

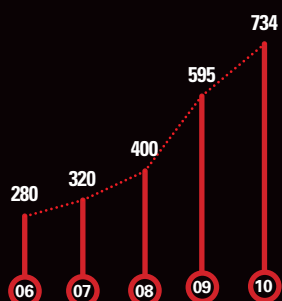


Committed to the Creation of

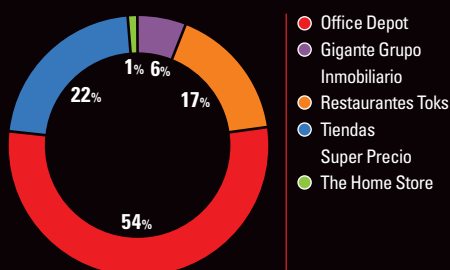
W A L U E

2010 Annual Report

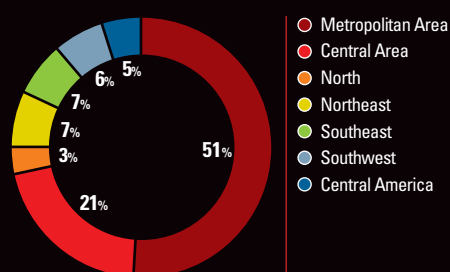
Consolidated Units



Sales Breakdown by Format



Regional Distribution of Stores



Sales Floor Area by Format

Business Unit	Unit	m ²	Seats
Office Depot	225	298,917	
Tiendas Super Precio	411	107,383	
Restaurantes Toks	91		20,117
The Home Store	7	10,134	
Total	734	416,434	20,117

Throughout its history, **Grupo Gigante** has always sought to be an example. Not only in the business field, but also in its commitment to Mexico and its people. From its start in 1962, it has worked tirelessly to expand its business through the acquisition of commercial chains and the creation of strategic alliances, the incorporation of different formats and even entering the fields of Central and South America. In short, the company has worked hard to be a part of Mexico's development.

Today, Grupo Gigante has consolidated its presence in different business markets, by means of: **Office Depot, Tiendas Super Precio, The Home Store, Gigante Grupo Inmobiliario** and **Restaurantes Toks**. It is also deeply committed to its important role in social responsibility, through the actions of its own subsidiaries and those of **Fundación Gigante**.

Vision

We strive constantly to be the leader in every market in which we participate; we are committed to the profitability of our businesses; and to the success and development of our customers, shareholders and collaborators.

Mission

Ensure the creation of value for our customers, shareholders and collaborators through the integration, communication and exchange of experiences, in the search for profitability and synergies in our businesses within the Commercial, Services and Real Estate service fields.

Corporate Values

- Leadership
- Teamwork
- Excellence
- Creativity and Innovation
- Productivity
- Transparency
- Recognition
- Social Responsibility

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Financial Highlights

Consolidated statements of income

For the years ended December 31, 2010 and 2009.
In thousands of Mexican pesos, except per share data.

	2010	2009	% variation
Total revenues	11,387,542	9,369,238	21.5
Operating Expenses	3,464,912	2,972,695	16.6
Ebitda	1,447,045	1,325,607	9.2
Income from continuing Operations	856,597	1,405,455	-39.1
Income from discontinued operations	(8,369)	(592,641)	-98.6
Consolidated Net income	848,228	812,814	4.4
Basic earnings per common share	0.87	0.82	6.1
Common shares outstanding	994,227,341	994,234,741	
Price of share	24.00	18.91	26.9

Consolidated balance sheets

As of December 31, 2010 and 2009.
In thousands of Mexican pesos.

	2010	2009	% variation
Assets	22,731,790	21,276,021	6.8
Cash and investments in securities	3,159,046	3,679,670	-14.1
Inventories	1,912,841	1,471,082	30.0
Property and equipment	15,904,374	14,650,312	8.6
Others assets	1,755,529	1,463,395	20.0
Discontinued operations	-	11,562	-100.0
Liabilities and stockholders' equity	22,731,790	21,276,021	6.8
Trade accounts and notes payable	1,395,283	1,095,612	27.4
Others liabilities	3,243,892	2,535,891	27.9
Discontinued operations	-	25,172	-100.0
Stockholder's equity	18,092,615	17,619,346	2.7

Report from the Chief Executive Officer and Chairman of the Board of Directors

“Committed to the creation of value”

The main bases for the generation of value of Grupo Gigante are selective and sustainable growth as well as the caution, which is indispensable to guarantee the stability and profitability of Grupo. In this respect, we represent ourselves as a leader that is able to provide added value to our shareholders, suppliers, customers and employees, as well as for the thousands of families that directly or indirectly depend upon the activities of our many companies.

Board of Directors**Dear Shareholders:**

Again, it is my privilege to be able to present, for your consideration, our Annual Report for the year ended on December 31 2010. I shall start by sharing with you the fact that Grupo Gigante continued to grow and work for Mexico; therefore in this light, the Annual Report faithfully reflects our main purpose: to continue to create value in all segments of our company and in those areas of society that most need it.

During this last year, we faced a highly competitive market with commitment, discipline and hard work; focused upon our Business Plan and applied a series of measures and actions that allowed us to report a very positive year, maintaining and generating new jobs, our labor force grew by 15.4%, with a total of 18,835 employees, as well as consolidate the leadership of our business units.

Therefore, it is very gratifying for us to be able to affirm that we continue to expand our frontiers, with Office Depot de México; exceeding our customers' expectations at Toks; developing innovative concepts through the creative work completed at The Home Store; creating cutting-edge spaces at GGI; improving the price of products offered through the efforts developed at Super Precio; and operating responsibly and sustainably in all respects. Everyone works for the same goal: consolidate Grupo Gigante as a cutting-edge, leading and profitable company, and make Mexico a better country.

It is always very exciting to share the results of a year full of great challenges, many of which have turned into opportunities through each one of our companies. However, this also implies an enormous sense of responsibility as well as determination with respect to the future to come.

The numbers are staggering. With respect to cumulative total sales and same-store sales, there were increases of 21.5% and 4.5%, respectively, when compared to the same period the year before. To December 2010 total sales were \$11,388 Million of Mexican Pesos and same-store sales were \$9,373 Million of Mexican Pesos.

With respect to Accruals to December 2010, the gross revenue grew to \$4,529 Million of Mexican Pesos, which amount is 14.8% greater than the amount registered during the same period in 2009, and the margin over sales was 39.8%. The increase (in Mexican Pesos) of the gross revenue is due, mainly, to growth in same-store sales as well as to the contributions of the new business units.

We are quite proud to share that the company obtained a net profit of \$848.2 (Million of Mexican Pesos) and that made the capital investments on schedule, ending 2010 with a total of 734 units in operation which represents an increase of 23.3% in comparison to previous year, and for the third year in a row, Grupo Gigante paid out dividends to its shareholders, this year in the total amount of \$377.8 Million of Mexican Pesos. To December 31 2010, our share value grew by 26.9% compared to last year, from \$18.91 to \$24.00 each which shows the solidity and strengthening of Grupo as a whole. These tendencies can be summed up in one phrase:

Creation of Value.

This vision also leads us to seek out greater profitability in our current business, through consolidation and selective growth by the execution of business plans for each one of our business units, highlighting those sectors Grupo wishes to continue to invest and participate in, as follows:

- Specialized Commerce
- Service and Hospitality
- Real Estate

The generation of growth and development opportunities for our personnel, in addition to creating a climate of aiding one another, has given us a return of great satisfaction through the programs started by the different business units, many which were handled through Fundación Gigante (Gigante Foundation), which continues to be a goal. In this regard, we are including a special chapter to inform you regarding our plans for Fundación Gigante through an exhibit entitled "Social Responsibility Achievements", which covers all the concrete efforts and actions that our business units and Fundación Gigante have carried out, as well as those carried out by Grupo as a whole.

The main bases for the generation of value of Grupo Gigante are selective and sustainable growth as well as the caution, which is indispensable to guarantee the stability and profitability of Grupo. In this respect, we represent ourselves as a leader that is able to provide added value to our shareholders, suppliers, customers and employees, as well as for the thousands of families that directly or indirectly depend upon the activities of our many companies.

We are certain that we are on the right path, but as a consequence of the variables and uncertainties product of the world economy, especially those during the period of 2008 – 2009, it has become necessary for us to review our Business Plan (Plan 2009-2013) and make adjustments to the Business Plan for 2011-2016, which allows us to provide a more certain vision of the future.

2011 is only the preamble of events of general interest in all of Mexico and we shall play an important part in its economy. Therefore, it is absolutely necessary that we can count on the support and participation of each one of our shareholders, directors, and above all of our employees, to reach our goals.

We continue to be united and in and sure of, our abilities, our focus on the execution of our plans and predictions while at the same time committed to our ideals. With this in mind, we will be able to maintain our dominant role in this country, and place our sights on achieving better well-being with greater opportunities and quality of life for all.

Sincerely,



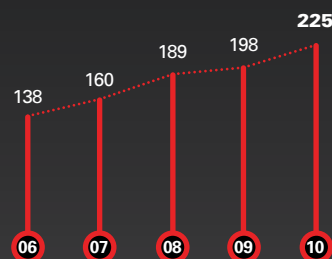
Ángel Losada Moreno

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

Office DEPOT®



Units



Increase in sales floor was

37,034 m²

equal to an increase of 14.1%

2010 was a very special year for Office Depot. Fifteen years ago, the first two stores were inaugurated in Mexico. These stores opened at a difficult time for Mexico, but we trusted our own skills and knew that if we worked together with dedication, passion and determination, we were on our way to creating a great company.



OFFICE DEPOT: Creating Value beyond Our Borders



During the year, 1,088 direct jobs were created, thereby surpassing a total of 8,000 employees, with a total of 225 units divided among seven countries: 190 in México, 5 in Guatemala, 6 in Costa Rica, 4 in El Salvador, 4 in Panama, 2 in Honduras and 14 in Colombia; these numbers confirm the solid growth we have been experiencing since we first opened in 1995.

During this period, 21 new stores opened: 12 in Mexico; 1 in Costa Rica and 8 in Colombia. Further, Office Depot de México acquired the office supply and office equipment division of Grupo Carvajal, thereby adding seven more distribution centers including points of sales with a presence in Mexico, Costa Rica, El Salvador and Colombia, actions which strengthened the Company in that Latin American region.

By means of the acquisition of the Supply Division of Grupo Carvajal, we were able to consolidate our leadership in the sale of office supplies and equipment to large corporations, representing incremental sales in the order of US\$130 Million a year.

In November 2009, we opened our first two stores in Colombia and to the close of 2010 we finished out the year with 14 units in that country. It should be noted that in just one year, we have become one of the most important companies in this market in that country.

As a consequence of its indisputable development and growth not only in Mexico but also beyond our borders, in 2010, Office Depot de México was No. 23 within the ranking of "Super Companies" where everyone wants to work.

During 2011, we continue our consolidation and growth, generating an increase in the values to which we are committed, working for the company and markets that we serve and supporting the actions that benefit the environment, our people and our commercial partners.

All of these commitments and actions developed for the benefit of society and our employees are described in detail under the exhibit entitled "Social Responsibility Achievements", included in the information presented.



With total increases in sales in 2010 of 9.7%, Office Depot de México is once more the indisputable leader in the countries where it operates, achieving record numbers in sales, revenue, investment and jobs created.





Another
79,432 m²
of rentable space

In 2011, we shall consolidate our presence throughout Mexico, **thereby streamlining property management.** **We have implemented a development plan to create greater profit** and comply with our commitments regarding social responsibility.



GIGANTE GRUPO INMOBILIARIO: The Value of our Commercial Spaces



Throughout 2010 we added 79,432 m² of rentable space within the plan for the conversion and use of the real estate properties. With the opening of three new innovative shopping centers and a Bodega Aurrerá store, the investment process of 2009 and 2010 was completed.

The San Esteban and Gran Terraza Lomas Verdes stores, as well as those located in the Acapulco Diamante area, have new anchor stores such as Chedraui, Home Depot, Cinemex, Cinemark and Cinopolis movie theater complexes, Soriana stores and finally Grupo Gigante business units such as Toks, The Home Store and Office Depot.

With respect to residential projects, construction and sale began on the “Puerta Santa Lucía” residential development consisting of 106 condominium homes, with services including: a gymnasium, jogging track, party or club room, playground, cafe and outdoor garden areas. The development is located in the Alvaro Obregón area of Mexico City, close to Santa Fe, one of the most developed areas of Mexico City.



Furthermore, a land lot of almost 11,500 m² was acquired for the construction of Puerta Jardín, within the Azcapotzalco area of Mexico City, where a residential development is planned in six stages, for a total of 600 apartments. The project shall have outdoor gardens as well as amenities including a gymnasium, playground, cafe and a commercial area.

In order to continue with the plan and consolidate itself as a development group, in 2010 new projects slated for construction were initiated; construction shall begin during the next two years.

Gran Terraza Oblatos and Las Tiendas Belenes -both projects located in Guadalajara- feature anchor stores such as Liverpool, La Surtidora, Cinépolis, C&A , Soriana, The Home Store, Office Depot and Toks; mention must also be made of a mixed-uses project located in Interlomas outside Mexico City, where a land lot within the territorial reserve is to be constructed.

Last year, the company also began the revamping of Plaza Cancún 2000, converting it into Las Tiendas Cancún, adding square meters for rent to the current square meters available, as well as a Cinépolis movie theater complex and a Soriana supermarket. The remodeling work is slated to be completed during 2011.

Our efforts continue with respect to Social Responsibility; more detail on these projects is given under the exhibit entitled "Social Responsibility Achievements" of the Annual Report.



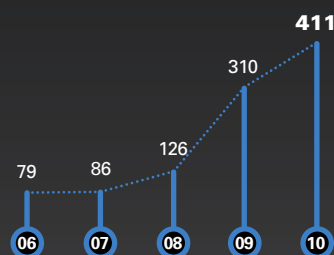
GGI has been able to develop its investment plan in a timely manner; thereby achieving significant savings in its construction costs within thereby limiting the quality and works schedules of each one of its projects.

SuperPrecio

Su despensa más barata



Units



We have more than

107,000 m²
of sales floor,

achieving growth of 29.8% compared to the year before

During 2010 **we opened 106 stores, reaching a total of 411 operating units with more than 107,000 m² of sales floor.** We can serve double the number of customers compared to last year and our total sales have grown by 89.2%.



TIENDAS SUPER PRECIO: The Value of that We Offer



We have been able to create 500 new jobs, and our total number of employees is now more than 3,000. Logistics is a very important field with respect to the layout of the Super Precio business unit. The stores are served by four Distribution Centers, strategically located in: Ecatepec, León, Acapulco and Veracruz. The strategic location of these four distribution centers are able to more efficiently deal with each individual store as well as make logistics much more cost-efficient. We continue to implement the -web backoffice- system in our stores which allows us to operate without communications and maintain our central SAP system up-to-date with respect to all information.

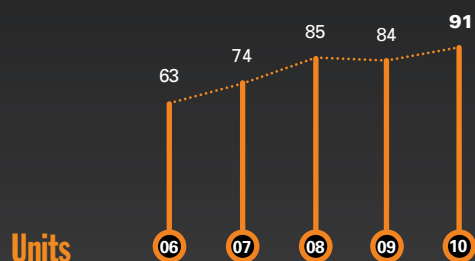
For 2011, our logistics operations shall be supported by SAP, thereby completing the integral technology strategy. Furthermore, Super Precio has planned to pen 150 more stores for 2011, thereby continuing to execute its Business Plan. Lastly, it should be noted that our commitments, contribution and efforts by Super Precio in benefit of society in general, are described in detail under the exhibit entitled "Social Responsibility Achievements".



For 2011, our logistics operations shall be supported by SAP, thereby completing the integral technology strategy.

Furthermore, Super Precio has planned to open 150 more stores for 2011, thereby continuing to execute its Business Plan.





In 2010, our 91 restaurants had a total of

20,117 seats,

showing an increase of 11.0% compared to the year before

For the seventh year in a row, we grew in sales above the industry standard. **Our dynamism and passion for customer service has led us to increase sales by 8.5% compared to last year,** while the industry as a whole suffered a decrease of 0.1%.



RESTAURANTES TOKS: The Value of Our Flavors



The number of customers served was 21.1 million during 2010. The ticket average increased by 6.1%. We opened nine new restaurants, representing growth of 10.7% compared to 2009.

To the close of 2010 we had a total of 91 restaurants, equal to 20,117 seats, showing an increase of 11.0% compared to 2009. We are conscious of the fact that the human factor is the point that sets our business apart from others. Our employees receive continuous and constant training. In this respect, employee turnover decreased by 3.3% compared to the year before.

With respect to Social Responsibility, Restaurantes Toks are trend setters; for the fourth year in a row, we have been honored to receive the "Socially Responsible Company" award from CEMEFI. A detailed description of our efforts and programs under development in this most fundamental task has been included within the exhibit entitled "Social Responsibility Achievements", with the clear objective to be part of the execution of the business plan.

During 2010, we created 881 new jobs, representing an increase of 13.5% compared to 2009 and to finalize the year, we have more than seven thousand 400 employees.

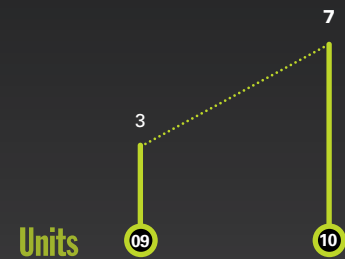






the HOME store

inspiración para tu hogar



We expanded our

sales floor by **5,980 m²**

equal to an increase of 144%

In 2010 we opened four stores, two of them in the metropolitan area of Mexico City, another in Plaza Ciudadela, in Zapopan, Jalisco and yet another in Plaza Cumbres, in Monterrey, Nuevo Leon. **This vast growth has allowed us to increase total sales by 133.7% as well as increase our sales force by more than 120 people.**



THE HOME STORE: The Value of Our Home



For The Home Store, 2010 was full of challenges, especially with respect to dealing with and improving the different needs proposed by our customers during our first year in operation.

Without a doubt, this learning experience has strengthened us to be able to provide, on a day-to-day basis, a better purchasing experience through more accessible spaces, better illumination and the development of new and exclusive product lines, which make housewares and home decorating a continuous pleasure. In 2011, we consolidated the operation by means of a plan for the opening of stores allowing us to increase our presence in the Metropolitan area of Mexico City and Guadalajara, as well as provided us with opportunities to explore the Southeast of Mexico, in cities such as Villahermosa, Mérida and Cancun, among others. Through synergies with the companies of Grupo Gigante, we have incorporated the handling of our new distribution center located in Ecatepec, making our logistics operations much more efficient for our suppliers, timely for the supply of products, and productive, creating inherent savings in operation.



We shall continue with our firm commitment to offer permanent innovations, ideas and solutions for the home of our customers, which allows them always to be at the cutting edge of all trends in the housewares and home decorating market.





During the eight years it has been in operation, the Fundación Gigante (Gigante Foundation) has been able to direct almost

285 Million of Mexican Pesos
to the most important causes,
thereby directly benefitting more than 2,100,000 people

Much has been achieved in the almost 50 years of our struggle to improve Mexico by supporting many different social causes through the various companies within Grupo Gigante.



SOCIAL RESPONSIBILITY: The Value of our Commitment to Help

Grupo Gigante is a conglomerate of companies in constant growth that through the innovative and continuous efforts of operations and management, as well as through numerous investments in its Business Units, have created quality jobs each year and innumerable opportunities for different people and companies in their value chain, while at the same time developing various community development and sustainability projects, which combine to provide significant improvement to the quality of life of thousands of Mexican families, thereby meeting our social responsibility goals.

Office Depot

"RED" is the name for all actions carried out to generate well-being in our communities. The major subjects of the Social Responsibility Project of Office Depot include: special needs; natural disasters; donations from rounding Up; corporate volunteers; and environmental actions.

Our most relevant projects include:

Educational Fund: Designed to support the college studies of our employees, financing the expenses arising out of tuition and registration fees.

Green: a long-term sustainable project that contributed to environmental sustainability through actions generating favorable ecological impact.

Implementation of Fluorescent Lighting: This program significantly cuts down on the greenhouse effect and its consequences.

Sustainable Buildings: Is our oldest program. The corporate building as well as our stores are, in the greatest measure, built using green technology.

Responsible Consumers: offers our customers a line of products made from recycled materials, which favor environmental conservation.

Biodegradable Shopping Bags and Reforestation: This project is dedicated to slowly changing regular plastic bags for biodegradable bags.

Renewal of Vehicular Fleet.

Gigante Grupo Inmobiliario

Today, technological innovation that does not place the environment at risk is absolutely necessary: the commitment of Gigante Grupo Inmobiliario is to develop projects that in addition to featuring quality that provides our customers with added value and comfort also offer a future that is clean and sustainable.

Super Precio

Throughout 2010, this business reclaimed 399 tons of cardboard as well as 21 tons of polyethylene, thereby avoiding. Last year the company also used the "Rounding Up" program to fight Breast Cancer.

Toks

In September 2010, Restaurantes Toks was appointed, by the UN, to chair the Committee of Companies Associated with the World Pact in Mexico. Further, Restaurantes Toks has made significant donations to "Asociación ALE I.A.P.", as a result of the "Your Life is Your Donation" campaign. Instituto Toks held its second graduation ceremony in 2010 in recognition of those employees who were able to satisfactorily complete their primary, middle and high school



studies. In this regard, Restaurantes Toks was awarded recognition by the Mexican Ministry of Public Education as a company committed to the education of its employees. Productive Projects, in order to provide its guests with products only of the highest quality, such as mole, granola, chocolate, honey, jellies and jams, as well as other.

Fundación Gigante

Fundación Gigante has reasserted itself as an example of permanent tenacity and work, covering four basic themes in its actions:

- **Education**
- **Health**
- **Well-being**
- **Assistance during Natural Disasters**

During its eight years of operation and regardless of all the actions of the Group, Fundación Gigante has been able to channel more than 285 Million of Mexican Pesos to the most important causes, directly benefitting more than 2,100,000 people. In 2010, we can highlight, among other things, the following actions.

During 2010 Fundación Gigante delivered 7,780 packages of school supplies throughout Mexico.

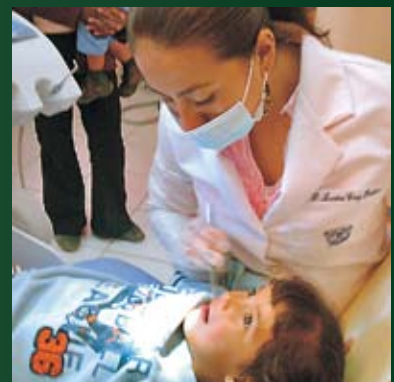
Also, the company delivered donations to various institutions, including the National Conservatory of Mexico, where it supports the students through scholarships; and finally financed the studies of 62 undergraduate and graduate level students.

Each year, Fundación Gigante holds a contest known as "What is my Favorite Sport?" and in the last contest, they receive 1,425 drawings.

With the private contribution from the Controlling Shareholders, special mention must be made to the donation given to the Universidad Anáhuac to construct the "Ángel y Tere Losada" auditorium, part of the "Yitzhak Rabin" Cultural Center, used especially for the promotion of cultural and artistic events.

Together with the Mayo Clinic, 13,875 families were benefitted by the delivery of 18,421 total well-being manuals and a cash donation; in the meantime, the Women's Help Line assisted 1,339 women and resolved 804 cases. With respect to surgeries performed outside the hospital, Fundación Gigante supported 155 harelip operations for patients located in Tlaxcala, Hidalgo, Oaxaca and the State of Mexico.

As a consequence of the natural disasters suffered domestically and abroad, Fundación Gigante has delivered, as a result of floods in Mexico City, the earthquakes in Mexicali and Haiti and Hurricanes Alex and Karl, significant cash donations. They also delivered almost 5,000 boxes of basic foodstuffs and other materials numbering 74,888 articles, as well as furniture and appliances.





During 2010 Fundación Gigante continues to help institutions such as Hospital Infantil de México Federico Gómez; Nuestro Hogar ANAR for children with cancer; Fundación Mazahua; Fundación Ver Bien para Aprender Mejor; Comer y Crecer; as well as Sólo por Ayudar, among others, to support causes such as those of education, health and society in general.

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

Audit Committee Report for Financial Year 2010

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

Dear Sirs:

Acting as the Members and Secretary of the Audit Committee, and in compliance with the provisions of Articles 42 and 43 of the Stock Market Law [Ley del Mercado de Valores], the Corporate By-Laws of Grupo Gigante, S.A.B. de C.V. and keeping in mind the recommendations of the Best Corporate Practices Code, following please find our annual report for financial year 2010, when we carried out the following tasks:

- I. Review of the status of the internal control and internal corporate auditing system of Grupo Gigante, S.A.B. de C.V., having approved the guidelines, annual review plan, compliance and reports of the corporate audit system. We concluded that in general, they have an adequate internal controls as well as internal corporate auditing systems.
- II. Approval of the guidelines and policies for the operation and accounting registries of Grupo Gigante and its subsidiaries.
- III. Verification of the observance of the mechanisms provided for risk control for the various business units of Grupo Gigante.
- IV. Evaluation of the performance of the accounting firm of Galaz, Yamazaki, Ruiz Urquiza, S.C. that carried out the audit of the consolidated financial statements for this financial year, as well as that of the External Auditor, C.P.C. Francisco Pérez Cisneros, and we consider that both parties adequate complied with their function in accordance with the generally accepted auditing principles in Mexico as well as all applicable provisions of the Stock Market Law. Approval of the Annual External Auditing Plan, Executive Summary of Observations and Recommendations and Opinion of the Consolidated Financial Statements to December 31 2010.
- V. Analysis of the description and value of the auxiliary services provided during financial year 2010 by the firm of Galaz, Yamazaki, Ruiz Urquiza, S.C.; therefore ruling out the hiring of independent experts.
- VI. Approval of the external and internal attorneys' reports to ensure that Grupo Gigante and its subsidiaries are in due compliance with all legal provisions. In addition, we worked together with the External Auditor, the Director of Internal Corporate Auditing, and the officers we consider adequate regarding the management of Grupo Gigante and its subsidiaries.

VII. Analysis and approval of the quarterly and annual consolidated financial statements, requesting that the External Auditor provide written reports for each quarter in order to confirm that the financial information of Grupo Gigante, S.A.B. de C.V., was drafted according to the same financial information criteria and practices guidelines with which the annual reports are prepared.

VIII. Consideration of all relevant observations and possible complaints made regarding facts considered irregular carried out by the shareholders, directors, main officers and employees, regarding the accounting, internal controls and other matters related to the corporate internal or external auditing. In this respect, we have nothing to report.

IX. Follow up on the resolutions of the Shareholders' and Board of Directors Meetings related to this Committee.

As a result, by means of this report, we hereby comply with the obligations provided for under the above-mentioned articles of the Stock Market Law and the Corporate By-Laws of Grupo Gigante, S.A.B. de C.V.

México City, March 28, 2011



Lic. Luis Santana Castillo
Committee Chairman



Ing. Luis Rebollar Corona
Owner-Director



Lic. Roberto Salvo Horvilleur
Owner-Director



C.P.C. Ernesto Valenzuela Espinoza
Committee Secretary

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

Report of Corporate Practices Committee for Financial Year 2010

Mexico City, March 9 2011

To the Board of Directors

To the Shareholders' Meeting of Grupo Gigante, S.A.B. de C.V.

Dear Directors and Shareholders:

Acting as members of the Committee of Corporate Practices, and complying with the provisions of Article 43, Section I and all other applicable provisions of the Stock Market Law [Ley del Mercado de Valores], and also in light of the corporate by-laws of Grupo Gigante, S.A.B. de C.V. and the Board of Directors Regulations, following please find our Committee Report regarding the actions of financial year 2010.

In compliance with the provisions provided above, during the year ended, this Committee met five times, and presented the Board of Directors its respective reports and recommendations during the meetings held on such years, and finally, carried out the following major tasks and functions:

- I. During the year covered by this report, the committee continues to follow up on the various definitions of the program known as "Corporate Governance", providing oversight for the holding of meetings and the functioning of the corporate government and their operating rules, as well as compliance with all legal provisions applicable thereto and the by-laws of Grupo Gigante. It is reported that all these matters were developed in a timely and proper manner and all the various meetings of the Board and its Committees were carried out in this regard.
- II. Implementation of the Organization Model; Alignment of Central Body. In order to execute the approved structure and with the involvement of the Committee, the management concluded the implementation of the organization model that was approved, including the alignment of the so-called central body, obtaining efficiency in the processes and generating savings and synergies between the various business units of the Group.
- III. The "Integral Compensation" Project. Analysis was completed regarding the compensation of the Relevant Directors of Grupo Gigante, ending the last phase, or stage three, and finishing the proposal of "Integral Remuneration or Compensation Package Policies of the Relevant Directors of the Company", which shall be presented to the Board of Directors at its meeting to be held in March 2011.
- IV. In compliance with the applicable provisions, we evaluated the performance by the Chief Executive Officer of Grupo Gigante as well as that of the Relevant Directors, and authorized salary adjustments as well as performance bonuses and incentives for the balance for 2009, as well as the plans for 2010.

- V. In compliance and execution of its responsibilities and powers, and based on the provisions of Article 28, section III, item b) of the Stock Market Law, the Committee studied and analyzed, during different meetings, certain operations between related parties, seeking at all times fair market values and parameters with respect to these operations in benefit of the company, and as applicable, made recommendations for the approval of the Board of Directors; there was nothing further to report.
- VI. Since there was no situation related to the waivers referred to under Article 28, section III, item f of the Stock Market Law, there was no need to present the Board with these operations, and therefore there was nothing further to report.
- VII. Real Estate Restructuring Process. In order to make its real estate properties more profitable, facilitating its reporting and financial monitoring framework, and having analyzed management's proposals, the Committee continues to participate in the implementation of such real estate restructuring project, which began and was published at the end of 2008, and which continues during 2009 and 2010, in order to achieve the grouping and consolidation of its real estate entities and assets, in the search for greater operating, accounting and financial efficiency. It is estimated that this process shall conclude its final stage during 2011.
- In this respect, we hereby comply with the provisions of Article 43, section I and other applicable provisions of the Law.



Roberto Salvo Horvilleur
Committee Chairman



Gilberto Pérezalonso Cifuentes



Luis Santana Castillo



Sergio Montero Querejeta
Committee Secretary

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

Financing and Planning Committee

for Financial Year 2010

Mexico City, March 10 2011

To the Board of Directors

To the Shareholders' Meeting of Grupo Gigante, S.A.B. de C.V.

Dear Directors and Shareholders:

Acting as members of the Financing and Planning Committee, and also in light of the corporate by-laws of Grupo Gigante, S.A.B. de C.V. and the Board of Directors Regulations, following please find our Committee Report regarding the actions of financial year 2010.

In compliance with the following provisions, during the financial year ended, this Committee held five meetings, presenting its respective reports and recommendations to the Board of Directors for all of its meetings during the financial year, with respect to the content and development of the following matters and functions:

I. In the exercise of its responsibilities, the Committee received detailed and timely information regarding the matters related to the financial and strategic matters, presenting matters for the consideration and recommendation of this body related to the Board of Directors, and we consider it relevant to report regarding the discussion and analysis of the following:

- I.1 Budget for 2010, its structure, follow-up and advances thereof.
- I.2 Cash flows of Grupo and its subsidiaries.
- I.3 Results of the corporate year, annual and quarterly for the company, its subsidiaries and affiliates.
- I.4 Integration and follow-up of Capex of the company and its business units.
- I.5 Oversight and use of the credit lines of the company and its controlled companies.
- I.6 Analysis and discussion regarding the various sources and financing alternatives for Grupo and its subsidiaries.
- I.7 Analysis and definition of the premises and main aspects of the budget for 2010, as well as the financial reasoning to be applied and performance indicators.

- I.8 Follow-up and report of openings and closing of business units of Grupo.
- I.9 Analysis and as applicable approval of investment projects.
- II. Another relevant aspect is the oversight of the handling of the corporate Treasury of Grupo, for which various alternatives are being considered. Guidelines and policies governing investments were drafted and oversight provided over performance thereof. As an addition to the annual report, it was reported that to the close of financial year 2010, the company treasury concluded with an amount of \$3,159.05 Million

of Mexican Pesos, after paying out dividends and covering real estate and other investments, including income from financial interest.

- III. Lastly, this Committee received periodic reports regarding the compliance with the policy of buying back the Company's own shares, and it carried out buy back operations over a total of 7,400 shares in the year, reporting that to the close of the year, there were total of 994,227,341 shares in circulation and 1,928,392 shares in treasury.

By means of this report, we hereby comply with the provisions of the corporate by-laws and other applicable provisions of the Board of Directors Regulations.



Javier Molinar Horcasitas
Committee Chairman



José Aguilera Medrano



Ángel Losada Moreno



Sergio Montero Querejeta
Committee Secretary

Board of Directors & Committees

Equity Board Members

Ángel Losada Moreno

**Chairman of the Board of Directors and
Chief Executive Officer of Grupo Gigante**

*BS in Business Administration,
Universidad Anáhuac*

Braulio Antonio Arsuaga Losada

**Associate Director,
Hoteles Presidente**

*BS in Business Administration,
Universidad Anáhuac
MS in Business Administration,
Southern Methodist University*

Gonzalo Barrutieta Losada

**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 Losada

Operations Director, Restaurantes Toks

*BS in Communications, Universidad Anáhuac
MS in Marketing, North Western University*

Independent Board Members

Roberto Salvo Horvilleur

Independent board member in several companies

*BS in Business Administration, University of Notre Dame
MS in Business Administration, INCAE Business School*

José Aguilera Medrano

Independent board member in several companies

BS in Public Accountancy, Escuela Bancaria y Comercial

Javier Molinar Horcasitas

Chief Executive Officer, IXE Grupo Financiero

*BS in Business Administration,
Universidad La Salle*

Gilberto Pérezalonso Cifuentes

Independent board member in several companies

BS in Legal Studies, Universidad Iberoamericana

BS in Business Administration, INCAE Business School

Corporate Finance Program, Harvard University

Luis Rebollar Corona

Independent board member in several companies

BS in Chemical Engineering, Universidad Nacional

Autónoma de México

Luis Santana Castillo

Independent board member in several companies

BS in Philosophy, Pontifical Gregorian University, Roma, Italia.

MS in Administration, IPADE, México

Manuel Somoza Alonso

Chairman of the board Somoza Finamex Inversiones

BS in Economics, Universidad Anáhuac

MS in Business Administration,

TEC de Monterrey México

Audit Committee

Luis Santana Castillo

Chairman

Roberto Salvo Horvilleur

Luis Rebollar Corona

Governance Committee

Roberto Salvo Horvilleur

Chairman

Gilberto Pérezalonso Cifuentes

Luis Santana Castillo

Finance and Planning Committee

Javier Molinar Horcasitas

Chairman

Ángel Losada Moreno

José Aguilera Medrano

Consolidated **financial** statements



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

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, 2010 and 2009, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. 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.

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, 2010 and 2009, and the results of their operations, changes in their stockholders' equity and their cash flows for the year then ended and in conformity with Mexican Financial Reporting Standards.

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

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



C. P. C. Francisco Pérez Cisneros

February 22, 2011

Consolidated balance sheets

As of December 31, 2010 and 2009

(In thousands of Mexican pesos)

	2010	2009
Assets		
Current assets:		
Cash and investments in securities	\$ 3,159,046	\$ 3,679,670
Accounts receivable – Net	849,350	636,658
Inventories – Net	1,912,841	1,471,082
Prepaid expenses	122,678	114,199
Total current assets	6,043,915	5,901,609
Property and equipment – Net	15,904,374	14,650,312
Other permanent investments	213,168	213,768
Goodwill and other assets – Net	570,333	498,770
Discontinued operations	-	11,562
Total	\$ 22,731,790	\$ 21,276,021
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts and notes payable	\$ 1,395,283	\$ 1,095,612
Current portion of long-term debt	7,675	-
Accrued expenses and taxes	845,931	731,418
Discontinued operations	-	25,172
Total current liabilities	2,248,889	1,852,202
Long-term debt	563,325	-
Employee benefits	35,832	25,302
Deferred income taxes and statutory employee profit sharing	1,791,129	1,779,171
Total liabilities	4,639,175	3,656,675
Stockholders' equity:		
Common stock	2,689,688	2,689,689
Additional paid-in capital	7,700,616	7,700,616
Retained earnings	7,593,019	7,104,860
Translation effects of foreign operations	(14,181)	(17,163)
Controlling interest	17,969,142	17,478,002
Non-controlling interest	123,473	141,344
Total stockholders' equity	18,092,615	17,619,346
Total	\$ 22,731,790	\$ 21,276,021

See accompanying notes to consolidated financial statements.

Consolidated statements of income

For the years ended December 31, 2010 and 2009

(In thousands of Mexican pesos, except per share data)

	2010	2009
Revenues:		
Net sales	\$ 10,681,526	\$ 8,701,951
Rental and other income	706,016	667,287
	11,387,542	9,369,238
Costs and expenses:		
Cost of sales	6,858,458	5,424,975
Operating expenses	3,464,912	2,972,695
	10,323,370	8,397,670
Other expenses – Net	36,683	11,422
Net comprehensive financing income:		
Interest expense	120,073	67,737
Interest income	(184,077)	(268,236)
Exchange loss – Net	34,952	49,021
Other financing income	(54,464)	(47,418)
	(83,516)	(198,896)
Income from continuing operations before income taxes	1,111,005	1,159,042
Income taxes expense (benefit)	254,408	(246,413)
Income from continuing operations	856,597	1,405,455
Discontinued operations	(8,369)	(592,641)
Consolidated net income	\$ 848,228	\$ 812,814
Controlling interest	\$ 866,099	\$ 813,204
Non-controlling interest	(17,871)	(390)
Consolidated net income	\$ 848,228	\$ 812,814
Basic earnings per common share	\$ 0.87	\$ 0.82
Diluted earnings per share	\$ 0.87	\$ 0.82

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, 2010 and 2009
(In thousands of Mexican pesos)

	Capital stock	Additional paid in capital	Retained earnings	Cumulative translation effects of foreign operations	Non-controlling interest	Total stockholders' equity
Balance as of January 1, 2009	\$ 2,689,334	\$ 7,671,526	\$ 6,963,524	\$ (11,399)	\$ -	\$ 17,312,985
Sale of treasury shares	355	29,090	-	-	-	29,445
Repurchase of treasury shares	-	-	(14,796)	-	-	(14,796)
Dividends paid	-	-	(495,033)	-	-	(495,033)
Effect of recording income tax liability arising from the tax reform	-	-	(162,039)	-	-	(162,039)
Comprehensive income	-	-	813,204	(5,764)	141,344	948,784
Balance as of December 31, 2009	2,689,689	7,700,616	7,104,860	(17,163)	141,344	17,619,346
Repurchase of treasury shares	(1)	-	(135)	-	-	(136)
Dividends paid	-	-	(377,805)	-	-	(377,805)
Comprehensive income	-	-	866,099	2,982	(17,871)	851,210
Balance as of December 31, 2010	\$ 2,689,688	\$ 7,700,616	\$ 7,593,019	\$ (14,181)	\$ 123,473	\$ 18,092,615

See accompanying notes to consolidated financial statements.

Consolidated statement of cash flows

For the years ended December 31, 2010 and 2009

(In thousands of Mexican pesos)

	2010	2009
Operating activities:		
Consolidated net income	\$ 848,228	\$ 812,814
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	383,148	354,038
Dispositions on store improvements	4,864	9,530
Loss on sale of property and equipment	29,078	25,420
Other non-cash items	6,597	(17,612)
Dividends received	(9,705)	(10,574)
Interest income	(184,077)	(264,859)
Items related to financing activities:		
Interest expense	27,410	7,581
	1,105,543	916,338
(Increase) decrease in:		
Accounts receivable – Net	(55,277)	136,755
Inventories – Net	(364,674)	(224,652)
Goodwill and other assets – Net	(52,734)	5,917
Trade accounts and notes payable	141,530	(100,812)
Accrued expenses and taxes	226,839	168,515
Income taxes paid	(194,984)	(798,941)
Net cash provided by operating activities	806,243	103,120
Investing activities:		
Purchases of property and equipment	(1,647,182)	(1,038,474)
Proceeds from sale of property and equipment	53,666	27,730
Purchase of subsidiary, net of cash acquired	(89,167)	(72,413)
Dividends received	9,705	10,574
Investments in securities	793,576	1,872,430
Interest received	184,077	264,859
Net cash (used in) provided by investing activities	(695,325)	1,064,706
Excess cash to be applied to financing activities	110,918	1,167,826
Financing activities:		
Borrowings	571,000	-
Cash received from not controlling interest	-	92,115
Sales of treasury shares	-	29,445
Repurchases of shares	(136)	(14,796)
Interest paid	(27,410)	(7,582)
Dividends paid	(377,805)	(495,033)
Net cash provided by (used in) financing activities	165,649	(395,851)
Net increase in cash and cash equivalents	276,567	771,975
Adjustment to cash flows due to exchange rate fluctuations	2,982	7,200
Cash and cash equivalents at beginning of year	1,137,831	358,656
Cash and cash equivalents at end of year	\$ 1,417,380	\$ 1,137,831

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2010 and 2009

(In thousands of Mexican pesos)

1. Activities

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

As mentioned in Note 16, 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 consolidated financial statements and notes as of December 31, 2010 and 2009 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power.

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. are consolidated using the proportionate consolidation method, based on the Company's 50% ownership interest in such entity resulting in joint control.

Company or Group	Ownership percentage	Activity
Office Depot de México, S. A. de C. V. and Subsidiaries	50.00%	190 office supply stores in Mexico (including two Distribution Centers that also sell merchandise), 6 in Costa Rica, 5 in Guatemala, 4 in El Salvador, 2 in Honduras, 4 in Panama (including one Distribution Center that also sells merchandise), 14 in Colombia and 1 distribution center in Mexico.
PSMT México, S. A. de C. V. and Subsidiaries	100.00%	It operated club price stores in Guanajuato and Queretaro, Mexico.
Gigante Holdings International, Inc. and Subsidiaries	100.00%	Self-service stores in the Latin market in Los Angeles, California. As mentioned in note 16 on December 24, 2007, at the General Ordinary Stockholders' Meeting, the stockholders' approved the disposal of the Company's supermarket business.

Company or Group	Ownership percentage	Activity
Restaurantes Toks, S. A. de C. V.	100.00%	Chain of 91 restaurants.
Tiendas Super Precio, S. A. de C. V.	100.00%	411 self-service stores that sell groceries.
Gigante Grupo Inmobiliario, S. A. de C. V. and Subsidiaries	100.00%	56 real estate companies that own land where the Company's restaurants and the stores that are rented to third parties are located.
Gigante Fleming, S. A. de C. V.	100.00%	Real estate company that owns land where 2 of the Company's stores that are rented to third parties, are located. Also has 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.
Importadora Corporativa del Centro, S. A. de C. V.	100.00%	Purchase-sale, manufacture and commercialization of merchandise.
Inmobiliaria Toks, S. A. de C. V.	100.00 %	Real estate company.
Distribuidora Storehome, S. A. de C. V.	100.00%	7 self service stores that sell home items.
Servicios Técnicos y Administrativos Gigante, S. A. de C. V.	100.00%	Provides administrative services to the Company.
Unidad de Servicios Compartidos, Gigante S. A. de C. V.	100.00%	Provides administrative services to the Company.
Hospitalidad y Servicios Especializados Gigante, S.A. de C.V. y Subsidiaries	100.00%	Holding company.

Significant intercompany balances and transactions have been eliminated.

- 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:

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 date for assets and liabilities; 2) historical exchange rates for stockholders' equity, and 3) the rate on the date of accrual of revenues, costs and expenses.

Foreign operations whose functional currency is the same as the currency in which transactions are recorded, first restate their financial statements in currency of purchasing power as of the date of the balance sheet, using the price index of the country of origin of the functional currency, and subsequently translate those amounts to Mexican pesos using the closing exchange rate in effect at the balance sheet date for all items.

Translation effects are recorded in stockholders' equity.

The Company's functional currency is the Mexican peso; although the Company has investments in foreign subsidiaries whose functional currencies are other than the Mexican peso, which therefore exposes the Company to a foreign currency translation risk. In addition, the Company has monetary assets and liabilities denominated in foreign currencies, mainly in US dollars and Euros; therefore, the Company is also exposed to foreign exchange risks arising from transactions entered into over the normal course of business.

- 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. As of December 31, 2010 and 2009, other comprehensive income is represented by the effects of translation of foreign operations. Upon realization of assets and settlement of liabilities giving rise to other comprehensive income items, the latter are recognized in the consolidated statements of income.
- 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. Comparability –** The most relevant aspects affecting the consolidated financial statement comparability are as follows:

Acquisition of subsidiary - On September 30, 2010, the Company, through its subsidiary Office Depot de México, S. A. de C. V., acquired 100% of the voting shares of Formas Eficientes, S. A. de C. V. and Papelera General, S. A. de C. V. in Mexico, Ofixpres, S. A. S. in Colombia; Ofixpres, S. A. de C. V. in El Salvador; y Formas Eficientes, S. A. in Costa Rica. These companies are engaged in the printing of continuous forms and books, sale and distribution of office supplies.

The results of operations of the above mentioned companies as of October 1, 2010 were included in the Company's consolidated financial statements. The acquisition of such companies was carried out primarily to increase the Company's whole-sale revenue related to office supplies.

The acquisition cost of the above mentioned companies was US\$7,703,000 equivalent to \$96,138 and it was paid in cash.

The acquisition cost allocated to the acquired assets and the assumed liabilities as of the date of acquisition, based on their fair values, is presented below. The Company is in the process of obtaining, from independent experts, fair values of certain intangible assets recorded; accordingly, the value of intangible assets and goodwill is preliminary and subject to change.

	Balance at September 30 2010
Current assets	\$ 255,891
Fixed assets – Net	21,612
Intangible assets	13,582
<u>Total assets</u>	<u>291,085</u>
Current liabilities	(208,302)
Employee benefits	(2,026)
Long-term debt	(29,812)
<u>Total liabilities</u>	<u>(240,140)</u>
 Net assets acquired	 \$ 50,945

Intangible assets acquired are mainly trademarks whose useful lives are considered indefinite and, therefore, not subject to amortization. Goodwill of \$45,193 was allocated to the retail business segment.

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, 2010, the Company adopted the following new NIF's:

NIF C-1, Cash and Cash equivalents.- Requires presentation of cash and restricted cash equivalents under the line item titled "cash and cash equivalents", as opposed to Bulletin C-1, which required these items to be separately presented; it replaces the concept "temporary investments payable on demand" with "readily available investments" and considers a characteristic of this type of investment a maturity within three months from the date of acquisition.

Improvements to Mexican Financial Reporting Standards 2010. The main improvements that generate accounting changes are as follows:

NIF B-1, Accounting changes and correction of errors. - Extended disclosures when the Company applies a specific new standard.

NIF B-2, Statement of cash flows.- A separate line item, "Effects from changes in cash value" is required, to show the impact on cash and cash equivalent balances of changes in value resulting from exchange fluctuations and changes in fair value, plus effects from conversion to the reporting currency of cash flows and balances from foreign operations as well as the effects of inflation associated with the cash flows and balances of any of the entities making up the group, that is in an inflationary economic environment.

NIF B-7, Business acquisitions.- Intangible assets or provisions may only be recognized when the acquired business is the lessee of an operating lease agreement on favorable or unfavorable conditions in relation to the market. This accounting change may be recognized retroactively but not beyond January 1, 2010.

NIF C-7, Investments in associated companies and other permanent investments.- The method to determine the effects of increases in the investment in an associated company is modified. It also requires that the effects of increases or decreases in the investment in an associated company be recognized in equity in income (loss) of associated companies, instead of under non-ordinary items in the statement of income.

INIF 14, Construction Contracts, Sale of Real Estate Property and Rendering of Related Services.- The separation of the various components in the contracts is required in order to define whether the

contract involves the construction or sale of real estate, or the rendering of related services, setting the rules for the recognition of revenues, costs and related expenses based on the identification of the different elements of the contracts. This interpretation states when it is appropriate to apply the percentage of completion method for revenue recognition.

- b. Recognition of the effects of inflation -** Since the cumulative inflation for the three fiscal years prior to those ended December 31, 2010 and 2009, was 14.48% and 15.01%, respectively, the economic environment may be considered non-inflationary in both years. Inflation rates for the years ended 2010 and 2009 were 4.40% and 3.57%, respectively.

Beginning on January 1, 2008, the Company discontinued recognition of the effects of inflation in its consolidated financial statements. However, assets, liabilities and stockholders' equity include the restatement effects recognized through December 31, 2007.

- c. Cash and cash equivalents -** Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash, which are subject to immaterial value change risks. Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in comprehensive financing income 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, net of income taxes, are recorded as a component of other comprehensive income within stockholders' equity, and reclassified to current earnings upon their sale. Fair value is determined using prices quoted on recognized markets. If such securities are not traded, fair value is determined by applying technical valuation models recognized in the financial sector.

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 -** Inventories are stated at the lower of cost or realizable value.
- f. Property and equipment -** Property and equipment are recorded at acquisition cost. Balances from acquisitions made through December 31, 2007 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 estimated useful lives of the related assets, as follows:

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

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

- g. Other permanent investments** - Other permanent investments made by the Company in entities where it has no control, joint control, or significant influence, are initially recorded at acquisition cost and any dividends received are recognized in current earnings, except when they are taken from earnings of periods prior to the acquisition, in which case, they are deducted from the permanent investment.
- h. Impairment of long-lived assets in use** - The Company reviews the carrying amounts of long-lived assets in use when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the net sales price upon disposal. Impairment is recorded when the carrying amounts exceed the greater of the 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.
- i. Financial risk management policy** - The activities carried out by the Company expose it to a number of financial risks, including market risk (which encompasses foreign exchange, interest rate and price risks), credit risk and liquidity risks. The Company seeks to minimize the potential negative effects of these risks on its financial performance through an overall risk management program. The Company uses derivative and non-derivative financial instruments to hedge against some exposures to financial risks embedded in the balance sheet (recognized assets and liabilities). Both, financial risk management and the use of derivative and non-derivative financial instruments are ruled by Company policies approved by the Board of Directors and are carried out by the Company's treasury. The Company identifies, assesses and hedges financial risks in collaboration with its subsidiaries. Compliance by Company's management of established policies and exposure limits is reviewed by internal audit on an ongoing basis.
- j. Derivative financial instruments** - The Company obtains financing under different conditions. If the rate is variable, interest rate swaps are entered into to reduce exposure to the risk of rate volatility, thus converting the interest payment profile from variable to fixed. These instruments are negotiated only with institutions of recognized financial strength and when trading limits have been established for each institution. The Company's policy is not to carry out transactions with derivative financial instruments for the purpose of speculation.

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

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

- k. Goodwill** - Goodwill represents the excess of cost over the fair value of the subsidiary shares, as of the date of acquisition. Through December 31, 2007, it was restated for the effects of inflation using the NCPI. Goodwill is not amortized and is subject to impairment tests, at least once a year.
- l. 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 using the straight-line-method over their estimated useful lives. Disbursements that do not meet such requirements, as well as research cost, are recorded in results of the period in which they are incurred.
- m. Provisions** - Provisions are recognized for current obligations that arise from a past event, that will probably result in the use of economic resources, and that can be reasonably estimated.
- n. 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.
- o. 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.
- p. 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 result from comparing the accounting and tax bases of assets and liabilities and is recognized only when it can be reasonably assumed that such difference will generate a liability or benefit, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.
- q. Income taxes** - Income tax (ISR) and 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 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.

- r. Foreign currency 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 (income) cost in the consolidated statements of income.
- s. Revenue recognition** – Revenues are recognized in the period in which the risks and rewards of ownership of the inventories are transferred to customers, which generally coincides with the delivery of products to customers in satisfaction of orders. Revenues from services provided are recognized in the period in which they are rendered.
- t. Earnings per share** - Basic earnings per common share are calculated by dividing net income of controlling interest by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are determined by adjusting consolidated net income and common shares on the assumption that the Company's commitments to issue or exchange its own shares would be fulfilled.

4. Cash and investments in securities

	2010	2009
Cash and bank deposits	\$ 280,084	\$ 242,846
Cash equivalents	1,102,298	894,985
Restricted cash	34,998	-
<u>Subtotal of cash and cash equivalents</u>	<u>\$ 1,417,380</u>	<u>\$ 1,137,831</u>
Investments in securities		
Trading	\$ 1,741,666	\$ 2,541,839
<u>Cash and investments in securities</u>	<u>\$ 3,159,046</u>	<u>\$ 3,679,670</u>

Some subsidiaries have borrowings from financial institutions whose contracts require certain amount of cash to be deposited as collateral. Such amounts are deposited in trusts related to the rental income from the properties built by the Company using such borrowings and reserve funds have been established to service the borrowings such reserve funds are equivalent to five monthly payments of capital and interest. The deposited amounts are invested in debt instruments which are highly liquid such as government bonds; such amounts were classified as restricted cash and will be available upon maturity of the borrowings.

5. Accounts receivable – Net

	2010	2009
Trade accounts receivable	\$ 296,594	\$ 136,141
Allowance for doubtful accounts	(17,729)	(4,067)
	278,865	132,074
Recoverable taxes	499,005	449,577
Other	71,480	55,007
	\$ 849,350	\$ 636,658

6. Property and equipment – Net

	2010	2009
Buildings	\$ 7,181,172	\$ 5,820,575
Leasehold improvements	1,867,326	1,833,639
Store equipment	1,121,042	949,957
Furniture and equipment	300,624	268,279
Vehicles	121,104	108,816
	10,591,268	8,981,266
Accumulated depreciation	(1,994,853)	(1,662,374)
	8,596,415	7,318,892
Construction in-progress	457,346	782,563
Land	6,850,613	6,548,857
	\$ 15,904,374	\$ 14,650,312

7. Other permanent investments

As of December 31, 2010 and 2009, the other permanent investments balance is mainly represented by the investment in the shares of PriceSmart Inc. of 1,667,333 common shares (a 5.6% in both periods), 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

	2010	2009
Goodwill – Net	\$ 524,453	\$ 478,921
Deferred charges – Net	29,101	14,400
Other assets	16,779	5,449
	<u>\$ 570,333</u>	<u>\$ 498,770</u>

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

9. Long-term debt

On June 25, 2010, the Company entered into two contracts for bank borrowings for which buildings were pledged as collateral.

	2010
Bank borrowing payable in 108 monthly payments with a 12-month grace period for capital, the first of the monthly payments will be made on July 25, 2011. Interest is payable on a monthly basis and is calculated using the Inter Bank Borrowing Rate (TIIE) plus 300 points basis. As at December 31, 2010, the applicable interest rate was 4.8750%.	\$ 229,000
Bank borrowing payable in 96 monthly payments with a 24-month grace period for capital, the first of the monthly payments will be made on July 25, 2012. Interest is payable on a monthly basis and is calculated using the Inter Bank Borrowing Rate (TIIE) plus 300 points basis. As at December 31, 2010, the applicable interest rate was 4.8750%.	342,000
Long – term debt	571,000
Less – current portion	7,675
	<u>\$ 563,325</u>

The borrowing contracts contain restrictive covenants; the Company complies with such covenants as of December 31, 2010. These borrowings are pledged with the buildings built by the Company using the proceeds of the borrowings.

As of December 31, 2010, long-term debt matures as follows:

2012	\$	30,405
2013		48,432
2014		54,036
2015		60,289
Thereafter		370,163
	\$	563,325

On the same date, the Company entered into two contracts for an option to limit the amount of TIIE for the calculation of the interest on the borrowings in order to manage the interest rate risk in these borrowings. Under these options TIIE is limited to 8%, both options expire on the 60th monthly payment. As of December 31, 2010, the Company has not exercised any of these options.

10. Employee benefits

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.** Present values of December 31, 2010 and 2009, of these obligations and the rates used for the calculations are:

	2010	2009
Defined benefit obligation	\$ (49,937)	\$ (45,037)
Plan assets at fair value	8,188	6,559
Underfunded status	(41,749)	(38,478)
Unrecognized items:		
Past service costs, change in methodology (i) and changes to the plan	4,097	12,009
Actuarial gain and losses (ii)	1,820	1,167
	5,917	13,176
Net projected liability	\$ (35,832)	\$ (25,302)
Contributions to plan assets	\$ 2,114	\$ 1,638

- i The change in methodology in 2010 includes the career salary concept and a change from net rates to nominal rates.
- ii The actuarial gains and losses include variances between actual figures and figures initially estimated, as well as variances in assumptions.

b. Nominal rates used in actuarial calculations are as follows:

	2010	2009
	%	%
Discount of the projected benefit obligation to present value	8.2	8.0
Expected yield on plan assets	8.7	8.7
Salary increase	5.2	5.0

c. In 2010 and 2009, the Company decided to recognize actuarial gains and losses directly to results of the year.

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

d. Net cost for the period includes the following items:

	2010	2009
Service cost	\$ 5,233	\$ 8,869
Interest cost	2,778	3,003
Expected yield on plan assets	(660)	(115)
Amortizations of unrecognized prior service costs	6,885	3,429
Actuarial gains and losses – net	1,834	(7,004)
Net cost for the period	\$ 16,070	\$ 8,182

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 2010 and 2009 was \$19,157 and \$17,310, respectively.

e. Changes in the present value of the defined benefit obligation:

	2010	2009
Present value of the define benefit obligation as of January 1	\$ 45,037	\$ 37,183
Service cost	5,233	8,869
Interest cost	2,778	3,003
Actuarial loss (gain) on the obligation	831	(4,018)
Benefits paid	(1,840)	-
Curtailments and settlements	(2,102)	-
Present value of the defined benefit obligation as of December 31	\$ 49,937	\$ 45,037

f. Changes in fair value of plan assets

	2010	2009
Plan assets at fair value as of January 1	\$ 6,559	\$ 5,854
Expected yield	660	115
Actuarial gains and losses	(1,145)	(1,048)
Company contributions	2,114	1,638
Plan assets at fair value as of December 31	\$ 8,188	\$ 6,559

11. Stockholders' equity

a. Common stock consists of the following as of December 31:

	Number of shares 2010	Number of shares 2009	Historical value 2010	Historical value 2009
Fixed capital	176,734,102	176,734,102	\$ 18,922	\$ 18,922
Variable capital	817,493,239	817,500,639	87,525	87,526
	994,227,341	994,234,741	\$ 106,447	\$ 106,448

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 2010 and 2009, the Company repurchased a total of 7,400 and 1,149,400 respectively of its treasury shares and during 2009, the Company sold a total of 4,469,764 of its treasury shares, at various dates and various prices throughout each year, via cash contributions. At December 31, 2010 and 2009, the Company maintains in its treasury 1,928,392 and 1,920,992 shares, respectively. The market value of such shares was \$24.00 and \$18.91, per share at December 31, 2010 and 2009, respectively.
- c.** During a Stockholders' Meeting held on April 19, 2010, the stockholders agreed to pay cash dividends to Company stockholders at \$ 0.38 (thirty eight cents) per paid-in outstanding share as of the dividend payment date. The payment was applied against the Company's net tax income account and was made through S.D. Indeval, S.A. de C.V. The dividend amount paid in 2009 was \$377,805.
- d.** During a Stockholders' Meeting held on April 27, 2009, the stockholders agreed to pay cash dividends to Company stockholders at \$ 0.50 (fifty cents) per paid-in outstanding share as of the dividend payment date. The payment was applied against the Company's net tax income account and was made through S.D. Indeval, S.A. de C.V. The dividend amount paid in 2009 was \$495,033.
- e.** 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. As of December 31, 2010 and 2009, the legal reserve, in historical pesos, was \$21,290 and \$21,219, respectively.
- f.** Stockholders' equity, except restated additional paid-in capital and tax retained earnings will be subject to ISR payable by the Company at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated ISR of the year in which the tax on the dividend is paid and the following two fiscal years.
- g.** The balances of the stockholders' equity tax accounts as of December 31 are:

	2010	2009
Contributed capital account	\$ 9,799,321	\$ 9,386,323
Net consolidated tax income account (CUFIN)	4,927,887	4,719,911
	<u>\$ 14,727,208</u>	<u>\$ 14,106,234</u>

12. Foreign currency balances and transactions

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

	2010	2009
Thousands of U. S. dollars		
Monetary assets	\$ 74,984	\$ 45,080
Monetary liabilities	(14,991)	(12,151)
Net monetary asset position	59,993	32,929
Equivalent in Mexican pesos	\$ 742,811	\$ 429,516

- b. Approximately 11.92% and 12.26% of inventory purchases were imported by the Company in 2010 and 2009, respectively.
- c. Transactions denominated in thousands of U.S. dollars during the years ended December 31, 2010 and 2009 mainly represent import purchases of \$75,115 and \$58,016, 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 22,
	2010	2009	2011
Mexican pesos per one U.S. dollar	\$ 12.3817	\$ 13.0437	\$ 12.0558

13. Transactions and balances with related parties

- a. Transactions with related parties during the years ended December 31, 2010 and 2009, carried out in the ordinary course of business, were as follows:

	2010	2009
Purchases of inventory	\$ 1,867	\$ 2,299
Purchases of fixed assets	11,349	12,325
Rental expense paid	54,548	50,935
Technical assistance fees	9,746	9,373

b. The Company does not have related parties balances as of December 31, 2010 and 2009.

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

	2010	2009
Compensation cost related to share-based payments	\$ -	\$ 513
Short and long-term benefits	50,063	83,106
Severance benefits	5,414	6,295
	<u>\$ 55,477</u>	<u>\$ 89,914</u>

14. Other expenses - Net

a. Detail is as follows:

	2010	2009
Statutory employee profit sharing	\$ 5,633	\$ 5,122
Loss on sale of property and equipment – Net	29,078	25,420
Income tax rebate	-	(19,996)
Other	1,972	876
	<u>\$ 36,683</u>	<u>\$ 11,422</u>

b. PTU is as follows:

	2010	2009
Current	\$ 5,303	\$ 4,369
Deferred	330	753
	<u>\$ 5,633</u>	<u>\$ 5,122</u>

15. Income taxes

The Company is subject to ISR and IETU.

The ISR rate is 30% for 2010 through 2012 and was 28% in 2009; it will be 29% for 2013 and 28% for 2014. The Company pays ISR, together with subsidiaries on a consolidated basis, beginning in fiscal year 1997.

On December 7, 2009, amendments to the ISR Law were published, to become effective beginning in 2010. These amendments state that: a) ISR relating to tax consolidation benefits obtained from 1999 through 2004 should be paid in installments beginning in 2010 through 2014, and b) ISR relating to tax benefits obtained in the 2005 tax consolidation and thereafter, should be paid during the sixth through the tenth year after that in which the benefit was obtained. Payment of ISR in connection with tax consolidation benefits obtained from 1997 through 1999 may be required in those cases provided by law.

IETU - Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. Beginning in 2010, the IETU rate is 17.5%, and it was 17% in 2009. The Asset Tax (IMPAC) 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 for the first time, may be recovered, 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.

Income tax incurred will be the higher of ISR and IETU.

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.

Due to the 2009 tax reform, based on the "Interpretación de las Normas de Información Financiera" (INIF 18) the Company recognized a liability of \$162,039 against retained earnings mainly arising from net consolidated tax income account.

a. Income taxes are as follows:

	2010	2009
ISR expense (benefit):		
Current	\$ 206,779	\$ 161,150
Deferred	47,629	(407,563)
	\$ 254,408	\$ (246,413)

- b.** The effective ISR rate for fiscal 2010 and 2009 differ from the statutory rate as follows:

	2010	2009
Statutory rate	30%	28%
Effect of permanent differences:		
Effects of inflation	(5%)	(3%)
Change in valuation allowance for unrecoverable deferred tax asset	(2%)	(46%)
Effective rate	23%	(21%)

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

	2010	2009
Deferred ISR assets (liabilities):		
Property and equipment	\$ (2,050,512)	\$ (2,061,486)
Inventories	(47,644)	(62,996)
Provisions	61,136	330,243
Other	89,775	15,068
	(1,947,245)	(1,779,171)
Valuations allowance for deferred ISR asset	156,116	-
Deferred income taxes and statutory employee profit sharing – Net	\$ (1,791,129)	\$ (1,779,171)

To determine deferred ISR at December 31, 2010, the Company applied the applicable tax rates to temporary differences based on their estimated reversal dates. The result from applying different rates is presented in the caption tax effect due to tax rate changes.

16. Discontinued operations

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

On December 5, 2007, the Company entered into a sale agreement with Soriana, which includes the transfer of the rights of the lease contracts that the Company has entered into with third parties to lease the properties where some of the Company's stores are located; lease agreements to rent to Soriana the Company's properties where the rest of the Company's stores are located; the transfer of all of the Company's fixed assets that are used to operate the Company's supermarket stores (excluding real estate); the sale of two buildings; the use of the trademark

“Gigante” for a period of four months beginning January 1, 2008; a non-compete agreement whereby the Company and all of its subsidiaries will refrain from competing with the buyer in the supermarket business and the transfer of all of the Company’s employees who work in the operation 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.

17. Earnings per share

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

2010			
	Income	Weighted average number of shares	Mexican pesos per share
Income from continuing operations attributable to common stock	\$ 874,468	994,228,531	\$ 0.88
Income from discontinued operations attributable to common stock	(8,369)	994,228,531	(0.01)
Diluted earnings per share	\$ 866,099	994,228,531	\$ 0.87

2009			
	Income	Weighted average number of shares	Mexican pesos per share
Income from continuing operations attributable to common stock	\$ 1,405,845	991,639,917	\$ 1.42
Income from discontinued operations attributable to common stock	(592,641)	991,639,917	(0.60)
Basic earnings per common share	813,204	991,639,917	0.82
Common stock equivalents related to stock option plan for executives	-	3,802,586	-
Diluted earnings per share	\$ 813,204	995,442,503	\$ 0.82

18. 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 6% and in 2010 and 2009, rental expense was approximately \$345,645 and \$286,465, respectively.

19. Contingencies

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 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 \$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 the ruling calculation incident dated June 12, 2009, the Thirteenth Civil Judge of Mexico City notified the amparo ruling in favor of Gigante whereby the 28-day Treasury bill rate would not be multiplied twice. This ruling is equivalent to approximately \$6,000 of late payment interest plus principal of \$660, a total ruling of approximately \$7,000.

Both parties filed a motion for review of that ruling. The motions for review were filed with the Sixth Collegiate Civil Court and the amparo was granted to Gigante so that the Third Civil Court would overturn the challenged ruling and issue a new ruling determining that the rate that must be used to calculate late payment interest on the outstanding balance is that in effect when the Enforcement Incident was filed by Gigante (7.19%).

Consequently, the Third Court issued a new ruling approving an approximate amount of \$2,000 including principal and interest, which was paid by Gigante with a deposit-in-court certificate in September 2007.

Blanco filed an indirect amparo lawsuit challenging the above ruling, which was admitted on December 3, 2009 and includes arguments that have been resolved by the Sixth Collegiate Court.

In November 2010, the indirect motion for judicial review filed by Blanco was resolved. The resolution denied the motion to Blanco, which means that the ruling mentioned in the section above shall subsist.

Blanco filed a motion for reconsideration against the ruling mentioned in the section above, which was resolved by the final sentence dated January 5, 2011. The motion and constitutional protection was denied to Blanco, which means that the ruling rendered on November 11, 2009 by the Third Civil Chamber that approved of the payment made by Gigante, S. A. de C.V. to Blanco is res judicata and enforceable. This ruling concludes the legal proceedings and completely favors the interests of Gigante, S. A. de C.V. and its Shareholders.

20. Information by industry segment

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:

2010						
	Discontinued operations	Retail	Restaurants	Real estate	Other	Consolidated
Total revenues	\$ -	\$ 8,759,938	\$ 1,956,558	\$ 659,672	\$ 11,374	\$ 11,387,542
Intersegment sales	-	11,876	-	212,844	288,523	513,243
Depreciation and amortization	-	174,933	74,013	129,669	4,533	383,148
Total assets	-	5,137,288	2,051,918	11,608,365	3,934,219	22,731,790
Investments in property and equipment	-	380,946	337,945	922,657	5,634	1,647,182
Investments in property and equipment related business acquisitions	-	21,612	-	-	-	21,612

2009						
	Discontinued operations	Retail	Restaurants	Real estate	Other	Consolidated
Total revenues	\$ -	\$ 6,945,633	\$ 1,795,204	\$ 626,776	\$ 1,625	\$ 9,369,238
Intersegment sales	-	6,131	221	342,405	226,276	575,033
Depreciation and amortization	254	152,530	65,854	130,850	4,550	354,038
Total assets	11,563	4,199,645	1,674,864	10,784,862	4,605,087	21,276,021
Investments in property and equipment	-	376,542	157,116	501,933	2,883	1,038,474
Investments in property and equipment related to business acquisitions	-	-	-	278,705	-	278,705

- b.** The Company sells its products to the public in general; such products are sold in Mexico and various countries of Central and South America. Sales in Central and South American countries were 6% and 5% of total revenues during the years ended December 31, 2010 and 2009, respectively.

21. New accounting principles

As part of its efforts to make Mexican standards converge with international standards, in 2010, the Mexican Board for Research and Development of Financial Information Standards ("CINIF") issued the following Mexican Financial Reporting Standards (NIFs), Interpretations to Financial Information Standards (INIFs) and improvements to NIFs applicable to profitable entities, which become effective for fiscal years beginning on January 1, 2011, as follows:

B-5, Financial Segment Information

B-9, Interim Financial Information

C-4, Inventories

C-5, Advance Payments and Other Assets

Improvements to Mexican Financial Reporting Standards 2011

Some of the most important changes established by these standards are:

NIF B-5, Financial Segment Information.- Establishes management's approach to disclose financial information by segment as opposed to Bulletin B-5, which, while using a management's approach, required that the information be disclosed by economic segments, geographical areas or homogeneous groups of customers. The standard does not require that the business areas be subject to different risks from one another to separate them; it allows classifying as a segment area in the pre-operational stage; and requires the separate disclosure of interest income, interest expense and liabilities, as well as disclosure of information of the entity as a whole, by products, services, geographical areas, and major customers and suppliers. As the previous Bulletin B-5, this standard is only mandatory for public companies or entities in process of becoming public.

NIF B-9, Interim Financial Information.- Unlike Bulletin B-9, this standard requires a condensed presentation of the statement of changes in stockholders' equity and the statement of cash flows as part of the financial information at interim dates and, for comparative purposes, requires that the information presented at the closing of an interim period be presented together with information at the end of the same interim period of the previous year and, in the case of the balance sheet, it requires presenting the closing balance sheet of the immediately preceding year.

NIF C-4, Inventories.- This standard eliminates direct costing as a system of valuation and the last-in first-out valuation method. It requires that the amendment relating to the acquisition cost of inventory on the basis of cost or market value, whichever is less, be made only on the basis of net realizable value. It also sets rules for valuing inventory of service providers. It clarifies that, in the case of inventory acquisitions by installments, the difference between the purchase price under normal credit terms and the amount paid be recognized as a financial cost during the financing period. The standard allows that, under certain circumstances, the estimates for impairment losses on inventories that have been recognized in prior periods be reduced or canceled against current earnings of the period where changes to estimates are made. It also requires disclosing the amount of inventories recognized in the results of the period, when cost of sales includes other elements, or when part of cost of sales is included as part of discontinued operations, or when the statement of income is classified according to the nature of the P&L items and no cost-of-sales line item is presented, but rather the individual elements making up cost. It requires disclosing the amount of any impairment losses on inventories recognized as cost of the period. It also requires that any change in the cost allocation method be treated as an accounting change. As well, it requires that advances to suppliers from the time when the risks and benefits of ownership are transferred to the Company, be recognized as inventories.

NIF C-5, Advance Payments and Other Assets.- This standard sets as a basic feature of advance payments the fact that they do not yet transfer to the Company the risks and benefits of the ownership of goods and services to be acquired or received. Therefore, advances for the purchase of inventories or property, plant and equipment, among others, must be presented in the advance payments line item not in inventory or property, plant and equipment, respectively. It requires that advance payments be recognized as an impairment loss when they lose their ability to generate future economic benefits. This standard requires advance payments related to the acquisition of goods to be presented in the current or noncurrent sections of the balance sheet, based on their respective classification.

Improvements to Mexican Financial Reporting Standards 2011.- The main improvements generating accounting changes that should be recognized in fiscal years starting on January 1, 2011 are as follows:

NIF B-1, Accounting Changes and Error Corrections.- This standard requires that if the entity has implemented an accounting change or corrected an error, it should present a retroactively adjusted statement of financial position at the beginning of the earliest period for which comparative financial information with that of the current period is presented. It also requires that each line item in the statement of changes in stockholders' equity shows: a) initial balances previously reported, b) the effects of the retroactive application for each of the affected items in stockholders' equity, segregating the effects of accounting changes and corrections of errors, and c) the beginning balances retroactively adjusted.

NIF B-2, Statement of Cash Flows.- This standard eliminates the requirement to show the excess cash to be applied in financing activities, or cash to be obtained from financing activities line items, to leave its presentation as a recommendation.

Bulletin C-3, Accounts Receivable.- This Bulletin includes standards for the recognition of interest income from accounts receivable, and clarifies that it is not possible to recognize accrued interest income derived from receivables considered difficult to recover.

NIF C-10, Derivative Financial Instruments and Hedging Activities.- The standard establishes specific cases when a component of a derivative financial instrument should be excluded when determining hedge effectiveness. The standard also requires that for valuation of options and currency forwards, certain components be excluded for purposes of determining effectiveness, thus resulting in recognition, presentation and pertinent disclosure in the following cases: a) valuation of derivative financial instruments such as an option or a combination of options: changes in fair value attributable to changes in the intrinsic value of the options may be separated from changes attributable to their extrinsic value and only the change attributable to the option's intrinsic value, and not the extrinsic component, may be designated as effective hedging; and b) valuation of currency exchange forwards: separation of the change in fair value relating to the element attributable to differences between interest rates of the currencies to be exchanged from the change in fair value attributable to the component of changes in the spot prices of the currencies involved is possible, and the effect attributable to the component that was excluded from the cash flow hedge may be recognized directly in current earnings. The hedge accounting is limited when the transaction is carried out with related parties whose functional currencies are different among them. The standard requires that when the hedged position is a portion of a portfolio of financial assets or financial liabilities, the effect of the hedged risk relating to variances in the interest rate of the portion of such portfolio be presented as a supplement of the primary position, in a separate line. It also states that contribution or margin accounts received, associated with transactions for trading or hedging with derivative financial instruments, be presented as a financial liability separately from the financial instruments line item when cash or marketable securities are received and that only their fair value be disclosed if securities in deposit or qualifying financial warranties are received that will not become the property of the entity. The standard also states that a proportion of the total amount of the hedging instrument, such as a percentage of its notional amount, may be designated as hedging instrument in a hedging relationship. However, a hedging relationship cannot be designated for only a portion of the term in which the instrument intended to be used as hedge is in effect.

NIF C-13, Related Parties.- This standard defines a close family member as a related party and considers all persons who qualify as related parties or, excludes those who, despite the family relationship, are not related parties.

Bulletin D-5, Leases.- Bulletin D-5 removes the obligation to determine the incremental interest rate when the implicit rate is too low; consequently, it establishes that the discount rate to be used by the lessor to determine the present value should be the implicit interest rate of the lease agreement. It eliminates the requirement to use the lower interest rate between the incremental interest rate and the implicit interest rate of the lease agreement to determine the present value of minimum lease payments the lessee may capitalize. It requires using the implicit interest rate of the agreement if it

can be easily determined; otherwise, the incremental interest rate should be used. Both the lessor and the lessee should disclose more detailed information on their leasing operations. The Bulletin requires that the result in a sale and leaseback transaction be deferred and amortized over the term of the agreement and not in proportion to the depreciation of the leased asset. The Bulletin also establishes that the gain or loss on the sale and leaseback in an operating lease be recognized in results at the time of sale, provided that the transaction is established at fair value, noting that if the sales price is lower, the result should be recognized immediately in current earnings, unless the loss is offset by future payments that are below the market price, in which case it should be deferred and amortized over the term of the agreement and, if the selling price is higher, the excess should be deferred and amortized over the term of agreement.

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.

22. International Financial Reporting Standards

In January 2009, the National Banking and Securities Commission published the amendments to its Single Circular for Issuers, which requires companies to file financial statements prepared according to the International Financial Reporting Standards beginning in 2012, and permits their early adoption.

23. Financial statements issuance authorization

On February 22, 2011, the issuance of the consolidated financial statements was authorized by Mr. Arturo Cabrera Valladares, the Company's Corporate Finance VP. 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.

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