



Experience *Commitment* *Strategy*



strengths of our growth

2011 Annual Report

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 y 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.

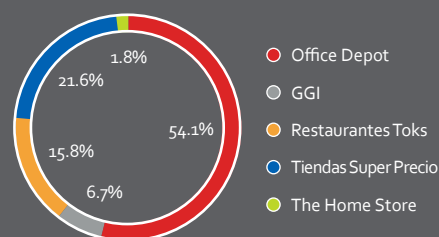
Mision

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.

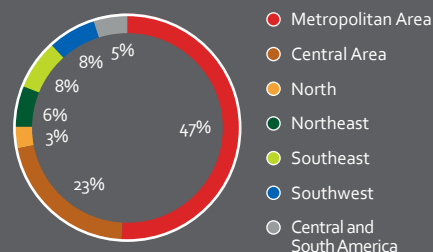
Corporate Values

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

Sales Breakdown by Format



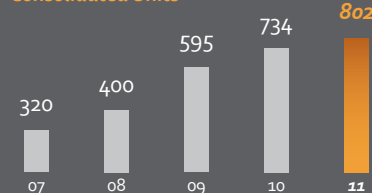
Regional Distribution of Units



Sales Floor Area by Format

Business Unit	Units	m ²	Seats
Office Depot	241	314,360	
Tiendas Super Precio	451	116,374	
Restaurantes Toks	97		21,514
Panda	2		n/d
The Home Store	11	15,626	
Total	802	446,360	21,514

Consolidated Units



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Financial Highlights

Consolidated statements of income

For the years ended December 31, 2011 and 2010. In thousands of Mexican pesos, except per share data.

	2011	2010	% variation
Total revenues	13,166,950	11,387,542	15.6
Operating expenses	3,748,744	3,139,497	19.4
Ebitda	1,538,483	1,447,045	6.3
Income from continuing operations	857,974	856,597	0.2
Income from discontinued operations	(431,574)	(8,369)	
Consolidated net income	426,400	848,228	-49.7
Basic earnings per common share	0.43	0.87	-50.6
Common shares outstanding	994,227,341	994,227,341	
Price of share	24.15	24.00	0.6

Consolidated balance sheets

As of December 31, 2011 and 2010. In thousands of Mexican pesos.

	2011	2010	% variation
Assets	23,518,231	22,731,790	3.5
Cash, cash equivalents and investments in securities	2,614,312	3,159,046	-17.2
Inventories	1,979,001	1,912,841	3.5
Property and equipment	17,172,782	15,904,374	8.0
Others assets	1,752,136	1,755,529	-0.2
Liabilities and syockholders' equity	23,518,231	22,731,790	3.5
Trade accounts and notes payable	1,585,794	1,395,283	13.7
Others liabilities	3,255,643	3,243,892	0.4
Discontinued operations	438,312	0	
Stockholder's equity	18,238,482	18,092,615	0.8

Report from the Chairman of the Board

of Directors and Chief Executive Officer

H. Board of Directors H. Shareholders' Meeting

Dear Directors and Shareholders:

It is a pleasure to once again have the opportunity share with you the events throughout the year that without a doubt have left us with many experiences as well as countless satisfactions. The strategies we have developed have certainly shown to be effective, but overall, the parties that have carried them out have again been able to show us their commitment, earnestness and dedication to one of the most deep-rooted and experienced corporate groups in Mexico, now preparing to celebrate its first fifty years in business.

It has been recognized that during 2011 the global economy, especially in Europe, although Mexico was no exception, went through difficult times. This is evident by the challenges we continue to face as a country to increase the generation of formal and permanent jobs in the private sector as well as the need for the Government to generate public policy that will motivate growth from a variety of different perspectives.

Within this framework, the actions executed by Grupo Gigante were based on three main principles: Experience, Commitment and Strategy. These three main strategies can be found to permeate each one of the companies in our Group, thereby meeting the needs of our employees, society and the country as a whole.

In this regard, Grupo Gigante continues to have a comprehensive vision of the business ready to take advantage

of all strategic alliances and establish feasible projects that are profit-ready and also able to produce the greatest number of jobs and therefore, create greater opportunities for professional development and increase the quality of life in the regions where we operate.

The Strategic Plan 2009-2013 has been going through some adjustments both as a result of internal events as well as global events, but its essence continues to remain intact as a consequence of the firm foundation that supports a highly efficient organizational structure and expectations that look to the achievement of clear, precise and resounding goals. Therefore, we continue to focus our efforts on the development of business within the three main divisions of planned business, in other words: specialized retail, real estate and hospitality and services.

Grupo Gigante's businesses stand out because they are innovative, feature aggressive projects, rapid development and elements that make them highly competitive and profitable on the market. In addition, Grupo Gigante's business has the vision to detect new markets for investment, to therefore expand our commercial presence.

2011 also represented a year of consolidations through the sustained growth of businesses that are marking the path to follow, such as in the cases of Office Depot de México, Toks

and Gigante Grupo Inmobiliario, where we have found the perfect combination for responsible and shared growth, and in the cases of The Home Store and Super Precio, which reach Mexican homes directly through their different markets.

In terms of numbers, these should be highlighted: the year closed with total revenues in the amount of \$13,167 Million Pesos, or with a 15.6% increase while the gross profit was \$4,830 Million Pesos, 14.9% positive. Our EBITDA was \$1,538 Million Pesos with a margin of 11.7% and our continuous net operating profit was \$858 Million Pesos. With respect to units in operation, we reached a total of 802, with an increase of 9.2% taking into consideration the opening of 98 new units, while with respect to human resources, the entire Group works with more than 20,000 people, an increase of 7.3% compared to the year before.

The execution of our Social Responsibility policy shows us the need to continue to support those people that need it the most through the various initiatives of Fundación Gigante and the participation of the companies of the Group in projects such as environmental sustainability and social responsibility.

Grupo Gigante continues to move forward clearly and is focused on centering its strategies, redoubling its efforts and generating value for its shareholders, collaborators and each sector of society. It should be noted that 2011 represented a

preview of the celebration of the first fifty years of the Group since our 50 year anniversary is in 2012. This celebration goes hand-in-hand with everyone that is growing with us and who joins us in our cause, which has impelled us to move forward during these almost 50 years: México.

To our collaborators, directors and shareholders, many thanks for your support and guidance throughout the year ended; we reiterate our commitment to continue to grow with Mexico and with you under a framework of selectivity and profitability, within the focused and dedicated execution of our strategic plan.

Sincerely,



Ángel Losada Moreno

Chairman of the Board of Directors and Chief Executive Officer



*Once more, we confirm our leadership
in sales of office and school supplies,
technology and office furniture,
closing out year with 241 units.*



leadership with more

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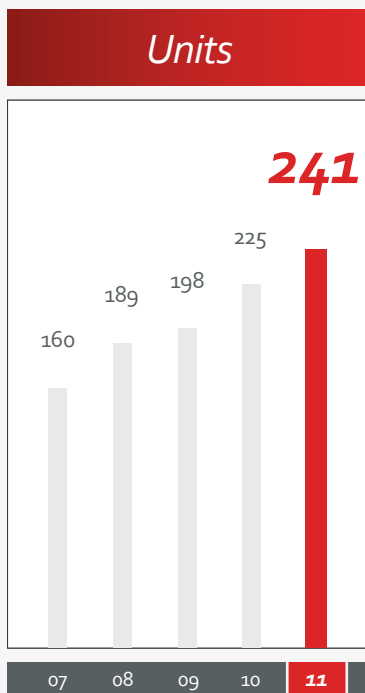


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*During 2011, we reached total **sales growth of 15.6%** , and with respect to sales to comparable stores, considering all stores with more than one year of operation, **growth of 2.7% in nominal terms was registered with respect to the year before.***

10 in Leadership Strategy



Once more, Office Depot de México, which operates in Mexico, Central America and Colombia, has confirmed its leadership in the sale of office products, school supplies, technology and office furniture, closing out the year with 241 units between stores and distribution centers in seven different countries, for a total of 314,360 m² of floor space.

Thanks to the hard work and dedication of the team at Office Depot, FESA, Papelera General and Ofixpres in México, Guatemala, Costa Rica, El Salvador, Honduras, Panamá and Colombia, during 2011, 550 new co-workers joined the company, 17 stores were opened, and more than 395 people were promoted. To the end of the year, we surpassed 8,500 in our total number of employees.

2011 was the first year in the operation of the supply business, which was acquired from Grupo Carvajal and the results have surpassed both our plans and expectations, achieving incremental sales in the order of US\$140 Million, with which our corporate sales and telemarketing divisions were able to achieve income of more than US\$300 Million, which places us as the indisputable leaders in this segment.

We obtained the distinction of being one of the “Best Places to Work” in Mexico, as well as obtaining the recognition, for the third year in a row, as a Socially Responsible Company as granted by the Mexican Institute of Philanthropy (CEMEFI).

If in fact 2011 was a year of achievements and successes, in the affirmation of leadership in Mexico and the consolidation of new markets, we will not stop there. For 2012, we will be taking into consideration the opening of 24 new stores in Mexico, Central America and Colombia, thereby responding to the trust of our customers, suppliers, partners, allies and collaborators have placed in us.

Working in this way, we are sure that we shall continue to obtain very good ratings, especially with respect to customer satisfaction.



2011 was an excellent period to continue with their development plan based on solid foundations and based on growth sustained in the next few years.



developing attractive

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Our achievements are reflected in the trust of our lessees, who position their personnel in our modern and functional offices, or when we hand over the keys to a new home; all of these are examples of the dreams of the future.



Solid Foundations for Growth

The actions performed and the projects during the year improved the performance of their operations without a doubt.

Gigante Grupo Inmobiliario is a solid company with ample experience in the development of real estate and commercial projects, and also creates benefits for the communities where it operates as a result of the development caused by such projects. GGI's properties include 128 real estates in more than 25 states, of which 97 are occupied by Soriana, besides over 1400 commercial premises leased to various merchants.

During 2011, various developments opened their doors or finished their developments. In the case of three significant real estate spaces, **Las Tiendas de Cancún**, **Corporativo Dos Patios** and **La Plazita Visitación**, added more than 107,934 m² of construction space to the already existing real estate of our net worth.

In one of the most representative tourism spaces in the state of Quintana Roo, known as "Cancún 2000", a transformation was carried out which gave rise to **Las Tiendas de Cancún**, a shopping center that increased its surface area with the introduction of new companies including Cinépolis, serving more than 1,277 consumers per day.

Corporativo Dos Patios is an AAA office space with a rating of LEED Gold marking a new tendency in responsibility and sustainability in one of the most important residential, commercial

and financial centers in Mexico. It has 28,750 m² rentable space, which represents relevant annual income, incrementing its operation cash flow. Its relevance is confirmed by the fact that their first renters are prestigious international companies such as Siemens and Schlumberger.

The commercial center **La Plazita Visitación**, located in the State of Mexico (Estado de México), was built on a surface area of 9,225 m² with the highest level facilities and services, since this is a service level on one sole level.

In terms of the Housing segment, the pre-sales have already started on the **Puerta Santa Lucía** and **Puerta Jardín** residential projects, and have already been 38% sold to the close of the year, thereby increasing the cash flow of both projects before the projects have even started.

Puerta Santa Lucía is located 10 minutes from Santa Fe, Mexico City, and the product consists of 53 houses and 160 apartments. It is directed to a middle class market. The Project has had a very favorable response from consumers.

Puerta Jardín shall be developed in five phases with a total of 650 apartments. It is located within the city county of Azcapotzalco and offers apartments from 45 m², which has allowed it to enter into the market in that area, with much success.

2011 marked the beginning of various relevant projects for the Group and during the planning and execution period, they shall



require great commitment and the capacity of execution with the highest standards of quality in every sense.

One of these projects is known as **Gran Terraza Oblatos**, located in Guadalajara, Jalisco. This is a commercial center with 53,278 m² rentable space and the participation of recognized companies such as Liverpool, Cinépolis, Soriana, The Home Store, Office Depot and Toks, among others.

Also in Guadalajara is **Gran Terraza Belenes**, the second commercial center that will provide Gigante Grupo Inmobiliario with greater presence in that city. This center shall have rentable floor space of 21,714 m².

In the State of Mexico, GGI has begun to design and develop the Centro Universitario de Ciencias de la Salud Atizapán, which shall be a university hospital for medical specialties, with approximately 46,344 m² of rentable space. With this development, GGI has begun to invest in a new real estate market, which shall bring with it greater and more interesting challenges in the architectural and real estate markets.

Located in one of the best areas of Huixquilucan, State of Mexico, the Interlomas Office Building shall be built with rentable space of 19,194 m². The building has AAA mixed zoning.

Currently, GGI has more than 3 million m², maintaining therefore a strategic territorial reserve of more than 359,000 m² of land.

GGI's mission is to distinguish itself as developers and operators of real estate projects that are not only successful but also functional and sustainable, contributing benefits to constantly improve and confirm, on a daily basis, our commitment to Mexico.

SuperPrecio
Su despensa más barata



Present in 17 states, Super Precio has become a trusted ally in the family economy.



we offer total

conveni

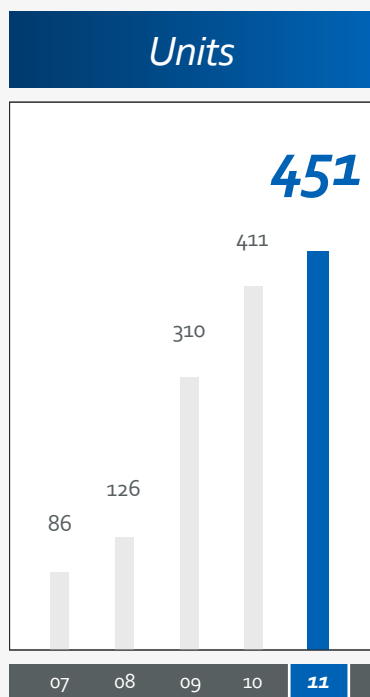


niencia



An excellent growth synergy is becoming evident during the last few years with this particular store format.

Strategies for the Well-Being of Each Family



Our commitment to offer products of daily consumption at a better price has been a constant, and technological innovation has also played a relevant role since throughout 2011 logistics control was supported using SAP, allowing us to achieve the new implementation of automatic restocking services for stores using the closest distribution center.

Currently, Super Precio has four distribution centers located in strategic areas: Ecatepec, León, Veracruz and Acapulco, in order to better serve the stores and make operations much more efficient. In this manner, the integral technological strategy of this business has been complemented.

During 2011, 65 new stores were opened, reaching a grand total of 116,274 m² sales floor space, as well as an increase in the participation of the store's own brand to reach 29% of sales. In terms of logistics, the operating efficiency grew, resulting from an increase of 13% more m² in our distribution centers, growing to more than 20,400 m².

An excellent growth synergy is becoming evident during the last few years with this particular store format, focused on the low and middle-low economic class consumer, thanks to the strategies we have implemented.

Super Precio closed out the year with a presence in 17 states and continues to work to offer more products with greater quality and the best prices to the Mexican family. Therefore, Super Precio has become a trusted ally in the family economy.



ACEITE
BEST CHOICE
900 ML
\$17.90

ACEITE
BEST CHOICE
900 ML
\$17.90

ACEITE
BEST CHOICE
900 ML
\$17.90



*It is always a privilege to be able
to serve the best of us in all of our
dishes and in all of our actions.*



serving the best

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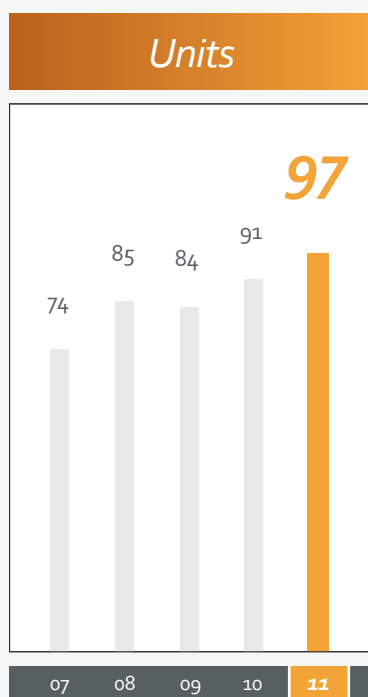


ality

Offering our customers an ample variety of dishes cooked with the highest quality raw materials and prepared using the highest standards of quality, has been fundamental to maintaining our growth during 2011.



Our commitment is to serve you better



Two pieces of information are vital: sales increased by 13.7% in total units, while average sales per restaurant grew 8% compared to the year before.

The enthusiasm, dedication and training of our employees at each Toks restaurant has allowed us to maintain the level of quality and flavor that stands out in our broad variety of dishes, generating, for the third year in the row, growth surpassing the average growth experienced by this industry this year.

Throughout the year, we served 22.2 million customers and we continue to certify our restaurants with the “H” distinction granted by the Ministry of Tourism, which guarantees the standards, quality and hygiene of each dish.

Restaurantes Toks also generated more than 520 new jobs, thereby increasing our total number of employees to 7,600, demonstrating our commitment with the Mexican society and the success of a business strategy that has been effectively carried out. Our employees follow one of the most important pillars of our company, reason for which during 2011 we invested more than 163,000 man hours in training, which is reflected in each one of our restaurants, from the welcome greeting of our manager, all the way to the dessert, translating into a friendly “Come back soon.”

In 2011 and according to *Expansión* magazine in its list of Super Companies, Restaurantes Toks came in 13th within “The 100 Best Companies to Work for in Mexico”, which conclusion is backed by its more than 7,600 employees each day.

To the close of 2011 we had 21,514 seats in our restaurants distributed amount 88,890 m² floor space, and the expansion process for the period of 2011–2012 calls for the opening of an additional 22 restaurants, representing growth of 24.7% compared to 2010.





*México was the first country outside of the United States to afford entry to the line of gourmet Chinese food. Through the proven success shown in our neighbor to the north, where there are more than 1,400 establishments, **Panda Express reached Mexico to grow and to stay, hand in hand with Grupo Gigante.***



México Adopts a 'Gigante' Panda

The first Panda Express restaurant opened in the State of Mexico in the Gran Terraza Lomas Verdes Shopping Center and the second in the south of Mexico City, in one of the highest-traffic avenues in the city, thereby giving our brand high recognition by a segment of the population that seeks high-end Chinese food at comfortable prices.

Panda Express's concept of "casual fast food" in Mexico consists of having the customer being able to see the food being prepared, giving the consumer greater trust in the food to be served and also in providing fast and efficient service within the framework of a friendly and warm atmosphere. Panda Express's logo is "you are a guest, not a consumer".

The restaurant firm, created by Andrew and Peggy Cherng in 1973, reached an agreement with Restaurantes Toks to manage the franchise in Mexico exclusively, arising out of various factors including the seriousness and position of Toks in Mexico, its business philosophy, its work values and its commitment to customer service, thereby sealing a franchise deal with a possibility of renewal.

It should be noted that Panda Express México trains its employees in the central offices of Panda Express located in Los Angeles California, United States, and the company has already taken into account some strategic sites to open restaurants in Mexico City and the State of Mexico during 2012. Some of these locations include Polanco, Interlomas, La Condesa, Perisur and Satélite.

More than 300 restaurants shall open under this restaurant name in the next ten years. Panda Express has come to stay and hand in hand with Toks and Grupo Gigante, it will stay here in a big way.







the HOME store

inspiración para tu hogar

In respect to service, quality and price, in all homes a small detail can make all the difference, from The Home Store.



innovating with
dive

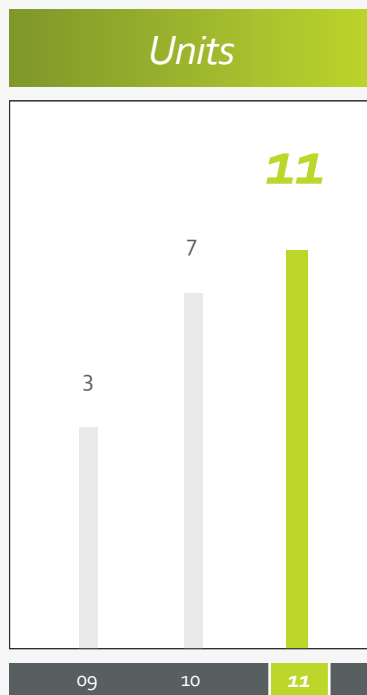


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The proposal of the store's own brand continues to grow through the development of both domestic and international products with the intention to provide our customers with a wide range of exclusive accessories and a better price/quality ratio.

Our experience is perceived in each home



With only two years of experience, The Home Store has been able to position itself on the market in a way that is unequalled. Our innovative designs, options for all types of spaces and recommendations from experts, have placed our products in Mexican homes.

In 2011, five stores were opened in Mexico: two in the metropolitan area of Guadalajara, one in San Luis Potosí, one in Villahermosa and one in Mérida, thereby increasing its zone of influence to include important cities experiencing growth within Mexico.

To the close of 2011, growth in 6,256 m² in sales floor space was registered, and this dynamic growth in floor space shall continue throughout 2012, with at least two more store openings in Mexico City and Guadalajara.

One of our strengths during 2011 was the implementation of a continuous internal training program for our employees which allows them to obtain growing knowledge of the hundreds of products offered at our stores, as well as sales techniques; this is all for the purpose of providing a great buying experience for our customers. This has allowed The Home Store to become the preferred home décor store.

It should be noted that the delivery of products has been greatly simplified thanks to the efficiency of operations from our distribution center located in Ecatepec, thereby resulting in concrete and expedited actions with the suppliers. This has translated into considerable savings in The Home Store operations expenses.





Grupo Gigante is committed to Mexico and its people and working through Fundación Gigante its actions have been both numerous and gratifying.



helping with great

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itment

Throughout the nine years of helping the people that need it most, the benefits provided have been uncountable, but more than that, the smiles of people, thankful to find a helping hand in difficult times, are most important.



With the Commitment to Help

Grupo Gigante is committed to Mexico and its people and has been working for almost half a century to be considered an example not only in business, but also socially, having taken over the Fundación Gigante, many actions have been rewarding.

Throughout the nine years of helping the people that need it most, the benefits provided have been uncountable, but more than that, the smiles of people, thankful to find a helping hand in difficult times, are most important.

This valuable background has been the foundation of Fundación Gigante, which spirit of collaboration and commitment with society has even gone beyond borders through subsidiaries Grupo Gigante.

Dozens of actions to achieve better living conditions have been driven by Fundación Gigante, which is reaffirmed using its example of tenacity and permanent work in the four fundamental basis of its actions: Health and Nutrition; Education; Ecology and Aid in Natural Disasters. Their most important actions in 2011 include:

- Support and encouragement of education, through the delivery of 10,870 packets of school supplies.
- Fundación Gigante, together with the campaign of “Fundación Ver Bien Para Aprender Mejor”, or Foundation for Better Sight, carried out 11,450 eye exams benefitting 8,364 people with the delivery of eyeglasses in Mexico.
- Through their hearing aid program, they were able to make significant contributions, in addition to covering the cost of repairs, in the State of Mexico, Veracruz, Puebla and the Mexico City.
- The victims of flooding as a consequence of the heavy rains in the State of Mexico and various weather anomalies in the States of Tabasco and Jalisco, were also benefitted with furniture and home appliances.
- The granting of scholarships to the ten best students at the National Conservatory of Music.
- The creation of a trust for the construction of the “Angel y Tere Losada” auditorium, at the “Yitzhak Rabin” Cultural Center, a space dedicated to the promotion of culture and arts at the Universidad Anáhuac México Norte.



- Through the Program Línea Pro Ayuda a la Mujer, 1,832 women were benefitted with the delivery of psychological, medical and legal advice and care, dealing with problems such as anorexia and bulimia, custodianship of their children and other free services.
- The Foundation also continues to assist institutions such as the Children's Hospital (Hospital Infantil de México "Federico Gómez"); Nuestro Hogar ANAR; Fundación Mazahua; Fundación Ver Bien para Aprender Mejor; Comer y Crecer, as well as Sólo Por Ayudar among others, supporting the causes of education, health and society, in general.
- Development of an educational financing program for university and graduate programs for 62 students.
- Fundación Gigante, together with Operation Smile, is involved in a program for operations for harelip surgeries, helping 44 patients with 95 procedures in the State of Mexico, Puebla, Tlaxcala, Hidalgo, Veracruz and Oaxaca, among others.

*It should be noted that in accordance with the guidelines of Grupo Gigante, **each one of the Business Units of the consortium must contribute, on an annual basis, a percentage of its income to Fundación Gigante, for the purpose of providing continuity to their social programs and highlight the goals in the framework of Social Responsibility.***

Audit Committee Report for Financial Year 2011

Mexico City, March 20, 2012

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

Dear Sirs:

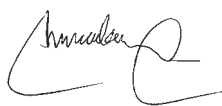
In our power as Members and Secretary of the Audit Committee and in compliance with the provisions of Articles 42 and 43 of the Stock Market Law, the by-laws of Grupo Gigante, S.A.B. de C.V. and keeping in mind the recommendations of the Best Corporate Practices Code, allow us to provide to you our annual report for 2011, having carried out the following functions:

- I. Analysis and approval of the consolidated and annual financial statements, having requested to External Auditing written reports with respect to each quarter, in order for such external auditor to confirm that the financial information of Grupo Gigante, S.A.B. de C.V., has been drafted according to the same guidelines regarding the financial information, criteria and practices with which the annual reports are prepared.
- II. We reviewed the status of the internal controls and internal corporate auditing systems of Grupo Gigante, S.A.B. de C.V. and have approved their guidelines, annual revision plans, compliance and reports of the corporate audits. We conclude that in general, they have adequate internal controls and internal corporate auditing systems.
- III. We approved the operations guidelines and policies as well as those governing the accounting registry of Grupo Gigante and its subsidiaries.
- IV. We have been verifying that the mechanisms established for risk controls on the various business units of Grupo Gigante are being complied with.
- V. We evaluated the performance of the accounting firm of Galaz, Yamazaki, Ruiz Urquiza, S.C. (Deloitte Mexico) who was in charge of the auditing of the consolidated financial statements of the financial year, as well as that of the External Auditor, Mr. Francisco Pérez Cisneros, considering that both had shown adequate performance of their powers in light of the general auditing guidelines accepted in Mexico and the applicable provisions of the Stock Market Law. We also approved of their External Auditing Annual Plan, the Executive Summary of Observations and Recommendations and finally the Report of the consolidated financial statements to December 31, 2011.
- VI. We analyzed the description and evaluation of the additional services provided by Galaz, Yamazaki, Ruiz Urquiza, S.C. during financial year 2011; therefore eliminating the need to hire independent expert consultants.
- VII. We approved the reports of the external and internal legal counsel to ensure that Grupo Gigante and its subsidiaries are in due compliance with all legal provisions. In addition, we had meetings with the External Auditor, Internal Corporate Audit Director as well as all officers we considered applicable with respect to the management of Grupo Gigante and its subsidiaries.

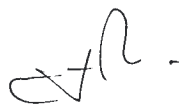
VIII. We analyzed all matters related to the relevant observations and any possible claims regarding facts that may be considered irregular in management as related to shareholders, directors, key executives and officers and employees, regarding the accounting practices, internal controls and all other matters related to the internal corporate or external auditing practices, but in these respects, we have nothing to report.

IX. We followed up on all resolutions passed by the Shareholders Meeting and the Board of Directors related to this Committee.

Therefore, as a result of this report, we hereby comply with the obligation provided for under the above-mentioned articles of the Stock Market Law as well as the By-Laws of Grupo Gigante, S.A.B. de C.V.



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

Report of Corporate Practices Committee for Financial Year 2011

Mexico City, March, 20 2012

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

Dear Directors and Shareholders:

As members of the Corporate Practices Committee, and in compliance with the provisions of Article 43, section I and all other applicable provisions of the Stock Market Law [Ley del Mercado de Valores], as well as with respect to the corporate by-laws of Grupo Gigante, S.A.B. de C.V. and the Regulations Governing its Board of Directors, please allow us to provide you with this Committee Report for activities that took place in 2011.

During the year ended, this Committee met five times, and presented the Board of Directors its respective reports and recommendations in its meetings through the financial year, and reporting, mainly, the following activities and functions:

- I. Throughout the year covered by this report, the Committee continues to follow up on the various definitions arising out of the program known as **"Corporate Governance"**, supervising the scheduling of meetings and the functioning of all government bodies and their operating rules, as well as compliance with all the applicable legal provisions and the by-laws of Grupo Gigante. We can report that they were developed in a timely and proper manner, and various meetings were held of the Board itself as well as with its Committees, based on the provisions established.
- II. **"Comprehensive Compensation Plan"**. The Relevant Key Executives (Directivos Relevantes) Compensation Plan related to Grupo Gigante was concluded and it integrated

four basic elements, including: Salary Structure; Variable Compensation or Short-Term Performance Bonus; Long Term Incentives and Retirement Benefits. This plan as approved by the Board of Directors at the Committee's proposal and is currently within the implementation phase. It should be finished during the first half of 2012.

- III. **Funding of Retirement Plan**. As part of the Compensations Plan, and at the proposal of the Committee, the Board of Directors has approved the funding of the Retirement Fund of the company which shall be executed during the first part of the next financial year (2012).
- IV. In compliance with the applicable provisions, **we evaluated the performance of the Chief Executive Officer of the Company and his Relevant Key Executives**, having authorized salary adjustments as well as bonuses and performance incentives as per the results of financial year 2010, and the plans for 2011.
- 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 analyzed, during different meetings, certain **operations between related parties**, seeking at all times fair market values and parameters in these operations to the benefit of the company, having, at the appropriate time, recommended their approval to the Board of Directors, and with nothing further to report.

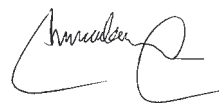
- VI.** Since there was no issue related to the **dispensations referred to under Article 28, section III item f) of the Stock Market Law**, there was no need to present such operations before the Board of Directors, and therefore there is nothing further to report in this regard.
- VII. Business Continuity Program (BCP).** Together with the Audit Committee and for the purpose of improving risk management, the Committee analyzed and approved

this Program which included a Management Continuity Program (MCP), Government, Risk and Compliance (GRC) as well as the Disaster Recovery Plan (DRP) of the Group's Subsidiaries, having made recommendations regarding the adjustments that should be made throughout 2012.

In this respect, with this report we hereby comply with the provisions of Article 43, section I and all other applicable provisions of the Law.



Roberto Salvo Horvilleur
Committee President



Luis Santana Castillo



Gilberto Pérezalonso Cifuentes



Sergio Montero Querejeta
Committee Secretary

Financing and Planning Committee for Financial Year 2011

Mexico City, March 20, 2012

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

Dear Directors and Shareholders:

As the members of the Finance and Planning Committee and in compliance with the provisions of the by-laws of Grupo Gigante, S.A.B. de C.V. and the Regulations of the Board of Directors, allow us to present to you our activities report for financial year 2011.

In compliance with the provisions above, during the financial year in question, this Committee held five work sessions and presented their respective reports and recommendations to the Board of Directors in all of their meetings throughout the year with respect to the content and development of the following subjects and powers:

I. With respect to their responsibilities, the Committee received detailed and timely information regarding the matters related to the financial and strategic aspects of the Company which they represented in the considerations and recommendations of this Committee directly to the Board of Directors. In a timely manner they were able to report regarding the discussion and analysis of the following matters:

- I.1. Budget for 2011, follow-up and advancement.
- I.2. Cash flow of the Group and its subsidiaries.
- I.3. Financial results of the financial year, annual and quarterly, of 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 with respect to the different financing sources and alternatives of the Group and its subsidiaries.

I.7. Analysis and definition of the main premises and aspects of the budget for 2011, as well as all financial reasons to be applied and all performance indicators.

I.8. Follow up and report of opening and closing of business units of the Group.

I.9. Analysis and as applicable approval of investment projects.

II. Another relevant aspect consists of the handling of corporate Consulting within the Group, for which various alternatives were reviewed and guidelines and policies defined regarding investments, providing oversight to the performance of the same. As is traditional, in addition to the annual report, it has been reported that to the close of financial year 2011, the Company's treasury finished out the year with a total amount of \$2,614,3 Million Pesos,

after having paid out dividends and covered all real estate investments or investments of another nature, including income from financial interest.

III. The Committee received periodic reports regarding the share repurchase policy of the Company itself, although no repurchase operations were carried out during the year, and reports that to the close of the financial year, there are 994,227,341 outstanding shares.

IV. At the request of the Board of Directors, the Committee carried out an analysis regarding the amounts and terms of a dividend to be paid out to the shareholders, taking into consideration the revenue generated during the prior year (2010), the Capex budget in 2011 and the capacity of the treasury and petty cash of the Company.



Javier Molinar Horcasitas
Committee Chairman



José Aguilera Medrano

V. During the first quarter of the year, the Committee received reports of advancement over the operation of a franchise in which it is in negotiations, and has made some concrete suggestions regarding the same, as well as finally authorizing and recommending the approval of such operation. Therefore, the operation with "Panda Express" was made public.

VI. With respect to its powers and responsibilities, the Committee participated in the analysis of alternatives for the implementation of the International Financial Regulations ("IFRS"), which shall come into effect in January 2012, approving all criteria for the evaluation of assets and recommending to the Board the approval of the initial balance as provided by "IFRS".

Therefore, with this report we hereby comply with all provisions of the by-laws and other applicable provisions of the Regulations of the Board of Directors of Grupo Gigante.



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, Grupo 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

José Alverde Losada

General Director of Desarrolladora Espacio A&L

BS in Business Administration, Universidad Iberoamericana

MS in Business Administration, Texas University

Independent Board Members

Roberto Salvo Horvilleur

Independent board member in several companies in Mexico and Central America

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

Director General Director of the Office Integration

Grupo Financiero Banorte - IXE

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

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, 2011 and 2010, 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.

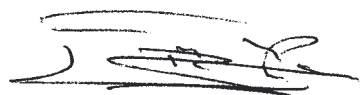
As mentioned in Note 3a, beginning January 1, 2011, the Company adopted the following new provision: Mexican Financial Reporting Standards (MFRSS/NIFs) B-5 Financial Information by Segments; C-4, Inventories and C-5, Prepaid Expenses.

As mentioned in Note 22 to the accompanying consolidated financial statements, the Company will adopt International Financial Reporting Standards for the year ending December 31, 2012.

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, 2011 and 2010, and the results of their operations, changes in their stockholders' equity, and their cash flows for the years then ended, 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 21, 2012

Consolidated balance sheets

GRUPO GIGANTE, S. A. B. DE C. V. AND SUBSIDIARIES

As of December 31, 2011 and 2010. (In thousands of Mexican pesos)

	2011	2010
ASSETS		
Current assets:		
Cash, cash equivalents and investments in securities	\$ 2,614,312	\$ 3,159,046
Accounts receivable – Net	849,109	849,350
Inventories – Net	1,979,001	1,912,841
Prepaid expenses	102,944	122,678
Total current assets	5,545,366	6,043,915
Property and equipment – Net	17,172,782	15,904,374
Other permanent investments	213,168	213,168
Goodwill	467,668	467,315
Intangible and other assets – Net	119,247	103,018
Total	\$ 23,518,231	\$ 22,731,790
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts and notes payable	\$ 1,585,794	\$ 1,395,283
Current portion of long-term debt	30,405	7,675
Accrued expenses and taxes	887,333	845,931
Discontinued operations (mainly tax payable)	438,312	-
Total current liabilities	2,941,844	2,248,889
Long-term debt	532,920	563,325
Employee benefits	46,308	35,832
Deferred income taxes	1,758,677	1,791,129
Total liabilities	5,279,749	4,639,175
Stockholders' equity:		
Common stock	2,689,688	2,689,688
Additional paid-in capital	7,700,616	7,700,616
Retained earnings	7,812,140	7,593,019
Fair value of financial instruments available for sale	(144,355)	-
Translation effects of foreign operations	58,428	(14,181)
Controlling interest	18,116,517	17,969,142
Non-controlling interest	121,965	123,473
Total stockholders' equity	18,238,482	18,092,615
Total	\$ 23,518,231	\$ 22,731,790

See accompanying notes to consolidated financial statements.

Consolidated statements of income

GRUPO GIGANTE, S. A. B. DE C. V. AND SUBSIDIARIES

For the years ended December 31, 2011 and 2010 (In thousands of Mexican pesos, except per share data)

	2011	2010
Revenues:		
Net sales	\$ 12,292,332	\$ 10,681,526
Rental and other income	874,618	706,016
	13,166,950	11,387,542
Costs and expenses:		
Cost of sales	8,336,977	7,183,873
Operating expenses	3,748,744	3,139,497
	12,085,721	10,323,370
Other expenses – Net	35,585	36,683
Net comprehensive financing income:		
Interest expense and bank charges	161,337	120,073
Interest income	(84,543)	(184,077)
Exchange (gain) loss – Net	(100,665)	34,952
Other financing income	(35,989)	(54,464)
	(59,860)	(83,516)
Income from continuing operations before income taxes	1,105,504	1,111,005
Income taxes expense	247,530	254,408
Income from continuing operations	857,974	856,597
Discontinued operations loss	(431,574)	(8,369)
Consolidated net income	\$ 426,400	\$ 848,228
Controlling interest	\$ 427,908	\$ 866,099
Non-controlling interest	(1,508)	(17,871)
Consolidated net income	\$ 426,400	\$ 848,228
Basic earnings per common share	\$ 0.43	\$ 0.87
Diluted earnings per share	\$ 0.43	\$ 0.87

See accompanying notes to consolidated financial statements.

Consolidated statements of changes in stockholders' equity

GRUPO GIGANTE, S. A. B. DE C. V. AND SUBSIDIARIES

For the years ended December 31, 2011 and 2010 (In thousands of Mexican pesos)

	Capital stock	Additional paid in capital	Retained earnings	Fair value of the financial instruments available for sale	Cumulative translation effects of foreign subsidiaries	Non-controlling interest	Total stockholders' equity
Balance as of January 1, 2010	\$ 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
Dividends paid	-	-	(208,787)	-	-	-	(208,787)
Comprehensive income	-	-	427,908	(144,355)	72,609	(1,508)	354,654
Balance as of December 31, 2011	\$ 2,689,688	\$ 7,700,616	\$ 7,812,140	\$ (144,355)	\$ 58,428	\$ 121,965	\$ 18,238,482

See accompanying notes to consolidated financial statements.

Consolidated statement of cash flows

GRUPO GIGANTE, S. A. B. DE C. V. AND SUBSIDIARIES

For the years ended December 31, 2011 and 2010 (In thousands of Mexican pesos)

	2011	2010
OPERATING ACTIVITIES:		
Consolidated net income	\$ 426,400	\$ 848,228
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	457,254	383,148
Dispositions of store improvements	4,825	4,864
Loss on sale of property and equipment	28,922	29,078
Other non-cash items	14,514	6,597
Dividends received	(11,047)	(9,705)
Interest income	(84,543)	(184,077)
Items related to financing activities:		
Interest expense	49,487	27,410
	885,812	1,105,543
(Increase) decrease in:		
Accounts receivable	241	(55,277)
Inventories	(66,160)	(364,674)
Goodwill and other assets	19,734	(52,734)
Trade accounts and notes payable	190,512	141,530
Accrued expenses and taxes	616,166	226,839
Income taxes paid	(158,431)	(194,984)
Net cash provided by operating activities	1,487,874	806,243
INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,748,919)	(1,647,182)
Purchases of intangible assets	(36,568)	-
Proceeds from sale of property and equipment	9,498	53,666
Purchase of subsidiary, net of cash acquired	-	(89,167)
Dividends received	11,047	9,705
Investments in securities	166,940	793,576
Interest received	84,543	184,077
Net cash used in investing activities	(1,513,459)	(695,325)
FINANCING ACTIVITIES:		
Long-term debt borrowings	-	571,000
Long-term debt payments	(7,675)	-
Repurchases of shares	-	(136)
Interest paid	(49,487)	(27,410)
Dividends paid	(208,787)	(377,805)
Net cash (used in) provided by financing activities	(265,949)	165,649
Net (decrease) increase in cash and cash equivalents	(291,534)	276,567
Adjustment to cash flows due to exchange rate fluctuations	72,609	2,982
Cash and cash equivalents at beginning of year	1,417,380	1,137,831
Cash and cash equivalents at end of year	\$ 1,198,455	\$ 1,417,380

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

GRUPO GIGANTE, S. A. B. DE C. V. AND SUBSIDIARIES

For the years ended December 31, 2011 and 2010 (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, 2011 and 2010 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.

Company or Group	Ownership percentage	Activity
Office Depot de México, S. A. de C. V. and Subsidiaries	50.00%	205 office supply stores in Mexico (including two distribution centers that also sell merchandise), specializing in products and office equipment sales, 6 in Costa Rica, 6 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.
Restaurantes Toks, S. A. de C. V.	100.00%	Chain of 97 restaurants.
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.

Company or Group	Ownership percentage	Activity
Gigante Fleming, S. A. de C. V.	100.00%	Real estate company that owns land where 2 stores that are rented to third parties, are located. It also has use and control of some trademarks.
Distribuidora Storehome, S. A. de C. V.	100.00%	11 self-service store that sell home items.
Tiendas Super Precio, S. A. de C. V.	100.00%	451 self-service stores that sell groceries.
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.
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.
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.
Hospitalidad y Servicios Especializados Gigante, S.A. de C.V. y Subsidiaries	100.00%	Holding company, its subsidiary operates two Chinese food restaurants.

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:

The Company's functional currency is the Mexican peso; although the Company has investments in foreign subsidiaries whose functional currencies are other than 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 dollar and Euros; therefore, The Company is also exposed to foreign exchange risks arising from transactions entered into over the normal course of business.

Foreign operations which operate in an inflationary economy and 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.

- d. **Comprehensive income** - 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. Other comprehensive income is represented by the effects of translation of foreign operations and the fair value changes in financial instruments classified as available for sale. 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; and Formas Eficientes, S. A. in Costa Rica. The primary activities of these companies include the distribution and handling of inventories as well as fabrication of printed forms.

The results of operations of the acquired entities were included in the Company's consolidated financial statements beginning October 1, 2010. This acquisition was made mainly to increase the office supplies and stationary wholesale revenues as well as to augment the Company's presence in Latin America.

Consideration paid, in cash, totaled U.S. \$7,703 million, equivalent to \$96,146.

As of December 31, 2010, the allocation of the consideration paid to the assets acquired and the liabilities assumed was provisional as the Company was in the process of identifying certain intangibles and obtaining fair values for the assets acquired and liabilities assumed. This process was concluded in May 2011. The final allocation of the consideration paid to the acquired assets and assumed liabilities as of the date of acquisition, is presented below:

	Balance at September 30, 2010
Current assets	\$ 254,636
Fixed assets – Net	27,612
Intangible assets	47,011
Total assets	329,259
Current liabilities	(230,840)
Long-term debt	(2,273)
Total liabilities	(233,113)
Net assets acquired	\$ 96,146

As part of the allocation of the purchase price, the Company identified an intangible asset which consists in a customer list. Such intangible asset was measured at its then fair value which as \$46,456. The Company concluded estimates that the useful life of such customer list is five years.

3. *Summary of significant accounting policies:*

The accompanying consolidated financial statements have been prepared in conformity with Mexican Financial Reporting Standards, 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, 2011, the Company adopted the following new NIFs:

NIF B-5, Financial Information by Segments, establishes the managerial approach to disclose financial information by segments, requiring the separate disclosure of interest income, interest expense and liabilities; and information on products, services, geographical areas and main customers and suppliers, as opposed to Bulletin B-5, which required that information disclosed be classified by economic segments, geographical areas or homogeneous groups of customers.

NIF C-4, Inventories, eliminates the direct cost and last-in, first-out valuation methods. It establishes that any change in the purchase cost of inventories based on the lower of cost or market, be made only based on net realizable value. It also requires additional disclosures of inventory reduction and impairment losses.

NIF C-5, Prepaid Expenses, establishes that their basic feature is that they do not transfer to the company the risks and rewards inherent in the goods and services to be acquired or received. It also requires that impairment be recognized when such payments lose their ability to generate such benefits and how they should be presented in the balance sheet, as current or long-term assets.

- b. **Reclassifications** - Certain amounts in the consolidated financial statements as of and for the year ended December 31, 2010 have been reclassified to conform to the presentation of the 2011 consolidated financial statements.
- c. **Recognition of the effects of inflation** - Since the cumulative inflation for the three fiscal years prior to those ended December 31, 2011 and 2010, was 15.19% and 14.48%, respectively, the economic environment may be considered non-inflationary in both years and, consequently, no inflationary effects are recognized in the accompanying consolidated financial statements. Inflation rates for the years ended December 31, 2011 and 2010 were 3.82% and 4.40%, 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.

- d. **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, maturing within three months as of their acquisition date, which are subject to immaterial value change risks. Cash is carried at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in comprehensive financing income of the period. Cash equivalents are represented mainly by investments in Treasury Certificates (CETES), investment funds and money market funds.
- e. **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 carried 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 carried 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.

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.

- f. **Inventories and cost of sales** - Inventories are carried at the lower of cost or realizable value.
- g. **Property and equipment** - Property and equipment are recorded at acquisition cost, and those acquired between January 1, 1997 and December 31, 2007 were restated for the effects of inflation by applying factors derived from the NCPI through December 31, 2007. Assets acquired through December 31, 1996 are stated at net replacement values based on independent appraisals through 1996, as permitted by MFRS, which were subsequently restated through December 31, 2007 for inflation using factors derived from the NCPI. Depreciation is calculated using the straight-line method based on the remaining 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.

- h. **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 come from earnings of periods prior to the acquisition, in which case, they are deducted from the permanent investment.
- i. **Impairment of long-lived assets in use** - The Company reviews the carrying amounts of long-lived assets in use when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the net sales price upon disposal. Impairment is recorded when the carrying amounts exceed the greater of the aforementioned amounts. Impairment indicators considered for these purposes are, among others, operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to results, which in percentage terms in relation to revenues are substantially higher than that of previous years, obsolescence, competition and other legal and economic factors.
- j. **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.
- k. **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.

- l. **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.
- m. **Deferred charges** - Costs incurred in the development phase that meet certain requirements and that the Company has determined will have future economic benefits are capitalized and amortized 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.
- n. **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.
- o. **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 statutory employee profit sharing (PTU) payable, compensated absences, such as vacation and vacation premiums, and incentives.
- p. **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.
- q. **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.
- r. **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.
- s. **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.
- t. **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.

- u. **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 met.

4. Cash, cash equivalents and investments in securities

	2011	2010
Cash and bank deposits	\$ 317,640	\$ 280,084
Cash equivalents	832,325	1,102,298
Restricted cash	48,490	34,998
Subtotal of cash and cash equivalents	\$ 1,198,455	\$ 1,417,380
Investments in securities		
Trading	\$ 1,248,445	\$ 1,741,666
Available for sale	167,412	-
Subtotal of investments in securities	\$ 1,415,857	\$ 1,741,666
Total cash, cash equivalents and investments in securities	\$ 2,614,312	\$ 3,159,046

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

	2011	2010
Trade accounts receivable	\$ 352,313	\$ 296,594
Allowance for doubtful accounts	(12,219)	(17,729)
	340,094	278,865
Recoverable taxes	447,155	499,005
Other	61,860	71,480
	\$ 849,109	\$ 849,350

6. Property and equipment

Reconciliation of beginning and ending book balances in 2011 and 2010 is as follows:

	Balance as of December 31, 2010	Additions	Additions from business acquisitions	Depreciation of the year	Disinvestments	Other movements of fixed assets	Balance as of December 31, 2011
Investment:							
Land	\$ 6,850,613	\$ 326,093	\$ -	\$ -	\$ (870)	\$ -	\$ 7,175,836
Building and constructions	7,159,560	296,882	-	-	(441)	-	7,456,001
Building on leased property	1,867,326	290,000	-	-	(29,955)	-	2,127,371
Store equipment	1,142,654	161,554	-	-	(8,120)	-	1,296,088
Furniture and equipment	300,624	84,974	-	-	(38,309)	-	347,289
Vehicles	121,104	16,752	-	-	-	-	137,856
Total investments	17,441,881	1,176,255	-	-	(77,695)	-	18,540,441
Total accumulated depreciation	(1,994,853)	-	-	(437,266)	34,450	-	(2,397,669)
Projects- in- progress	457,346	572,664	-	-	-	-	1,030,010
Net investment	\$ 15,904,374	\$ 1,748,919	\$ -	\$ (437,266)	\$ (43,245)	\$ -	\$ 17,172,782

	Balance as of December 31, 2009	Additions	Additions from business acquisitions	Depreciation of the year	Disinvestments	Other movements of fixed assets	Balance as of December 31, 2010
Investment:							
Land	\$ 6,548,857	\$ 312,488	\$ -	\$ -	\$ (10,732)	\$ -	\$ 6,850,613
Building and constructions	5,820,575	1,315,413	-	-	(29,431)	53,003	7,159,560
Building on leased property	1,833,639	58,186	-	-	(24,499)	-	1,867,326
Store equipment	949,957	195,436	21,612	-	(24,351)	-	1,142,654
Furniture and equipment	268,279	76,139	-	-	(43,794)	-	300,624
Vehicles	108,816	12,288	-	-	-	-	121,104
Total investments	15,530,123	1,969,950	21,612	-	(132,807)	53,003	17,441,881
Total accumulated depreciation	(1,662,374)	-	-	(380,127)	47,648	-	(1,994,853)
Projects- in- progress	782,563	(322,768)	-	-	(2,449)	-	457,346
Net investment	\$ 14,650,312	\$ 1,647,182	\$ 21,612	\$ (380,127)	\$ (87,608)	\$ 53,003	\$ 15,904,374

7. Other permanent investments

As of December 31, 2011 and 2010, 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.

During the years ended on December 31, 2011 and 2010, PriceSmart, Inc. paid dividends to the Company for \$11,047 and \$9,705, respectively.

8. Intangible and other assets

	2011	2010
Intangible assets	\$ 69,227	\$ 62,978
Amortization	(19,153)	-
	50,074	62,978
Deferred charges - Net	34,530	29,100
Other assets	34,643	10,940
	\$ 119,247	\$ 103,018

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

9. Long-term debt

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

	2011	2010
Bank borrowing \$229,000, payable in 108 monthly payments with a 12-month grace period for capital, the first of the monthly payments was 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, 2011 and 2010, the applicable interest rate was 4.7900%.	\$ 221,325	\$ 229,000
Bank borrowing \$342,000, 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 and is calculated using the Inter Bank Borrowing Rate (TIIE) plus 300 points basis. As at December 31, 2011 and 2010, the applicable interest rate was 4.7900%.	342,000	342,000
Long – term debt	563,325	571,000
Less – current portion	30,405	7,675
	\$ 532,920	\$ 563,325

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.

- a. As of December 31, 2011, long-term debt matures as follows:

2013	\$ 48,432
2014	54,036
2015	60,289
2016	67,265
Thereafter	302,898
	\$ 532,920

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, 2011, the Company has not exercised any of these options. These instruments are valued at fair value and changes therein are recognized in the income statement.

10. Employee benefits

The Company has established a seniority premium benefits limited to not 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 value of these obligations and the rates used for the calculations are:

	2011	2010
Defined benefit obligation as of January 1	\$ (61,912)	\$ (49,937)
Plan assets at fair value	10,521	8,188
Underfunded status	(51,391)	(41,749)
Unrecognized items:		
Past service costs, change in methodology and changes to the plan	2,843	4,097
Actuarial gain and losses (i)	2,240	1,820
	5,083	5,917
Net projected liability	\$ (46,308)	\$ (35,832)
Contributions to plan assets	\$ 2,836	\$ 2,114

- i 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:

	2011	2010
	%	%
Discount of the projected benefit obligation to present value	7.6	8.2
Expected yield on plan assets	7.5	8.0
Salary increase	5.1	5.2

- c. 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:

	2011	2010
Service cost	\$ 11,385	\$ 5,233
Interest cost	3,894	2,778
Expected yield on plan assets	(790)	(660)
Amortizations of unrecognized prior service costs	2,040	6,885
Actuarial gains and losses – net	3,966	1,834
Net cost for the period	\$ 20,495	\$ 16,070

- e. 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 2011 and 2010 was \$22,188 and \$19,157, respectively

- f. Changes in the present value of the defined benefit obligation:

	2011	2010
Present value of the define benefit obligation as of January 1	\$ 49,937	\$ 45,037
Service cost	11,385	5,233
Interest cost	3,894	2,778
Unrecognized prior service cost	2,040	-
Actuarial (gain) loss on the obligation	(667)	831
Benefits paid	(4,460)	(1,840)
Curtailments and settlements	(217)	(2,102)
Present value of the defined benefit obligation as of December 31	\$ 61,912	\$ 49,937

- g. Changes in fair value of plan assets

	2011	2010
Plan assets at fair value as of January 1	\$ 8,187	\$ 6,559
Expected yield	364	660
Actuarial gains and losses	-	(1,145)
Company contributions	2,836	2,114
Paid benefits	(866)	-
Plan assets at fair value as of December 31	\$ 10,521	\$ 8,188

11. Stockholders' equity

- a. Common stock consists of the following as of December 31, 2011 and 2010:

	Number of shares	Historical Value
Fixed capital	176,734,102	\$ 18,922
Variable capital	817,493,239	87,525
	994,227,341	\$ 106,447

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. At December 31, 2011 and 2010, the Company maintains in its treasury 1,928,392 shares. During 2010, the Company repurchased a total of 7,400 of its treasury shares. The market value of such shares was \$24.15 and \$24.00, per share at December 31, 2011 and 2010, respectively.
- c. During a Stockholders' Meeting held on April 29, 2011, the stockholders agreed to pay cash dividends to Company stockholders at \$ 0.21 (twenty one 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 2011 was \$208,787.
- d. 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 2010 was \$377,805.
- 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, 2011 and 2010, the legal reserve, in historical pesos, was \$21,290.
- 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:

	2011	2010
Contributed capital account	\$ 10,174,781	\$ 9,799,321
Net consolidated tax income account (CUFIN)	4,499,283	4,927,887
	\$ 14,674,064	\$ 14,727,208

12. Foreign currency balances and transactions

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

	2011	2010
Monetary assets	\$ 55,851	\$ 74,984
Monetary liabilities	(12,621)	(14,991)
Net monetary asset position	43,230	59,993
Equivalent in Mexican pesos	\$ 604,303	\$ 742,811

- b. Approximately 12.92% and 11.92% of inventory purchases were imported by the Company in 2011 and 2010, respectively.
- c. Transactions denominated in thousands of U.S. dollars during the years ended December 31, 2011 and 2010 mainly represent import purchases of \$83,860 and \$75,115, 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 21,
	2011	2010	2012
Mexican pesos per one U.S. dollar	\$ 13.9787	\$ 12.3817	\$ 12.6793

13. Transactions and balances with related parties

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

	2011	2010
Purchases of inventory	\$ 160	\$ 1,867
Purchases of fixed assets	14,144	11,349
Rental expense paid	46,830	54,548
Technical assistance fees	1,544	9,746

- b. The Company does not have balances with related parties as of December 31, 2011 and 2010.
- c. Employee benefits granted to Company key management were as follows:

	2011	2010
Short and long-term benefits	\$ 79,247	\$ 50,063
Severance benefits	-	5,414
	\$ 79,247	\$ 55,477

14. Other expenses

a. Detail is as follows:

	2011	2010
Statutory employee profit sharing	\$ 6,480	\$ 5,633
Loss on sale of property and equipment – Net	28,922	29,078
Other expenses	183	1,972
	\$ 35,585	\$ 36,683

b. PTU is as follows:

	2011	2010
Current	\$ 6,178	\$ 5,303
Deferred	302	330
	\$ 6,480	\$ 5,633

15. Income taxes

The Company is subject to ISR and IETU.

The ISR rate is 30% for 2011 and 2010; it will be 30% for 2012, 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 1982 (tax consolidation starting year) through 1998 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%. 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:

	2011	2010
ISR expense:		
Current	\$ 281,075	\$ 206,779
Deferred	(49,856)	47,629
	\$ 231,219	\$ 254,408
IETU expense:		
Current	\$ 2,411	\$ -
Deferred	13,900	-
	\$ 16,311	\$ -
Total income taxes	\$ 247,530	\$ 254,408

- b. The effective ISR rate for fiscal 2011 and 2010 differ from the statutory rate as follows:

	2011	2010
Statutory rate	30%	30%
Effects of inflation	(9%)	(5%)
IETU	1%	-
Change in valuation allowance for unrecoverable deferred tax asset	-	(2%)
Effective rate	22%	23%

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

	2011	2010
Deferred ISR assets (liabilities):		
Property and equipment	\$ (1,916,351)	\$ (2,050,512)
Inventories	(34,734)	(47,644)
Provisions	129,279	61,136
Other	54,460	89,775
	(1,767,346)	(1,947,245)
Effect of tax loss carryforwards	64,287	156,116
Valuation allowance for deferred ISR asset	(37,793)	-
Net deferred ISR liability	(1,740,852)	(1,791,129)
Deferred IETU	(20,202)	-
Deferred PTU	2,377	-
Deferred income taxes – Net	\$ (1,758,677)	\$ (1,791,129)

To determine deferred ISR at December 31, 2011 and 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 included the transfer of the rights of the lease contracts that the Company had entered into with third parties to lease the properties where some of the Company's stores were 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 on December 24, 2007, the stockholders approved the divestiture of its supermarket operations under the terms of the contract entered into on December 5, 2007.

17. Earnings per share

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

	2011		
	Income	Weighted average number of shares	Mexican pesos per share
Income from continuing operations attributable to common stock	\$ 859,482	994,227,341	\$ 0.86
Income from discontinued operations attributable to common stock	(431,574)	994,227,341	(0.43)
Diluted earnings per share	\$ 427,908	994,227,341	\$ 0.43

	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

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 2011 and 2010, rental expense was approximately \$416,555 and \$345,645, respectively.

19. Contingencies

In 1992, the Company acquired the 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.

The trial courts legally resolved the approval of the payment made by Gigante, S. A. de C. V. to Blanco. Such decision is final, which concludes the proceedings, in favor of Gigante, S. A. de C. V. and its shareholders.

20. Information by reportable segment

The operating segment information is presented based on the managerial approach in accordance with NIF B-5 "Segment Reporting" and based on the information used by senior members of the Company for decision making.

The Company's segments are divided by groups of strategic business units, considering the characteristics of products and services they offer. The administration and management of these businesses is performed separately, because each operating segment requires that.

We have identified four strategic segments and two that includes other companies and corporate administration, these are:

1. **Self-service** – Stores specializing in:
 - a. Office supplies, furniture and electronics.
 - b. Home style solutions and decoration ideas through an excellent variety of home products.
2. **Retail** – Sells basic food and household items.
3. **Restaurant** – Includes a chain of family restaurants, which stands out for its innovative dishes, excellent service in young and casual environment.
4. **Real Estate** - Development of commercial, residential and corporate spaces, leasing of such locations to customers in the retail and other industries where stores retail, supermarkets and other stores are located.
5. **Corporate** - Group management and corporate administration.
6. **Other** – Comprised by companies that provide administrative services to the operating companies of the group

a. Information by operating segment:

	2011						
	Self-service	Retail	Restaurant	Real Estate	Corporate	Other	Consolidated
Total revenues	\$ 7,329,346	\$ 2,813,591	\$ 2,218,095	\$ 787,757	\$ 2,846	\$ 15,315	\$ 13,166,950
Intersegments revenues	27,363	26,240	-	255,008	283,823	301,001	893,435
Depreciation and amortization	165,789	50,225	81,131	154,828	-	5,281	457,254
Interest income	5,244	109	9,287	3,213	66,367	323	84,543
Interest expense	1,341	-	-	48,146	-	-	49,487
Exchange gain or loss and fair valuation of investments in securities	50,973	4,180	(19)	4,091	(84,079)	50	(24,804)
Income tax expense	197,499	508	42,460	131,597	-	(124,534)	247,530
Total Assets	4,507,661	914,332	2,493,026	12,109,972	3,396,448	96,792	23,518,231
Goodwill	-	-	-	563,325	-	-	563,325
Property and equipment acquisitions	360,805	89,756	448,300	837,870	-	12,188	1,748,919

	2010						
	Self-service	Retail	Restaurant	Real Estate	Corporate	Other	Consolidated
Total revenues	\$ 6,240,037	\$ 2,519,902	\$ 1,956,558	\$ 659,672	\$ 63	\$ 11,310	\$ 11,387,542
Intersegments revenues	12,305	5,631	-	224,617	273,837	259,629	776,019
Depreciation and amortization	132,452	42,481	74,013	129,669	-	4,533	383,148
Interest income	6,238	230	6,784	17,572	152,391	862	184,077
Interest expense	3,342	-	-	24,068	-	-	27,410
Exchange gain or loss and fair valuation of investments in securities	18,165	3,211	-	(3,567)	55,073	269	73,151
Profit taxes	174,499	12,353	24,548	153,825	-	(110,817)	254,408
Income tax expense	4,181,159	956,129	2,051,918	11,608,365	3,801,967	132,252	22,731,790
Goodwill	-	-	-	571,000	-	-	571,000
Property and equipment acquisitions	235,108	145,839	337,945	922,657	-	5,633	1,647,182

- b. The Company sells its products to the general public; such products are sold in Mexico and various countries of Central and South America. Sales in Central and South American countries were 8% and 6% of total revenues during the years ended December 31, 2011 and 2010, respectively.

21. *New accounting principles*

As part of its efforts to make Mexican standards converge with international standards, in 2011, 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, which will become effective as of January 1, 2012:

B-3, Statement of Comprehensive Income (Loss)

B-4, Statement of Changes in Stockholders' Equity

C-6, Property, Plant and Equipment

Improvements to Mexican Financial Reporting Standards 2012

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

NIF B-3 - Statement of Comprehensive Income (Loss), provides the options of presenting a) a single statement containing the items that make up net income (loss), as well as other comprehensive income (OCI) and equity in OCI of other entities and be named statement of comprehensive income (loss), or b) two statements: the statement of income (loss), which should include only items that make up net income (loss) and the statement of other comprehensive income (loss), which should start from net income (loss) and immediately present OCI items and equity in OCI of other entities. In addition, NIF B-3 establishes that items should not be separately presented as non-ordinary in the financial statement or the notes to the financial statements.

NIF B-4, Statement of Changes in Stockholders' Equity, establishes the general rules for the presentation and structure of the statement of changes in stockholders' equity, such as showing retroactive adjustments due to accounting changes and correction of errors that affect the beginning balances of stockholders' equity and presenting comprehensive income (loss) in a single line item, providing a detail of all items making it up, according to the NIF B-3.

NIF C-6, Property, Plant and Equipment, establishes the obligation to depreciate components that are representative of an item of property, plant and equipment, regardless of depreciating the rest of the item, as if it were a single component.

Improvements to Mexican Financial Reporting Standards 2012.- The main improvements that generate accounting changes that should be recognized retroactively in fiscal years beginning on January 1, 2012 are:

Bulletin B-14, Earnings per Share, states that diluted earnings per share should be calculated and disclosed when the result from continuing operations is a loss, regardless of whether net income is reported.

NIF C-1, Cash and Cash Equivalents, requires that cash and restricted cash equivalents be presented in the balance sheet at short term, provided such restriction expires within 12 months from the balance sheet date; if the restriction expires at a later date, this line item should be presented under long-term assets.

Bulletin C-11, Stockholders' Equity, eliminates the rule to record donations received by an entity, as part of capital contributions, which, according to NIF B-3, Statement of Income, should be recorded as revenue in the statement of income.

Bulletin C-15, Accounting for Impairment and Disposal of Long-lived Assets, eliminates: a) the restriction that an asset be not in use to classify it as available-for-sale, and b) the reversal of goodwill impairment losses. It also establishes that impairment losses in the value of long-lived assets be presented in the statement of income under the corresponding cost and expense line items and not under other income and expenses, or as a special item.

NIF D-3, Employee Benefits, requires that current and deferred PTU be presented in the statement of income under the corresponding cost and expense line items and not under other income and expenses.

Also, other Improvements to Mexican Financial Reporting Standards 2012 were issued that do not generate accounting changes and which require further disclosures about key assumptions used in the estimates and valuation of assets and liabilities at fair value, that might give rise to significant adjustments to such values in the next accounting period.

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

22. Effects of adopting International Financial Reporting Standards

Since 2009 The National Banking and Securities Commission (CNBV) requires certain entities that disclose their financial information to the public through the Mexican Stock Exchange, that beginning in 2012, they must prepare and disclose their financial information according to International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

The consolidated financial statements for the year ending December 31, 2012 to be issued by the Company will be its first annual consolidated financial statements that comply with IFRS. The transition date is January 1, 2011 and, therefore, the year ended December 31, 2011 will be the comparative period established by IFRS 1, First-Time Adoption of International Financial Reporting Standards. According to IFRS 1, the Company will apply the mandatory exceptions and certain optional exemptions to the retroactive application of IFRS.

The Company will apply the following mandatory exceptions to the retroactive application of IFRS as follows:

Accounting estimates – Accounting estimates made under MFRS in 2010 are consistent with estimates under IFRS made for the same periods and are thus, not retrospectively modified.

Non-controlling interests – The Company will apply prospectively certain requirements of IAS 27 (2008) “Consolidated and Separate Financial Statements” as of the date of transition.

The Company also chose to apply the following optional exemptions to the retroactive application of IFRS:

Business combinations under IFRS 3 (2008) – The Company will apply the exemption related to business combinations; therefore IFRS 3 (2008) will be applied to business combinations after the date of transition and business combinations that prior occurred before the transition date will not be restated.

Deemed cost – The Company elected to use the deemed cost exemption for some items of its property and equipment. Therefore, the cost to be used under IFRS for such items property and equipment will represent its depreciated cost in accordance with IFRS adjusted to reflect changes in the Mexican consumer price index.

Employee benefits – The Company, will elect to recognize all cumulative actuarial gains and losses at the date of transition to IFRS. The Company will apply this exemption to all of its plans.

Cumulative differences of the effect of translation - The exemption to cumulative differences of the effect of translation will be applied; therefore, the Company will set the cumulative translation effects from all foreign operations to zero as of its date of transition and will account for such effects prospectively.

Borrowing costs – The Company will use the exemption for borrowing costs; therefore it will not change the capitalization of borrowing costs before its transition date.

Below is included a summary of the main differences that the Company has identified in its transition from MFRS to IFRS as of the date of these consolidated financial statements, as well as an estimate of their most significant effects:

Concept	IFRS impact	Effect
Effects of inflation	According to IFRS, inflationary effects are recognized in the financial statements when the economy of the currency in which the Company's operates is considered hyperinflationary. The Mexican economy ceased to be hyperinflationary in 1999 and, as a result, the inflationary effects recognized by the Company in its goodwill and common stock through December 31, 2007 under MFRS will be cancelled against retained earnings.	\$ (7,664)
Investment property	IFRS includes the accounting policy choice to account for investment properties using the fair value model or cost model; MFRS only allows the use of the cost method. The Company tentatively decided to use the fair value model for its investment property and therefore the carrying amounts of such investment property and goodwill were modified.	\$ (901,206)
Others investments	Other permanent investments under MFRS were carried at cost. Such investments have to be carried at its fair value under IFRS. The adjustment represents the cumulative change in the fair value of such investments over their cost.	\$ 573,927 \$ 20,849
Deferred taxes	Deferred taxes were re-calculated to reflect the effects of IFRS adjustments to the Company's assets and liabilities.	

Under IFRS 10 ("Consolidated Financial Statements"), the Company has determined that it controls Office Depot de México, S.A. de C.V., and therefore it will be considered a subsidiary under IFRS and consolidated accordingly.

Other differences in presentation and disclosures in the financial statements - IFRS disclosure requirements are, generally, wider in scope than those of MFRS. This may result in a larger number of disclosures regarding accounting policies, significant judgments and estimates and financial instruments and risk management, among others. In addition, there may be differences in presentation, for example, IFRS requires a statement of comprehensive income that is not required under MFRS.

The information contained in this Note has been prepared in accordance with the IFRS standards and interpretations issued and in effect, or issued and adopted in advance of the date of preparation of these consolidated financial statements. IFRS standards and interpretations that will be applicable as of December 31, 2012, including those that may be applied optionally,

are not known with certainty at the time of preparation of these consolidated financial statements as of December 31, 2011. In addition, the accounting policies selected by the Company could be modified as a consequence of changes in the economic environment or industry trends that occur after the issuance of these consolidated financial statements and prior to the issues of the Company's first IFRS consolidated financial statements. The information contained in this Note is not intended to comply with IFRS, as only a set of financial statements that includes the statements of financial position, comprehensive income, changes in stockholders' equity and cash flows, along with comparative information and explanatory notes, can provide an appropriate presentation of the financial position of the Company, the result of its operations and its cash flows in accordance with IFRS.

23. Financial statements issuance authorization

On February 21, 2012, 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 consolidated financial statements according to the Mexican General Corporate Law.

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