



Office
DEPOT®



Gigante

greater than ever

SuperPrecio

El Super del Ahorro



GIGANTE
GRUPO
INMOBILIARIO®

2008 Annual Report

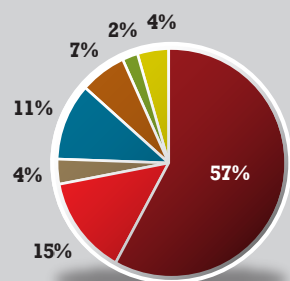
GRUPO GIGANTE is a holding company that is quoted on the Mexican Stock Exchange since 1991.

The subsidiaries in the Group include **GIGANTE GRUPO INMOBILIARIO**, the division that operates and develops real estate projects, **RESTAURANTES TOKS** which operate under the concept of “casual dining”, and the **SUPER PRECIO** stores, which offer permanent discounts.

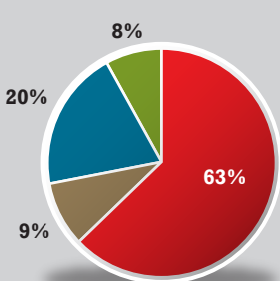
The Group also has a share in **OFFICE DEPOT**, the largest and most important chain of office supplies and furniture, stationery and electronic items in Mexico and Central America.

Through **FUNDACIÓN GIGANTE**, **GRUPO GIGANTE** has institutionalized social responsibility programs, strengthening a tradition and commitment that began more than four decades ago.

Regional distribution of stores



Sales breakdown by format



Sales Floor Area by Format

	Units	Sq. Feet
Super Precio	126	30,758
Restaurants Toks	85	18,134 (seats)
Office Depot	189	252,494
Total	400	283,252

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Financial Highlights

Consolidated statements of income (In thousands of pesos)				
	2008		2007	% variation
Net sales	\$	8,385,495	\$ 6,834,153	22.7
Operating expenses		2,610,197	2,128,143	22.7
EBITDA		1,299,120	829,528	56.6
Income from continuing operations		1,029,890	464,987	121.5
Income from discontinued operations		1,780,756	4,264,724	-58.2
Net income		2,810,646	4,729,711	-40.6
Basic earnings per common share	\$	2.84	\$ 4.78	-40.6
Diluted earnings per share	\$	2.82	\$ 4.73	-40.4
Common shares outstanding		990,921,977	988,637,769	
Price of share	\$	12.90	\$ 22.00	

Consolidated balance sheets (In thousands of pesos)				
	2008		2007	% variation
Assets	\$	21,361,666	\$ 30,200,333	-29.3
Cash and cash equivalents		4,755,312	535,491	788.0
Inventories		1,246,430	979,313	27.3
Fixed assets		13,757,057	12,883,652	6.8
Others		1,575,828	8,606,453	-81.7
Discontinued operations		27,039	7,195,424	-99.6
Liabilities and stockholders' equity	\$	21,361,666	\$ 30,200,333	-29.3
Trade accounts payable		1,015,851	809,182	25.5
Others		3,006,880	4,383,635	-31.4
Discontinued operations		25,950	6,568,650	-99.6
Stockholders' equity		17,312,985	18,438,866	-6.1

Report of the Chairman of the Board and Chief Executive Officer

Dear shareholders:

Without a doubt, 2008 was a year that history will mark in economic-financial matters because of the global events that we all know, which have led to the greatest crisis in recent history, and which, unfortunately affect our country, bringing great challenges but also opportunities.

Despite the above, it is with great satisfaction that I am able to report that the decisions and strategies implemented during the two previous years, as well as the performance of the Group throughout 2008 allow us to deliver very good results. It is worth noting that we closed the year with growth in both revenues and profits and as one of the most solid and strongest corporate groups in the Mexican market. In fact, same-store sales grew 11%, reaching 7,376 million pesos, while total sales increased 22.7% for a total of 8,385 million pesos. Gross profit posted a 35.3% growth, totaling 3,626 million pesos, while operating profit increased 84.1%, reaching 1,015 million pesos.

During this period, a series of strategic decisions were announced and executed with the goal of strengthening the Group's businesses and opening new investment opportunities, among which the following should be highlighted:

- In the case of Office Depot, we grew maintaining leadership in the segment and will begin the chain's expansion in Colombia in South America.
- The Toks restaurants have consolidated, and based on innovation, greater efficiency and excellent performance, we posted the greatest growth in the industry.
- In the Super Precio format, we were able to strengthen a business model that seeks to provide greater opportunities and benefits.
- Gigante Grupo Inmobiliario, the real estate division, was redefined, finding diverse opportunities for development and becoming one of the areas with better expectations.
- After exhausting all contractual possibilities to continue to operate this format and association. Radio Shack was sold to our international partner, with whom we had operated successfully in Mexico, in order to obtain a profitable return on our investment and take advantage of other opportunities in the Mexican and Latin American market.

An exemplary operation

Focusing now on the transaction reported at the end of 2007 with Tiendas Soriana S.A.B. de C.V. (Tiendas Soriana), we were able to confirm that the jobs of more than 24,000 workers in the stores and distribution centers were protected. Various productive negotiations were conducted with the labor unions representing said workers to facilitate the transition and, above all, respect the conditions and rights of the workers.

Soriana's professionalism and reliability in this process should be commended, confirming that it is one of the most successful corporate groups in Mexico.

We satisfactorily concluded more than 2,800 negotiations with vendors, the majority of which continued with Soriana, while others have also maintained operations directly with Grupo Gigante, through Toks, Super Precio and Office Depot.

We closed the year with growth in both revenues and profits and as one of the most solid and strongest corporate groups in the Mexican market.

The transaction was concluded in accordance with all the corresponding legal and tax provisions, making it an exemplary operation with great benefits for shareholders, workers and Grupo Gigante.

I would like to take this opportunity to express the recognition of the group of internal and external collaborators who were instrumental in the successful execution of this operation. Without their decided and enthusiastic participation, none of this would have been possible.

Social Responsibility

More than 45 years serving Mexico

This is one of the areas of the Group that brings the most enthusiasm and pride, especially for those of us who participate in it. In 2008 Fundación Gigante (Gigante's foundation) celebrated five years of active operation, having granted more than 210 million pesos in aid to more than 1.8 million Mexicans, especially children; thereby showing that, where there is a will, it is possible to help others even in the most difficult moments.

The phrase "Giving is not offering what we have left over; but sharing what we and our families enjoy" is part of the spirit that has led us to maintain, institutionalize and consolidate more than 45 years of Grupo Gigante's philanthropic work.

Consolidation and sustained growth

Office Depot

After an intense negotiation process, which began in mid 2008, the Group presented an offer to purchase the 50% share of our partner in Mexico. Diverse economic and financial reasons led us to

end the negotiation in a manner different than we initially planned, but with many positive expectations for the company. Mexico and Central America will continue along the road to consolidation and moderate but sustained growth. Now the process of expansion to South America may begin, particularly in Colombia, where we will be opening the first store in 2009.

The relationship between Grupo Gigante and Office Depot Inc. continues to strengthen and we will consolidate further, maintaining the positive and open ties that we have reinforced in recent years. The company will continue to innovate and, despite the fact that market conditions may not appear to be the most appropriate for growth, will expand cautiously certain that we will maintain our leadership in the sector and taking advantage of it in order to have a better positioning.

In 2008, areas such as financial efficiency, better management of resources and energy, as well as innovation and development of vendors made Office Depot a model to be followed in the sector. This achievement gives us great satisfaction and leads us to continue along the same line. The opening of 30 stores, 252,494 square meters of total sales floor area, and more than 31.8 million clients are proof of this.

Radio Shack

Following the anniversary of the contract, which set forth the need of reviewing certain principles and the status of the two partners in Radio Shack de México, Grupo Gigante sought the possibility of maintaining conditions as they were, with the aim of consolidating the company's participation in Mexico and initiating its expansion to the rest of Latin America. However, after not obtaining a favorable

Group Gigante is in an excellent position to grow, invest, attract productive investments and above all, be an important participant in the new national environment.

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response for the interests of the Group, it was decided to complete a very positive negotiation for the sale of our share of the business.

The transaction with Tandy Co. was concluded at a price of more than 560 million pesos, which in terms of multiples was equivalent to more than ten times EBITDA, outstanding in similar post-crisis transactions, where the multiples are between three and six times EBITDA. These resources will allow us to take advantage of other opportunities and increase the Group's profitability. We must recognize that, for the Group, leaving Radio Shack produced mixed feelings, since, together with our foreign partner, we had successfully developed and operated the concept for the past 16 years. At this time, we can only extend our best wishes to the chain for its continued success.

Restaurantes Toks

Once again, the Toks restaurant chain ratifies its excellent performance in recent years, during which it has grown overall more than five times above the industry's growth rate. In 2008, we created 1,071 permanent jobs and served more than 21 million clients. The road undertaken by Toks, together with its focus and perseverance have proven that the formula is successful and that its capacity to adapt to and overcome adverse economic conditions will continue being a key factor for Grupo Gigante's future growth.

Super Precio

A format that has achieved a favorable position in the market; during 2008 Super Precio, reached a total of 126 stores in the Mexico City metropolitan area. The format has been defined satisfactorily and has posted growth in terms of clients and same-store sales. These results confirm the acceptance and potential of the format. Also, it is worth mentioning that we successfully concluded the first phase of incorporation of the SAP system.

Gigante Grupo Inmobiliario

One of the greatest transformations achieved during the period was in the real estate division. Following the divestiture of its su-

permarket stores, the company went from being an administrator of the properties where the Group's supermarket stores were located, to becoming one of the most important real estate developers in the country.

At the same time, the planning and coordination began of various real estate, commercial and residential developments with high potential and profitability. During 2008, the land reserves of Gigante Grupo Inmobiliario increased 50%, to more than 330,000 square meters. Among the most relevant projects is the incorporation of 88 of its stores in Soriana, 33 operating condominiums, the expansion of commercial spaces and the rental of privileged locations in Mexico City and other important cities. All of this includes more than 120 real estate properties of the Group, comprising a total surface area of over 3,116,000 square meters.

A Master Plan was initiated together with the Federal District government authorities (the Mexico City government) for the development of different priority projects for the city, which are in a phase of definition and which will allow us to become in 2009 one of the driving forces for urban and commercial development in Mexico City.

Among the key elements in the selection of projects are efficiency and creativity, as well as appropriate financial, social, ecological and technological aspects. In future years, these projects will include the consolidation of offices, commercial areas and housing, beginning in Acapulco.

Gigante Grupo Inmobiliario was and will undoubtedly be a pillar for economic and social development in Mexico in the years to come. We are conscious of the fact that conditions will lead us to be more selective, cautious and responsible, but at the same time keep us aware not to slow down the pace and take advantage of the great opportunities that will certainly emerge.

Timely and intelligent decisions

Thanks to the support of shareholders, collaborators and clients throughout Mexico, we can proudly say that during 2009 Grupo Gigante will maintain moderate but sustained growth, preserving and generating direct and indirect jobs, placing above all the well-being of the communities where we operate and serving the requirements of our shareholders, collaborators and vendors.

Given the current environment, the Group's expectations and the global events that we are all aware of, which began in September 2008, we are reassessing our Strategic Plan to determine our direction.

Once the Strategic Redirectioning Plan is revised to include the new challenges of the economic-financial crisis, it will be fine-tuned by the Strategic Consulting Committee and presented to the Board of Directors for its authorization during the first quarter of 2009. The broad guidelines under which the Group will be working are:

1. Sectors to continue developing and investing in:
 - a. Specialized retail
 - b. Services
 - c. Real estate
2. Within the operating businesses, in addition to protecting the jobs of our collaborators, we will work on the consolidation and selective growth of new businesses, through the allocation of the Group's assets, which will be based on criteria of efficiency and profitability.
3. Identification of new formats and opportunities that lead us to develop new businesses within the operating sectors, in line with the experience of the Group, on selective and profitable bases.

It is in this way that we are able to see a Group that is more giant than ever; emerging from a healthy and stable financial situation, without foreign-currency debt exposure, and no other commitment beyond those of its daily operations, with a solid balance sheet and properly invested cash and assets, which will allow us to take advantage of the opportunities that we are certain will come.

This Report only confirms what we have been disclosing in a consistent and transparent manner through the public, legal and authorized media, and ratifies that Grupo Gigante today is at one of its best moments. We have a strong Mexican company that is committed to the country, supporting regional development, employment generation and the attraction of both national and foreign capital toward productive projects. This gives us great pride and satisfaction.

It should be mentioned that, in compliance with the applicable provisions, the policies and the accounting and information criteria followed by the Corporation in the preparation of the financial information are explained separately in the notes to the financial statements. We also inform you that, as part of the meetings of the Board of Directors held during 2008, we should highlight the following: approval on April 3rd of the Policy for the Repurchase of Company's Shares; approval on October 21st of the Company's Social Responsibility Policy, and approval on December 5th of the sale of Radio Shack.

We are going for more, with integrity and quality

I am fully aware of the integrity, quality, dedication and commitment of all of us that are part of this great community of Grupo Gigante, which through its values and hard work will again be one of Mexico's pillars to foster the changes in the country we all want and deserve. The actions reported in this document are proof of this effort, of a Group that under the current circumstances is in an excellent position to grow, invest, attract productive investments and above all, be an important participant in the new national environment. The selective and profitable expansion of the Group, as well as the identification and development of strategic opportunities will be our objective in 2009 and the years thereafter.

**Grupo Gigante,
more giant, solid and
committed than ever!**

Sincerely,



Ángel Losada Moreno

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

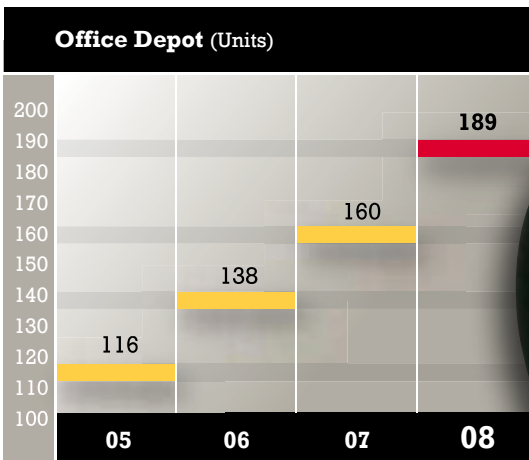
Office DEPOT®



The growth and development of Office Depot de México in 2008 confirm that it is the largest, most important retail chain of office supplies and equipment, stationery and electronic items in Mexico and Central America.



Financial efficiency, innovation and vendor development have made Office Depot a model to be followed in the sector.



Office Depot

The growth and development of Office Depot de México in 2008 confirms that it is the largest, most important retail chain of office supplies and equipment, stationery and electronic items in Mexico and Central America.

The experience accumulated in 14 years has allowed us to meet the demand of the domestic and international market through various sales channels: stores, telemarketing, online and corporate sales. At the same time, we have complemented our supply of products with a broad assortment of private label items.

Financial efficiency, innovation and vendor development have made Office Depot a model to be followed in the sector. In 2008 we opened 30 units in Mexico, with which, at the close of the year, we had a total of 189 stores, 18 of which are outside the country: 5 in Guatemala, 4 in Costa Rica, 2 in Honduras, 3 in El Salvador and 4 in Panama.

Management has emphasized and will continue to focus on the development of projects that allow Office Depot de México to continue being a leading company that provides outstanding service and quality in its products. In line with these objectives in 2009 we will enter the market in Colombia.

In 2008
we opened
30 UNITS
in the Mexican
Republic.





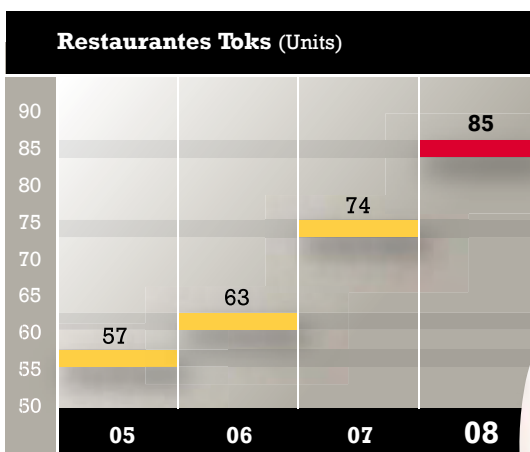


Our “passion to serve”
has been a key factor in
positioning our restaurant
chain in a market where
Toks’ value surpassed
the competition.

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The results for 2008 exceeded our sales and profitability goals compared with 2007.



Restaurantes Toks

Our “passion to serve” freshly prepared food and beverages, offering unique taste and warm, pleasant service, as well as the opening of 12 new units during 2008 were key factors in positioning our restaurant

chain in a market where Toks’ value surpassed the competition.

The effort has been fruitful and the results for 2008 exceeded our sales and profitability goals compared with 2007. Average sales per unit, customer flows and average ticket sales increased.

We understand that well-trained personnel is the basis for the expansion strategy of the business and, as a result, in 2008 we started the Toks Institute, which will allow us to continue offering outstanding service at each new branch.

At the close of 2008, we had a total of 85 units, equivalent to 18,134 seats, representing a 16% increase from the number of seats in 2007.

In 2009, we will multiply our efforts to continue differentiating Toks restaurants from the rest of the sector and will maintain our position as the preferred choice for consumers.





In 2008
we opened
12 UNITS
in 8 states of the
Mexican Republic.

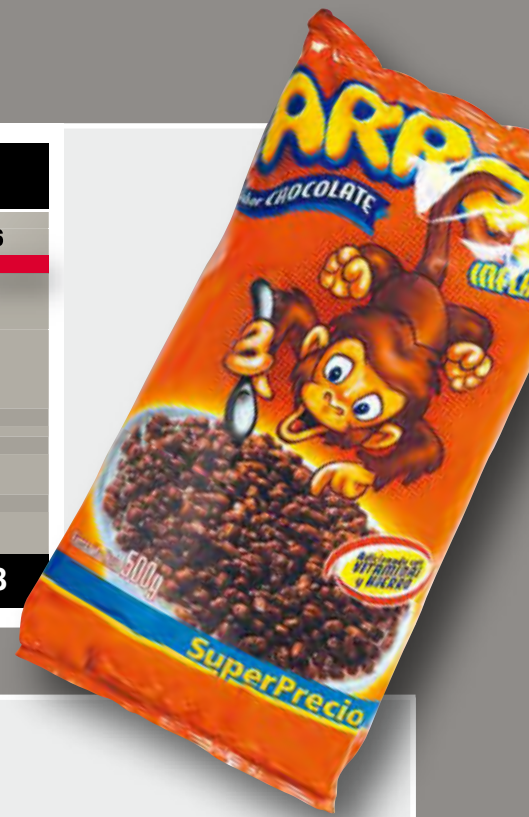
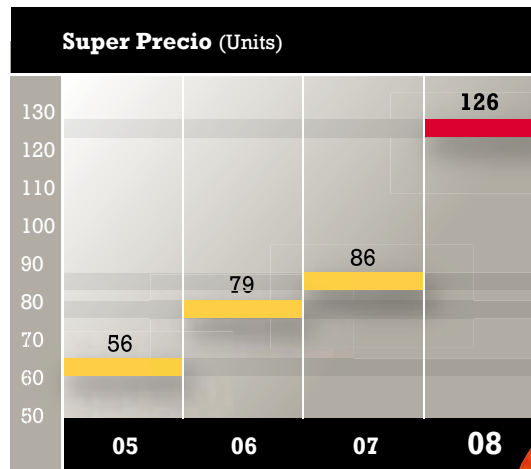
SuperPrecio
El Super del Ahorro



2008 was decisive for the consolidation of the Super Precio stores, not only because we were able to detect and take advantage of areas of opportunity within their operation, but also because of the achievements reached.



No units were closed
in 2008, showing
the efficiency and
profitability of our
126-store network.



Super Precio

2008 was decisive for the consolidation of the Super Precio stores, not only because we were able to detect and take advantage of areas of opportunity within their operation, but also because of the achievements reached.

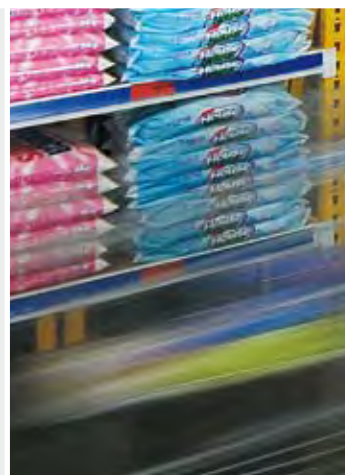
At the close of the fiscal year, this format recorded an increase of 49% in sales floor area with the opening of 40 units, all of them in the Mexico City metropolitan area. For the first time in the history of the Super Precio format, no units were closed in 2008, showing the efficiency and profitability of our 126-store network.

Growth was accompanied by profitability; since the response by the consumers to our low price strategy and our extensive catalogue of private label products has been very gratifying.

In February of 2008 we began to operate our own distribution center and toward the end of the year we implemented the SAP technological platform in the areas of finance, accounting and retail sales. All these advances will undoubtedly generate important savings in resources, a factor that is indispensable for solid growth.

In order to reach more clients in 2009, we will continue to seek the best locations and proceed with our expansion plan in the Mexico City metropolitan area.

In 2008
we opened
40 UNITS in the
metropolitan area
of Mexico City.







Office Building Project, Mexico City



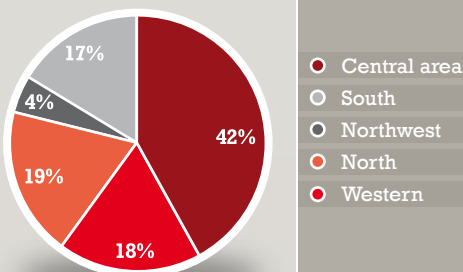
Gigante Grupo Inmobiliario has a clear long-term strategy, focused on developing real estate projects that generate value, both for the business and its clients.



San Esteban Shopping Center

The results obtained in the first year of operation of the business confirm that the strategy of focusing on real estate development was the right decision.

Gigante Grupo Inmobiliario Regional distribution of commercial spaces



Gigante Grupo Inmobiliario

Gigante Grupo Inmobiliario has a clear long-term strategy, focused on developing real estate projects that generate value, both for the business and its clients.

During 2008 we set the bases that will allow a continued and sustained growth. The first step was the implementation of processes and cutting-edge technology in the management, collection, operating control and commercialization of future projects. At the same time, we focused on the consolidation and integration of our work team.

Following a careful selection within a broad portfolio of prospective projects, we approved the development of several shopping centers and office buildings that offered the best return on investment. All of these projects will undoubtedly strengthen our position in the market by diversifying our real estate portfolio.

Among the developments underway, is an office building in Mexico City as well as three shopping centers: "Acapulco Diaman-

te" in the state of Guerrero; "San Esteban" in Naucalpan, and "Atizapán" in Atizapán de Zaragoza, both of which are located in the State of Mexico. We have also been designated as developers of the Lomas Verdes shopping center in Naucalpan in the State of Mexico.

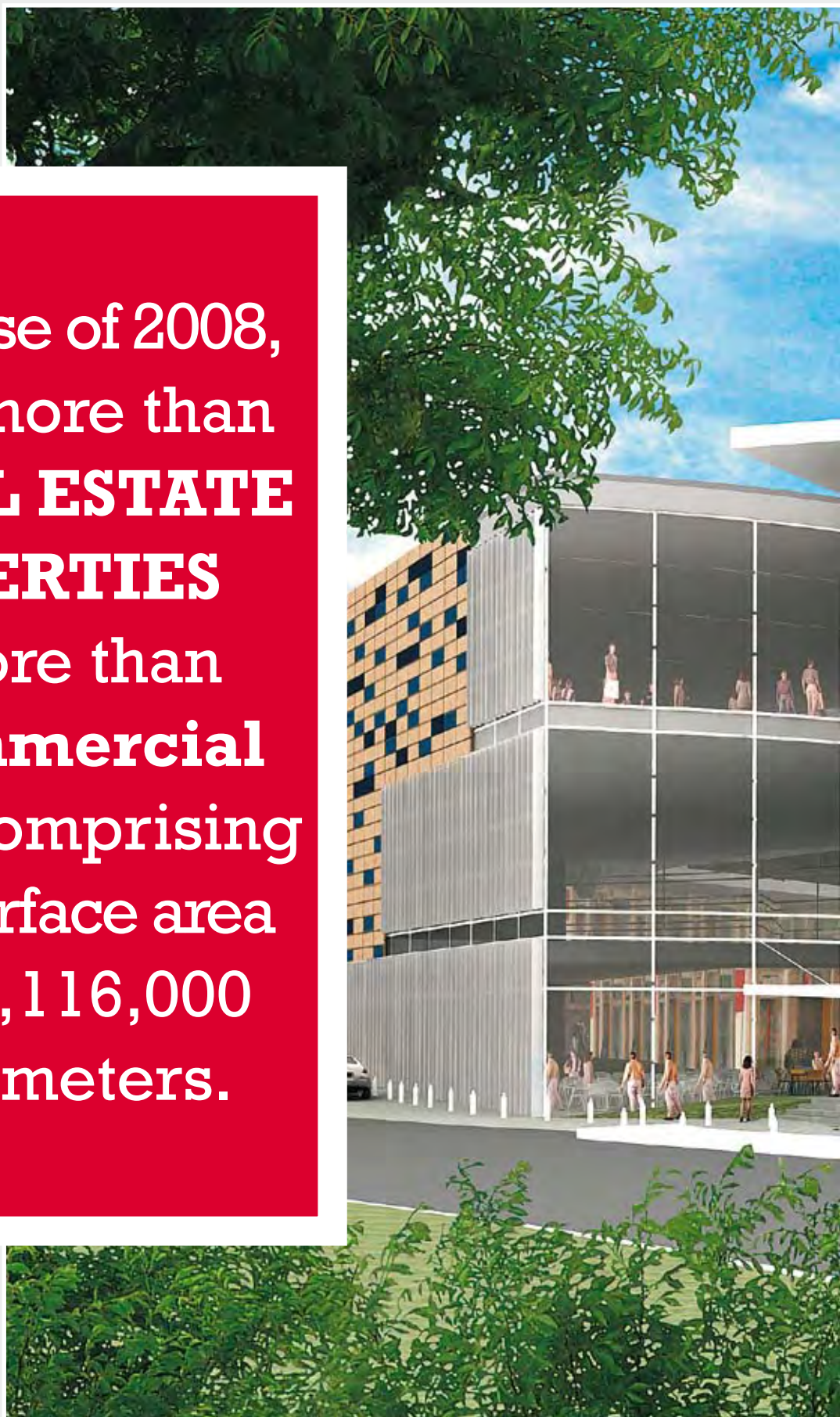
In addition to the startup of the first projects, another priority was to increase our land reserves. Currently, we have a reserve of more than 330,000 square meters in different locations throughout Mexico. This will enable us to grow in commercial, office and housing projects, serving different economic segments of the population.

The results obtained in the first year of operation of the business confirm that the strategy of focusing on real estate development was the right decision.

We believe that Mexico offers growth opportunities; therefore, in 2009 we will continue to maximize the value of our assets, adhering to the discipline that has characterized our investment processes.



At the close of 2008,
we had more than
**120 REAL ESTATE
PROPERTIES**
and more than
**900 commercial
spaces**, comprising
a total surface area
of over 3,116,000
square meters.







**EMPRESA
SOCIALMENTE
RESPONSABLE**

After almost
six years in
operation,
Fundación
Gigante
continues to
support the
people that
need it the
most.



Fundación Gigante collaborated with various associations, universities and non-government organizations, among others, in projects mainly of a social and environmental nature.



Fundación Gigante

More support than ever

After almost six years in operation, Fundación Gigante continues to support the people that need it the most, and in 2008 it reinforced the endeavor of providing aid, which has developed in Grupo Gigante as part of its social responsibility efforts through the contribution of its subsidiary and affiliate companies, Office Depot, Toks, Super Precio and Gigante Grupo Inmobiliario.

Following its commitment to provide aid and support, Fundación Gigante collaborated with various associations, universities and non-government organizations, among others, in projects mainly of a social and environmental nature. It also motivated shareholders, collaborators and vendors to become actively involved in many of these actions in order to continue contributing to the development of the community.

During 2008 we were able to consolidate the work begun by our founder, Ángel Losada Gómez more than 45 years ago, and reached a record figure of 210 million pesos in aid, channeled through Fundación Gigante, to more than 1.8 million Mexicans. A dream come true of which we are proud, but not satisfied. There is always more that can be done.

It should also be highlighted that during 2008, our Board of Directors, upon the proposal of its Governance Committee, approved the Social Responsibility Policy of Grupo Gigante, in an effort to further institutionalize our social commitment and set clear guidelines for the Group, and its subsidiaries and affiliates.



Particular attention was given to initiatives that promote health and nutrition, education, ecology and aid during natural disasters, to name some of the most outstanding activities performed during the year; among which are the following:

Health and Nutrition

Conscious of the fact that nutrition and health are some of the fundamental bases for the development of children, Fundación Gigante allocated resources and supported institutions that work in favor of the fight against cancer, AIDS and obesity, among others.

Teletón 2008

The participation of Grupo Gigante in Teletón, through its affiliate Office Depot, has consolidated in an altruistic tradition that benefits thousands of children and offers hope of a better life to their families. Our collaborators, vendors and clients have become involved in this important event, fostering the participation of society to help young people with disabilities to adapt better in their daily lives.

Psychological, Medical and Legal Support Program for Women

Fundación Gigante continued to give aid to this women's support program through the Fundación Origen. In 2008, the participation of all the Group's subsidiary and affiliate companies provided guidance and channeled help to more than 3,000 women who have required this service.

Alliance with the Mayo Clinic

The Foundation, in alliance with the Mayo Clinic, created in 2008 the program "Está en ti, mejora tu vida" ("It is up to you to improve your life"), of which the main objective is to achieve healthier lifestyles. With the start of this program, we expect to motivate all collaborators within Grupo Gigante's companies and community, to look after their health and that of their families. We have also motivated our clients to take care of their health through efforts directed by the Toks restaurants.

Education

Convinced that the development of our country is based on the quality and level of education, we contributed with various institutions and non-government organizations to support education.

The "Rounding up" for Education 2008 Program

As pioneers in the organization of "rounding up" programs, this year Office Depot joined the cause through the program promoted by the Unión de Empresarios para la Tecnología en la Educación, A.C. (Union of Business Entrepreneurs for Technology in Education, known as UNETE).

Link with Universities

Fundación Gigante maintains links with various institutions of higher education. In 2008 an important donation was made for the construction of the Universidad Tecnológica de Chalco (Chalco Tech-



nology University). Also, scholarships were granted to outstanding students at the National Conservatory of Music.

Ecology

Aware of the need to protect the environment, Fundación Gigante conducted several initiatives aimed at attacking the problem of abuse of our natural resources, inviting all the companies in the Group to conduct their activities, taking a special concern for the environment.

This year the Annual Reforestation Program took place, with the reconditioning of tens of hectares of National Parks in the states of Querétaro and Hidalgo.

We are proud of the achievements of the past six years since the Foundation began and the more than 45 years of serving Mexico. Actions are what count, so we must always double our efforts and continue to expand the help in the years to come.

Sincere thanks to all our shareholders, collaborators and friends for making this a reality.

In 2008 we reached a record figure of 210 million pesos in aid, channeled through Fundación Gigante, to more than 1.8 million Mexicans. This was a dream come true of which we are proud, but not satisfied. There is always more that can be done.

Report of the Audit Committee for fiscal year 2008

México, D.F., March 23, 2009

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

Dear Sirs:

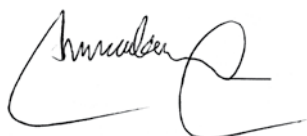
As Members and Secretary of the Audit Committee, and in compliance with that established in subsection second of article 42 and in subsection second of article 43 of the Securities Market Law and the bylaws of Grupo Gigante, S.A.B. de C.V., we submit the following annual report of this Committee for fiscal year 2008.

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

- I.** We have kept in mind the recommendations established in the Code of Best Corporate Practices.
- II.** We reviewed the status of the internal control and the corporate internal audit system of Grupo Gigante, S.A.B. de C.V. and subsidiaries, approving its guidelines, discussing and reaching agreements regarding the deviations reported, as well as those aspects that require improvement, taking into account the opinions and reports from external audit and corporate audit, as well as the external auditor's opinion, for which purpose we coordinated the work of both audits, reviewing and authorizing their work programs. We concluded that, in general, there is an adequate internal control and corporate internal audit system.
- III.** We did the follow-up on the preventive and corrective measures implemented, based on the results of the investigations and reviews developed by External Audit and Corporate Audit related with noncompliance of the guidelines and policies of operation and accounting entries, either of Grupo Gigante, S.A.B. de C.V. or of the subsidiaries that it controls.
- IV.** We verified observance of the mechanisms established to control risks, contributing in the preparation of the Risk Matrix of Grupo Gigante and subsidiaries.
- V.** We evaluated the performance of Galaz, Yamazaki, Ruiz Urquiza, S.C. the firm that conducted the audit of the consolidated financial statements for the fiscal year ended December 31, 2008, as well as the external auditor in charge, C.P.C. Juan Antonio Rodríguez E., concluding that both complied appropriately with their responsibilities in line with generally accepted audit standards in Mexico and with the applicable resolutions of the Securities Market Law. For this purpose, we met with the External Auditor on February 15 and 19, August 1 and October 17 of 2008 and February 20, 2009, as well as today in order to analyze and review, among other aspects, their Annual External Audit Plan, their Executive Summary of observations and recommendations and the draft of the consolidated financial statements for the fiscal year ended December 31, 2008.
- VI.** 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. We also reviewed the policies and operations with related parties, concepts that we included in our quarterly report to the Board of Directors on October 17, 2008, ruling out hiring independent experts for both of these.
- VII.** We received the written reports and held the interviews and meetings that were considered necessary with the external and internal lawyers to ensure that Grupo Gigante and its subsidiaries duly comply with the applicable legal provisions, as well as with the external auditor and internal corporate auditor and the top executives that we considered appropriate for the management of Grupo Gigante, S.A.B. de C.V. and its subsidiary corporations.

- VIII.** We analyzed the main results based on the reviews of the consolidated financial statements of the corporations that Grupo Gigante controls, having requested from External Audit the reports at the close of each quarter of 2008, confirming that the financial information of Grupo Gigante, S.A.B. de C.V. was prepared based on the same standards, criteria and practices of financial information as the annual reports.
- IX.** Based on the analysis and discussion of the consolidated quarterly and annual financial statements at December 31, 2008 of Grupo Gigante, S.A.B. de C.V., which we conducted with the executives responsible for their preparation and review, mainly with P.A. Federico Coronado B., Corporate Director of Management and Finance as well as with External Auditor, C.P.A. Juan Antonio Rodríguez Espinola, we recommend that they be approved by the Board of Directors.
- X.** We analyzed the description and effects of the modifications to the accounting policies approved during the fiscal year covered by the report, now known as standards of financial information.
- XI.** We reviewed the content 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, supported, among other elements, by the External Auditor's opinion, with regard to which it is our opinion that:
- 1) The accounting and information policies and criteria followed by the aforementioned corporation are appropriate and sufficient, considering the corresponding particular circumstances.
 - 2) Said policies and criteria were applied consistently in the information presented by the Chief Executive Officer of the corporation mentioned.
 - 3) As a consequence of the two previous statements, the financial information presented by the Chief Executive Officer reflects reasonably the financial situation and the consolidated results of the corporation.
- XII.** We believe that, related with the pertinent observations formulated 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 on this regard.
- XIII.** We did the follow-up to the agreements of the General Stockholders' Meetings and the meetings of the Board of Directors related with this Committee.

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



Luis Santana Castillo

Chairman of the Committee



Luis Rebollar Corona



Roberto Salvo Horvilleur



Ernesto Valenzuela Espinoza

Secretary of the Committee

Report of the Governance Committee for fiscal year 2008

México, D.F., March 23, 2009

To the Board of Directors

To the General Stockholders' Meeting of Grupo Gigante S.A.B. de C.V.

Dear Sirs:

As members of the Governance Committee and in compliance with that established in article 43, subsection I and other applicable provisions of the Securities Market Law, and also in compliance 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 2008.

In compliance with the provisions noted previously, during the fiscal year reported on, this Committee met at 4 ordinary meetings and 2 extraordinary meetings, presenting its corresponding reports and recommendations to the Board of Directors at the Board meetings held during the year that just concluded, and during which this Committee engaged mainly on the following activities and responsibilities:

- I. During the fiscal year considered in this report, the Committee followed up on the various recommendations stemming from the project called "Corporate Government", which were implemented throughout 2007 as a consequence of the decisions and resolutions taken by the Board of Directors and the General Stockholders' Meeting, which, among other issues included the review of the bodies of corporate governance and their formation, review of the organic structure of the subsidiary named Gigante and that of the Group, preparation of the Regulations of the Board of Directors, preparation of the Operating Rules of the Committees, etc., reporting that throughout the fiscal year considered herein, these measures were applied.
- II. An essential part of the work carried out included the review and adjustment of the organic structure of the Group, based on the consequences resulting from the divestiture of the supermarket business and the reduction in size that this led to, and consequently the need of strategic redirectioning proposals for Grupo Gigante.

Due to this, and in light of the development of the project called "Model of Organizational Relations and Strategic Alignment", an effort coordinated by the Strategic Consulting Committee, and within the framework of our authority, the Committee participated actively in all matters related with human resources, and in the analysis of the strategic organizational alignment and all its implications.

Consequently, the Committee had knowledge of, discussed in depth and approved certain adjustments to the recommendations that were presented to it, both by the external consultants and by management. Development of the first phase was begun and in accordance with this process, said recommendations will be implemented during the first part of 2009.
- III. Another important matter, closely related with the above issue, is the development of the Project called "Comprehensive Compensation". Having engaged the support of specialized consultants, and with the support of an internal work group, through this effort an analysis of the compensations of executives and employees of the Group will be carried out, incorporating benchmarking of internal and external fairness, in order to have a proposal for the definition of the "Policy of packages of Comprehensive Compensation or Remuneration for Top Executives of the Corporation", including that of the Chief Executive Officer; in the terms of the responsibilities assigned to this Committee by the Securities Market Law and by the Board of Directors. This analysis and proposal will also include fixed and variable plans for bonuses and incentives, such as the current Stock Plan for Executives, or equivalent plans, all of this with the strategic objective of attracting and retaining talented people.

The final recommendations will be ready toward the end of April of the current fiscal year (2009) and will then be presented to the Board of Directors for approval, within the framework of its authority, and thereafter their timely execution by management, in accordance with the Strategic Plan of Grupo Gigante and the respective programs.

- IV.** Office Depot de México. In accordance with what was announced publicly and, within the scope of its powers, the Committee participated in the analysis and recommendations regarding the different strategic alternatives and negotiations that were held with our partner:

Just as was reported, and in consideration of the reasons of its U.S. partner, the company withdrew its offer of acquisition and ratified the basic conditions of its association, strengthening the relationship and making the joint decision to expand its territory toward South America, beginning with Colombia.

- V.** Process of divestiture of the subsidiary Radio Shack de México.

In a detailed manner, throughout the year that just ended, the Committee had knowledge of the criteria and fundamentals of this process, participating, together with the Finance and Planning Committee, and considering its opinions regarding the analysis of the different strategic alternatives considered, and learned also of the advances of this process.

On the occasion of the extraordinary meeting to which it was called, toward the end of 2008, it finally recommended to the Board of Directors approval of the transaction, suggesting that this subsidiary be sold in the terms negotiated by management, considering the price, the conditions and characteristics of the transaction, which, at the appropriate time was publicly disclosed, in compliance with the corresponding requirement.

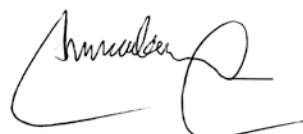
- VI.** Also, and in compliance with the provisions of the Law, the Committee evaluated the performance of the Chief Executive Officer of the Corporation and its top executives, authorizing bonuses and incentives, especially for their successful participation in the divestiture of the supermarket business and the results of fiscal year 2007.
- VII.** Within the framework of its authority and responsibility and in accordance with that provided in article 28, subsection III, paragraph b), of the Securities Market Law, the Committee had knowledge of and analyzed, at two different meetings, certain transactions between the related parties, always seeking and achieving in these transactions, fair market values, for the benefit of the corporation, and, at the appropriate time, also recommended approval of the Board of Directors, having nothing more to add.
- VIII.** Since there were no situations regarding the approvals referred to in article 28, subsection III, paragraph f), there was no need to present these transactions to the Board of Directors.

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



Roberto Salvo Horvilleur

Chairman of the Committee



Luis Santana Castillo



Gilberto Perezalonso Cifuentes



Sergio Montero Querejeta

Secretary of the Committee

Report of the Finance and Planning Committee for fiscal year 2008

México, D.F., March 23, 2009

To the Board of Directors

To the General Stockholders' Meeting of Grupo Gigante S.A.B. de C.V.

Dear Sirs:

As members of the Finance and Planning Committee and in compliance with that established in the bylaws of Grupo Gigante, S.A.B. de C.V. and in the Regulations of the Board of Directors currently in force, we present the Report of this Committee for fiscal year 2008.

In compliance with the provisions noted, during the fiscal year just ended, this Committee held four ordinary meetings and two extraordinary meetings, and compiled and presented to the Board of Directors at all its meetings during the fiscal year, its respective reports and recommendations regarding the content and development of the following specific duties and matters:

- I.** During the fiscal year that just ended, the Committee received detailed and timely information from management regarding the advances and problems related with financial and strategic matters, pertaining to the faculties and recommendations of this Committee to the Board of Directors, with special emphasis on the discussion and analysis of the following matters:
 - I.1.** Budget 2008, its advances and adjustments, particularly considering the impact of the divestiture of the supermarket business.
 - I.2.** Cash Flow of the company, with an emphasis on the supervision and advances of the subsidiary Gigante, S.A. de C.V., considering the transition process that occurred during the first six months of the year; as a result of transferring the stores to Organización Soriana, and of the extraordinary revenue that was received and its effect on our subsidiary, as well as on the consolidated income statement of Grupo Gigante.
 - I.3.** Quarterly and annual results of the previous fiscal year for the company, and for the consolidated subsidiaries and affiliates that it consolidates, for their presentation to the Board of Directors for its consideration.
 - I.4.** Development and advances of the capital expenditures of the company and its subsidiaries.
 - I.5.** Supervision and use of the company's credit lines.
 - I.6.** Analysis and discussion of different financing sources.
 - I.7.** Analysis and definition of the main premises and aspects of the 2008 budget.
 - I.8.** Conclusion of the process of divestiture of the supermarket business from the standpoint of the Committee's responsibilities.
 - I.9.** Specific recommendations on the follow-up to the conclusion of the transition and management of the proceeds from the transaction with Tiendas Soriana, from the standpoint of the Committee's sphere of competence.
- II.** During the period covered by this report, and from the standpoint of planning, the Committee had knowledge of the progress regarding implementation of the Corporate Governance project. Our observations and comments on the progress, recommendations and results of this project were presented to the Board of Directors at the appropriate time throughout the fiscal year discussed herein.
- III.** Another fundamental part of the work carried out was the analysis, discussion and recommendations regarding the project called "Model of Organizational Relations and Strategic Alignment" prepared by the management with the support of external consultants. This project will be concluded during the first quarter of 2009 and is headed by the Strategic Consulting Committee in the terms that said Committee will report to the Board of Directors.
- IV.** Also, during the fiscal year that just ended, the Committee had knowledge and expressed its view points regarding the "Comprehensive Compensation" project prepared by management with the support of external consultants. This project will be concluded

during the first half of 2009 and is headed by the Governance Committee in the terms that said Committee will report to the Board of Directors.

V. Process of divestiture of the subsidiary Radio Shack de México.

In a detailed manner, during the year the Committee had knowledge of the criteria and fundamentals of this process, and participated in the analysis of the different strategic alternatives that were considered, also learning of the advances of the process.

Finally, and on the occasion of the extraordinary meeting held toward the end of 2008, it recommended to the Board of Directors, to approve the transaction and suggested the sale of this subsidiary under the terms negotiated by management, considering the price and the terms and characteristics of the transaction, of which public disclosure was made at the appropriate time.

VI. Management of the Treasury and of the surplus resources

The Committee designed and proposed to the Board of Directors alternatives and policy guidelines regarding investments and management of the Treasury of the Group, both in the regular operation of the company as well as in terms of the surplus generated due to the divestiture of the supermarket business, which received approval. Throughout the year 2008, the Committee supervised performance, receiving reports from management regarding Treasury's performance, risks and yield, making specific decisions on the matter. As will be reported in detail in the Annual Report, the Treasury of the company concluded the year with solid cash resources, mostly in pesos and risk-free, amounting to more than \$4,179 million pesos and slightly more than US\$12.06 million. It should be mentioned that, throughout the course of the year that just ended, the yield received in pesos was higher than the average Cetes rate. Finally, the Committee received periodic reports on compliance with the policy regarding repurchase of its own shares and their performance.

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



Javier Molinar Horcasitas
Chairman of the Committee



Ángel Losada Moreno



José Aguilera Medrano



Sergio Montero Querejeta
Secretary of the Committee

Report of the Strategic Consulting Committee for fiscal year 2008

México, D.F., March 23, 2009

To the Board of Directors

To the General Stockholders' Meeting of Grupo Gigante S.A.B. de C.V.

Dear Sirs:

As members of the Strategic Consulting Committee, and in compliance with that established in the bylaws of Grupo Gigante S.A.B. de C.V. and in the Regulations of the Board of Directors currently in force, and pursuant to the resolution of the Board regarding the formation of this Committee and its specific duty, we present the following Report of activities and results for fiscal year 2008.

During the fiscal year that just ended, this Committee held three ordinary meetings and one extraordinary meeting, the latter abroad, having prepared and presented to the Board of Directors, at its meetings during fiscal year 2008, its reports and recommendations regarding the content, development and advances of the following antecedents and specific matters:

- I.** At the beginning of the fiscal year that just ended, the Committee was formally created, with its formation confirmed at the Grupo Gigante stockholders' meeting of April 2008, and the Board of Directors instructing the Committee to conduct a detailed analysis of the current situation, resources and position of the Group following the divestiture of its supermarket business, with the aim of readjusting the strategic direction of the company and its subsidiaries and affiliates.
- II.** Under this premise, the Committee began its work, supported by a group of top executives of the corporation, and began the task of defining a program and framework of action that would allow complying with the assignment of strategic redirectioning, with the decision to divide the analysis to be carried out in two main areas. On the one hand, to review and if pertinent, redefine the Business Plans of the operating subsidiaries, also considering the adjustment and the necessary organizational redirectioning of the Group, and on the other hand, to identify strategic opportunities that would allow, if applicable, the development of new formats or businesses to be undertaken by the company.
- III.** To this end, the services of prominent external consultants were engaged. One was concentrated on providing support of the review of the Business Plans of the operating subsidiaries and the analysis of the strategic organizational alignment, called "Model of Organizational Relations and Strategic Alignment", and another focused on identifying strategic opportunities for the development of new businesses or formats, under a plan called "New Corporate Strategies".
- IV.** Strategic Plan of Grupo Gigante for the 2009–2013 period. The committee received the conclusions and recommendations of both consultants and projects and conducted a careful and detailed review of these.

The current situation, and particularly the economic and financial crisis that began in the second half of the year that just ended, made it necessary to reconsider certain premises and conclusions on two occasions during the year, particularly with regard to the market of potential consumers and the global and local fundamental economic and financial variables regarding the premises and projections prepared both for the Business Plans of the operating subsidiaries and affiliates, as well as for potential new businesses and strategic opportunities.

Finally, in close collaboration with management, the different premises and projections have been adjusted with the aim of redefining the different plans, in order to design the Grupo Gigante Strategic Plan for 2009–2013, which is largely completed and will be ready for presentation to the Board of Directors during the first quarter of this year.

Until this occurs, and as mentioned above, considerable progress has been made in the proposed document regarding the definition of key factors such as vision, mission, values and principles of action for the Group, with a view to its strategic redirection.

- V.** Another fundamental part of the work carried out is the analysis, discussion and recommendations regarding the project called "Comprehensive Compensation", prepared by management with the support of external consultants.

This project, which will be concluded during the first half of 2009 and is directed by the Governance Committee, in the terms that said Committee will report to the Board of Directors, will be aligned with the general strategic considerations that the Strategic Plan of the Group assumes, particularly including that referring to the organizational alignment and development of the human resources of Grupo Gigante.

Therefore, with this report, we hereby comply with the obligation stipulated in the bylaws and other applicable provisions of the Regulations of the Board of Directors, as well as the assignment received by this Committee.



Ángel Losada Moreno
Chairman of the Committee



José Aguilera Medrano



Armando Garza Sada



Javier Molinar Horcasitas



Gilberto Perezalonso Cifuentes



Sergio Montero Querejeta
Secretary of the Committee

Board of Directors & Committees

Equity board members

Ángel Losada

Chairman of the Board of Directors and
Chief Executive Officer of Grupo Gigante
BS in Business Administration, Universidad Anáhuac

Braulio Arsuaga

Associate Director, Hoteles Presidente
BS in Business Administration, Universidad Anáhuac
MS in Business Administration, Southern Methodist University

Gonzalo Barrutieta

Chairman of the Board, Operadora IPC de México
BS in Economics, ITAM
MS in Business Administration, Claremont Graduate University

Related board members

Juan Carlos Alverde

Operations Director, Restaurantes Toks
BS in Communications, Universidad Anáhuac
MS in Marketing, North Western University

Independent board members

Roberto Salvo Horvilleur

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

José Aguilera

Independent board member in several companies
BS in Public Accountancy, Escuela Bancaria y Comercial

Javier Molinar

Chief Executive Officer, Ixe Banco
BS in Business Administration, Universidad la Salle

Gilberto Perezalonso

Independent board member in several companies
BS in Legal Studies, Universidad Iberoamericana
BS in Business Administration, INCAE, Nicaragua
Corporate Finance Program, Harvard University

Luis Rebollar Corona

Independent board member in several companies
BS in Chemical Engineering, UNAM

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

Governance Committee

Roberto Salvo Chairman

Gilberto Perezalonso

Luis Santana

Finance and Planning Committee

Javier Molinar Horcasitas Chairman

Ángel Losada

José Aguilera

Strategic Consulting Committee

Ángel Losada

José Aguilera

Armando Garza

Javier Molinar

Gilberto Perezalonso



Galaz, Yamazaki,
Ruiz Urquiza, S.C.
Paseo de la Reforma 505 Piso 28
Colonia Cuauhtémoc
06500 México, D.F.

Tel: + 52 (55) 5080 6000
Fax: + 52 (55) 5080 6001
www.deloitte.com.mx

**Independent Auditors' Report 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, 2008 and 2007, and the related consolidated statements of income and changes in stockholders' equity for the years then ended, of cash flows for the year ended, December 31, 2008 and of changes in financial position for the year ended 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 2007 financial statements have been retrospectively adjusted for discontinued operations.

As mentioned in Note 3a, beginning January 1, 2008 the Company adopted the following financial reporting standards: NIF B-2, Statement of Cash Flows; NIF B-10, Effects of Inflation; NIF B-15, Foreign Currency Translation; NIF D-3, Employee Benefits, and NIF D-4, Income Taxes.

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, 2008 and 2007, and the results of their operations and changes in their stockholders' equity for the years then ended, their cash flows for the year ended December 31, 2008 and changes in their financial position for the year ended December 31, 2007, in conformity with Mexican Financial Reporting Standards.

The accompanying financial statements have been translated into English for the convenience of readers in the United States of America.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu

C. P. C. Juan Antonio Rodríguez Espínola
February 27, 2009
(March 27, 2009 with respect to Note 25)

Consolidated balance sheets

As of December 31, 2008 and 2007

(In thousands of Mexican pesos)

Assets	2008	2007
Current assets:		
Cash and cash equivalents	\$ 4,755,312	\$ 535,491
Accounts receivable – Net	755,641	7,817,092
Inventories – Net	1,246,430	979,313
Prepaid expenses	115,798	60,797
Discontinued operations	8,455	7,002,957
Total current assets	6,881,636	16,395,650
Property and equipment – Net	13,757,057	12,883,652
Investment in shares	211,179	220,473
Goodwill and other assets – Net	493,210	508,091
Discontinued operations	18,584	192,467
Total	\$ 21,361,666	\$ 30,200,333
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$	\$ 14,000
Trade accounts and notes payable	1,015,851	809,182
Accrued expenses and taxes	975,108	2,057,709
Discontinued operations	25,950	6,008,782
Total current liabilities	2,016,909	8,889,673
Long-term debt		39,000
Employee retirement obligations	33,869	45,546
Deferred income taxes and statutory employee profit sharing	1,997,903	2,227,380
Discontinued operations		559,868
Total liabilities	4,048,681	11,761,467
Stockholders' equity:		
Common stock	2,689,334	2,689,090
Additional paid-in capital	7,671,526	7,648,149
Retained earnings	6,963,524	22,476,480
Insufficiency in restated stockholders' equity		(13,188,431)
Cumulative initial effect of deferred income taxes		(1,312,925)
Cumulative translation effects of foreign subsidiaries	(11,399)	
Majority stockholders' equity	17,312,985	18,312,363
Minority stockholders' equity		126,503
Total stockholders' equity	17,312,985	18,438,866
Total	\$ 21,361,666	\$ 30,200,333

See accompanying notes to consolidated financial statements.

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

Consolidated statements of income

For the years ended December 31, 2008 and 2007

(In thousands of Mexican pesos)

	2008	2007
Revenues:		
Net sales	\$ 7,620,548	\$ 6,608,621
Other	764,947	225,532
	8,385,495	6,834,153
Costs and expenses:		
Cost of sales	4,759,976	4,154,352
Operating expenses	2,610,197	2,128,143
	7,370,173	6,282,495
Other expense (income) – Net	16,175	(23,202)
Net comprehensive financing cost:		
Interest expense	105,594	88,090
Interest income	(288,825)	(29,242)
Exchange loss	329,703	2,834
Monetary position gain	(7,235)	(8,687)
Others financing income	(47,228)	(37,479)
	92,009	15,516
Non-ordinary item	(9,395)	(49,038)
Income from continuing operations before income taxes	916,533	608,382
Income tax expense (benefit)	(113,357)	143,395
Income from continuing operations	1,029,890	464,987
Income from discontinued operations	1,780,756	4,264,724
Consolidated net income	\$ 2,810,646	\$ 4,729,711
Net income of majority stockholders	\$ 2,810,646	\$ 4,712,476
Net income of minority stockholders		17,235
Consolidated net income	\$ 2,810,646	\$ 4,729,711
Basic earnings per common share	\$ 2.84	\$ 4.78
Diluted earnings per share	\$ 2.82	\$ 4.73

See accompanying notes to consolidated financial statements.

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

Consolidated statements of changes in stockholders' equity

For the years ended December 31, 2008 and 2007

(In thousands of Mexican pesos)

	Common stock	Additional paid-in capital	Retained earnings	Insufficiency in restated stockholders' equity	Cumulative initial effect of deferred income taxes	Cumulative translation effects of foreign subsidiaries	Minority stockholders' equity	Total stockholders' equity
Balance as of January 1, 2007	\$ 2,688,168	\$ 7,523,747	\$ 17,716,760	\$ (12,870,774)	\$ (1,312,925)	\$	\$ 109,993	\$ 13,854,969
Sale of treasury shares	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
Sale of treasury shares	244	23,377	(10,370)					13,251
Reclassification of loss from monetary position in equity and loss from holding non-monetary assets as January 1, 2008			(13,188,431)	13,188,431				
Reclassification of the initial cumulative effect of deferred income taxes as of January 1, 2008			(1,312,925)		1,312,925			
Employee retirement additional minimum liability			23,996					23,996
Dividends paid			(3,835,872)					(3,835,872)
Comprehensive income			2,810,646			(11,399)	(126,503)	2,672,744
Balance as of December 31, 2008	\$ 2,689,334	\$ 7,671,526	\$ 6,963,524	\$	\$	\$ (11,399)	\$	\$ 17,312,985

See accompanying notes to consolidated financial statements.

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

Consolidated statement of cash flows

For the year ended December 31, 2008

(In thousands of Mexican pesos)

Operating activities:	
Consolidated net income	\$ 2,810,646
Items related to investing activities:	
Depreciation and amortization	298,627
Gain on sale of fixed assets	(1,208,640)
Gain on sale of discontinued operation	(1,854,682)
Gain on sale of shares in consolidated subsidiaries	(436,768)
Items related to financing activities:	
Interest expense – Net	13,954
	(376,863)
(Increase) decrease in:	
Accounts receivable – Net	6,579,995
Inventories – Net	(296,597)
Other assets	122,772
Decrease in:	
Trade accounts and notes payable	(3,130,468)
Accrued expenses	(1,624,335)
Income taxes paid	(762,002)
Net cash provided by operating activities	512,502
Investing activities:	
Purchases of property and equipment	(1,300,748)
Proceeds from sale of property and equipment	764,275
Proceeds from sale of shares in consolidated subsidiaries	563,334
Proceeds from sale of discontinued operation	7,846,056
Proceeds from disposal of investments permanently	9,004
Dividends received	27,066
Interest received	12,111
Net cash provided by investing activities	7,921,098
Excess cash to apply to financing activities	8,433,600
Financing activities:	
Repayment of loans received	(774,992)
Repurchases of shares	13,251
Interest paid	(22,496)
Dividends paid	(3,835,872)
Net cash used in financing activities	(4,620,109)
Net increase in cash and cash equivalents	3,813,491
Adjustment to cash flows due to exchange rate fluctuations	(6,948)
Cash and cash equivalents at beginning of year from continuing operations	535,491
Cash and cash equivalents at beginning of year from discontinued operations	512,610
Cash and cash equivalents from discontinued operations	(99,332)
Cash and cash equivalents at end of year	\$ 4,755,312

See accompanying notes to consolidated financial statements.

Consolidated statement of changes in financial position

For the year ended December 31, 2007

(In thousands of Mexican pesos)

Operating activities:	
Consolidated net income	\$ 4,729,711
Items that did not require (generate) resources:	
Depreciation and amortization	852,341
Gain on sale of property and equipment	(1,148)
Loss on disposals of property and equipment	2,276,043
Employee retirement obligations	32,884
Derivative financial instruments	18,898
Deferred income taxes and statutory employee profit sharing	1,678,163
	9,586,892
Changes in operating assets and liabilities:	
Accounts receivable – Net	(6,932,711)
Inventories – Net	(57,233)
Prepaid expenses	(33,112)
Trade accounts and notes payable	(831,044)
Due to related parties	43,145
Employee retirement obligations	(34,958)
Accrued expenses and taxes	1,976,767
Net resources generated by operating activities	3,717,746
Financing activities:	
Notes payables to financial institutions	426,321
Repayment of long-term debt	(2,750,344)
Sale of treasury shares – Net	170,104
Net resources used in financing activities	(2,153,919)
Investing activities:	
Acquisition of property and equipment	(1,620,001)
Proceeds from sale of property and equipment	57,968
Goodwill and other assets – Net	114,363
Net resources used in investing activities	(1,447,670)
Cash and cash equivalents:	
Net increase	116,157
Balance at beginning of year	931,944
From discontinued operations	(512,610)
Balance at end of year from continuing operations	\$ 535,491

See accompanying notes to consolidated financial statements.

Notes to consolidated financial statements

For the years ended December 31, 2008 and 2007

(In thousands of Mexican pesos)

1. Nature of business

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

As mentioned in note 18a, on December 15, 2008, the Company concluded its strategic business relationship with Tandy International Corporation when the stockholders approved the disposal of all shares of Radio Shack, S. A. de C. V. and its administrative service companies Retail Answers, S. A. de C. V. and Logistic Answers, S. A. de C. V. As also mentioned in note 18b, 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. **Monetary unit of the financial statements** - The financial statements and notes as of December 31, 2008 include balances and transactions denominated in Mexican pesos of different purchasing power, while those as of and for the year ended December 31, 2007 are presented in Mexican pesos of purchasing power of December 31, 2007.
- b. **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.

Company or Group	Equity	Activity
Gigante, S. A. de C. V. and Subsidiaries	100.00%	14 real estate companies in where it has located some stores that are rented to third party. As mentioned in Note 18b on December 24, 2007, at the General Ordinary Stockholders' Meeting, the stockholders approved the disposal of the Company's supermarket business.

Company or Group	Equity	Activity
Office Depot de México, S. A. de C. V. and Subsidiaries	50.00%	171 office supply stores in Mexico (including two Distribution Centers that also sell merchandise), 4 in Costa Rica, 5 in Guatemala, 3 in El Salvador, 2 in Honduras, 4 in Panama (including one Distribution Center that also sell merchandise) and 1 Distribution Center in Mexico.
PSMT México, S. A. de C. V. and Subsidiaries	100.00%	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 operated on the Latin market in Los Angeles, California. As mentioned in note 18b 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 85 restaurants.
Tiendas Super Precio, S. A. de C. V.	100.00%	126 self-service stores that sell groceries.
Radio Shack de México, S. A. de C. V.	50.01%	The Company had 200 stores that sell electronic goods. As mentioned in note 18a on December 15, 2008, the stockholders approved the disposal of all shares of the Company.
Controtiendas, S. A. de C. V.	100.00%	40 real estate companies that own land where Company's stores that are rented to third party and restaurants are located.
Gigante Fleming, S. A. de C. V.	100.00%	A real estate company that owns land where 2 of the Company's stores that are rented to third party, 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.

Company or Group	Equity	Activity
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%	Provided administrative services. As mentioned in note 18a, on December 15, 2008, the stockholders approved the disposal of all shares of the Company.
Logistic Answers, S. A. de C. V.	50.20%	Provided administrative services. As mentioned in note 18a, on December 15, 2008, the stockholders approved the disposal of all shares of 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. On November 30, 2008, the stockholders approved the disposal of all shares.
Controladora Controinmuebles, S. A. de C. V.	100.00%	A real estate company.
Distribuidora Storehome, S. A. de C. V.	100.00%	2 self service store that sell home items.
Servicios Storehome, S. A. de C. V.	100.00%	Provides administrative services to the Company.

Significant intercompany balances and transactions have been eliminated in these consolidated financial statements.

- c. **Translation of financial statements of foreign subsidiaries** - To consolidate the financial statements of foreign subsidiaries, the accounting policies of the foreign entity are converted to MFRS using the currency in which transactions are recorded except for the application of NIF B-10 when the foreign entity operates in an inflationary environment, since this NIF applies to financial statements that have been remeasured to the functional currency. The financial statements are subsequently translated to Mexican pesos considering the following methodology:

In 2008, foreign operations whose functional currency is the same as the currency in which transactions are recorded translate their financial statements using the following exchange rates: 1) the closing exchange rate in effect at the balance sheet day for assets and liabilities; 2) historical exchange rates for stockholders' equity, revenues, costs and expenses. Through 2007, the financial statements of foreign subsidiaries that operated independently of the Company in terms of finances and operations recognized the effects of inflation of the country in which they operate and were then translated to Mexican pesos using the closing exchange rate in effect at the balance sheet date. In both 2008 and 2007, translation effects are recorded in stockholders' equity.

- d. **Comprehensive income** - 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 items of the same period, which are presented directly in stockholders' equity without affecting the consolidated statements of income. In 2008, other comprehensive income is represented by the translation effects of foreign subsidiaries, and in 2007 by the effects of translation of foreign subsidiary and the insufficiency of restated stockholders' equity.
- e. **Classification of costs and expenses** - Costs and expenses presented in the consolidated statements of income were classified according to their function because this is the practice of the industry to which the Company belongs.
- f. **Financial statement restatement** - As mentioned in note 18a, on December 15, 2008, the Company concluded its strategic business relationship with Tandy International Corporation in where the stockholders approved the disposal of all shares of Radio Shack de México, S. A. de C. V. and its administrative service companies Retail Answers, S. A. de C. V. and Logistic Answers, S. A. de C. V. In accordance with Bulletin C-15, "Impairment in the value of long-lived assets and their disposal", the disposal of subsidiaries qualifies as discontinuation of an operation.

As mentioned in note 18b, 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.

The accompanying 2008 and 2007 consolidated balance sheets, consolidated statements of income and related notes have been retrospectively adjusted in accordance with Bulletin C-15. Based on NIF B-2, the cash flow statement does not present the discontinued operation separately except for the discontinued business sale, which is included in investing activities.

- g. **Sale of subsidiaries** - As mentioned in note 18a, on December 15, 2008, the Company sold its subsidiaries Radio Shack de México, S. A. de C. V., Retail Answers, S. A. de C. V. and Logistic Answers, S. A. de C. V. Therefore, as of that date, the subsidiaries' financial statements are no longer consolidated with those of the Company. Condensed financial information as of the date of sale, and December 31, 2007, and for the eleven and a half and twelve-month periods ended December 15, 2008 and December 31, 2007, respectively, is presented below:

	December 15, 2008	December 31, 2007
Balance sheets:		
Current assets	\$ 558,895	\$ 544,238
Fixed assets	201,707	182,762
Current liabilities	492,218	473,934
Stockholders' equity	\$ 268,384	\$ 253,066
Statement of income:		
Revenues	\$ 1,217,872	\$ 1,142,102
Costs and expenses	(1,114,018)	(1,047,654)
Other expense – Net	(56,706)	(36,721)
Expense tax	(37,578)	(23,258)
Net income	\$ 9,570	\$ 34,469

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:

Beginning January 1, 2008, the Company adopted the following new NIF's mentioned below.

- **NIF B-2, Statement of cash flows (NIF B-2)** - Supersedes Bulletin B-12, Statement of Changes in Financial Position, and replaces the statement of changes in financial position. NIF B-2 permits the presentation of such statement using either the direct or the indirect method; the Company elected the indirect method. The statement of cash flows is presented in nominal pesos. According to NIF B-2, this accounting change should be recognized prospectively; consequently, the Company presents a statement of cash flows for 2008 and a statement of changes in financial position for 2007.
- **NIF B-10, Effects of inflation (NIF B-10)** - Considers two economic environments: a) an inflationary environment, where cumulative inflation over a three-year period is 26% or more, in which case, the effects of inflation need to be recognized, and b) a non-inflationary environment, where inflation is less than 26% in the same period, in which case, the effects of inflation may not be recognized in the financial statements and requires that the loss from monetary position in equity and the cumulative gain from holding non-monetary assets be reclassified to retained earnings, except for the gain from holding non-monetary assets that is identified with inventories or fixed assets that have not been realized as of the effective date of this standard. Such amounts should be maintained in stockholders' equity and realized within current earnings of the period in which such assets are depreciated or sold.

Since cumulative inflation over the three preceding years is 11.56%, the environment in which the Company operates is not inflationary, and beginning January 1, 2008 the Company discontinued recognition of the effects of inflation in its financial statements and those of its foreign subsidiaries operating in noninflationary economic environments. However, assets, liabilities and stockholders' equity at December 31, 2008 and 2007 include restatement effects recognized through December 31, 2007.

- **NIF B-15, Foreign currency translation (NIF B-15)** - Eliminates the classification of foreign operations as integrated foreign operations and autonomous foreign entities and instead establishes the concepts of recording currency, functional currency and reporting currency. NIF B-15 establishes the procedures to translate the financial information of a foreign operation: i) from the recording currency to the functional currency; and, ii) from the functional currency to the reporting currency. NIF B-15 also allows an entity to present its financial statements in a reporting currency that is different from its functional currency.
- **NIF D-3, Employee benefits (NIF D-3)** - Incorporates current and deferred statutory employee profit sharing (PTU) as part of its provisions and establishes that deferred PTU must be determined using the asset and liability method established in NIF D-4, Income taxes, instead of only considering temporary differences that arise in the reconciliation between the accounting result and income for PTU purposes.

NIF D-3 also eliminates recognition of the additional liability because its determination does not incorporate a salary increase. NIF D-3 incorporates the career salary concept in the actuarial calculation and limits the amortization period of the following items to the lesser of five years or the employee's remaining labor life:

- The beginning balance of the transition liability for termination benefits and retirement benefits.
 - The beginning balance of past services and modifications to the plan.
 - The beginning balance of actuarial gains and losses from retirement benefits is amortized in 5 years (net of the transition liability), with the option to fully amortize it against current earnings of 2008, under other income and expense. The Company amortizes actuarial gains and losses. The Company chose to recognize actuarial gains and losses directly against results of 2008.
- **NIF D-4, Income taxes (NIF D-4)** - Eliminates the permanent difference concept; clarifies and incorporates certain definitions, and requires that the balance of the initial cumulative effect of deferred income taxes be reclassified to retained earnings unless it is identified with any of the other comprehensive income or loss items pending to be applied against current earnings.
- b. **Recognition of the effects of inflation** - As mentioned in a., above, beginning January 1, 2008, the Company discontinued recognition of the effects of inflation except in the foreign subsidiary which operates in an inflationary environment. Through December 31, 2007 for all entities and in 2008 only for the foreign subsidiary operating in an inflationary environment, such recognition resulted mainly in inflationary gains or losses on non-monetary and monetary items that are presented in the financial statements under the two following captions:
- 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 result** - Monetary position result, which represents the erosion 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.
- Inflation rates in Mexico for the years ended December 31, 2008 and 2007 were 6.53% and 3.76%, respectively.
- c. **Cash and cash equivalents** - This line item consists mainly of bank deposits in checking accounts and short time investments, highly liquid and easily convertible into cash, which are subject to significant value change risks. This line item is stated at nominal value plus accrued yields, which are recognized in results as they accrue; any fluctuations in value are recognized in net comprehensive financing cost of the period.
- d. **Investments in securities** - According to its intent, from the date of acquisition the Company classifies investments in debt and equity securities in one of the following categories: (1) trading, when the Company intends to trade debt and equity instruments in the short-term, prior to maturity, if any, and are stated at fair value. Any value fluctuations are recognized within current earnings; (2) held-to-maturity, when the Company intends to, and is financially capable of, holding such investments until maturity. These investments are recognized and maintained at amortized cost; and (3) available-for-sale. These investments include those that are classified neither as trading nor held-to-maturity. These investments are stated at fair value; any unrealized gains or losses resulting from valuation, net of income tax, are recorded as a component of other comprehensive income within stockholders' equity, and reclassified to current earnings upon their sale. In 2007, for all entities and in 2008

only for the foreign subsidiary operating in an inflationary environment the effect from monetary position of recognized assets related to investments was recorded as a component of other comprehensive income. Fair value is determined using prices quoted on recognized markets. If such securities are not traded, fair value is determined by applying recognized technical valuation models.

Investments in securities classified as held-to-maturity and available-for-sale are subject to impairment tests. If there is evidence that the reduction in fair value is other than temporary, the impairment is recognized in current earnings.

- e. **Inventories and cost of sales** - Beginning in 2008, inventories are stated at the lower of cost or realizable value. Through December 31, 2007 for all entities and in 2008 only for the foreign subsidiary operating in an inflationary environment inventories were valued at the lower of replacement cost or realizable value. Cost of sales was restated for the effects of inflation using the last-in, first-out method.
- f. **Long-lived assets available-for-sale** - Long-lived assets available-for-sale are stated at the lower of their net realizable value or their net carrying value. Net carrying value is comprised of initial acquisition cost plus restatement effects for the effects of inflation of balances arising from acquisitions made through December 31, 2007 for all entities and in 2008 only for the foreign subsidiary operating in an inflationary environment using factors derived from the NCPI, less accumulated depreciation.
- g. **Derivative financial instruments** - Through December 31, 2007, the Company obtained financing under different conditions. If the rate was variable, interest rate swaps were entered into to reduce exposure to the risk of rate volatility, thus converting the interest payment profile from variable to fixed. These instruments were negotiated only with institutions of recognized financial strength and when trading limits have been established for each institution.

The Company recognized 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 was determined using prices quoted on recognized markets. If such instruments were not traded, fair value is determined by applying recognized valuation techniques. The Company's policy was not to carry out transactions with derivative financial instruments for the purpose of speculation.

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

Changes in the fair value of derivative instruments designated as hedges were recognized as follows: 1) for fair value hedges, changes in both the derivative instrument and the hedged item were stated at fair value and recognized in current earnings; 2) for cash flow hedges, changes in the effective portion were 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 was immediately recognized in current earnings; 3) for hedges of an investment in a foreign subsidiary, the ineffective portion was 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 was recognized in current earnings, if it was a derivative financial instrument. If not, it was recognized as a component of other comprehensive income until the investment was sold or transferred.

The Company discontinued hedge accounting when the derivative instrument matures, was sold, cancelled or exercised, when the derivative instrument did 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.

For cash flow hedges, upon discontinuing hedge accounting, the amounts recorded in stockholders' equity as a component of other comprehensive income remain there until the time when the effects of the forecasted transaction or firm commitment affect current earnings. If it is not likely that the firm commitment or forecasted transaction will occur, the gains or losses that accumulated in other comprehensive income are immediately recognized in current earnings. When the hedge of a forecasted transaction has proven satisfactory, but subsequently the hedge fails the effectiveness test, the cumulative effects recorded within other comprehensive income in stockholders' equity are proportionately recorded in current earnings, to the extent that the forecasted asset or liability affects current earnings.

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

- h. **Property and equipment** - Property and equipment are recorded at acquisition cost. Balances using from domestic acquisition made through December 31, 2007 for all entities and in 2008 only for the foreign subsidiary operating in an inflationary environment were restated for the effects of inflation by applying factors derived from the NCPI through that date. Depreciation is calculated using the straight-line method based on the useful lives of the related assets, as follows:

	Total years 2008	Total years 2007
Buildings	49	49
Buildings on leased property	31	32
Store equipment	9	10
Furniture and equipment	10	8
Vehicles	4	4

Comprehensive financing cost incurred during the period of construction and installation of qualifying property and equipment is capitalized and was restated for inflation through December 31, 2007 using the NCPI.

- i. **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 aforementioned amounts. 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.

- j. **Goodwill** - Goodwill represents the excess of cost over the fair value of subsidiary shares, as of the date of acquisition. Through December 31, 2007 for all entities and in 2008 only for the foreign subsidiary operating in an inflationary environment it was restated using the effects of inflation using the NCPI and at least once a year is subject to impairment tests.
- k. **Direct employee benefits** - Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly PTU payable, compensated absences, such as vacation and vacation premiums, and incentives.
- l. **Employee benefits from termination, retirement and other** - Liabilities from seniority premiums, pension plans and severance payments are recognized as they accrue and are calculated by independent actuaries using nominal interest rates in 2008 and real interest rates in 2007.
- m. **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 asked on the straight-line-method over. Disbursements that do not meet such requirements, as well as research cost, are recorded in results of the period in which they are incurred.
- n. **Provisions** - Provisions are recognized for current obligations that result from a past event that are probable to result in the future use of economic resources, and that can be reasonably estimated.
- o. **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 that in 2008 resulted from comparing the accounting and tax basis of assets and liabilities and, in 2007, resulted from comparing the accounting result and income for PTU purpose. Deferred PTU 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.
- p. **Income taxes** - Income taxes, calculated as the higher of regular income tax ("ISR") or the Business Flat Tax ("IETU"), are recorded in the results of the year they are incurred. To recognize deferred income taxes, based on its financial projections, the Company determines whether it expects to incur ISR or IETU and accordingly recognizes deferred taxes based on the tax it expects to 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 through 2007 that is expected to be recovered is recorded as an advanced payment of ISR and is presented in the consolidated balance sheets decreasing the deferred tax liability.
- q. **Foreign currency balances and transactions** - Foreign currency transactions are recorded at the applicable exchange rate in effect 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 comprehensive financing cost in the consolidated statements of income.

- r. **Earnings per share** - Basic earnings per common share are calculated by dividing net income of majority stockholders by the weighted average number of ordinary 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. Cash and cash equivalents

	2008	2007
Cash and bank deposits	\$ 186,181	\$ 119,221
Investments in securities available-for-sale	4,569,131	416,270
	\$ 4,755,312	\$ 535,491

5. Accounts receivable – Net

	2008	2007
Trade accounts receivable	\$ 148,923	\$ 109,618
Allowance for doubtful accounts	(27,947)	(6,271)
	120,976	103,347
Recoverable taxes	256,441	502,570
Tiendas Soriana, S.A. de C.V.		7,138,607
Other	378,224	72,568
	\$ 755,641	\$ 7,817,092

6. Property and equipment – Net

	2008	2007
Buildings	\$ 5,781,106	\$ 5,544,882
Buildings on leased property	1,699,219	1,338,497
Store equipment	1,080,628	746,142
Furniture and equipment	124,054	218,740
Vehicles	100,339	106,941
	8,785,346	7,955,202
Accumulated depreciation	(1,489,335)	(1,055,607)
	7,296,011	6,899,595
Construction in-progress	162,978	126,638
Land	6,298,068	5,857,419
	\$ 13,757,057	\$ 12,883,652

7. Investments in shares

As of December 31, 2008 and 2007, the investments in shares balance is mainly represented by the investment in the shares of PriceSmart Inc. of 1,667,333 common shares (a 5.6% and 5.7% participation as of December 31, 2008 and 2007, 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.

8. Goodwill and other assets – Net

	2008	2007
Goodwill – Net	\$ 479,551	\$ 476,792
Deferred charges – Net	8,307	6,960
Intangible asset for retirement obligations		17,642
Other non-current assets	5,352	6,697
	<u>\$ 493,210</u>	<u>\$ 508,091</u>

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

9. Notes payable to financial institutions

The Company had certain short-term unsecured notes payable due to financial institutions. Outstanding borrowings under these arrangements amounted to \$50,000 and are included in discontinued operations in the balance sheet as of December 31, 2007. The weighted average interest rates under these arrangements at December 31, 2007 were 8.93%.

10. Long-term debt

	2007
With maturity on May 11, 2012; bearing interest at the interbank interest rate ("TIIE") plus 1.4 basis points. The interest rate as of December 31, 2007 was 9.32%. The Company prepaid this debt in 2008.	\$ 53,000
Less: current portion	(14,000)
	<u>\$ 39,000</u>

11. 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.

- a. The present values of December 31, 2008, of these obligations and the rates used for the calculations are:

Defined benefit obligation	\$ (57,713)
Plan assets at fair value	5,854
Underfunded status	(51,859)
Unrecognized items:	
Past service costs and changes to the plan	17,048
Unrecognized actuarial gains	942
Total unrecognized items	17,990
Net projected liability	\$ (33,869)
Contributions to plan assets	3,805

- b. Net discount rates of December 31, 2008 used in actuarial calculations were as follows:

	%
Discount of the projected benefit obligation to present value	8.0
Expected yield on plan assets	1.0
Salary increase	6.0

Unrecognized items are charged to results in over five years, which is the limit established in NIF D-3.

- c. Net period cost for the year ended December 31, 2008 is as follows:

Service costs	\$ 11,827
Interest costs	4,067
Expected yield on plan assets	(417)
Amortization of unrecognized prior service costs	6,729
Actuarial gains and losses – net	(3,337)
Net period cost	\$ 18,869

Under Mexican legislation, the Company must make payments equivalent to 2% of its workers' daily integrated salary (ceiling) to a defined contribution plan that is part of the retirement savings system. The expense in 2008 and 2007 was \$20,374 and \$39,345, respectively.

- d. Changes in the present value of the defined benefit obligation for the year ended December 31, 2008 were as follows:

Present value of the defined benefit obligation as of January 1	\$ 45,156
Service cost	11,827
Interest cost	4,067
Actuarial gain on the obligation	(3,337)
Present value of the defined benefit obligation as of December 31	\$ 57,713

- e. The present values of December 31, 2007, of these obligations and the rates used for the calculations are:

Accumulated benefit obligation	\$ (47,302)
Projected benefit obligation	\$ (50,331)
Plan assets	5,753
Funded status – underfunded	(44,578)
Unrecognized items	35,437
Net projected liability	(9,141)
Additional liability	(36,405)
Employee retirement obligations	\$ (45,546)
Intangible asset for retirement obligations	\$ 17,642
Balance in stockholders' equity	\$ 23,270
Net periodic cost	\$ 16,185

- f. Net discount rates of December 31, 2007 used in actuarial calculations were as follows:

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

- g. Unrecognized items were charged to results based on the average remaining service lives of employees which is nine years.

Net periodic cost of December 31, 2007 is comprised as follows:

Service costs	\$ 8,046
Amortization of unrecognized items	5,664
Interest cost	2,739
Less-yield on plan assets	(264)
Net periodic cost	\$ 16,185

12. Stockholders' equity

- a. Common stock consists of the following as of December 31, 2008 and 2007:

	Number of shares 2008	Number of shares 2007	Historical value 2008	Historical value 2007
Fixed capital	176,734,102	176,734,102	\$ 18,922	\$ 18,922
Variable capital	814,187,875	811,903,667	87,172	86,927
	990,921,977	988,637,769	\$ 106,094	\$ 105,849

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 2008 and 2007 the Company sold a total of 3,038,108 and 3,899,988 respectively of its treasury shares, at various dates and various prices throughout each year, via cash contributions. At December 31, 2008 and 2007, the Company maintains in its treasury 763,992 and 10,092, shares respectively. The market value of such shares was \$12.90 and \$22.00, per share at December 31, 2008 and 2007, respectively.
- c. Retained earnings include a statutory legal reserve. Mexican 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, 2008 and 2007, the legal reserve, in historical pesos, was \$21,170 and \$21,120, respectively.
- 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:

	2008	2007
Contributed capital account	\$ 9,064,630	\$ 8,509,792
Net consolidated tax income account	7,685,132	6,872,472
Net reinvested consolidated tax income account		194,094
	\$ 16,749,762	\$ 15,576,358

13. Foreign currency balances and transactions

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

	2008	2007
Monetary assets	\$ 40,741	\$ 659,364
Monetary liabilities	(17,593)	(65,441)
Monetary asset position – Net	23,148	593,923
Equivalent in thousands of Mexican pesos	\$ 319,442	\$ 6,485,639

- b. Approximately 11.99% and 7.53% of inventory purchases were imported by the Company in 2008 and 2007, respectively.
- c. Transactions denominated in thousands of U.S. dollars during the years ended December 31, 2008 and 2007 mainly represent import purchases of 44,426 and 162,130, 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,
	2008	2007	2009
Mexican pesos per one U.S. dollar	\$ 13.80	\$ 10.92	\$ 15.09

14. Balances and transactions with related parties

- a. Transactions with related parties during the years ended December 31, 2008 and 2007, carried out in the ordinary course of business, were as follows:

	2008	2007
Interest paid	\$	\$ 3,891
Purchases of inventory	5,967	252,961
Purchases of fixed assets	12,952	9,414
Consulting services received		3,300
Loans received		143,000
Rental expense paid	50,437	84,892

- b. Balances payable to related parties at December 31, 2007, which are included in discontinued operations in the balance sheet, are as follows:

Radio Shack International Inc.	\$ 54,933
Radio Shack Global Sourcing Inc.	34,577
Tandy Finance Corporation Inc.	32,760
	<u>\$ 122,270</u>

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

	2008	2007
Compensation cost related to share-based payments	\$ 3,955	\$ 12,796
Salaries	188,599	286,871
Severance benefits	10,553	8,658
	<u>\$ 203,107</u>	<u>\$ 308,325</u>

15. Other expense (income) - Net

- a. Detail is comprised as follows:

	2008	2007
Statutory employee profit sharing	\$ 5,330	\$ 3,086
Loss on sale of fixed assets – Net	7,564	194,177
Contingency provision reversal		(220,465)
Others	3,281	
	<u>\$ 16,175</u>	<u>\$ (23,202)</u>

b. PTU is comprised as follows:

	2008	2007
Current	\$ 4,886	\$ 780
Deferred	444	2,306
	\$ 5,330	\$ 3,086

16. Non-ordinary item

In 2008, the Company promoted a tax stimulus for technological research before the CONACYT, a resource recognized as a non-ordinary item for \$9,395.

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 fair 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. Income taxes

In accordance with the Mexican tax law, in 2008 the Company was subject to ISR and IETU, and in 2007 to ISR and IMPAC.

ISR is computed taking into consideration the taxable and deductible effects of inflation. The tax rate is 28%. The Company pays ISR and through 2007, IMPAC, together with subsidiaries on a consolidated basis.

IETU applies to the sale of goods, the provision of independent services and the granting of temporary use or enjoyment of goods, according to the terms of the Business Flat Tax Law (the "IETU Law"), 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. The IETU rate will be 16.5% in 2008, 17.0% in 2009, and 17.5% as of 2010. The Asset Tax Law was repealed upon enactment of the IETU Law; 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.

In 2007, IMPAC was calculated by applying 1.25% to the net average value of the majority of the Company's assets, without deducting any liabilities, and was paid only to the extent that it exceeded ISR payable for the same period.

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, it only recognizes deferred ISR.

a. Income taxes are as follows:

	2008	2007
ISR expense (benefit):		
Current	\$ 828,951	\$ 274,524
Deferred	(942,308)	(139,299)
Change in the valuation of allowance for recoverable tax on assets and benefit of tax loss carryforwards		8,170
	\$ (113,357)	\$ 143,395

- b. The effective ISR rate for fiscal 2008 and 2007 differ from the statutory rate as follows:

	2008	2007
Statutory rate	28%	28%
Effect of permanent differences		(10%)
Effects of inflation	(3%)	2%
Tax loss benefits	(37%)	
Other		4%
Effective rate	(12%)	24%

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

	2008	2007
Deferred ISR assets (liabilities):		
Property and equipment	\$ (2,091,924)	\$ (2,178,736)
Inventories	(77,215)	(97,358)
Provisions	141,222	
Other	31,360	48,705
Deferred ISR from temporary differences	(1,996,557)	(2,227,389)
Effect of tax loss carryforwards		10,343
Valuation allowance for tax loss carryforwards		(10,334)
Deferred ISR liability – Net	(1,996,557)	(2,227,380)
Deferred PTU liability	(1,346)	
Deferred income taxes and statutory employee profit sharing – Net	\$ (1,997,903)	\$ (2,227,380)

18. Discontinued operations

- a. On December 15, 2008 the Company announced the sale of all shares of Radio Shack de México, S.A. de C.V. and its administrative service companies Retail Answers, S.A. de C.V. and Logistic Answers, S.A. de C.V. to its international partner with whom it operated in Mexico, after having exhausted the contractual possibilities of continuing as it had done previously with this format and association. The sale was made with the objective of obtaining a return on the investment and thereby taking advantage of other opportunities in the Mexican and Latin American market. In coordination with its foreign partner, the Company developed and operated the concept very successfully during 16 years.

The transaction with Tandy International Corporation was concluded at a price of \$563,288, which the Company received on December 16, 2008. These resources will allow taking advantage of other opportunities and increasing the profitability of the Group. The gain on the sale of shares was \$436,723, which is included in income from discontinued operations in the consolidated statement of income.

The equity participation that the Company had in Radio Shack de México, S.A. de C.V. was 50.01% and in its administrative service companies Logistic Answers, S.A. de C.V. and Retail Answers, S.A. de C.V. it was 50.20%.

- b. 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 the supermarket stores such that beginning January 1, 2008, Soriana will become their employer.

At the Ordinary Stockholders' Meeting held 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 assets of the Company 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 businesses and the subsidiaries sold, that is being divested are presented in the accompanying consolidated financial statements of income as a discontinued operations, net of related income taxes.

For comparability purposes, the assets and liabilities as of December 31, 2007 and the revenues, costs and expenses for the year ended December 31, 2007 identified with the discontinued operation have been reclassified in accordance with Bulletin C-15.

Operating results of discontinued operations and the subsidiaries that were sold have been recorded as discontinued operations and accordingly they are presented separately from continuing operations.

	2008	2007
Revenues from discontinued operations	\$ 818,548	\$ 28,364,021
Costs and expenses	(1,169,775)	(27,826,922)
Other income (expense) – Net	2,982,760	5,827,120
Income taxes	(850,777)	(2,099,495)
Income from discontinued operations	\$ 1,780,756	\$ 4,264,724

19. Earnings per share

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

	2008		
	Income	Weighted average number of shares	Mexican pesos per share
Income from continuing operations attributable to majority stockholders	\$ 1,029,890	989,471,849	\$ 1.04
Income from discontinued operations attributable to majority stockholders	1,780,756	989,471,849	1.80
Basic earnings per common share	2,810,646	989,471,849	2.84
Common stock equivalents related to stock option plan for executives		8,224,937	
Diluted earnings per share	\$ 2,810,646	997,696,786	\$ 2.82

2007

	Income	Weighted average number of shares	Mexican pesos per share
Income from continuing operations attributable to majority stockholders	\$ 447,752	985,725,557	\$ 0.45
Income from discontinued operations attributable to majority stockholders	4,264,724	985,725,557	4.33
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

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 2008 and 2007, rental expense was approximately \$329,178 and \$724,708, respectively.

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

21. Contingencies

- a. In 1992 the Company acquired its present subsidiary Blanes, S. A. de C. V. ("Blanes"), a company that had 89 stores at that time. To protect against possible unknown liabilities, the previous shareholders of Blanes ("Blanco") established a deposit for three years. At the end of that period, Blanco was not in agreement with the balance subject to refund as determined by independent public accountants, for which reason they objected to the decision, and initiated a legal proceeding.

In 2003, the legal proceeding concluded through an "amparo" ruling (a constitutional protective right in Mexico) granted to the Company, which did not fully resolve the matter, leaving the rights of the parties reserved.

In March of 2004, the Company was notified of a new claim filed by Blanco, requiring \$150,000, which was the amount of the deposit originally established, plus the payment of accrued penalty interest at the CETES (Treasury Bond) rate in effect at the time that payment should have been made, multiplied by two, for each 28-day period from February 9, 1996 until the time that the amount claimed by Blanco is paid. The Company does not agree with the basis and form of calculation because it was not established in the deposit agreement and because it had already complied with this agreement.

After having followed all its procedural instances, on August 27, 2007, in compliance with the "amparo" ruling, the Third Chamber of the Superior Court of Justice for the Federal District, issued a new ruling, which has remained firm, by which the following was resolved:

1. The balance to be paid by Gigante, S. A. de C. V. is the amount of \$27,543, in accordance with that determined by the accounting firm designated by both parties.
2. The payment was approved by Gigante, S. A. de C. V. in favor of Blanco on February 20, 1996, for the amount of \$27,543.
3. Gigante, S. A. de C. V., must pay interest only for the eleven days the payment was past due, with respect to the sum of \$27,543 and not on the total sum deposited. Such interest is calculated applying the Cetes rate multiplied by two, without capitalization.
4. The application of the amount paid by Gigante, S. A. de C. V. will be made in first instance to the interest mentioned above and then to the capital, so that payment is pending of a minimum balance of the principal equivalent to the interest mentioned previously of 11 days. This balance will also bear interest at the same rate currently in force, also without capitalization, which translates to a minimum amount that Gigante, S. A. de C. V. must pay, which amount does not exceed \$2,000.

In September 2007, Gigante, S. A. de C. V. filed a settlement claim of the court order and deposit with an escrow deposit of an in-court certificate (Billete de Depósito) for the sum total \$1,796.

In January 2008, Blanco also filed an ancillary settlement claim for the payment of penalty interest.

On September 11, 2008, the lower court Judge resolved: a) to declare valid the settlement claim of the ruling filed by Gigante, S. A. de C. V. and as unfounded that filed by Blanco; b) approval of the amount of \$666 pertaining to the balance of the principal, as well as the amount of \$1,130 due to accrued penalty interest from February 10, 1996 to September 28, 2007.

On September 26, 2008, Blanco filed an appeal contesting the above-mentioned ruling, which was admitted and processed before the Third Civil Chamber and resolved by means of a ruling on November 13, 2008: a) as partially valid the wrongs set forth by Blanco and, as a consequence of this, the September 11, 2008 ruling was modified; b) as invalid the incident of settlement of the ruling filed by Gigante, S. A. de C. V. and as partially valid the incident of execution set forth by Blanco; c) approved the amount of \$666 as the balance of the principal and \$176,623 for accrued penalty interest from February 20, 1996 to February 5, 2008.

In December, 2008, the parties filed indirect "amparo" petitions (claiming constitutional protection of rights) contesting the ruling of November 13 of the above-mentioned year, which are pending resolution.

- b. The tax authorities, in the performance of their verification power, are conducting a review of one of the subsidiaries of the Company regarding foreign trade transactions conducted jointly with some of its suppliers. Derived from the above, management has recorded a provision of \$485,000 for the possible disbursement that this might originate.

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 NIF B-5 "Segment Information".

a. Analytical information by operating segment:

2008

	Discontinued operations	Retail	Restaurants	Real estate	Other	Consolidated
Total revenues	\$	\$ 6,016,275	\$ 1,689,723	\$ 650,919	\$ 28,578	\$ 8,385,495
Intersegment sales		5,455	205	187,587	291,918	485,165
Depreciation and amortization	14,829	94,066	52,680	130,711	6,341	298,627
Total assets	27,039	3,570,115	1,602,366	10,921,865	5,240,281	21,361,666
Investments in property and equipment	3,170	390,342	375,622	524,618	6,996	1,300,748

2007

	Discontinued operations	Retail	Restaurants	Real estate	Other	Consolidated
Total revenues	\$	\$ 5,279,362	\$ 1,393,434	\$ 158,018	\$ 3,339	\$ 6,834,153
Intersegment sales		2,763		144,201	455	147,419
Depreciation and amortization	574,471	87,643	43,389	139,190	7,648	852,341
Total assets	7,223,579	2,683,315	1,350,083	12,208,146	6,735,210	30,200,333
Investments in property and equipment	734,910	359,652	388,912	136,527		1,620,001

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% of total revenues during the years ended December 31, 2008 and 2007.

23. New accounting principles

In 2008, the Mexican Board for Research and Development of Financial Information Standards ("CINIF") issued the following NIFs and INIFs, which became effective for fiscal years beginning on January 1, 2009.

a) For periods starting on January 1, 2009:

NIF B-7, Business Acquisitions,
 NIF B-8, Consolidated or Combined Financial Statements,
 NIF C-7, Investment Associated Companies and Other Permanent Investments,
 NIF C-8, Intangible Assets,
 NIF D8, Share-based Payments,
 INIF I 6, Transfer of Primary Financial Instruments for Trading to another Classification (anticipated recognition is allowed starting October 1, 2008)

Some of the principle changes are:

NIF B-7, *Business Acquisitions*, requires fair value measurement of the non-controlling interest (minority interest) as of the acquisition date and recognition of the overall goodwill at fair value. NIF B-7 establishes that acquisition costs should not be part of the consideration paid and restructuring costs should not be recognized as an assumed liability from the acquisition.

NIF B-8, *Consolidated or Combined Financial Statements*, establishes that special purpose entities, over which control is exercised, should be consolidated. Provided certain requirements are met, it allows the option to present stand-alone financial statements of intermediate controlling companies and requires that potential voting rights be considered to analyze whether control exists.

NIF C-7, *Investments in Associated Companies and Other Permanent Investments*, requires that investments in special purpose entities where significant influence is exercised be valued using the equity method. It also requires that potential voting rights be considered to analyze whether significant influence exists. In addition, NIF C-7 establishes a specific procedure and sets caps for the recognition of losses in associated companies, and requires that investments in associated companies be presented including the related goodwill.

NIF C-8, *Intangible Assets*, requires that any pre-operating expenses not yet amortized as of December 31, 2008 be cancelled against retained earnings.

NIF D-8, *Share-based Payments*, sets the rules for recognition of share-based payments (at fair value of goods received or at fair value of equity instruments granted), including the granting of stock options to employees. Therefore, the use of IFRS 2, *Share-Based Payments*, that was supplementally applied is discontinued.

INIF I 6, *Transfer of Primary Financial Instruments for Trading to Another Classification*, modifies paragraph 20 of the Amendments to Bulletin C-2 to consider that in the case that a primary financial instrument trades in a market that for unusual circumstances beyond the Company's control ceases to be active, thus losing its liquidity feature, such instrument may be reclassified as a financial instrument available-for-sale or held-to-maturity, if the instrument has a defined maturity date, and the Company has both the intention and the ability to hold the instrument through its maturity. INIF I 6 includes additional disclosures related to such transfers.

- b) For periods starting on January 1, 2010, allowing anticipated recognition:

INIF 14, Construction contracts, sell and services render related with real state, complements Bulleting D-7, Construction contracts and manufacture of certain capital goods, and required the separation of various components in the contracts in order to define whether the contract involves the construction of real state, sale or services rendered, establishing rules apply for revenue recognition, costs and associated expenses in accordance with the identification of the different elements of the contracts. Precisely when it is appropriate to apply the method of work progress for the revenue recognition.

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. International Financial Reporting Standards

In January 2009, the Mexican National Banking and Securities Commission published modifications to the Sole Circular for Issuers to establish the requirement, as of 2012, to file financial statements based on International Financial Reporting Standards ("IFRS"), allowing for early adoption.

25. Financial statements issuance authorization

On March 27, 2009, the issuance of the consolidated financial statements was authorized by C.P. Federico David Coronado Brosig, the Company's Corporate Chief Finance Officer. These consolidated financial statements are subject to the approval at the General Ordinary Stockholders' Meeting, which may decide to modify such Financial Statements according to the Mexican General Corporate Law.

Investor information

Corporate headquarters

Grupo Gigante, S.A.B. de C.V.
Ejército Nacional No. 769 - A
Col. Granada
Delegación Miguel Hidalgo
11520, México D.F., México
Tel.: (52) 55 5269 8000
Fax: (52) 55 5269 8169

www.gigante.com.mx

Depository bank

Bank of New York
620 Avenue of the Americas
Nueva York, N.Y. 10011,
USA

CFO

Federico Coronado

Tel. (52) 55 5269 - 8237
fcoronad@gigante.com.mx

Director, Fundación Gigante

Juan Manuel Rosas

Tel. (52) 55 5269-8227
jmrosas@gigante.com.mx



GIGANTE*



ADR Level 1 GYGJY
ADR Rule 144-A GPGTY

Director of Corporate Affairs, Media Relations and Communications

Sergio Montero Querejeta

Tel. (52) 55 5269 - 8121
smontero@gigante.com.mx

Investor relations

Emilia Maldonado Pavón

Tel. (52) 55 5269-8000 ext. 8727
emaldona@gigante.com.mx

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.



Mixed Sources

Product group from well-managed
forests, controlled sources and
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