables.

At the same time, we made a special effort to maintain competitive prices, some even lower than those of the competition, and continued to promote our traditional special sales days such as “Jueves de Pastel” (“Thursday Pastry Specials”) and “Viernes de Asador” (“Friday Meat Specials”). These are backed by strong advertising campaigns and promotional activities in the stores.

Along the same line, and aware that consumers are seeking the best prices, we continued our traditional campaigns throughout the year, such as “Mes Gigante” (“Gigante Month”), “Renueva tu Ambiente” (“Renew your Environment”), “45 Aniversario” (“45th Anniversary”) and “Encantos de Navidad” (“Christmas Delights”), which had a very positive response from consumers, despite the consumption slowdown in Mexico.

Marketing

The experience gained during 45 years of acquiring a knowledge of the Mexican market has taught us that innovation is a fundamental factor for our business. Thus, in April 2007 we launched a customer loyalty program that is unique in the country. The “Programa Gana” allowed us to compensate our clients as no one else has done in the sector, offering them products that fit their needs and desires.

The program begins with the subscription of the consumer, who receives a card that registers the information of each of his purchases in a database, which is analyzed thoroughly by experts. This allows providing each client with a 3-month account statement with totally personalized services, products and promotions.

The first phase of the “Programa Gana” began in stores located in Jalisco, Nayarit, Sinaloa, Durango, Michoacan and Aguascalientes in the Gigante and Super Gigante formats. The results were immediate and in the period from May to December 2007, the western region showed a considerable increase in sales and customer traffic, despite the fact that no store remodelings had been carried out in that area.

Private labels

Since they were launched, our private label products have reflected our commitment to the family budget. The knowledge of the needs and demands of consumers that we have acquired throughout the years has allowed us to develop quality products with an appropriate price/value ratio.

Throughout the year, we continued focusing on optimizing our private label portfolio, launching new products and new presentations and discontinuing articles with a lower turnover.

A key factor in marketing these articles is guaranteeing their supply, so that, during the year, we concentrated on consolidating a portfolio of efficient suppliers committed to service.

At the close of 2007, we had a catalogue that included more than 1,900 articles corresponding to 28 brands, according to the AC Nielsen catalogue.





1,900 articles

corresponding to
28 private label brands.



The commercial strategy
followed in our 3 formats
was focused on achieving a
single objective: total
customer satisfaction.

**Bodega
GIGANTE**



**2.5
million**

**man-hours of training
in 2007.**



Cost control

During the previous year, on a monthly basis and in all areas of the organization, we followed a strict program of control and reduction of operating expenses, backed by the application of initiatives focused on improving efficiency and profitability, without reducing, under any circumstance, the quality of service to the client.

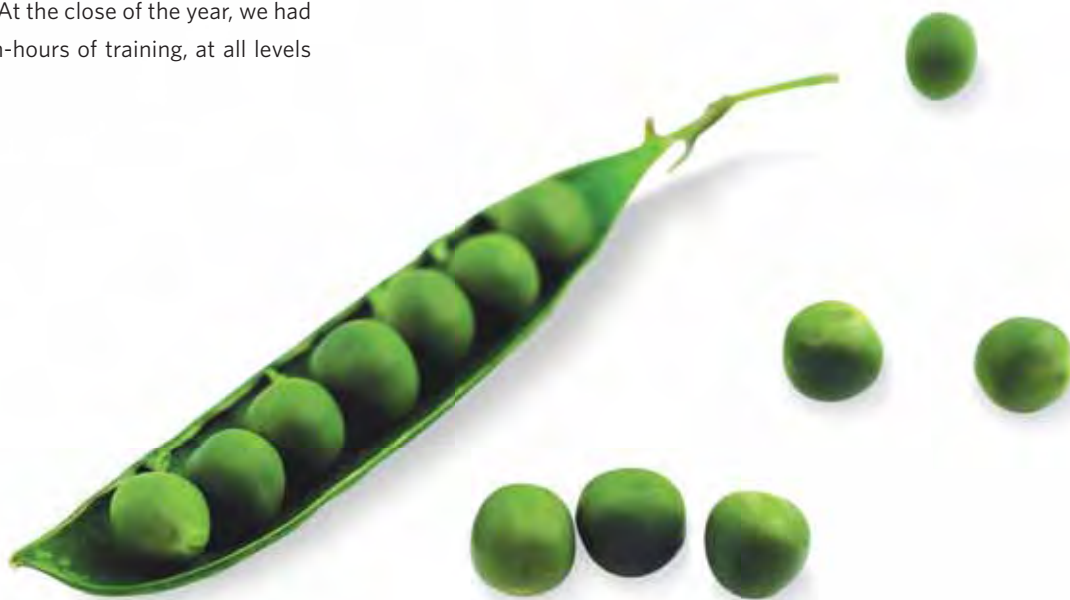
Gigante USA

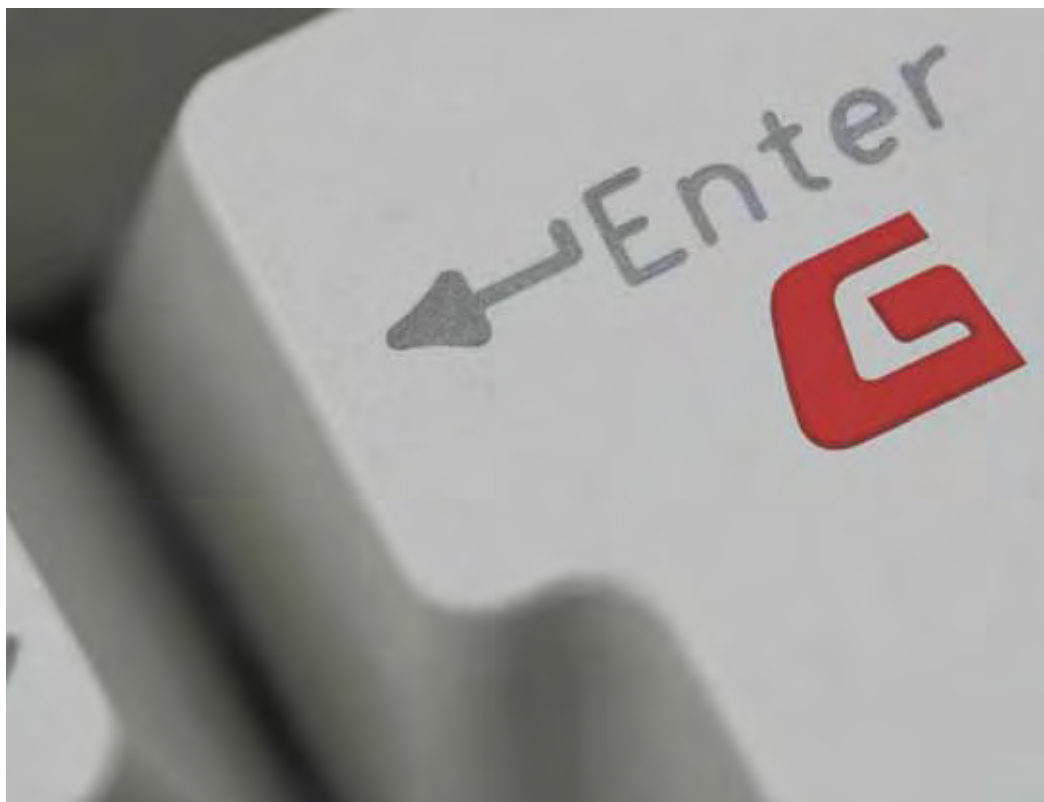
In the self-service industry in Los Angeles, California, there have been fundamental changes. The entry of new competitors and the expansion of former ones altered the environment of the local market.

In view of this scenario, Gigante USA sought to enter into a strategic alliance with a self-service chain of the region. However, in light of the impossibility of finding a positive arrangement that would benefit the position of our company in the area, we decided to sell 2 of our stores: Pico Rivera in September and Chino in October. At the close of the fiscal year, Gigante USA was operating 7 units with a total sales floor area of 19,428 square meters.

Human resources

Our employees constitute the foundation of the company and the development of their talents and abilities is extremely important to us. For this reason, 2007 was a year focused on personnel training. We signed agreements with prestigious educational institutions to provide programs that would promote productivity and competitiveness among our personnel. At the close of the year, we had provided a total of 2,500,000 man-hours of training, at all levels of the organization.





72,887 m²
roofed areas

10 distribution
centers

72.6% of total
merchandise
handled through
central distribution

Logistics

During the 12 months of 2007, the logistics area focused its efforts on satisfying consumers' expectations, offering the highest standards of freshness and quality in the products sold in our stores.

With this aim, we reduced the operating times in the different processes in the supply chain with which we obtained a better inventory turnover, achieved the lowest level of product shortfalls in recent years and a considerable reduction in distribution expenses. In addition, we were able to increase the percentage of merchandise handled through central distribution, from 61.6 to 72.6 of the total sold in the stores.

Another important advance in our strategy aimed at achieving recognition for quality was obtaining TIF 433 Certification (a federal inspection type of certification) in the Fresh Food Distribution Center and the Meat Processing Plant, which allowed guaranteeing the highest level of hygiene required in the food industry.

At the end of the year we had 72,887 square meters of roofed areas in 10 distribution centers that provide service throughout the country. Of these, 5 distribute general merchandise, while the other 5 distribute perishable, refrigerated and frozen products.

We obtained
TIF 433 Certification
(a federal inspection
type of certification) in
the Fresh Food
Distribution Center
and the Meat
Processing Plant.

At the end of the year
we had

72,887m²

of roofed areas in
10 distribution centers.

Information technology

During 2007, we continued to benefit from our SAP technological platform.

Having a single tool throughout the value chain of the business has allowed us to make decisions based on integrated, accurate and real-time information. This has also led to an environment of collaboration among the different work teams by sharing the important indicators of the business. All these advantages have translated into optimization of the payroll, control of inventory levels and a better supply of the stores.



20,633 m²
sales floor

575
employees

6%
sales share

There was a considerable increase in client traffic, consequently leading to higher sales.

Super Precio
su despensa más barata

The goal of our Super Precio stores has always been to offer the best prices in products for daily consumption. To this end, we continue to constantly optimize the format that allows us to provide the articles, prices and services that our clients demand.

The excellent results obtained in 2007 confirm the success of our strategy. There was a considerable increase in client traffic, consequently leading to higher sales. This solid sales growth and a reduction in operating expenses led to an improvement in our operating indicators.

In 2007 we continued our expansion program. We opened 19 stores in Mexico City and the metropolitan area. Additionally, we closed 12 stores that did not meet productivity standards. At the end of the fiscal year, we had 86 units with a total sales floor area of 20,633 square meters.

In 2008 we will be more aggressive in expansion, with the opening of 40 stores in Mexico City and the surrounding area.

916
commercial spaces

presence in
28
states in Mexico

3%
sales share



Since it was founded in 1962, at Grupo Gigante we have followed an expansion plan that has allowed us to position ourselves as the second leading retail chain in Mexico in terms of the number of stores.

Throughout 45 years, our real estate division, which is responsible for evaluating each project for opening new units and the acquisition of commercial property, has supported this strategy. This division also manages the rental of commercial spaces in its shopping centers that include special areas for fast-food establishments of prestigious brand names, as well as other spaces for a variety of services such as laundries and dry cleaners, among others.

This division's proven experience in the real estate area represents important support for Grupo Gigante's growth, guaranteeing the quality and profitability of its portfolio of real estate holdings. Because of this, an important event in 2007 was the renewed approach of the business strategy of the real estate division with the aim of seeking new business opportunities and providing a more attractive outlook to promote its growth.





15,656
seating capacity

5,595
employees

17%
sales share

The projected plan for 2007 led to the opening of 11 units.



The projected plan for 2007 led to the opening of 11 units: 2 in Mexico City, 1 in Puebla, 1 in the State of Mexico, 3 in Nuevo Leon, 1 in Veracruz, 1 in Coahuila, 1 in Quintana Roo and 1 in Chiapas. We now have a presence in 15 states throughout the country.

Including these openings, we have 74 restaurants with a total of 15,656 seats, representing an 18.9% increase in the number of seats compared to 2006.

As for the projects that support the base of the business and the aggressive expansion plan, we are now in the final phase of implementation of our Oracle system. In addition, a new commissary began operating with the capacity to support more than 200 units.

To summarize, 2007 was a year with excellent results in which we surpassed projected expectations in sales and profitability, with 5 times greater growth than in the restaurant industry.



**5
times**

greater growth than
in the restaurant industry.





At the close of the year
we had

160
units
in operation.



230,247 m²
sales floor

5,294
employees

60%
sales share



The growth and development of Office Depot Mexico in 2007 confirms that it is the largest and most important chain of office supply, office furniture, and electronic product stores in Mexico and Central America.

Maintaining the solid growth that has characterized us in recent years, we opened 23 stores in Mexico. At the close of the year, we had 160 units, with a total sales floor area of 230,247 square meters.

Our ongoing plan to reduce costs and expenses led us to an improvement in gross earnings and an optimum level of expenses, which translated into a record high operating profit for the company, which was reflected in our net operating cash flow.

Sales growth surpassed that reported by specialized stores in Mexico. These results undoubtedly confirm that we are number one in the Central American countries where we have a presence: Guatemala, Costa Rica, El Salvador, Honduras and Panama.

During 2007, we continued to promote the expansion of our alternate distribution channels: corporate, telemarketing and internet sales. Simultaneously, we continued to seek better negotiations with our suppliers, optimizing the logistics processes, while at the same time promoting the market penetration of our private label brands.

Our plans for 2008 include the improvement of our operating indicators and the continuity of our market saturation strategy in Mexico.

These results confirm that we are number one in the Central American countries where we have a presence.

Office DEPOT



20,935 m²
sales floor

1,146
employees

14%
sales share



We expanded our product lines and entered into alliances with leading brands in the market.

For Radio Shack Mexico, 2007 was characterized as a period in which we executed an aggressive expansion plan. We opened 32 stores and remodeled 18. We concluded the year with 176 units, with a total sales floor area of 20,935 square meters, 16.6% more than in 2006.

Fully aware that accelerated growth requires solid bases, we set in motion several initiatives that allowed us to continue shoring up our business. We expanded our product lines and entered into alliances with leading brands in the market in order to offer a broader catalogue of products.

At the same time, we intensified our advertising campaigns with the aim of positioning our business among consumers and turning it into the preferred option of those seeking technological novelties at the best price.

We carried out all of the above with the support of our state-of-the-art technological platform, which enables a detailed expense control and better inventory management.

For 2008 we plan to follow up on our expansion plan.



We opened
32
stores
in 2007.





1.4 million
people directly
benefited in 2007

1,000
scholarships

5 years
institutionalizing
social aid programs

*Fundación Gigante
provided humanitarian
support to communities
affected by natural
disasters.*



In 2007, with the support of the Group's clients through the "rounding out" programs whereby customer purchases are rounded out to the nearest peso, donating the cents, Fundación Gigante, together with Office Depot, Toks, Radio Shack and Gigante, intensified their efforts and directly benefited more than 1.4 million people, allocating over 180 million pesos to social benefit programs.

Based on a comprehensive social aim that actively involves both its human capital and society in general, during 5 years, Fundación Gigante has institutionalized social aid programs, strengthening a tradition and a commitment that began more than 4 decades ago.

To this regard, important initiatives were carried out in 2007, among which the following are significant:

The response to natural disasters program

Fundación Gigante joined in the efforts to provide humanitarian support to the communities affected by natural disasters of great magnitude.

Through the United Nations Development Program (UNDP), the Mexican Association "Unidos por Ellos" ("United for Them") and the Mexican Red Cross, resources were distributed to provide support to more than 143,000 families and donations were granted of more than 6 million pesos to aid the communities affected by hurricanes Dean and Lorenzo and the floods in Tabasco and Chiapas, attending immediately to people's needs for food, health and housing.



**180
million**
pesos for social benefit
programs.



Senior citizens

Gigante continued its campaign to provide employment opportunities for senior adults in its stores through Mexico's National Institute for Senior Citizens, (Inapam for its Spanish initials).

Support programs for women

We also continued our support programs for abused women and women with eating disorders, contributing to their health and well-being.

Social support

As an essential part of our culture, we have set up initiatives to support values by encouraging the participation of our employees and their families, thus promoting greater union and social commitment among families.

Education

Fundación Gigante promotes education as a priority factor for the growth of the country. During the year, 22,000 packages of school supplies and uniforms were distributed, to support our employees' family budget.

Together with Fundación UNAM (the National University of Mexico Foundation), we provided scholarships to more than 1,000 students who showed outstanding academic achievement, thereby helping them to conclude their high school and university studies.

Health

In an alliance with Fundación Televisa (Televisa Foundation), we created a program with the objective of providing hearing aids for our employees and their families, thereby helping them to recover hearing capacity. At the end of the year, 243 hearing aids had been distributed and 837 hearing tests had been carried out.

Productive projects

Since 2003, Teks Restaurants have supported a "Productive Projects" program that links producers of quality products in communities throughout the country with the Teks productive chain. This leads to sustainable development in the region through fair trade and environmental protection.

The "rounding out" program

Through the "rounding out" program we benefited more than 92,000 persons by channeling resources of \$17,500,000 pesos.

Teletón 2007

Grupo Gigante's participation is fundamental for the success of Teletón, an annual campaign to build and support rehabilitation centers for the disabled. In 2007, with the contributions of our subsidiary companies and our clients through the "rounding out" program, and donations from our employees and suppliers, Gigante provided support to 8,000 children in 10 rehabilitation centers.

With the actions undertaken in social programs through our Foundation, we confirm our commitment to continue collaborating with one of the Mexican groups with the greatest tradition of aid. We have supported and will continue to support the communities and sectors that require help.



Dear Sirs:

As Members and Secretary of the Audit Committee, and in compliance with that established in subsection second of article 42 and in subsection second of article 43 of the Securities Market Law and the bylaws of Grupo Gigante, S.A.B. de C.V., we present the following annual report of this Committee for fiscal year 2007.

During the fiscal year mentioned above, this Committee carried out, among others, the following duties:

I. At the meetings that were held, different subjects were dealt with, such as the status of the internal control and the corporate internal audit area of Grupo Gigante, S.A.B. de C.V. and of the subsidiary corporations that it controls that we considered necessary, discussing and reaching agreements regarding deficiencies and deviations, as well as those aspects that require improvement, taking into account the opinions and reports of external audit and corporate audit, in compliance with the applicable articles of the Securities Market Law and the Regulations applicable to issuers of the Mexican Stock Exchange, as well as the external auditor's report. We concluded that, in general, there is an adequate system of internal control and corporate internal audit of the corporation mentioned above.

II. Also, based on the documents indicated in the preceding paragraph, we did the follow-up on the preventive and corrective measures implemented, based on the results of the investigations related with non-compliance of the guidelines and policies of operation and of the accounting entry, both of Grupo Gigante, S.A.B. de C.V. or of the corporations that it controls.

III. We evaluated the performance of the firm Galaz, Yamazaki, Ruiz Urquiza, S.C., which audited the consolidated financial statements for the fiscal year ended December 31, 2007, as well as that of the external auditor in charge of this, C.P.C. Juan Antonio Rodríguez E., considering that both had complied appropriately with their duties, in adherence with generally accepted auditing standards in Mexico and with the applicable provisions in accordance with the Securities Market Law. For this, we met with the External Auditor on February 16, 2007 and on October 19, 2007, as well as today, to analyze and review, among other points, his Annual External Audit Plan and the draft of the certified opinion of the consolidated financial statements for the fiscal year ended December 31, 2007.

IV. We analyzed the description and valuation of the additional or complementary services provided by Galaz, Yamazaki, Ruiz Urquiza, S.C. in charge of conducting the external audit, for which we issued a communication to the Board of Directors on October 19, 2007. We also analyzed the possibility of contracting independent experts for fiscal year 2007, but we considered them unnecessary and ruled out this possibility.

V. We received the written reports and held the interviews that we considered necessary with the external and internal lawyers of the company, with their external and internal corporate auditor and with the management officers that we considered appropriate of Grupo Gigante, S.A.B. de C.V. and of its subsidiary corporations. In addition, we participated in the quarterly meetings of the Board of Directors and analyzed the quarterly financial statements.

VI. We analyzed the main results based on the reviews of the consolidated financial statements of the corporation and of the subsidiaries that it controls, having requested from the External Auditor the letters or reports from the close of the first quarter to the close of the third quarter of 2007, confirming that the financial information of Grupo Gigante, S.A.B. de C.V. was prepared with the same standards of financial information, criteria and practices with which the annual reports are prepared.

VII. Based on the analysis and discussion of the consolidated financial statements of Grupo Gigante, S.A.B. de C.V. that we conducted with Messrs. Fernando Bejarano, Administrative Subdirector and by Federico Coronado, Chief Financial Officer, who are the persons responsible for the preparation and review of said statements, respectively, as well as with External Auditor, C.P.C. Juan Antonio Rodríguez Espínola, we recommend their approval by the Board of Directors.

VIII. We analyzed the description and effects of the modifications to the accounting policies approved during the period covered by the report, now known as financial information standards.

IX. We reviewed the contents of the Report of the Chief Executive Officer of Grupo Gigante, S.A.B. de C.V. referred to in article 28, subsection IV, paragraph c of the Securities Market Law, based on the report of the External Auditor and on other elements, in respect of which it is our opinion that:

- 1) The information and accounting policies and criteria followed by the aforementioned corporation are appropriate and sufficient, considering the corresponding particular circumstances.
- 2) Such policies and criteria were applied consistently in the information presented by the Chief Executive Officer of the corporation.
- 3) As a result of the previous two statements, the financial information presented by the Chief Executive Officer reasonably reflects the financial situation and consolidated results of the corporation.

X. We considered that related with the pertinent observations made by shareholders, board members, main administrative officers, employees and in general, any third party, regarding the accounting, internal controls and other matters related with corporate internal or external audit, or derived from any claims made regarding events they considered to be irregularities in management, not having any point to report with regard to this.

XI. We did the follow-up on the agreements of the Shareholders' Meetings and of the Board of Directors related with this Committee.

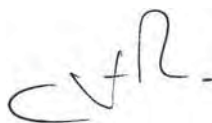
XII. We complied with each of the fourteen activities recommended by Practice 21 of the Code of Better Corporate Practices, for which purpose we sent the quarterly reports to the Board of Directors of Grupo Gigante, S.A.B. de C.V. as suggested by subsection fourth of Practice 14 of the Code.

Consequently, with this report, we hereby comply with the obligation stipulated in the articles of the Securities Market Law and the bylaws of Grupo Gigante, S.A.B. de C.V.

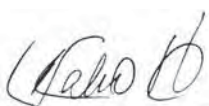
Mexico City, February 19, 2008



Luis Santana
Chairman of the Audit Committee



Luis Rebollar



Roberto Salvo



C.P.C. Ernesto Valenzuela
Secretary of the Audit Committee

Dear Sirs:

As members of the Corporate Practices Committee, and in compliance with that established in article 43, subsection I and other applicable provisions of the Securities Market Law currently in force, and also complying with the bylaws of Grupo Gigante, S.A.B. de C.V. and the Regulations of the Board of Directors, we present the following Report of this Committee for fiscal year 2007.

In compliance with the provisions noted above, during the fiscal year mentioned, and having presented its reports in a timely manner at each of the meetings of the Board of Directors throughout the year that just concluded, this Committee reports that it carried out the following activities and duties:

I. During the fiscal year considered in this report, the Committee had knowledge of and monitored the implementation and development of the project called "Corporate Government". The progress, recommendations and results of this project were presented to the Board of Directors in a timely manner throughout the fiscal year that just ended.

As a result of this work, among many other issues analyzed, the governing bodies of the corporation were adjusted, in strict compliance with the provisions of the Securities Market Law.

II. An essential part of the work carried out included issues such as the implementation of the organic structure of the Gigante, S.A. de C.V. subsidiary, as well as of the holding company, Grupo Gigante. This Committee had knowledge of and analyzed in depth the recommendations that were presented to it, and submitted these matters for the approval of the Board in a timely manner.

III. Another outstanding issue was the analysis and recommendation to the Board of Directors and its respective approval regarding the Policy for Comprehensive Compensations to Top Executives of the Corporation, including those of the Chief Executive Officer.

IV. Also, and in compliance with the stipulations of the Law, the Committee submitted to the Board and obtained its approval, regarding the ratification of the Chief Executive Officer of the Corporation, including the Policy on the use and attributions in the matter of powers of ownership, in representation of the corporation.

V. Since there was no situation regarding transactions with related parties or waivers referred to in article 28, subsection III, paragraph f, there was no need to present these transactions to the Board.

VI. Divestiture process of the self-service business. Auction process. Progress in the Transaction with Tiendas Soriana, S.A. de C.V. ("Soriana").

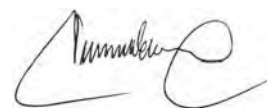
In a very special manner, the Committee, in due time, had knowledge of the criteria and fundamentals of this process, which, in conformity with the Law and other provisions, was made known publicly on December 7, 2007, having participated in the analysis of the different strategic alternatives that were considered, as well as having knowledge of the progress of this process. At the extraordinary meeting to which it was summoned on November 28, the Committee, in a joint session with the other Committees of the Board, submitted its approval of the transaction to the Board, recommending that the proposal of Soriana be accepted. The Committee also had knowledge of the progress and characteristics of the transaction, having been informed of the transition and delivery of the stores.

With this report we hereby comply with the provisions of article 43, subsection I and other applicable provisions of the Law.

Mexico City, February 15, 2008



Roberto Salvo
Chairman of the Committee



Luis Santana



Gilberto Perezalonso



Sergio Montero
Secretary of the Committee

Dear Sirs:

As members of the Finance and Planning Committee, and in compliance with the provisions of the bylaws of Grupo Gigante, S.A.B. de C.V. and the Regulations of the Board of Directors currently in force, we present this Committee's Report for fiscal year 2007.

In compliance with the provisions noted above, during the fiscal year concluded, this Committee met and presented to the Board of Directors at all its meetings of the fiscal year, its respective quarterly reports and recommendations regarding the contents and development of the following duties and matters:

I. Throughout the fiscal year that ended, the Committee received from management, punctual information regarding the progress and problems related with financial and strategic issues, all of this is the subject matter of the knowledge, decisions and recommendations of this Committee to the Board of Directors. Discussion and analysis of the following aspects and specific subjects received special attention:

I.1. The 2007 Budget, its status and adjustments.

I.2. Cash flow of the company, with particular emphasis on the monitoring and progress of the Gigante, S.A. de C.V. subsidiary and of the consolidated cash flow of the Group.

I.3. Quarterly results of the company, its subsidiaries and affiliates that it consolidates, to be presented to the attention of the Board of Directors.

I.4. Development and status of the capital expenditures of the company and its subsidiaries.

I.5. Supervision and use of the company's credit lines, with special emphasis on the subsidiary Gigante, S.A. de C.V.

I.6. Structure, negotiation, issuance and placement of the company's bond.

I.7. Structure and trading framework on the bond's currency hedge contracts.

I.8. Analysis and discussion of other financing sources and alternatives.

I.9. Analysis and definition of the premises and main aspects of the 2007 budget.

I.10. Divestiture process of the self-service business, from the perspective of the Committee's competence.

I.11. Participation in the selection of the winner of the auction of the divestiture process of the self-service stores, and strategic lines to watch, with an emphasis on the economic and financial considerations.

I.12. Specific recommendations regarding the transition and management of the resources derived from the transaction with Tiendas Soriana, S.A. de C.V. ("Soriana") from the viewpoint of the Committee's participation.

II. During the period covered by this report, and from the planning standpoint, the Committee had knowledge of the implementation of the project called "Corporate Government". Our observations and comments regarding the progress, recommendations and results of this project were presented to the Board of Directors in a timely manner, throughout the fiscal year in question.

III. Another fundamental aspect of the work carried out involved the analysis, discussion and recommendations regarding the "Transformation" project prepared by the management of the subsidiary Gigante, S.A. de C.V.

IV. Divestiture process of the self-service business. Auction process. Progress in the Transaction with Soriana.

In a very special manner, the Committee had knowledge opportunistically of the criteria and fundamentals of this process, having participated in the analysis of the different strategic alternatives that were considered, and also had knowledge of the progress of the process itself. At the extraordinary meeting to which it was summoned on November 28, it recommended to the Board, in a joint session with the other Committees of the Board, the approval of the transaction, recommending acceptance of the proposal of Soriana. It also had knowledge of the progress and characteristics of the transaction.

Therefore, with this report we hereby comply with the provisions of the bylaws and other applicable provisions of the Regulations of the Board of Directors.

Mexico City, February 15, 2008

Javier Molinar
Chairman of the Committee

Ángel Losada

José Aguilera

Sergio Montero
Secretary of the Committee

Deloitte.

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To the Board of Directors and Stockholders of Grupo Gigante, S. A. B. de C. V.

We have audited the accompanying consolidated balance sheets of Grupo Gigante, S. A. B. de C. V. and Subsidiaries (the "Company") as of December 31, 2007 and 2006, and the related consolidated statements of income, changes in stockholders' equity and changes in financial position for the years then ended, all expressed in thousands of Mexican pesos of purchasing power of December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in accordance with Mexican Financial Reporting Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the financial reporting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 18 to the consolidated financial statements, the accompanying 2006 financial statements have been retrospectively adjusted for discontinued operations.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Grupo Gigante, S. A. B. de C. V. and Subsidiaries as of December 31, 2007 and 2006, and the results of their operations, changes in their stockholders' equity and changes in their financial position for the years then ended, in conformity with Mexican Financial Reporting Standards.

Galaz, Yamazaki, Ruiz Urquiza, S. C.

Member of Deloitte Touche Tohmatsu



C. P. C. Juan Antonio Rodríguez Espínola

February 27, 2008

Consolidated balance sheets

Grupo Gigante, S.A.B. de C.V. and Subsidiaries
As of December 31, 2007 and 2006
(In thousands of Mexican pesos (\$) of purchasing power as of December 31, 2007)

Assets	2007	2006
Current assets:		
Cash and cash equivalents	\$ 634,823	\$ 414,647
Accounts receivable - Net	7,907,757	325,811
Inventories - Net	1,345,693	1,189,562
Prepaid expenses	93,991	72,902
Derivative financial instruments		529
Discontinued operations	6,475,972	6,958,278
Total current assets	16,458,236	8,961,729
Property and equipment - Net	12,942,399	12,646,847
Investment in shares	213,538	216,779
Goodwill and other assets - Net	548,301	553,336
Discontinued operations	37,859	2,631,372
Total	\$ 30,200,333	\$ 25,010,063
Liabilities and stockholders' equity		
Current liabilities:		
Notes payable to financial institutions	\$ 50,000	\$ 31,680
Current portion of long-term debt	61,001	13,487
Trade accounts and notes payable	983,507	985,846
Due to related parties	122,270	79,125
Accrued expenses and taxes	2,113,627	760,906
Discontinued operations	5,559,269	4,981,687
Total current liabilities	8,889,674	6,852,731
Long-term debt	39,000	48,764
Employee retirement obligations	48,307	44,085
Deferred income tax and statutory employee profit sharing	2,206,160	647,531
Discontinued operations	578,326	3,561,983
Total liabilities	11,761,467	11,155,094
Stockholders' equity:		
Common stock	2,689,090	2,688,168
Additional paid-in capital	7,648,149	7,523,747
Retained earnings	22,476,480	17,716,760
Insufficiency in restated stockholders' equity	(13,188,431)	(12,870,774)
Cumulative initial effect of deferred income tax	(1,312,925)	(1,312,925)
Majority stockholders' equity	18,312,363	13,744,976
Minority stockholders' equity	126,503	109,993
Total stockholders' equity	18,438,866	13,854,969
Total	\$ 30,200,333	\$ 25,010,063

See accompanying notes to consolidated financial statements.

Consolidated statements of income

Grupo Gigante, S.A.B. de C.V. and Subsidiaries
For the years ended December 31, 2007 and 2006
(In thousands of Mexican pesos (\$) of purchasing power as of December 31, 2007, except per share data)

	2007	2006
Revenues:		
Net sales	\$ 7,711,078	\$ 6,567,816
Other	265,177	317,323
Total revenues	7,976,255	6,885,139
Costs and expenses:		
Cost of sales	4,838,015	4,146,188
Operating expenses	2,485,966	2,244,283
Total costs and expenses	7,323,981	6,390,471
Other (income) expense - Net	(22,463)	21,568
Net comprehensive financing cost	51,498	40,747
Non-ordinary item	(49,038)	
Income from continuing operations before income taxes	672,277	432,353
Income tax expense	158,483	127,963
Income from continuing operations	513,794	304,390
Income from discontinued operations	4,215,917	11,873
Consolidated net income	\$ 4,729,711	\$ 316,263
Net income of majority stockholders	\$ 4,712,476	\$ 305,029
Net income of minority stockholders	17,235	11,234
Consolidated net income	\$ 4,729,711	\$ 316,263
Basic earnings per common share	\$ 4.78	\$ 0.31
Diluted earnings per share	\$ 4.73	\$ 0.31

See accompanying notes to consolidated financial statements.

Consolidated statements of changes in stockholders' equity

Grupo Gigante, S.A.B. de C.V. and Subsidiaries
For the years ended December 31, 2007 and 2006
(In thousands of Mexican pesos (\$) of purchasing power as of December 31, 2007)

	Common stock	Additional paid - in capital	Retained earnings	Insufficiency in restated stockholders' equity	Cumulative initial effect of deferred income tax	Minority stockholders' equity	Total stockholders' equity
Balance as of January 1, 2006	\$ 2,688,285	\$ 7,524,011	\$17,437,465	\$(12,519,616)	\$(1,312,925)	\$ 103,853	\$13,921,073
Repurchase of treasury shares - Net	(117)	(264)					(381)
Employee retirement additional minimum liability			(25,734)				(25,734)
Increase in minority stockholders' equity						1,135	1,135
Comprehensive loss			305,029	(351,158)		5,005	(41,124)
Balance as of December 31, 2006	2,688,168	7,523,747	17,716,760	(12,870,774)	(1,312,925)	109,993	13,854,969
Sale of treasury shares - Net	922	124,402	44,780				170,104
Employee retirement additional minimum liability			2,464				2,464
Comprehensive income			4,712,476	(317,657)		16,510	4,411,329
Balance as of December 31, 2007	\$ 2,689,090	\$ 7,648,149	\$22,476,480	\$(13,188,431)	\$(1,312,925)	\$ 126,503	\$18,438,866

Consolidated statements of changes in financial position

Grupo Gigante, S.A.B. de C.V. and Subsidiaries
For the years ended December 31, 2007 and 2006
(In thousands of Mexican pesos (\$) of purchasing power as of December 31, 2007)

	2007	2006
Operating activities:		
Consolidated net income	\$ 4,729,711	\$ 316,263
Items that did not (require) generate resources:		
Depreciation and amortization	852,341	805,186
(Gain) loss on sale of property and equipment	(1,148)	14,295
Loss on disposals of property and equipment	2,276,043	84,683
Employee retirement obligations	32,884	47,570
Derivative financial instruments	18,898	(21,741)
Deferred income taxes and statutory employee profit sharing	1,678,163	(100,927)
	9,586,892	1,145,329
Changes in operating assets and liabilities:		
Accounts receivable - Net	(6,932,711)	(226,826)
Inventories - Net	(57,233)	(145,286)
Prepaid expenses	(33,112)	49,418
Trade accounts and notes payable	(831,044)	294,104
Due to related parties	43,145	(60,477)
Employee retirement obligations	(34,958)	(66,526)
Accrued expenses and taxes	1,976,767	325,152
Net resources generated by operating activities	3,717,746	1,314,888
Financing activities:		
Notes payables to financial institutions	426,321	26,416
Proceeds from long-term debt		2,935,150
Repayment of long-term debt	(2,750,344)	(2,797,417)
Proceeds from increase in minority stockholders' equity		1,135
Sale (repurchase) of treasury shares - Net	170,104	(381)
Net resources (used in) generated by financing activities	(2,153,919)	164,903
Investing activities:		
Acquisition of property and equipment	(1,620,001)	(1,162,924)
Proceeds from sale of property and equipment	57,968	138,953
Investment in shares		(7,836)
Goodwill and other assets - Net	114,363	(96,307)
Net resources used in investing activities	(1,447,670)	(1,128,114)
Cash:		
Increase	116,157	351,677
Balance at beginning of year	931,944	580,267
Cash from discontinued operations	(413,278)	(517,297)
Balance at end of year from continued operations	\$ 634,823	\$ 414,647

See accompanying notes to consolidated financial statements.

Grupo Gigante, S.A.B. de C.V. and Subsidiaries

For the years ended December 31, 2007 and 2006

(In thousands of Mexican pesos (\$) of purchasing power as of December 31, 2007, except share data)

1. Nature of business

Grupo Gigante, S. A. B. de C. V. and Subsidiaries (the "Company") are engaged in self-service stores that sell groceries, perishables, clothing, general merchandise, office supplies and electronic goods.

As mentioned in Note 18, on December 24, 2007, at the General Ordinary Stockholders' Meeting, the stockholders approved the disposal of the Company's supermarket business.

2. Basis of presentation

Explanation for translation into English - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of Mexican Financial Reporting Standards ("MFRS"), individually referred to as Normas de Informacion Financiera ("NIFs"). Certain accounting practices applied by the Company that conform with MFRS may not conform with accounting principles generally accepted in the country of use.

a. Consolidation of financial statements - The consolidated financial statements include those of Grupo Gigante, S. A. B. de C. V. and its subsidiaries, whose shareholding percentage in their capital stock is shown below. The financial statements of Office Depot de México, S. A. de C. V. and through 2006, PSMT México, S. A. de C. V., are consolidated using the proportionate consolidation method, based on the Company's 50% ownership interest in such entities resulting in joint control. As mentioned in Note 16, on October 31, 2007, the Company acquired from Pricesmart, Inc., the remaining 50% of shares of its subsidiary PSMT México, S.A. de C.V., which it did not own previously; therefore, beginning on such date the financial statements of such subsidiary are consolidated on a 100% basis. Significant intercompany balances and transactions have been eliminated.

Company or Group	Equity	Activity
Gigante, S. A. de C. V. and Subsidiaries	100.00%	198 self-service stores that sell groceries, perishables, clothing and general merchandise. As mentioned in Note 18 on December 24, 2007, at the General Ordinary Stockholders' Meeting, the stockholders approved the disposal of the Company's supermarket business.
Office Depot de México, S. A. de C. V. and Subsidiaries	50.00%	140 office supply stores in Mexico, 4 in Costa Rica, 5 in Guatemala, 3 in El Salvador, 2 in Honduras, 3 in Panama and 3 distribution centers, 2 in Mexico and 1 in Panama.
PSMT México, S. A. de C. V. and Subsidiaries	100.00%	Through February, 2005, it operated 2 club price stores in Guanajuato, Mexico and 1 in Queretaro, Mexico.
Gigante Holdings International, Inc. and Subsidiaries	100.00%	7 self-service stores focusing on the Latin market in Los Angeles, California. As mentioned in Note 18 on December 24, 2007, at the General Ordinary Stockholders' Meeting, the stockholders approved the disposal of the Company's supermarket business.
Restaurantes Toks, S. A. de C. V.	100.00%	A chain of 74 restaurants.

Company or Group	Equity	Activity
Tiendas Super Precio, S. A. de C. V.	100.00%	86 self-service stores that sell groceries.
Radio Shack de México, S. A. de C. V.	50.01%	176 stores that sell electronic goods.
Controtiendas, S. A. de C. V.	100.00%	40 real estate companies that own land where Company's stores and restaurants are located.
Bodega Gigante, S. A. de C. V.	100.00%	9 real estate companies that own land where Company's stores are located.
Gigante-Fleming, S. A. de C. V.	100.00%	A real estate company that owns land where two of the Company's stores are located, as well as the use and control of trademarks.
Servicios Gigante, S. A. de C.V.	99.99%	Provides administrative services to the Company.
Servicios Toks, S. A. de C. V.	100.00%	Provides administrative services to the Company.
Operadora Gigante, S. A. de C. V.	100.00%	Provides administrative services to the Company.
Servicios Gastronómicos Gigante, S. A. de C. V.	100.00%	Provides administrative services to the Company.
Servicios Operativos Gigante, S.A. de C.V.	100.00%	Provides administrative services to the Company.
Pagos en Línea, S. A. de C. V.	100.00%	Processes and manages electronic cash transfers in Mexico.
Procesadora Gigante, S. A. de C. V.	100.00%	Sales, administration and operation of commercial business related to packaging food.
Importadora Corporativa del Centro, S. A. de C. V.	100.00%	Purchase-sale, manufacture and commercialization of merchandise.
Retail Answers, S.A. de C.V.	50.20%	Provides administrative services to the Company.
Logistic Answers, S.A. de C.V.	50.20%	Provides administrative services to the Company.
Franquicias Super Precio, S.A. de C.V.	100.00%	Manages the use and control of trademarks.
Inmobiliaria Toks, S.A. de C.V.	100.00 %	A real estate company.
Controinmuebles, S.A. de C.V.	100.00%	A real estate company.
Grupo Controinmuebles, S.A. de C.V.	100.00%	A real estate company.
Controladora Controinmuebles, S.A. de C.V.	100.00%	A real estate company.

- b. Translation of financial statements of foreign subsidiaries** – To consolidate the financial statements of foreign subsidiaries that operate independently of the Company in terms of finances and operations, the same accounting policies of the Company are applied. The financial statements are restated for inflation of the country in which such foreign subsidiary operates to express amounts in purchasing power of the foreign currency as of the most recent year-end. Subsequently, all assets, liabilities, revenues, costs and expenses are translated into Mexican pesos using the closing exchange rate in effect as of the most recent balance sheet date presented. Cumulative translation effects are presented within insufficiency in stockholders' equity.

The financial statements of foreign subsidiaries included in the 2006 consolidated financial statements are restated for inflation of the country in which such foreign subsidiary operates and are subsequently translated into Mexican pesos using the exchange rate of the latest period presented.

- c. Comprehensive income (loss)** – Represents changes in stockholders' equity during the year, for concepts other than distributions and activity in contributed common stock, and is comprised of the net income of the year, plus other comprehensive income or loss items of the same period, which are presented directly in stockholders' equity without affecting the consolidated statements of income. In 2007 and 2006, other comprehensive income (loss) items consist of the insufficiency in restated stockholders' equity (which includes the translation effects of foreign entities) and net income of the minority stockholders.
- d. Classification of costs and expenses** – Costs and expenses presented in the consolidated statements of income were classified according to their nature.
- e. Financial statement restatement** – As mentioned in Note 18 on December 24, 2007, at an Ordinary Stockholders' Meeting, the stockholders approved the disposal of the Company's supermarket operations. Therefore, the Company's supermarket business is considered a discontinued operation in accordance with Bulletin C-15, "Impairment in the Value of Long-Lived Assets and Their Disposal" ("Bulletin C-15"). The accompanying 2006 consolidated balance sheet, the consolidated statement of income and the notes to the consolidated financial statements have been restated in accordance with Bulletin C-15. The consolidated statements of changes in financial position have been prepared starting from the consolidated figures prior to the discontinuation of the supermarket business and beginning with the net consolidated income in accordance with IAS -7 "Cash Flow Statements".

3. Summary of significant accounting policies:

The accompanying consolidated financial statements have been prepared in conformity with MFRS, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the financial statements and their related disclosures; however, actual results may differ from such estimates. The Company's management, upon applying professional judgment, considers that estimates made and assumptions used were adequate under the circumstances. The significant accounting policies of the Company are as follows:

a. Accounting changes:

Statement of income – Beginning January 1, 2007, the Company adopted new NIF B-3, "Statement of Income", which now classifies revenues, costs and expenses into ordinary and non-ordinary. Ordinary items are derived from primary activities representing an entity's main source of revenues. Non-ordinary items are derived from activities

other than those representing an entity's main source of revenues. Consequently, the classification of certain transactions as special and extraordinary was eliminated; these items are now part of other income and expenses and non-ordinary items, respectively. Statutory employee profit sharing ("PTU") should now be presented as an ordinary expense and no longer presented as a tax on income. According to Interpretation of Financial Information Standards Number 4, "Presentation of Statutory Employee Profit Sharing in the Statement of Income", ("INIF 4") PTU should be included within other income and expenses. The main effect of adopting this NIF was the reclassification of current and deferred PTU for fiscal 2006 of \$132 to other (income) expense – Net.

Related Parties – Beginning January 1, 2007, the Company adopted NIF C-13, "Related Parties" ("NIF C-13"), which broadens the concept "related parties" to include: a) the overall business in which the reporting entity participates; b) close family members of key management or prominent executives; and c) any fund created in connection with a labor-related compensation plan. NIF C-13 also requires the following disclosures: 1) that the terms and conditions of consideration paid or received in transactions carried out between related parties be equivalent to those of similar transactions carried out between independent parties and the reporting entity, only if sufficient evidence exists; and 2) benefits granted to the entity's key management or prominent executives. Notes to the 2006 consolidated financial statements were amended to comply with the new provisions.

Capitalization of comprehensive financing result – Beginning January 1, 2007, the Company adopted NIF D-6, "Capitalization of Comprehensive Financing Result", which establishes general capitalization standards. Some of these standards include: a) mandatory capitalization of comprehensive financing cost ("CFC") directly attributable to the acquisition of qualifying assets; b) when financing in domestic currency is used to acquire assets, yields obtained from temporary investments before the capital expenditure is made are excluded from the amount capitalized; c) a methodology to calculate capitalizable CFC relating to funds from generic financing; d) regarding land, CFC may be capitalized if land is developed; and e) conditions that must be met to capitalize CFC and rules indicating when CFC should no longer be capitalized. During 2007, the Company did not capitalize any CFC since during this year it did not acquire any qualifying assets.

- b. **Recognition of the effects of inflation** – The Company restates its consolidated financial statements to Mexican pesos of purchasing power of the most recent balance sheet date presented. Accordingly, the consolidated financial statements of the prior year, which are presented for comparative purposes, have also been restated to Mexican pesos of the same purchasing power and, therefore, differ from those originally reported in the prior year. Recognition of the effects of inflation results mainly in inflationary gains or losses on nonmonetary and monetary items that are presented in the financial statements under the following two line items:

Insufficiency in restated stockholders' equity – Represents the accumulated monetary position result through the initial restatement of the consolidated financial statements and the loss from holding nonmonetary assets which results from restating certain nonmonetary assets below inflation.

Monetary position gain – Monetary position gain, which represents the increase of purchasing power of monetary items caused by inflation, which is calculated by applying National Consumer Price Index ("NCPI") factors to monthly net monetary position. Gains result from maintaining a net monetary liability position.

- c. **Cash and cash equivalents** – This line item consists mainly of bank deposits in checking accounts and readily available daily investments of cash surpluses. This line item is stated at nominal value plus accrued yields, which are recognized in results as they accrue.
- d. **Inventories and cost of sales** – Inventories are valued at the lower of replacement cost or realizable value. Cost of sales is restated for the effects of inflation using the last-in, first-out method.
- e. **Long-lived assets available-for-sale** – Long-lived assets available-for-sale are valued at the lower of restated acquisition cost, less accumulated depreciation, or net realizable value. Long-lived assets available for sale are included within the inventory line item in the accompanying consolidated balance sheets for a total amount of \$78,691, as they are expected to be sold within one year and the Company expects to receive cash upon their disposal.
- f. **Derivative financial instruments** – The Company obtains financing under different conditions. If the rate is variable, interest rate swaps are entered into to reduce exposure to the risk of rate volatility, thus converting the interest payment profile from variable to fixed. These instruments are negotiated only with institutions of recognized financial strength and when trading limits have been established for each institution.

The Company recognizes all assets or liabilities that arise from transactions with derivative financial instruments at fair value in the balance sheet, regardless of its intent for holding them. Fair value is determined using prices quoted on recognized markets. If such instruments are not traded, fair value is determined by applying recognized valuation techniques. The Company's policy is not to carry out transactions with derivative financial instruments for the purpose of speculation.

When derivatives are entered into to hedge risks, and such derivatives meet all hedging requirements, their designation is documented at the beginning of the hedging transaction, describing the transaction's objective, characteristics, accounting treatment and how the effectiveness of the instrument will be measured.

Changes in the fair value of derivative instruments designated as hedges are recognized as follows: 1) for fair value hedges, changes in both the derivative instrument and the hedged item are stated at fair value and recognized in current earnings; 2) for cash flow hedges, changes in the effective portion are temporarily recognized as a component of other comprehensive income in stockholders' equity and then reclassified to current earnings when affected by the hedged item; the ineffective portion of the change in fair value is immediately recognized in current earnings; 3) for hedges of an investment in a foreign subsidiary, the ineffective portion is recognized as a component of other comprehensive income as part of the cumulative translation adjustment. The ineffective portion of the gain or loss on the hedging instrument is recognized in current earnings, if it is a derivative financial instrument. If not, it is recognized as a component of other comprehensive income until the investment is sold or transferred.

The Company discontinues hedge accounting when the derivative instrument matures, is sold, cancelled or exercised, when the derivative instrument does not reach a high percentage of effectiveness to compensate for changes in fair value or cash flows of the hedged item, or when the entity decides to cancel its designation as a hedge.

While certain derivative financial instruments are contracted for hedging from an economic point of view, they are not designated as hedges because they do not meet all of the requirements and are instead classified as trading for accounting purposes. Changes in fair value are recognized in current earnings as a component of CFC.

- g. **Property and equipment** – Property and equipment are initially recorded at acquisition cost and restated using the NCPI. Depreciation is calculated using the straight-line method, based on the useful lives of the related assets, as follows:

	Total years
Buildings	49
Buildings on leased property	32
Store equipment	10
Furniture and equipment	8
Vehicles	4

CFC incurred during the period of construction is capitalized and restated using the NCPI.

- h. **Impairment of long-lived assets in use** – The Company reviews the carrying amounts of long-lived assets in use when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the net sales price upon disposal. Impairment is recorded when the carrying amounts exceed the greater of the amounts mentioned above. Impairment indicators considered for these purposes are, among others, operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to results, which in percentage terms in relation to revenues are substantially higher than that of previous years, obsolescence, competition and other legal and economic factors.
- i. **Goodwill** – Goodwill represents the excess of cost over recorded value of subsidiaries shares, as of the date of acquisition. It is restated using the NCPI and at least once a year, is subject to impairment tests.
- j. **Employee retirement obligations** – Seniority premiums and severance payments at the end of the work relationship and other postretirement benefits are recognized as they accrue and are calculated by independent actuaries using the projected unit credit method at net discount rates. Accordingly, the liability is being accrued which, at present value, will cover the obligation from benefits projected to the estimated retirement date of the Company's employees.
- k. **Deferred charges** – Costs incurred in the development phase that meet certain requirements and that the Company has determined will have future economic benefits are capitalized and amortized based on the straight-line method over four years. Disbursements that do not meet such requirements, as well as research costs, are recorded in results of the period in which they are incurred.
- l. **Provisions** – Provisions are recognized for current obligations that result from a past event, are probable to result in the future use of economic resources and can be reasonably estimated.

- m. Statutory employee profit sharing ("PTU")* – PTU is recorded in the results of the year in which it is incurred and presented under other income and expenses in the accompanying consolidated statements of income. Deferred PTU is derived from temporary differences between the accounting result and income for PTU purposes and is recognized only when it can be reasonably assumed that such difference will generate a liability or benefit, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.
- n. Income taxes* – Income taxes are recorded in the results of the year in which they are incurred. Beginning October 2007, based on its financial projections, the Company must determine whether it will incur regular income tax ("ISR") or the new Business Flat Tax ("IETU") and, accordingly, recognizes deferred taxes based on the tax it will pay. Deferred taxes are calculated by applying the corresponding tax rate to the applicable temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.
- Tax on assets ("IMPAC") paid that is expected to be recovered through future offset of income taxes payable is recorded as an advance payment of ISR and is presented in the consolidated balance sheets decreasing the deferred ISR liability.
- o. Foreign currency balances and transactions* – Foreign currency transactions are recorded at the applicable exchange rate at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate in effect at the balance sheet date. Exchange fluctuations are recorded as a component of net CFC in the consolidated statements of income.
- p. Earnings per share* – Basic earnings per common share are calculated by dividing net income of majority stockholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share are determined by adjusting common shares on the assumption that the Company's commitments to issue or exchange its own shares would be realized.

4. Accounts receivable – Net

	2007	2006
Trade accounts receivable	\$ 114,921	\$ 125,338
Allowance for doubtful accounts	(8,882)	(16,134)
	106,039	109,204
Recoverable taxes, mainly tax on assets and value-added tax	586,136	200,469
Tiendas Soriana, S.A. de C.V.	7,138,607	
Other	76,975	16,138
	\$ 7,907,757	\$ 325,811

5. Property and equipment - Net

	2007	2006
Buildings	\$ 5,544,882	\$ 5,826,677
Buildings on leased property	1,403,253	1,322,430
Store equipment	769,307	705,513
Furniture and equipment	233,376	174,771
Vehicles	108,224	102,311
	<u>8,059,042</u>	<u>8,131,702</u>
Accumulated depreciation	(1,102,107)	(1,211,097)
	<u>6,956,935</u>	<u>6,920,605</u>
Construction in-progress	127,100	77,770
Land	5,858,364	5,648,472
	<u>\$ 12,942,399</u>	<u>\$ 12,646,847</u>

6. Investment in shares

As of December 31, 2007 and 2006, the investment in shares balance is mainly represented by the investment in the shares of Pricesmart Inc., of 1,667,333 common shares (5.7% and 5.8% as of December 31, 2007 and 2006, respectively), which were purchased on November 23, 2004, at a price of U.S. 10.00 per share. Such investment is accounted for under the cost method.

7. Goodwill and other assets - Net

	2007	2006
Goodwill - Net	\$ 476,792	\$ 476,792
Deferred charges - Net	46,624	54,370
Intangible asset for retirement obligations	18,190	20,298
Other non-current assets	6,695	1,876
	<u>\$ 548,301</u>	<u>\$ 553,336</u>

Deferred charges represent costs incurred for internally developed software that meet the specific capitalization requirements as discussed in Note 3k.

8. Notes payable to financial institutions

The Company has certain short-term unsecured notes payable due to financial institutions. Outstanding borrowings under these arrangements amounted to \$50,000 and \$31,680 as of December 31, 2007 and 2006, respectively. The weighted average interest rates under these arrangements at December 31, 2007 and 2006 were 8.93% and 9.15%, respectively.

9. Long -term debt	2007	2006
Unsecured loan contract payable in 36 monthly installments with a 12-month grace period with regard to principal only; the first principal payment was made on January 31, 2007. In November 2007, the Company obtained a reduction of the fixed interest rate of this contract from 11.45% to 10.50%.	\$ 47,001	\$ 62,251
Unsecured loan contract payable in 10 semi-annual payments, with maturity on May 11, 2012; bearing interest at the interbank interest rate ("TIIE") plus 140 basis points. The interest rate as of December 31, 2007 was 9.32%.	53,000	
Long-term debt	100,001	62,251
Less: current portion of long-term debt	(61,001)	(13,487)
	\$ 39,000	\$ 48,764

As of December 31, 2007, long-term debt matures as follows:

Year ending December 31,

2009	\$	14,000
2010		14,000
2011		11,000
	\$	39,000

10. Employee retirement obligations

Seniority premium benefits consist of a lump sum payment of 12 days' wages for each year worked, calculated using the most recent salary, not to exceed twice the legal minimum wage established by law. The related liability and annual cost of such seniority premium benefits and severance payments are calculated by an independent actuary on the basis of formulas defined in the plans using the projected unit credit method.

The present values of these obligations and the rates used for the calculations are:

	2007	2006
Accumulated benefit obligation	\$ (49,982)	\$ (45,431)
Projected benefit obligation	\$ (53,624)	\$ (49,128)
Plan assets	5,753	5,591
Funded status – underfunded	(47,871)	(43,537)
Unrecognized items	41,024	45,484
Net projected liability	(6,847)	1,947
Additional liability	(41,460)	(46,032)
Employee retirement obligations	\$ (48,307)	\$ (44,085)
Intangible asset for retirement obligations	\$ 18,190	\$ 20,298
Balance in stockholders' equity	\$ 23,270	\$ 25,734
Net periodic cost	\$ 17,963	\$ 17,954

Net discount rates used in actuarial calculations were as follows:

	2007	2006
	%	%
Discount of the projected benefit obligation		
at present value	5.0	5.0
Salary increase	2.0	2.0
Yield on plan assets	4.0	5.0

Unrecognized items are charged to results based on the average remaining service lives of employees, which is 9 years.

Net periodic cost is comprised as follows:

	2007	2006
Service costs	\$ 8,733	\$ 7,636
Amortization of unrecognized items	6,660	7,728
Interest cost	2,834	2,888
Less-yield on plan assets	(264)	(298)
Net periodic cost	\$ 17,963	\$ 17,954

11. Stockholders' equity

- a. Common stock consists of the following as of December 31, 2007 and 2006:

	Number of shares 2007	Number of shares 2006	Historical value 2007	Historical value 2006
Fixed capital	176,734,102	176,734,102	\$ 18,922	\$ 18,922
Variable capital	811,903,667	805,655,775	86,927	86,258
	988,637,769	982,389,877	\$ 105,849	\$ 105,180

Common stock is comprised of common nominative shares. Fixed capital stock may not be withdrawn. Variable capital shares may be freely subscribed. Variable capital may not be greater than ten times fixed capital.

- b. During 2007, the Company sold a total of 3,899,988 of its treasury shares and during 2006 it repurchased a total of 202,600 of its treasury shares, at various dates and various prices throughout each year, via cash contributions. At December 31, 2007 and 2006, the Company maintains in its treasury 10,092 and 3,910,080, shares respectively. The market value of such shares was \$22.00 and \$11.00, per share at December 31, 2007 and 2006, respectively.
- c. Retained earnings include a statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value (historical pesos). The legal reserve may not be distributed, except in the form of a stock dividend, unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. At December 31, 2007 and 2006, the legal reserve, in historical pesos, was \$21,120 for both years.
- d. Stockholders' equity, except restated additional paid-in capital and tax retained earnings, will be subject to income tax at the rate in effect when the dividend is distributed. Any tax paid on such distribution may be credited against the income tax payable of the year in which the tax on the dividend is paid and the two fiscal years following such payment.
- e. The balances of the stockholders' equity tax accounts as of December 31 are as follows:

	2007	2006
Contributed capital account	\$ 8,509,792	\$ 8,495,156
Net consolidated tax income account	6,872,472	3,751,904
Net reinvested consolidated tax income account	194,094	194,094
	\$ 15,576,358	\$ 12,441,154

12. Foreign currency balances and transactions

- a. At December 31, the foreign currency monetary position in thousands of U.S. dollars is as follows:

	2007	2006
Monetary assets	\$ 659,364	\$ 3,862
Monetary liabilities	(65,441)	(297,608)
Monetary asset (liability) position - Net	\$ 593,923	\$ (293,746)
Equivalent in thousands of Mexican pesos	\$ 6,485,639	\$ (3,172,456)

- b. Approximately 7.53% and 7.11% of inventory purchases were imported by the Company in 2007 and 2006, respectively.
- c. Transactions denominated in thousands of U.S. dollars during the years ended December 31, 2007 and 2006 mainly represent import purchases of U.S. 162,130 and U.S. 155,150, respectively.
- d. The exchange rates in effect at the dates of the consolidated financial statements and at the date of the independent auditors' report were as follows:

	December, 31		February, 27
	2007	2006	2008
Mexican pesos per one U.S. dollar	\$ 10.92	\$ 10.80	\$ 10.74

13. Balances and transactions with related parties

- a. Transactions with related parties during the years ended December 31, 2007 and 2006, carried out in the ordinary course of business, were as follows:

	2007	2006
Interest paid to affiliates	\$ 3,891	\$ 4,627
Interest paid to other related parties		2,871
Purchases of inventory from affiliates	252,961	243,418
Purchases of fixed assets from affiliates	9,414	10,620
Consulting services received from affiliates	3,300	5,238
Loans received from affiliates	143,000	
Rental expense paid to other related parties	84,892	85,090
	\$ 497,458	\$ 351,864

b. Balances payable to related parties at December 31, are as follows:

	2007	2006
Radio Shack International Inc.	\$ 54,933	\$ 40,148
Radio Shack Global Sourcing Inc.	34,577	38,977
Tandy Finance Corporation Inc.	32,760	
	<u>\$ 122,270</u>	<u>\$ 79,125</u>

c. Employee benefits granted to Company key management were as follows:

	2007	2006
Compensation cost related to share-based payments	\$ 12,796	\$
Salaries	286,871	294,268
Severance benefits	8,658	8,955
	<u>\$ 308,325</u>	<u>\$ 303,223</u>

14. Other (income) expense - Net

a. Detail of other (income) expense is as follows:

	2007	2006
Statutory employee profit sharing	\$ 3,086	\$ 132
Loss on sale of fixed assets - Net	194,916	21,436
Contingency provision reversal	(220,465)	
	<u>\$ (22,463)</u>	<u>\$ 21,568</u>

b. PTU is comprised as follows:

	2007	2006
Current	\$ 780	\$ 660
Deferred	2,306	(528)
	<u>\$ 3,086</u>	<u>\$ 132</u>

As of December 31, 2006, the deferred PTU asset balance relates entirely to provisions.

15. Net comprehensive financing cost

	2007	2006
Interest expense	\$ 118,556	\$ 91,353
Interest income	(20,717)	(11,590)
Foreign exchange loss - Net	2,242	5,392
Monetary position gain - Net	(15,385)	(23,712)
Other financing income	(33,198)	(20,696)
	<u>\$ 51,498</u>	<u>\$ 40,747</u>

16. Non-ordinary item

On October 31, 2007, the Company acquired from Pricesmart Inc., the remaining 50% of the shares of its investment in PSMT México, S.A. de C.V., which it did not previously own. As of this date PSMT México, S.A. de C.V. became a wholly owned subsidiary. The excess of the book value over the price paid was recorded as a non-ordinary item of \$49,038, as presented in the accompanying consolidated statements of income.

17. Taxes on income

In accordance with Mexican tax law, the Company is subject to ISR, and through 2007, to IMPAC. ISR is computed taking into consideration the taxable and deductible effects of inflation, such as depreciation calculated on restated asset values. Taxable income is increased or reduced by the effects of inflation on certain monetary assets and liabilities through the inflationary component, which is similar to the gain or loss from monetary position. As of 2007, the tax rate is 28% and in 2006 it was 29%. Due to changes in the tax legislation effective January 1, 2007, taxpayers who file tax reports and meet certain requirements may obtain a tax credit equivalent to 0.5% or 0.25% of taxable income. For ISR purposes, effective in 2005, cost of sales is deducted instead of inventory purchases. Taxpayers had the option, in 2005, to ratably increase taxable income over a period from 6 years by the tax basis of inventories as of December 31, 2004, determined in conformity with the respective tax rules, and taking into account inventory turnover. Such inventory was decreased by the undeducted inventory balance according to Rule 106 and tax loss carryforwards, whose net balance as of December 31, 2007 and 2006 was \$347,707 and \$480,301, respectively. PTU paid is fully deductible.

In 2007, IMPAC was calculated by applying 1.25% to the value of the assets of the year, without deducting any debt amounts. Through 2007, IMPAC was calculated by applying 1.8% on the net average of the majority of restated assets less certain liabilities, including liabilities payable to banks and foreign entities. IMPAC is payable only to the extent that it exceeds ISR payable for the same period.

The Company is subject to ISR and, through 2007, IMPAC, together with its subsidiaries, on a consolidated basis.

On October 1, 2007, the Business Flat Tax Law ("LIETU") was enacted and went into effect on January 1, 2008. In addition, the Tax Benefits Decree and the Third Omnibus Tax Bill were published on November 5 and December 31, 2007, respectively, clarifying or expanding the transitory application of the law regarding transactions carried out in 2007 that will have an impact in 2008. IETU applies to the sale of goods, the provision of independent services and the granting of use or enjoyment of goods, according to the terms of the LIETU, less certain authorized deductions. IETU payable is calculated by subtracting certain tax credits from the tax determined. Revenues, as well as deductions and certain tax credits, are determined based on cash flows generated beginning January 1, 2008. LIETU establishes that the IETU rate will be 16.5% in 2008, 17% in 2009, and 17.5% as of 2010. The Asset Tax Law was repealed upon enactment of LIETU; however, under certain circumstances, IMPAC paid in the ten years prior to the year in which ISR is paid, may be refunded, according to the terms of the law. In addition, as opposed to ISR, the parent and its subsidiaries will incur IETU on an individual basis.

Based on its financial projections and according to INIF 8, "Effects of the Business Flat Tax", the Company determined that it will basically pay only ISR. Therefore, the enactment of IETU did not have any effects on its financial information, since it only recognizes deferred ISR.

a. Taxes on income are as follows:

	2007	2006
ISR expense (benefit):		
Current	\$ 292,370	\$ 152,006
Deferred	(133,887)	(39,192)
Change in the valuation of allowance for recoverable tax on assets and benefit of tax loss carryforwards		15,149
	<u>\$ 158,483</u>	<u>\$ 127,963</u>

b. The effective ISR rate for fiscal 2007 and 2006 differ from the statutory rate mainly due to permanent differences such as nondeductible expenses and the effects of inflation.

c. The main items originating a deferred ISR liability are:

	2007	2006
Deferred ISR assets (liabilities):		
Property and equipment	\$ (2,170,886)	\$ (994,144)
Inventories	(97,358)	(134,484)
Others	50,181	20,660
Deferred ISR from temporary differences	<u>(2,218,063)</u>	<u>(1,107,968)</u>
Effect of tax loss carryforwards	10,343	116,392
Recoverable tax on assets paid	11,894	352,819
Deferred ISR liability	<u>22,237</u>	<u>469,211</u>

	2007	2006
Valuation allowance for recoverable tax on assets and tax loss carryforwards	\$ (10,334)	\$ (10,334)
Long-term deferred ISR liability - Net	(2,206,160)	(649,091)
Deferred PTU asset related to provisions		1,560
Deferred income taxes and statutory employee profit sharing - Net	\$ (2,206,160)	\$ (647,531)

- d. The benefits of restated tax loss carryforwards and recoverable IMPAC for which the deferred ISR asset has been recognized, can be recovered subject to certain conditions. Restated amounts as of December 31, 2007 and expiration dates are:

Year of Expiration	Tax Loss Carryforwards	Recoverable Tax on assets
2009	\$	\$ 829
2010		1,263
2011		1,238
2012	3,353	1,540
2013	8,093	1,870
2014	4,214	1,980
2015	20,792	2,786
2016	486	388
2017	2	
	\$ 36,940	\$ 11,894

18. Discontinued Operations

On November 28, 2007, the Board of Directors approved the divestiture of its supermarket business through an operation with Tiendas Soriana, S.A. de C.V. ("Soriana").

On December 5, 2007, the Company entered into a sale agreement with Soriana, which includes the transfer of the rights of the lease contracts that the Company has entered into with third parties to lease the properties where some of the Company's stores are located; lease agreements to rent to Soriana the Company's properties where the rest of the Company's stores are located; the transfer of all of the Company's fixed assets that are used to operate the Company's supermarket stores (excluding real estate); the sale of two buildings; the use of the trademark "Gigante" for a period of four months beginning January 1, 2008; a non-compete agreement whereby the Company and all

of its subsidiaries will refrain from competing with the buyer in the supermarket business and the transfer of all of the Company's employees who work in the operation of the supermarket stores such that beginning January 1, 2008, Soriana will become their employer.

At the Ordinary Stockholders' Meeting held on December 24, 2007, the stockholders approved the divestiture of its supermarket operations under the terms of the contract entered into on December 5, 2007.

The major Company's assets included in the agreement are:

- 205 supermarket stores located in Mexico and in California.
- Five distribution centers located in Tijuana, Monterrey, Guadalajara, Tultitlán and Mérida.
- Two meat packaging plants located in Mexico City and Monterrey.
- Store equipment used in stores and distribution centers.
- The enterprise resource planner "SAP" used by the Company in its supermarket business.
- Two real estate properties.

The related consideration received by the Company during 2007, was recorded as income from discontinued operations in the consolidated statements of income.

As a result of such operation, the Company decided to tender an offer to repurchase the Senior Notes (the "Notes") that it had issued in April 2006, which mature in April 2016. On November 28, 2007 the Company released such offer. The Company received communication of the acceptance from 91.4% of the notes holders, resulting in 8.6% remaining outstanding in the markets. The related liability for the outstanding notes is presented as a liability from discontinued operations. The costs related to the repurchase of the notes are included in net income from discontinued operations.

In accordance with Bulletin C-15, the Company determined that its supermarket business that is being divested represents a significant business activity since the net revenues generated by such business represented approximately 76% of the Company's total revenue and the fixed assets related to the supermarket business represented approximately 36% of the Company's total fixed assets.

The approval of agreement entered into with Soriana at the Ordinary Stockholders' Meeting represents the indefinite discontinuance of the Company's operations in the supermarket business, since it will not be able to operate its supermarket stores after December 31, 2007.

Based on the above and in accordance with Bulletin C-15, the revenues, costs and expenses as well as the assets and liabilities identified with the supermarket business that is being divested are presented in the accompanying consolidated financial statements of income as a discontinued operation, net of income taxes.

For comparability purposes, the assets and liabilities as of December 31, 2006 and the revenues, costs and expenses for the year ended December 31, 2006 identified with the discontinued operation have been reclassified in accordance with Bulletin C-15.

Operating results of discontinued operations have been recorded as discontinued operations and accordingly they are presented separately from continuing operations.

	2007	2006
Revenues from discontinued operations	\$ 27,221,920	\$ 26,823,122
Costs and expenses	(27,026,948)	(26,426,478)
Other income (expense) - Net	6,063,952	(203,782)
Tax on income	(2,043,007)	(180,989)
Income from discontinued operations	\$ 4,215,917	\$ 11,873

19. Earnings per share

The amounts used to determine earnings from continuing operations, discontinued operations and diluted earnings per share were as follows:

	Income	2007 Weighted average number of shares	Mexican Pesos per share
Income from continuing operations attributable to majority stockholders	\$ 496,559	985,725,557	\$ 0.50
Income from discontinued operations attributable to majority stockholders	4,215,917	985,725,557	4.28
Basic earnings per common share	4,712,476	985,725,557	4.78
Common stock equivalents related to stock option plan for executives		11,024,161	
Diluted earnings per share	\$ 4,712,476	996,749,718	\$ 4.73

During 2006, the Company did not have dilutive securities; therefore basic and diluted earnings per share are the same:

		2006	
	Income	Weighted average number of shares	Mexican Pesos per share
Income from continuing operations			
attributable to majority stockholders	\$ 293,156	982,389,877	\$ 0.30
Income from discontinued operations			
attributable to majority stockholders	11,873	982,389,877	0.01
Basic and diluted earnings per common share	\$ 305,029	982,389,877	\$ 0.31

20. Commitments

The Company has entered into operating leases for land, for indefinite periods where some of its stores and restaurants are located. Rent is calculated as a percentage of sales ranging from 1% to 4%. In 2007 and 2006, rental expense was approximately \$724,708 and \$679,984, respectively.

With respect to the rental agreements entered into with Soriana as discussed in Note 18, such rents will be based on a percentage of sales at each store.

21. Contingencies

In 1992, the Company acquired its present subsidiary, Blanes, S.A. de C.V. ("Blanes"), a business that then had 89 stores. To guarantee possible hidden liabilities, the previous shareholders of Blanes (the "Sellers") established a deposit for three years; at the end of that period, the Sellers did not agree with the balance subject to refund determined by independent public accountants, objected such balance and commenced a legal proceeding.

In 2003, the legal proceeding concluded through a constitutional relief ("amparo") decision given to the Company, which did not decide the substantive issue, the rights of the parties being reserved. In March of 2004, the Company was notified of a new claim filed by the Sellers seeking \$150,000 which was the amount of the original deposit, plus payment of penalty interest accrued at the Treasury Bonds ("CETES") rate in effect at the time when the payment should have been made, multiplied by two, for each 28-day period from February 9, 1996 through the moment when the amount claimed by the Sellers is paid. The Company does not agree with the basis and form of calculation because it is not what it was agreed to in the deposit contract.

On April 19, 2006, the trial judge ruled favorably for the interests of the Company, ordering it to pay \$27,543, which was previously escrowed and deposited with the Central Escrow Office, for the benefit of the Sellers; based on this ruling, the Company was relieved of all other remedies claimed by the Seller and therefore would not be required to disburse any additional amount (except for the interest discussed below); additionally, the Company was relieved of

any obligation derived from the aforesaid deposit. The Sellers disagreeing with the ruling filed an appeal. In August 2006, the 3rd Civil Chamber of the Superior Tribunal of Justice for the Federal District published the appeal decision, which confirmed the trial court ruling made on April 19, 2006.

This decision only modified the prior ruling in relation to the payment of interest, ordering the Company to pay the Sellers penalty interest at the 28-day CETES rate in effect on the day of when such payment was made multiplied by two, without capitalization, which the Company will have to pay in addition to the aforementioned \$27,543.

In disagreement with the appeal decision, the parties respectively filed an Amparo Petition, which was to be heard in the Sixth Collegial Civil Tribunal for the Federal District.

On August 8, 2007, the constitutional issue raised by the parties was decided, denying relief to the Sellers and granting it to the Company, limiting the penalty interest on the \$27,543 to 11 days.

On August 28, 2007, in execution of the constitutional ruling, the Third Chamber of the Superior Tribunal of Justice for the Federal District entered a new decision that ruled as follows:

1. The balance to be paid by the Company is the amount of \$27,543, as determined by the accounting firm.
2. The payment placed in escrow by the Company for the Sellers on February 20, 1996 was approved in the amount of \$27,543.
3. The Company must pay interest only for the 11 days when it was in default of the original \$27,543, and not for the total amount deposited. The interest will be computed by applying the CETES rate multiplied by two, without capitalization.
4. The amount paid by the Company shall be applied first to the aforementioned interest, and then to the principal; therefore, payment of a minimal balance of principal remains pending equal to the said interest for 11 days. The remaining balance, likewise, will earn interest based on the CETES rate in effect at the date of the sentence, also without capitalization, which translates into a minimal amount that the Company must pay, of approximately \$2,000.

The Sellers filed a new amparo petition against the above-described ruling, claiming its illegality. However, the possibilities for the Sellers to succeed are considered remote, given that the ruling they were trying to challenge was issued following the guidelines of the amparo decision dated August 8, 2007, which is final.

The Company filed a motion for payment of order and deposited, through a Deposit Certificate, the total amount of \$1,796.

On December 12, 2007, the Sixth Collegial Civil Tribunal for the First Circuit decided to deny the amparo petition filed by the Sellers mentioned above, with which the decision entered by the Third Civil Chamber of the Superior Tribunal of Justice for the Federal District became final, which approved the escrow payment made by the Company, relieving it of all other remedies claimed by the Sellers and ordering it to pay only a minimal balance with penalty interest of approximately \$2,000 as mentioned above. Upon payment of the above amount, the Company was definitively relieved of any other liability or obligation with regard to this case.

Based on the above, the Company decided to reverse the contingency provision for \$220,465 it had recorded.

22. Information by industry segment

The main business of the Company is the sale of electronic goods and office supplies through its stores and the operation of its restaurants.

The information on operating segments is presented based on a management focus in accordance with Bulletin B-5 "Segment Information".

a. Analytical information by operating segment:

2007						
	Discontinued operations	Retail	Restaurants	Real estate	Other	Consolidated
Total revenues	\$	\$ 6,421,465	\$ 1,393,434	\$ 158,018	\$ 3,338	\$ 7,976,255
Intersegment sales		2,763		149,943	455	153,161
Depreciation and amortization	556,744	105,371	43,389	139,190	7,647	852,341
Total assets	6,513,831	3,393,064	1,350,083	12,208,146	6,735,209	30,200,333
Investment in property and equipment	692,711	401,850	388,912	136,528		1,620,001

2006						
	Discontinued operations	Retail	Restaurants	Real estate	Other	Consolidated
Total revenues	\$	\$ 5,612,828	\$ 1,146,774	\$ 122,959	\$ 2,578	\$ 6,885,139
Intersegment sales		2,527		128,421	389	131,337
Depreciation and amortization	515,102	94,090	37,116	142,747	16,131	805,186
Total assets	9,589,650	3,230,998	1,012,358	10,643,927	533,130	25,010,063
Investment in property and equipment	573,290	334,778	143,916	110,940		1,162,924

- b. The Company sells its products to the public in general; such products are sold in Mexico and various countries of Central America. Sales in Central American countries were 6% and 5% of total revenues during the years ended December 31, 2007 and 2006, respectively.

23. New accounting principles

In 2007, the Mexican Board for Research and Development of Financial Information Standards ("CINIF") issued the following NIFs and Interpretations of Financial Reporting Standards ("INIF"), which became effective for fiscal years beginning on January 1, 2008:

NIF B-2, Statement of cash flows.

NIF B-10, Effects of inflation.

NIF B-15, Translation of foreign currencies.

NIF D-3, Employee benefits.

NIF D-4, Taxes on income.

INIF 5, Recognition of the additional consideration agreed to at the inception of a derivative financial instrument to adjust it to fair value.

INIF 6, Timing of formal hedge designation.

INIF 7, Application of comprehensive income or loss resulting from a cash flow hedge on a forecasted purchase of a non-financial asset.

Some of the significant changes established by these standards are as follows:

NIF B-2, Statement of cash flows. This NIF establishes general rules for the presentation, structure and preparation of a cash flow statement, as well as the disclosures supplementing such statement, which replaces the statement of changes in financial position. NIF B-2 requires that the statement show a company's cash inflows and outflows during the period. Line items should be preferably presented gross. Cash flows from financing activities are now presented below those from investing activities (a departure from the statement of changes in financial position). In addition, NIF B-2 allows entities to determine and present their cash flows from operating activities using either the direct or the indirect method.

NIF B-10, Effects of inflation. CINIF defines two economic environments: a) inflationary environment, when cumulative inflation of the three preceding years is 26% or more, in which case, the effects of inflation should be recognized using the comprehensive method; and b) non-inflationary environment, when cumulative inflation of the three preceding years is less than 26%, in which case, no inflationary effects should be recognized in the financial statements. Additionally, NIF B-10 eliminates the replacement cost and specific indexation methods for inventories and fixed assets, respectively, and requires that the cumulative gain or loss from holding non-monetary assets be reclassified to retained earnings, if such gain or loss is realized; the gain or loss that is not realized will be maintained in stockholders' equity and charged to current earnings of the period in which the originating item is realized.

NIF B-15, Translation of foreign currencies. NIF B-15 eliminates classification of integrated foreign operations and foreign entities and incorporates the concepts of accounting currency, functional currency and reporting currency. NIF B-15 establishes the procedures to translate the financial information of a foreign subsidiary: i) from the accounting to the functional currency; and ii) from the functional to the reporting currency, and allows entities to present their financial statements in a reporting currency other than their functional currency.

NIF D-3, Employee benefits. This NIF includes current and deferred PTU. Deferred PTU should be calculated using the same methodology established in NIF D-4. It also includes the career salary concept and the amortization period of most items is reduced to five years, as follows:

Items will be amortized over a 5-year period, or less, if employees' remaining labor life is less than the:

- Beginning balance of the transition liability for severance and retirement benefits.
- Beginning balance of past service cost and changes to the plan.
- Beginning balance of gains and losses from severance benefits, according to actuarial calculations, should be amortized against the results of 2008.
- Beginning balance of gains and losses from retirement benefits, according to actuarial calculations, should be amortized over a 5-year period (net of the transition liability), with the option to fully amortize such item against the results of 2008.

NIF D-4, Income taxes. This NIF relocates accounting for current and deferred PTU to NIF D-3, eliminates the permanent difference concept, redefines and incorporates various definitions and requires that the cumulative ISR effect be reclassified to retained earnings, unless it is identified with some of the other comprehensive income items that have not been applied against current earnings.

INIF 5, Recognition of the additional consideration agreed to at the inception of a derivative financial instrument to adjust it to fair value. INIF 5 states that any additional consideration agreed to at the inception of a derivative financial instrument to adjust it to its fair value at that time should be part of the instrument's initial fair value and not subject to amortization as established by paragraph 90 of Bulletin C-10. INIF 5 also establishes that the effect of the change should be prospectively recognized, affecting results of the period in which this INIF becomes effective. If the effect of the change is material, it should be disclosed.

INIF 6, Timing of formal hedge designation. INIF 6 states that hedge designations may be made as of the date a derivative financial instrument is contracted, or at a later date, provided its effects are prospectively recognized as of the date when formal conditions are met and the instrument qualifies as a hedging relationship. Paragraph 51 a) of Bulletin C-10 only considered the hedge designation at the inception of the transaction.

INIF 7, Application of comprehensive income or loss resulting from a cash flow hedge on a forecasted purchase of a non-financial asset. INIF 7 states that the effect of a hedge reflected in other comprehensive income or loss resulting from a forecasted purchase of a non-financial asset should be capitalized within the cost of such asset, whose price is set through a hedge, rather than reclassifying the effect to the results of the period affected by the asset, as required by Paragraph 105 of Bulletin C-10. The effect of this change should be recognized by applying any amounts recorded in other comprehensive income or loss to the cost of the acquired asset, as of the effective date of this INIF.

At the date of issuance of these consolidated financial statements, the Company has not fully assessed the effects of adopting these new standards on its financial information.

24. Financial statements issuance authorization

On February 27, 2008, the issuance of the consolidated financial statements was authorized by C.P. Federico Coronado, the Company's Corporate Chief Financial Officer. These consolidated financial statements are subject to the approval at the General Ordinary Stockholders' Meeting.

Equity board members

Ángel Losada

Chairman of the Board of Directors and
CEO of Grupo Gigante

BS in Business Administration, Universidad Anáhuac

Braulio Arsuaga

Joint Director, Hoteles Presidente

BS in Business Administration, Universidad Anáhuac

MS in Business Administration, Southern Methodist University

Related board members

Gonzalo Barrutieta

Chairman of the Board, Operadora IPC de México

BS in Economics, ITAM

MS in Business Administration, Claremont Graduate University

José Alverde

CEO, Inmobiliaria Alosa

BS in Business Administration, Universidad Iberoamericana

MS in Business Administration, University of Texas at Austin

Independent board members

Roberto Salvo

Investor in several Nicaraguan companies,

Independent board member in several companies

BS in Business Administration, University of Notre Dame

MS in Business Administration, INCAE, Nicaragua

Gilberto Perezalonso

Independent board member in several companies

BS in Legal Studies, Universidad Iberoamericana

MS in Business Administration, INCAE, Nicaragua

Corporate Finance Program, Harvard University

José Aguilera

Independent board member in several companies

BS in Public Accountancy, Escuela Bancaria y Comercial

Luis Rebollar

Independent board member in several companies

BS in Chemical Engineering, UNAM

Javier Molinar

Chief Executive Officer, Ixe Banco

BS in Business Administration, Universidad La Salle

Luis Santana

Independent board member in several companies

BS in Philosophy, Pontifical Gregorian University, Rome, Italy

MS in Administration, IPADE, Mexico

Non Independent board members

Armando Garza Sada

Development Director, Alfa Corporativo

BS in Engineering, MIT

MS in Business Administration, Stanford University

Audit Committee

Luis Santana
Chairman

Roberto Salvo

Luis Rebollar

Corporate Practices Committee

Roberto Salvo
Chairman

Gilberto Perezalonso

Luis Santana

Finance and Planning Committee

Javier Molinar
Chairman

Ángel Losada

José Aguilera

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GIGANTE*



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This annual report contains information regarding Grupo Gigante, S.A.B. de C.V. and its subsidiaries, based on the assumptions of its management. This information, as well as statements made about future events and expectations, is subject to risks and uncertainty, as well as to factors that may cause that the results, performance or progress of the Group might differ at any time. These factors include changes in general economic, political, government and commercial conditions on the national and global level, as well as change in interest rates, inflation, exchange-rate volatility, product prices, energy situation and others. Because of these risks and factors, the real results may vary substantially.

Design: **identidad** 
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Printing: Buchanan Visual Communications

