2018 Annual Report

We have
a lot to say

GRUPO GIGANTE

Throughout its history, **Grupo Gigante has consolidated its presence in 8 countries, from Mexico, comprising its 32 States, to Central America and South America.** It has constantly struggled to achieve its growth through its acquisitions, partnerships and strategic alliances that have permitted its business diversification, without forgetting its fundamental basis, which is the commitment towards Mexico and its people.

Shares representing the capital stock of Grupo Gigante, S.A.B. de C.V. are traded in Bolsa Mexicana de Valores (Mexican Stock Exchange) since July 1991 with ticker Gigante*.

Nowadays, Grupo Gigante is assembled in **3 great divisions:**

1 SPECIALIZED RETAIL DIVISION

Includes OFFICE DEPOT, with its trademarks and formats, RADIOSHACK, CASA MARCHAND, FESA, PAPELERA GENERAL, OFIXPRES and PRISA; THE HOME STORE and PETCO (Joint Venture).

2 RESTAURANT DIVISION AND OTHER SERVICES

Composed of RESTAURANTES TOKS, with the BEER FACTORY brand; as well as PANDA EXPRESS.

3 REAL ESTATE DIVISION

With the participation of GIGANTE GRUPO INMOBILIARIO.

4 SOCIAL RESPONSIBILITY

which supplements the business group. It is important to mention the part of social responsibility of the company that through the action of its own subsidiaries and of FUNDACIÓN GIGANTE, prove the social commitment of the Group

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Vision

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

Mission

Ensure the creation of value for our customers, shareholders and collaborators through the integration, communication and exchange of experiences, in the search for profitability and synergies in our businesses, within the Divisions of Specialized Retail, Restaurant and Other Services and Real Estate.

Values

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

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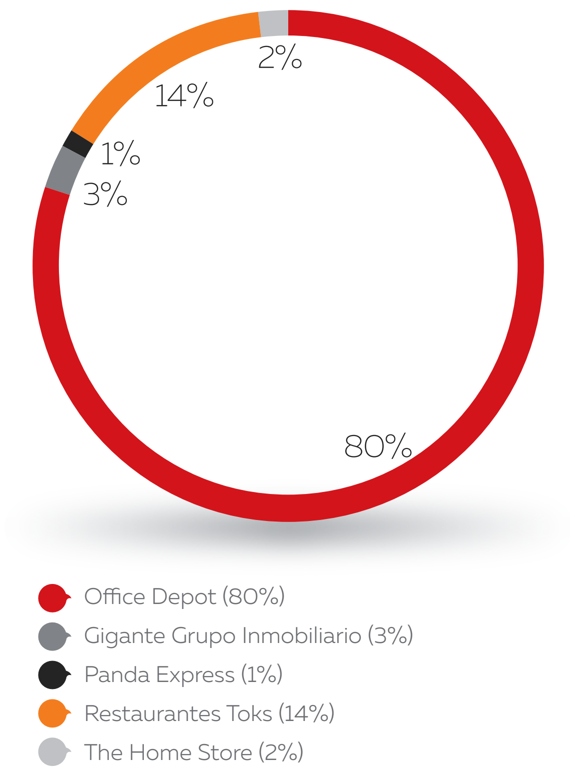
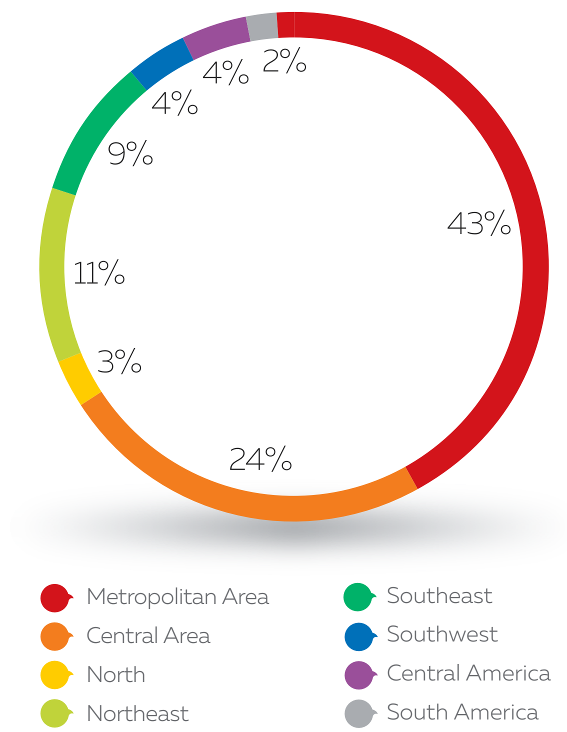
Breakdown by Format



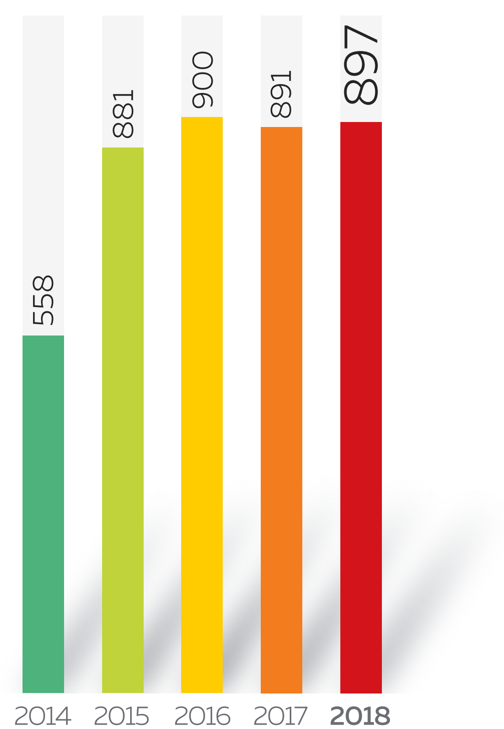
Regional Distribution of Units



Sales Floor Participation of Subsidiaries

Business Unit	Units	m²	Seats
Office Depot	556	486,400	
Restaurantes Toks	207	-	43,265
Beer Factory	5		1,324
Panda Express	20	-	-
The Home Store	20	26,143	
Sub Total	**808**	**512,543**	**44,589**
Parkings	89		
Total	**897**	**512,543**	**44,589**

Consolidated Units



Sales Floor Participation of Associated

Business Unit	Units	m²
Petco	70	43,242

Financial Highlights

Consolidated statements of profit or lost and other comprehensive income

For the years ended December 31, 2018, 2017 and 2016. In thousands of Mexican pesos, except per share data.

	2018	2017	2016
Total revenues	**33,188,795**	32,151,711	30,858,564
% variation	3.2%	4.2%	16.0%
Operation flow (Ebitda)	**3,107,736**	3,481,794	3,465,874
% variation	-10.7%	0.5%	10.9%
Consolidated net income	**1,254,295**	1,481,043	2,882,732
% variation	-15.3%	-48.6%	83.5%
Consolidated integral income	**1,020,734**	1,465,857	2,385,059
% variation	-30.4%	-38.5%	72.1%
Basic earnings per common share	**1.18**	1.41	2.81
% variation	-16.3%	-49.8%	87.3%
Price of share	**36.50**	39.60	39.00
Common shares outstanding	**994,227,328**	994,227,328	994,227,328

Consolidated Statements of Financial Position

As of December 31, 2018, 2017 and 2016. In thousands of Mexican pesos.

	2018	2017	2016
Assets	**43,302,039**	40,568,362	40,431,823
% variation	6.7%	0.3%	-1.4%
Cash and cash equivalents	**2,049,520**	1,926,334	2,281,685
% variation	6.4%	-15.6%	-28.2%
Financial instruments	**426,113**	434,889	491,531
% variation	-2.0%	-11.5%	-77.0%
Inventories-Net	**6,743,666**	6,627,937	6,927,570
% variation	1.7%	-4.3%	27.2%
Property and equipment-Net	**10,399,393**	9,821,015	9,769,426
% variation	5.9%	0.5%	4.3%
Investment properties	**13,923,440**	12,745,562	11,894,763
% variation	9.2%	7.2%	-8.0%
Other assets	**9,759,907**	9,012,625	9,066,848
% variation	8.3%	-0.6%	14.0%
Liabilities and Stockholder´s equity	**43,302,039**	40,568,362	40,431,823
% variation	6.7%	0.3%	-1.4%
Suppliers	**5,329,197**	4,303,164	5,028,255
% variation	23.8%	-14.4%	22.8%
Bank loans	**10,517,633**	10,101,763	10,327,196
% variation	4.1%	-2.2%	25.1%
Other liabilities	**5,348,519**	4,784,449	5,089,195
% variation	11.8%	-6.0%	2.3%
Stockholder´s equity	**22,106,690**	21,378,986	19,987,177
% variation	3.4%	7.0%	13.0%

** The % of variations are with respect the previous year.*

Annual Report 2018 of the Chairman of the Board and of the CFO Grupo Gigante, S.A.B. de C.V.

Mexico City, March 25, 2019

Dear Shareholders and Board Members

Today, we have the privilege of jointly addressing you to present the annual report of activities and results for 2018 as well as report about the progress made by the Group, thus complying with the applicable legal provisions.

From an economic and political standpoint, in the last year, we faced uncertainty and volatility due to several external, national and international factors. These included the exchange rate, interest rates, the end of NAFTA renegotiations, presently USMCA, several topics concerning Europe, US leadership and elections, US trade wars with China and the political situation in Mexico with elections and government changes at the federal, state and municipal level, as well as the Digital Transformation and Disruption occurring at worldwide and nationally. However, last year, the Mexican economy grew by 2.0% and inflation was set at 4.83%.

We should be very proud for having eliminated in advance our exposure in dollars and for reducing and setting the refinancing rates of our total debt. In fact, during the year, we concluded the total refinancing of Grupo Gigante's corporate debt to $4,200 million pesos and Grupo Toks to $1,100 million, thus in each case achieving a fixed rate through financial derivatives. The decisions that were taken allow us to continue seeking better financial alternatives to fulfill our commitments originating for both servicing our debt as well as identifying additional resources that are accessible to reorganize and execute our plans for growth, goals and objectives. With these measures, we have been able to strengthen our capital balance and structure. These steps will allow us to continue overcoming the challenges faced by a country and world in which everyone takes part actively, competitively, digitized and increasingly interconnected.

We concluded 2018 with over 928,000 m^2 of leasable floor space and a total of 967 units, including stores, restaurants and 89 SET parking lots. We are present in 8 countries, which include Mexico, Costa Rica, El Salvador, Guatemala, Honduras, Panamá, Chile and Colombia. This includes 70 Petco stores, our pet business that opened 19 new stores during the year. This successful operation is a joint venture with our American partner, Petco Animal Supply Stores, Inc. In our restaurant division, we concluded the year with 44,589 seats and 232 restaurants. From a real-estate perspective, we ended the year with 120 wholly owned and managed properties, with over 1,421 leasable units and a 95.2% occupation rate. Nevertheless, we continue to act cautiously and selectively when remodeling and developing the various real-estate projects, always bearing in mind the client as the final objective, primarily taking into consideration efficiency and profitability.

Our operational and financial results were positive; we increased our total revenue by 3.2% with respect to the preceding year, thereby reaching the amount of $33,188.8 million pesos. Gross profits increased by 2.4% to $12,447.4 million pesos in total. This gross profit represented a 37.5% gross margin. In terms of EBITDA, it totaled $3,107.8 million pesos, whereby our consolidated net profit was $1,254.2 million pesos. Since our total equity increased by 3.4%, we ended the year with a consolidated cash flow of $2,475.6 million pesos.

Regarding our subsidiaries, Office Depot de México continues to significantly contribute to the Group and is present in the 8 countries mentioned above. It reported increases in Mexico and Latin America, through its brands: Office Depot, Radio Shack, Casa Marchand, FESA, Papelera General, Ofixpress and Prisa en Chile. In total, Office Depot had a total of closings and openings of 556 units, thereby especially highlighting its efforts in the digital transformation and omnichannel retailing as well as its investment in current technology through its Proteo project. However, the closing of operations in the Dominican Republic should be noted. In the case of The Home Store, we continued with the same number of stores and continued adjusting its organization and remodeling. Presently, it includes the commitment to e-commerce and digitalization, according to its strategy and the consolidation of its internal organization. Jointly with our Petco partner, we will continue with this growth rate, stepping up efforts to expand and consolidate our presence in Mexico, serving our customers and implementing the strategic plan of this successful format to provide pet supplies and services. Grupo Toks, which coincidentally manages the 89 parking lots previously mentioned, confirmed itself as one of the leading players of the food industry in Mexico. It has a total of 232 restaurants currently operating under the trademarks: Toks, Panda Express and Beer Factory. 2018 was a year not only for consolidation and growth, but also for inclusion and to announce a new format. We are certain that Shake Shack will be bringing special satisfaction to the demanding Mexican consumer of this specialized sector. Regarding our real-estate business, Gigante Grupo Inmobiliario, ended the year with increased revenue and profitability. It successfully progressed by 62% in the construction of the shopping center, Gran Terraza Coapa, which will open its doors during the first half of 2019. It reported a 55% progress in the development of its multiple use Complex in Interlomas called Corporativo Palmas, which will also initiate operations in the first semester of this year. Significant progress was made to the Miyana development –a co-investment project with third parties- especially with the termination of phase III (last housing building) and the start of the final stage, phase IV, of this iconic real-estate project in Mexico City. The foregoing is in addition to its operational and profitability improvements in its wholly owned and managed properties, especially in the case of its "Serviplazas" and other concluded remodeling projects.

After the organization restructuring of the Group, we also worked on streamlining in several fronts, such as implementing the Energy Saving Project, strengthening training at the highest level, decentralizing the Digital Transformation function, being recognized as number 13 in transparency and anti-corruption practices from among 500 of the most important companies in Mexico and other key initiatives undertaken in 2018.

In terms of the important activities concerning Sustainability and Corporate Responsibility, and within our Programs on Health, Education and Assistance during Natural Disasters, we continue with our conviction to provide relief, reiterating how important it is to serve others, especially those who are most in need. Undoubtedly, good news should be shared; for example, 173 homes were rebuilt in the State of Morelos for those who lost their home after the earthquake of 2017. Support was also given to the Mexican Children's Hospital "Federico Gómez", the National Institute of Science and Nutrition "Salvador Zubirán", and the National Cancer Institute. Assistance was also provided to Foundation Operation Smile for its surgery program for children with cleft lip and palate. It also should be noted that 12,780 school supply packages were handed out, 4,300 free eyeglasses and 41 scholarships. In addition to the specific efforts made by each company within the Group, based on their own characteristics and skills – like the significant case

We concluded 2018 with over 928,000 m^2 of leasable floor space and a total of 967 units, including stores, restaurants and 89 SET parking lots. We are present in 8 countries, which include Mexico, Costa Rica, El Salvador, Guatemala, Honduras, Panamá, Chile and Colombia.

of TOKS Productive Projects or the "Reintegra" Association to transform the lives of youngsters who have committed petty crimes into "micro-entrepreneurs"- as mentioned in more detail through the Annual Report, we will continue strengthening Fundación Gigante by providing support to children, youngsters and seniors.

None of the above would have been possible without the dedication and efforts of our 28,000 collaborators, including seasonal workers throughout the year, and for this reason, we want to recognize each and every one of you. We would also like to thank our shareholders and board members for their trust, support and advice.

We have laid out a strategic plan for the next three years, with 6 fundamental pillars: profitability of each line of business, sustainability and corporate responsibility, identification and entry into synergies within the Group, portfolio diversification, digital transformation and, certainly, the transformation and fostering of talent and an organization culture at every level. Therefore, we will continue consolidating the strengths of Grupo Gigante and its subsidiaries, implementing several strategies and courses of actions that we are considering to face major challenges ahead, identifying new and different opportunities in light of the expectations and demands required by the consumer we serve in Mexico and abroad without losing sight of the development and growth of our people and our country.

Sincerely,

Ángel Losada Moreno
Executive President and Chairman of the Board of Directors
Grupo Gigante, S.A.B. de C.V.

Federico Bernaldo de Quirós
CEO
Grupo Gigante, S.A.B. de C.V.

SPECIALIZED RETAIL
Division

We like

that our customers

have a highly

satisfactory

shopping experience.

Office DEPOT

RadioShack
MARCHAND Papelería
PRISA DEPOT
OFIXPRES
FESA

THE HOME STORE

petco


tecnología

Office DEPOT

WE LIKE TO DRAW DREAMS AND PLAN SUCCESS

Office Depot México, has remained as one of the most important Business Units of Grupo Gigante, 2018 closed with 20 additional stores and 400 new sources of employment for 2019 a growth on sales of more than 5% is intended.

"Office Depot is my first job and now I consider it as my second home. I am very grateful to the Company because I have never stopped learning, thanks to the constant training, as well as the support given to study a career through the scholarships program managed by Fundación Gigante."

Sergio René Prado Juárez

OFFICE DEPOT

Assistant Manager,

9 years of service.

Throughout this year, the Company plans to open

14

STORES.

2018 was a year of marked growth on sales compared to the previous year, and it had the same achievement regarding the average ticket.

Among the successful transactions that the Company carried out the past year, the opening of 21 additional stores stands out as well as the creation of 400 new sources of employment, which feature places the Company as a Company committed to the development of the country.

Regarding the initiatives undertaken by Office Depot de México, we would like to highlight the initiatives of its digital transformation, including the Proteo´s Project and systems update, as well as the commencement of the construction of a Distribution Center in Chile that will increase the capacity by 40% compared to the current capacity.

All of the foregoing will be based on an offer addressed to customers, as well as on the use of the Data analysis for decision-making, modernization of stores, multichannel format, including in-store pick-up and APP.

The Business Unit is clear that processes and models will be established in order to create a series of adjustments, taking advantage of innovative tools, in addition to adopting state-of-the-art technology, as well as new operation and business models that generate broad competitive advantages. Based on the foregoing, we will keep at the vanguard in Mexico and in Latin America.

Throughout this year, the Company plans to open 14 stores, in addition to 4 renovations and the opening of the Distribution Center in Chile; with this actions, in Office Depot we like to continue being the sector's leaders and to keep focused in the planning of the forthcoming success.

The leading Company in school and office supplies intends, for 2019, to have an online growth on sales and an increase on Ebitda over inflation, while the Operating Revenues will also increase compared to the previous year.


RadioShack
RadioShack
Jumbo LCD Wall Clock
TODA TU INVERSIÓN
SIEMPRE
PROTEGIDA
GARANTÍA EXTREMA
RECARGA AQUÍ
TIEMPO AIRE
DE TODAS LAS COMPAÑÍAS
RadioShack
RadioShack

WE LIKE INNOVATION AND TECHNOLOGY

Since the beginning of its operations in 1992, RadioShack has been an icon of technological innovation, making available high quality products to the Mexican market and having the most outstanding brands.

"Since I joined Radio Shack 17 years ago, I have proudly worn the company's hat. At Radio Shack we are a great work team, where the environment is nice, friendly, of open doors and where co-workers are given a fair value. It depends on us to take the opportunities given to us."

Alejandro Rosas Castillo

RADIOSHACK

Manager,

17 years of service.

220

RADIOSHACK UNITS

as of the closing of 2018.

Since 1992, RadioShack has had as main purpose to be the place preferred by technology lovers. It makes available high innovation and cutting edge products that include from a battery to a high technology drone, including televisions, sound systems, gadgets and many other things, having the best quality and the most outstanding brands in the market. The foregoing results in big surprises for our clients when they come to any of our 220 stores strategically distributed in the Mexican Republic, since the wide range of products managed by this Business Unit help our clients to make their lives more fun through the connectivity, communication, security, entertainment and more.

Thus, since the very beginning of RadioShack in our country, it has been always attentive to this market's needs, looking for modernity and technology, because it believes that all of this can be within everybody's reach. For 2019, RadioShack plans to continue strengthening its market positioning, maintaining its innovative spirit in the technological vanguard sector. At RadioShack we believe that our main strength is that we share the same feeling, because both our clients and us love technology.

For 2019, RadioShack plans to continue strengthening its market positioning, maintaining its innovative spirit in the technological vanguard sector.

THE HOME STORE

WE LIKE TO LIVE WITH STYLE

2018 was a period of changes for The Home Store format. We firmly worked to form an organization that is stronger and more competitive every day; distinguished by the quality of its assistance and its customized service, with the purpose of creating a great shopping experience for customers.

"I am working at a renowned company where I have been able to take advantage of my creativity and also to grow. What I enjoy the most of my work is when I see the face of a satisfied customer, and at the same time to know that I am part of the store's sales process."

Raúl Carrasquedo Cuello

THE HOME STORE

Visual Merchandising,
6 years of service.


DECORACIÓN

The purpose is for the customer to have a unique shopping experience, describing The Home Store as the place where he finds everything that makes his house a true home.

881

SALES

from Go Live, and we achieved revenues above the budget.

We are happy that upon starting E-Commerce transactions, we have exceeded, in the few months from the launching of the page, the sales expectations, conversion and all other indicators. Likewise, a catalogue of one thousand 800 products is being prepared and the supply in the following months was increased. We expect to have 100% of the catalogue by the second quarter of 2019.

These adjustments led to record 881 sales from Go Live, and we achieved revenues above the budget, a competitive conversion rate and a substantial number of transactions through campaigns.

Throughout 2018 ELFA brand products were included in 5 additional stores (León, Villahermosa, San Luis Potosí, Fortuna, Veracruz and E-Commerce), amounting to 17 branches in operation. In addition, in this lapse of time, not only new categories were developed, but also they were included in the item portfolio, with Mattresses standing out, by far.

The Home Store stood out from its competitors due to its direct deliveries in the Mexico City´s Metropolitan Area within a one-week period at the most, thanks to the inventory management in its CEDIS (Distribution Centers), therefore the recommendation of the service was by word of mouth.

The Company plans to have 2 more stores for the first quarter of 2019, Coapa and Interlomas and its strategies are focused on the Commercial area by offering the best selection and quality, as well as a better pricing. Furthermore, it plans to increase its basic product categories, to improve packages and to increase profitability per section.

Regarding the Marketing item, the objective is to position the Brand as "the store of inspiration for home with the best products at the best prices", as well as to reinforce customer service and teamwork.

In this sense, we are happy that at The Home Store, the purpose is that the customer has a unique shopping experience, that encourages her/him to recommend the Brand, its products, its service and to buy again in its stores, describing it as a place where she/he finds everything making her/his house a true home.


grooming
the SERENITY collection
petco
it's ok. accidents happen.

WE LIKE TO HAVE HEALTHY PETS, HAPPY PEOPLE, A BETTER WORLD

This Business Unit has a lot to celebrate, and it is because of its philosophy of not selling dogs or cats, but to have them adopted, that Petco México positioned its 35-thousand adoption, in addition to the opening of 19 additional stores to reach, as of the year closing, a total of 70 units.

"I have been working for 5 years in the company, and what thrills me the most of my job is to see the change that we have achieved in animals' and clients' lives, because we are united by the passion for pets and we have become their voice."

Claudia Chávez Mayorga

PETCO

Manager,

5 years of service.

7,700
TRAINING HOURS
were given to the 1,412 employees certified on Nutrition.

Today, it has presence in 18 States and in Mexico City and since its arrival in our country, only five years ago, the leading Company in the pet care sector has continued to stand out. Therefore, the past year it had a very important growth to Total Stores and consequently in sales floor, in addition to a relevant upturn in its on-line sales, confirming it as the leader in its sector.

The Company, currently with more than 1,700 employees and a constant number of promotions, launched in such period the Petco "Easy Buy" program by E-Commerce. It opened its Distribution Center with more than 13 thousand m^2, with a substantial increase in its logistics and distribution area compared to 2017.

Among its figures, the Grooming services provided for more than 340 thousand dogs and more than 2 thousand 100 cats shall also be pointed out, while its Club Petco members are already more than one million. It also has a significant number of followers in Facebook, Instagram and Twitter; therefore, it has a broad presence in Social Media.

In execution of its philosophy, the message that permeated throughout this period was "Healthy pets. Happy people. A better world" and this encompasses in a perfect manner the view that the Company has for 2019, year during which it plans to open a greater number of stores and to increase its presence in the states of the country, in addition to consolidating its E-Commerce, with the implementation of the "Buy on line pick up in store" program.

Regarding Social Responsibility, Petco is also a leader on making donations under the "Redondea un Hogar" and "Salvando Vidas" campaigns, with more than one million 460 thousand Pesos and more than two million 300 thousand Pesos, respectively, and, keeping its strategic efforts jointly with suppliers, the allied adoption centers received approximately two and a half million in super premium food.

Almost 19 thousand certification hours for 43 groomers in the Petco Grooming Academy and 3,730 training hours of 465 employees certified in the appropriate handling of small pets.

Petco has become the favorite store of pet lovers, primarily due to the knowledge, respect and service to an increasing number of dogs, cats and other pets, that become part of the families.

Restaurant Division **and Other Services**

We love

to indulge our customers' palate with healthy options and a great service.


PANDA

WE LOVE TO DRESS GREAT BUSINESSES

The menu at Restaurantes Toks is well assorted and more ambitious every day and 2018 reflected appealing numbers, such as the service given to almost 33 million customers, in addition to the opening of branch 200 "Latitud Polanco".

"Toks has been an angel in my path, because my life changed as soon as I joined the company 47 years ago. I am delighted and grateful for belonging to a human, honest Company that above all helps communities; it has an enormous development field where there are committed, responsible and loyal people. ."

Victor Fabela Osorio

TOKS

Executive Chef,

47 years of service.


TOKS
TOKS
RICARDO

13
UNITS
opened in the course of 2018.

Throughout the year, 13 additional units were opened, including among them the Town Square unit at Metepec, with a new image and design, amounting to 207 restaurants and 3 more that have been refurbished.

Among the new "meals" offered in 2018 by this Business Division, the incursion of Mexico City´s Formula 1 was contemplated. The foregoing resulted in the positioning of the brand among other kind of audience, in addition to continuing with the regionalization of the menus of the different markets that it serves. Likewise, we started to sell craft beers in two styles, which are bottled by Beer Factory.

At Restaurantes Toks, we love to work in order for 2019 to be a period in which we are 100% focused on our customers, working through a better communication and all kinds of channels that reinforce the pillars of the brand such as genuine gastronomy, kind service, personal space, special moments and "Toks a Mano".

Furthermore it will reinforce its Customer Loyalty Program by creating innovating dishes that tell a story, that give people something to talk about, and that are a delightful difference, intending to keep Toks as the best option to eat. In this sense, the innovating concept is been slow-cooked.

Another challenge for the Company is the digital transformation, and among other aspects, the implementation of the new applications technology in the Oracle cloud and to start Uber-Eats at 48 restaurants, with the idea to take the flavor to the door of your house or office.

Regarding dessert, nothing best than to address the Social Responsibility subject, where Restaurantes Toks has set trends and has put the sweet touch in its Productive Projects. In this sense, it shall be pointed out that, specifically the coffee project was for the benefit of 2 thousand 500 farmers and their families upon eliminating 9 intermediaries, while the Reintegration into Society project for young addicts and former criminals in Chiapas and Tijuana, through 2 Food Trucks has had encouraging results. Bon Appétit!

We love that the icing on the cake is that undoubtedly Restaurantes Toks has become a case subject to study in several universities in the United States, South America, Europe and Asia.


PANDA EXPRESS
CHINESE KITCHEN
PANDA EXPRESS
PUNTO DE REUNION
DONDE LA BUENA FORTUNA SONRÍE
www.pandaexpress.com.mx

WE LOVE TO BLEND MEXICAN EXPERIENCES AND ORIENTAL FLAVORS

Since its arrival in Mexico, almost 7 years ago, the Panda Express flavor has fascinated its guests, not only due to the traditional feature of its dishes, but also due to the perfect combination achieved with Mexican cuisine.

"I am proud of working in Panda Express, because we are doing things the right way and with quality. I have a great responsibility, because we have to make everything possible to give experiences that keep customers coming back and to act in the best way. The foregoing is also taken to a personal level, because at the company we are taught to have principles and values applied in our daily life. "

Wilfrido Gatica Santiago

PANDA EXPRESS

Kitchen Leader,

5 years of service.

The Company started "Panda within everybody's reach", breaking the price barrier and attracting new consumers. We love that 2019 is shaping as a delicious year for Panda Express.

More than

1.1

MILLIONS

guest served.

In 2018, the first Chinese gourmet restaurant brought to Mexico by Grupo Gigante, carried out more than 1.1 million transactions; likewise, taking advantage of its entry in Mexico City´s Formula 1, it achieved at an incredible speed, a greater brand acknowledgment, leaving its competitors behind the checkered flag.

At the same time, it included novelties such as Five Flavor Shrimp with fewer calories and more proteins, as well as the Honey Sesame Chicken oriented towards the market flavors. The foregoing has resulted in this restaurant chain gaining a greater number of followers.

The Company started "Panda within everybody's reach", breaking the price barrier and attracting new consumers.

We love that 2019 is shaping as a delicious year for Panda Express.

The flavor of its innovating dishes prepared at the moment has charmed its customers. Therefore, the Company implemented in 2018 the home delivery system in all of its units, through digital platforms such as Uber Eats, Rappi, Sin Delantal and Posmates, reaching a 27% share regarding Delivery.

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BEER FACTORY & FOOD

WE LOVE TO MAKE A TOAST TO THE NEW FLAVORS

Undoubtedly the market rules the preferences and in the restaurant sector is not the exception. Therefore, Beer Factory has become the favorite of connoisseurs of the new trends regarding craft beers and the pairing that can be achieved with them.

"This is the best place to make beer and brewers. Here, I have developed my career 100% and I am very satisfied, because currently I am the first Female Master Brewer in Beer Factory, but this could not have been possible without the trust placed on me."

Mónica Sánchez Diosdado

BEER FACTORY

Master Brewer,

8 years of service.


BEER FACTORY
& FOOD
CERVEZA CORRE EN
BEER FACTORY
LIBÉRATE
DE
Godinez
MARTES
Y
JUEVES
7 a 9pm

By clinking the frozen glasses we make a toast to each step taken by the Beer Factory in 2019, as an innovating example, which is growing and positioning by charming people as the froth.

60

THOUSAND BOTTLES

per month is our capacity in the new Mundo E bottling company.

As of the close of 2018, the Brand had 5 branches, with the real estate in Tezontle, in Mexico City standing out by far. In this unit the highlight is a new concept regarding space efficiency in addition to a beer factory with an installed manufacturing capacity of 600 hectoliters per annum and a cold chamber to store 30 barrels.

The perfect complement at that branch is the bar to serve up to 12 craft beer styles and a frozen tower where two more styles are added, which has charmed the connoisseurs of this drink.

We should point out that throughout the year the branch at Mundo E was refurbished. At this branch, a bottler with a capacity of 60 thousand monthly bottles was installed. Therefore we can only say "Cheers" to celebrate the success of this Business Unit that arrived in Grupo Gigante in 2015.

SET

We love to be the best comfort

In 2018 Servicios Toks (SET) recorded interesting figures, upon achieving a 9.4% growth regarding income above the income of the previous year, thereby reinforcing its purposes.

Among these purposes, making parking lots a safe place and to turning them into an extension of the Shopping Mall should be mentioned. Therefore, in 2018, it recorded more than 17.3 million cars received, which confirms the progress of the Company.

Today, the Company has 89 parking lots and it opened ten more before the year-end. The idea is to continue offering comfortable and useful parking spaces at a low cost.

Real State
Division

We share

the performance of this division and the excellent results obtained throughout the year.

WE SHARE AND CONSTRUCTING IDEAS FOR LIVING

The Group's shopping centers received 44 million visitors and 6.4 million vehicles. These figures evidence their important influx because of their unbeatable location and the services that are concentrated therein.

"It is very interesting to be part of the versatility of a project, to participate in all areas, to live it from very different fields, until you see the final product, and in GGI we have this great opportunity. Here you can sense a multidisciplinary environment that helps you grow in the professional and personal area, while its innovative spirit sets the guideline to keep itself as a full-growth Company. "

Nuria Mucharraz Bou

GIGANTE GRUPO INMOBILIARIO

Project Manager,

5 years of service.

The construction of the shopping center called Gran Terraza Coapa **PROGRESSED BY** 61.5%

For this Real Estate Business Division and subsidiaries entrusted with managing and developing work spaces, recreational areas and housing, 2018 was very productive. Important projects were consolidated, which are still being discussed and that enhance the reputation of the real-estate developer, Gigante Grupo Inmobiliario (GGI), as a significant player in this sector.

During this period, the construction of the shopping center called Gran Terraza Coapa progressed by 61.5%. It will open its doors, during an initial stage, in the first semester of 2019 and completely in the last quarter of said year. The shoping center will offer the store brands belonging to the Group, such as: Office Depot, Petco, Toks and The Home Store; thereby replicating the successful business model that has been implemented in similar shopping centers.

The Corporate Center Palmas, a development for multiple uses located in Interlomas, presently has progressed by 54.8% and is expected to be inaugurated during the first semester of this year. It will have over 16,000 m^2 of office space and nearly 12,500 $m^2$of retail space.

Among the notable and commented achievements of GGI is the progress achieved in "Miyana", an iconic real-estate development in Mexico City, which is co-invested with third parties. It ended the year with an occupation of 86% of office buil-

The Corporate Center Palmas, a development for multiple uses located in Interlomas, presently has progressed by 54.8% and is expected to be inaugurated during the first semester of this year. It will have over 16,000 m² of office space and nearly 12,500 m² of retail space.

The Group's shopping centers received 44 million visitors and 6.4 million vehicles. These figures evidence their important influx because of their unbeatable location and the services that are concentrated therein.

We had an increase of more than

8%

PROFITABILITY.

dings, the third housing tower, which is the highest complex, has 44 floors and has progressed by 50%. Therefore, it is estimated that the complex will be completely finished by the last quarter of 2019. Thereafter, the notarization of the property deeds for 320 luxury apartments will commence, regarding which 82% have been sold.

Moreover, excavation works have commenced for the fourth and last phase of the project, which will have an office building measuring approximately 59,000 m^2 for retail rent, which is an example of innovation and efficiency in terms of a building for multiple uses.

GGI will place special attention in improving the shopping centers with the image of SERVIPLAZAS where 3 refurbishments and one more is in progress to provide users with a comfortable, functional and modern spaces. For remainder of 2019, it is estimated that 6 more locations will be remodeled and that buildings will continue to be updated and improved.

Consequently, the Company will increase its profitability by over 8% and the occupation the Gross Leasable Area by 95.2%; therefore, Gigante Grupo Inmobiliario will continue to have much to discuss.

GGI will place special attention in improving the shopping centers with the image of SERVIPLAZAS where 3 refurbishments and one more is in progress

SOCIAL RESPONSABILITY

We added

more children and individuals in a vulnerable situation in order to improve their life conditions.

SHARING WELLBEING TO BUILD A BETTER FUTURE

For over 15 years, Fundación Gigante has been entrusted with sharing the best of itself and contributing to improve the lives of millions of Mexicans.

"I am part of a great company, which promotes its employees' growth, and at the same time it passes on to them an altruistic spirit. This great Group has as an assignment to benefit the most vulnerable sectors of society. Working in Fundación Gigante's programs has made me value all that surrounds me and to grow as a person."

Maribel Castañeda Camacho

FUNDACIÓN GIGANTE

Project Coordinator,

20 years of service.

690
SURGERIES
were performed on children with cleft lip and palate.

2018 was a very successful year, taking into account the actions based on its pillars: Education, Health and Assistance during Natural Disasters.

Good news should be shared; for example, 173 homes were rebuilt in the towns of Ocuituco, Tetela del Volcán, Totolapan, Yecapixtla and Miacatlán in the State of Morelos, which brought a smile to all the families who lost their home after the earthquake of 2017. Fundación Gigante, with the help of the employees of Grupo Gigante and its companies, joined forces with "Échale", "Alianza con Unidos por Morelos" and the "Fuerza México".

In the health sector, we provided assistance to 3 of the most important hospitals in Mexico: the Mexican Children's Hospital "Federico Gómez", the National Institute of Science and Nutrition "Salvador Zubirán", and the National Cancer Institute. Together with Operation Smile, 690 surgeries were performed on children with cleft lip and palate.

In partnership with the foundation, "Ver Bien Para Aprender Mejor", 4,300 prescription eyeglasses were delivered to elementary and secondary public school students. Fundación Gigante also continued working together with Obras Educativas to provide water in the Chontal region of the State of Oaxaca, based on the Model for Sustainable Water Management (MSWM), which benefitted several communities.

With the support from "Grupo Presidente", the Foundation donated nearly 7 tons of prepared food for inmates in the Social Readaptation Centers of Mexico City and their families and participated in the "Toks Productivity Projects": Coffee and Cocoa in alliance with Rainforest.

In the health sector, we provided assistance to 3 of the most important hospitals in Mexico: the Mexican Children's Hospital "Federico Gómez", the National Institute of Science and Nutrition "Salvador Zubirán", and the National Cancer Institute. Likewise, 173 homes were rebuilt which brought a smile to all the families who lost their home after the earthquake of 2017.

Corporate responsibility is fundamental for Grupo Gigante. This is evident from its social investment policy because the Group allocates 1% of the operating profits from its subsidiaries to Fundación Gigante. According to its motto, “true value lies in helping others“.

More than

4,300

PRESCRIPTION EYEGLASSES

were delivered to elementary and secondary public school students.

In terms of education, many actions were taken, including delivering over 12,780 school supplies to elementary, secondary and high school students in Mexico. Special support was given to students from the State of Sinaloa because they were affected by tropical storm 19E and hurricane Willa. We also provided scholarships to the best students of the National Music Conservatory and the Tannery of the State of Oaxaca, while continuing to provide assistance to 41 students, of which 18 concluded their undergraduate studies and participated in the contest "Mapatón" jointly with Office Depot and Google.

Fundación Gigante is the philanthropic division of Grupo Gigante, which has corporate responsibility in its DNA. Since its creation, it has detected the sectors that were most in need, in pursuit of creating a better country.

Thanks to the backing from a great organization in which partners, shareholders, executives, collaborators, suppliers, clients and allies participate, the Foundation has made great achievements and placed more smiles on the faces of many Mexicans.

Corporate responsibility is fundamental for Grupo Gigante. This is evident from its social investment policy because the Group allocates 1% of the operating profits from its subsidiaries to Fundación Gigante. According to its motto, "true value lies in helping others, especially in extraordinary situations".

The Foundation has made great achievements and placed more smiles on the faces of many Mexicans.

Report of the Audit Committee

Mexico City, March 25, 2019

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

Dear Sirs:

In our capacity as Members together with the Secretary of the Audit Committee and in compliance with Articles 42 and 43 of the Mexican Securities Law ("Ley del Mercado de Valores"), the Committee Bylaws and the Internal Regulation of the Board of Directors of Grupo Gigante, S.A.B. de C.V. (Grupo Gigante), and taking into consideration the recommendations of the Code of Best Corporate Practices 2017, we hereby submit our annual report for the fiscal year 2017, whereby the following activities were carried out:

I. We analyzed and approved the quarterly and annual consolidated financial statements, having requested the External Auditor to provide the reports in writing for each quarter, which confirm the financial information of Grupo Gigante and were prepared according to the same financial information standards, criteria and practices as the annual reports. As mentioned in numeral III below, these were prepared by using the International Financial Reporting Standards (IFRS).

II. We reviewed the system for internal control and internal corporate audit of Grupo Gigante. With respect to the Internal Corporate Audit Department, the Committee reviewed and approved its guidelines, the annual plan for reviews and its proper compliance. We concluded that, in general, the system for internal control and internal corporate audit is satisfactory.

III. We approved the guidelines and policies for operations and accounting records of Grupo Gigante and its subsidiaries, as provided by the IFRS.

IV. We verified that the procedures established for risk control were observed by the various business departments of Grupo Gigante.

V. We reviewed and updated the committee bylaws and the policy on approving services other than those of the external audit in order to validate their validity and compliance with the regulations and provisions issued by the National Banking and Securities Commission (CNBV) during 2018 and thus ensuring the independence of the external auditor.

VI. We reviewed and followed up on reinforcing and implementing information security practices for Grupo Gigante, including all the risks and controls related to cyber security.

VII. We evaluated the performance of the firm, Galaz, Yamazaki, Ruiz Urquiza, S.C., (Deloitte Mexico) who audited the consolidated financial statement for the fiscal year as well as the External Auditor, C.P.C. Erick Calvillo Rello and his work team. In our opinion, both adequately complied with their duties in adherence to the International Audit Standards and with the applicable provisions of the Mexican Securities Law. We approved its Service Plan, its Executive Summary of Observations and Recommendations and the Action Plans provided by the administration as well as the Report on the consolidated financial statements to December 31, 2018.

VIII. We analyzed the description and valuation of the complementary services to the financial statements that were provided during the fiscal year 2018 by the firm Galaz, Yamazaki, Ruiz Urquiza, S.C., as well as receiving confirmation about its independence.

IX. We reviewed the process carried out by Grupo Gigante to provide support and document the statement signed by the parties responsible for signing the basic audited financial statements according to Article 32 of the rules issued by the CNBV on April 26, 2018.

X. We approved of the reports by the external and internal legal counsel to ensure that Grupo Gigante and its subsidiaries properly comply with the legal provisions as well as timely disclosing any contingency. Similarly, we held work meetings with the External Auditor, the Director of Internal Corporate Audit and with the directors who we considered appropriate of the administration of Grupo Gigante and its subsidiaries.

XI. The administration presented the Committee with the control measures that were implemented in order to formally comply with the Federal Act on the Protection of Personal Data Held by Private Individuals as well as the Federal Act for the Prevention and Identification of Operations with Illegal Resources.

XII. We took into consideration the relevant observations and the potential complaints about certain actions considered irregular that were taken by the administration and posed by the shareholders, board members, senior directors and employees with respect to the accounting, internal controls and other topics regarding the internal or external corporate audit and found that there is nothing to report.

XIII. We followed-up on the resolutions taken by the Shareholders' Meetings and by the Board of Directors related to this Committee.

XIV. We reviewed the Annual Report for the fiscal year 2018 by the Chairman of the Board of Directors and the CEO of Grupo Gigante.

Based on the work carried out and on the report of the external auditors, in our opinion the accounting and information policies and criteria followed by the company are adequate and sufficient and have been consistently applied; therefore, the information submitted by the CEO reasonably reflects the financial situation and results of the Company.

Therefore, we recommend to the Board of Directors to submit for the approval of the Shareholders' Meeting the Financial Statements of Grupo Gigante for the year ending on December 31, 2018.

Consequently, with this report we have complied with the obligation established by the aforementioned Articles of the Mexican Securities Law and the Bylaws and Regulation of the Board of Directors of Grupo Gigante

Luis Santana Castillo
Chairman

Roberto Salvo Horvilleur
Director

Luis Rebollar Corona
Director

Ernesto Valenzuela Espinoza
Secretary

Report of the Corporate Practices Committee

Mexico City, March 25, 2019

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

Dear Directors and Shareholders,

In our capacity as members of the Corporate Practices Committee, in compliance with Article 43, section I and other applicable provisions of the Mexican Securities Law ("Ley del Mercado de Valores"), the Bylaws of Grupo Gigante S.A.B. de C.V. (Group or GG) and the Regulation of its Board of Directors, please find below the Report of this Committee for the activities carried out during the fiscal year 2018.

Over the past year, this Committee met on 4 occasions, thereby presenting to the Board of Directors its respective reports and recommendations at the meetings of the fiscal year being reported. The following activities and matters were mainly discussed:

I. **SUPERVISION OF CORPORATE GOVERNANCE**. In compliance with the Corporate Governance program and the applicable legal provisions, the Committee supervised the meetings that were held and the functioning of the corporate governance bodies as well as its operating regulations, the legal provisions on this subject matter and the bylaws of Grupo Gigante. It is hereby informed that the latter was carried out properly and in a timely manner, having held several board and committee meetings, according to the provisions.

II. **COMPREHENSIVE COMPENSATION PLAN.** Based on the Compensation Plan for the CEO and the senior directors of Grupo Gigante, including its Base Salary Structure, Performance Bonus, Long-Term Incentive and Retirement Benefits, the Committee actively participated in supervising its execution, having discussed, proposed and agreed on the adjustments and specifications.

III. **REVIEW AND APPROVAL OF GENERAL INCREASES.** In terms of their duties and in light of the general economic conditions of the country and specific conditions of the Group and its subsidiaries, the Committee reviewed and approved the corresponding proposal submitted by the administration.

IV. **EVALUATION OF THE PERFORMANCE BY THE CEO AND SENIOR OFFICERS.** In compliance with the applicable provisions, the performance of the CEO of the Company and the Senior Directors was evaluated. Salary adjustments as well as the performance bonuses and incentives were authorized in light of the results of the fiscal year 2017 and the plans for 2018.

V. **OPERATONS BETWEEN RELATED PARTIES.** In compliance and execution of their responsibilities and authorities, pursuant to Article 28, section III, subsection b) of the Securities Law, the Committee reviewed and analyzed operations between related, recurring and private parties. It always sought fair and market value, costs and parameters in these operations for the benefit of society. Additionally, it submitted its Recommendations to the Board.

VI. **LEGAL EXEMPTIONS.** Since the situation related to the exemptions referred to in Article 28, section III, subsection f) of the Mexican Securities Law did not occur, these operations did not need to be presented to the Board and, consequently, there is nothing to report.

VII. **CORPORATE POLICIES AND PROCEDURES.** The Committee supervised the application of the policies that were established.

VIII. **REVIEW AND UPDATE OF THE ORGANIZATIONAL STRUCTURE OF GRUPO GIGANTE AND SUBSIDIARIES.** Within the scope of its authorities and responsibilities, and taking into consideration the profiles and skills of the persons who are nominated, the Committee reviewed and authorized the proposals from management.

IX. **REVIEW AND ISSUANCE OF BEST CORPORATE PRACTICES.** Within the scope of its authorities and responsibilities, the Committee reviewed, proposed and, as the case may be, approved of several corporate practices related to updating the format for presentations to the Board of Directors, the participation and membership of the directors in the Committees and the Board of Directors of the Company, the submission and review of the Substitution Plan for the CEO and senior executives.

X. **REVIEW AND RECOMMENDATION TO THE BOARD OF DIRECTORS CONCERNING THE ANNUAL REPORT BY THE CHAIRMAN AND THE CEO.** The Annual Report 2018 of the CEO and Chairman of the Board of Directors was reviewed and the Committee approved its recommendation to the Board of Directors of the Group.

Consequently, with this report we hereby comply with Article 43, section I and other applicable provisions of the Law as well as the bylaws and regulation of the Board of Directors of Grupo Gigante, S.A.B. de C.V.

Roberto Salvo Horvilleur
Committee Chairman

Luís Santana Castillo
Board Member

Gilberto Pérezalonso Cifuentes
Board Member

Sergio Montero Querejeta
Committee Secretary

Report of Finance and Planning Committee

Mexico City, March 25, 2019

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

Dear Board Members and Shareholders,

In our capacity as members of the Finance and Planning Committee and in compliance with the bylaws of Grupo Gigante S.A.B. de C.V. (Group or Company) and the Regulations of the Board of Directors, we hereby present the 2018 Activities Report for your consideration.

According to the preceding paragraph, during said fiscal year, this Committee held 5 working sessions, having presented its respective reports and recommendations to the Board of Directors for all of its sessions of the year in terms of the content and development of the following aspects and topics:

I. **RECURRING ACTIVITIES.** In exercise of its duties, the Committee received detailed information in a timely manner about the matters related to the strategic, financial and budgetary aspects that became the subject to considerations and recommendations of this collegiate body to the Board of Directors. It was considered appropriate to specifically inform about the discussion and analysis of the following topics:

I.1. Budget 2018, its structure, follow-up and progress.

I.2. Cash flow of the Group and its subsidiaries.

I.3. Results for the fiscal year, annual and quarterly of the company, its subsidiaries and affiliates.

I.4. Integration and follow-up of the Capex of the company and its subsidiaries.

I.5. Supervision and use of the lines of credit of the Company and its controlled companies.

I.6. Analysis and discussion about the different financing sources and alternatives of the Group and its subsidiaries.

I.7. Analysis and definition of the premises and principle aspects of the budget 2018 as well as the financial ratios to be applied and performance indicators from a financial point-of-view.

I.8. Follow-up and report about openings and closing of the Group's units (stores, restaurants, real estate developments, etc.).

I.9. Analysis and, as the case may be, approval of investment projects.

II. **SUPERVISION OF THE MANAGEMENT OF THE GROUP'S TREASURY.** Investment alternatives were analyzed and guidelines and policies were defined. Their performance and compliance was supervised. To supplement the annual report, it was informed that at the end of the fiscal year 2018, the Company's treasury finished with the sum of $2,475.6 million pesos after paying interests, bank loans and having covered other investments, including income from financial interest.

III. **BUYBACK POLICY AND OUTSTANDING SHARES.** The Committee received periodical reports regarding the compliance of the Company's share buyback policy; however, since no operations of this kind were executed during the corresponding year, it was reported that at the end of the fiscal year 994,227,328 shares were outstanding.

IV. **ASSET VALUATION CRITERIA.** The Committee participated in the review and confirmation of the asset valuation criteria, whose authorization was recommended to the Board, according to the International Financial Reporting Standards (IFRS).

V. **DEBT ANALYSIS AND SUPERVISION.** The Committee actively participated with management in the debt analysis of the Group and its subsidiaries. Reduction and streamlining proposals were detailed, having redefined the debt at a corporate level in the sum of $4.200 billion pesos as well as $1.100 billion pesos for Grupo Toks. Better terms and conditions were provided, and also importantly, the rates were set by taking out financial derivatives that strengthened the balance and structure of the capital.

VI. **GRUPO GIGANTE AND SUBSIDIARIES' BUSINESS PLAN.** Considering the review and update of Plans for Grupo Gigante and its main subsidiaries, starting this fiscal year 2018, the Committee used its best efforts and meeting for this fundamental aspect, taking into account the update and design of new strategies, while reviewing the proposal from the administration.

VII. **REAL ESTATE PROJECTS.** During the year that concluded, and given its budgetary and strategic importance, the Committee continued its participation in the review process of the progress made with the Coapa, Interlomas and Miyana (real estate development with co-investment from third parties) Projects and other remodeling real estate projects and their management.

VIII. **MEETINGS WITH MANAGEMENT.** According to the standing practice, throughout 2018, the Committee held meetings with management and with those responsible for the Group's most important operating subsidiaries. After analyzing the periodical reports, specific recommendations were made, insisting on the care given to the optimal use of the capital and debt levels of the Group and its subsidiaries. Several alternatives were identified, including divestment or monetarization of the specific assets to improve and/ reduce leveraging.

IX. **REVIEW AND RECOMMENDATION TO THE BOARD OF DIRECTORS CONCERNING THE ANNUAL REPORT BY THE CHAIRMAN AND CEO.** The Annual Report 2018 of the CEO and of the President and Chairman of the Board of Directors was reviewed and the Committee approved its recommendation to the Board of Directors of the Group.

Consequently, with this report, we have complied with the provisions of the bylaws and other applicable provisions of the Regulations of the Board of Directors.

Javier Molinar Horcasitas
Committee Chairman

Manuel Somoza Alonso
Board Member

Roberto Salvo Horvilleur
Board Member

Ángel Losada Moreno
Board Member

Juan Carlos Mateos Durán de Huerta
Board Member

Sergio Montero Querejeta
Committee Secretary

Board of Directors

EQUITY RELATED BOARD MEMBERS

Ángel Losada Moreno
Chairman of the Board of Directors of Grupo Gigante, S.A.B. de C.V.. BS in Business Administration, Universidad Anáhuac

EQUITY BOARD MEMBERS

Braulio Antonio Arsuaga Losada
Chief Executive Officer of 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 A&L. BS in Business Administration, MS in Business Administration, Texas University

INDEPENDENT BOARD MEMBERS

Roberto Salvo Horvilleur
Independent board member in several companies in Mexico and Centroamérica
BS in Business Administration, University of Notre Dame
MS in Business Administration, INCAE Business School

Lorenzo Peón Escalante
Independent board member in several companies
Responsible for the construction of the Mexican Baseball Hall of Fame in Monterrey
BS in Business Administration, Universidad Iberoamericana

Javier Molinar Horcasitas
Manager partner and Director of Ventura Capital Privado, S.A. de C.V.
BS in Business Administration, Universidad La Salle.

Gilberto Pérezalonso Cifuentes
Independent board member in several companies
BS in Legal Studies, Universidad Iberoamericana
MS Business Administration, INCAE Business School

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 Strategies of CI Banco by Somoza, Musi y Asociados, S. de R.L. de C.V.
BS in Economics, Universidad Anáhuac
MS in Business Administration, TEC d

Alfonso Salem Slim
Chairman of the Board of Directors a
Officer of Inmuebles Carso
Civil Engineer, Universidad Anáhuac

Juan Carlos Mateos Durán de Hu
Independent board member in several
BS in Economics, Claremont McKenna
MS in Business Administration, Harvar

Javier Martínez del Campo Lanz
Secretary of the Board of Grupo Giga
BS in Legal Studies, Universidad Aná
MS by University of San Diego

AUDIT COMMITTEE

Luis Santana Castillo
Committee Chairman

Roberto Salvo Horvilleur
Luis Rebollar Corona

Ernesto Valenzuela Espinoza
Committee Secretary

CORPORATE PRACTICES COMM

Roberto Salvo Horvilleur
Committee Chairman

Gilberto Pérezalonso Cifuentes
Luis Santana Castillo

Sergio Montero Querejeta
Committee Secretary

FINANCE AND PLANNING COM

Javier Molinar Horcasitas
Committee Chairman

Ángel Losada Moreno
Juan Carlos Mateos Durán de Hu
Manuel Somoza Alonso
Roberto Salvo Horvilleur

Sergio Montero Querejeta
Committee Secretary

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

Independent Auditors´ report and consolidated statements for 2018, 2017 and 2016

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Independent Auditors' Report to the Board of Directors and Stockholders of Grupo Gigante, S. A. B. de C. V.

Opinion

We have audited the accompanying consolidated financial statements of Grupo Gigante, S. A. B. de C. V. and Subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2018, 2017 and 2016, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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, 2018, 2017 and 2016, its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated* Financial Statements section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the Code of Ethics issued by the Mexican Institute of Public Accountants (IMCP Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and with the IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have concluded that the following Key Audit Matters should be communicated in our report.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured at fair value, gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. The Entity determines internally the fair value of mosts of its Investment properties, which requires Entity's management the use of certain significant judgments and estimates. Changes in these assumptions would have an impact in the fair value determined for the investment properties as well as in the profit for the year.

The audit procedures performed to test investment properties included:

Test on the design, implemetantion and operating effectiveness of the Entity’s relevant internal controls, mainly if the internal evaluation of the fair value is reviewed and aproved by the appropriate level of management, among others.

Substantive tests, we tested the assumptions used by the Entity's management in the calculation at the end of the year, including the reasonableness of the valuation inputs such as the discount rate used, long-term inflation and other for which we involved our internal specialists, we tested the income and expenses used in the projection of net future cash flows, we tested any movement or change in the assumptions used with respect to previous year to ensure reasonableness and, if necessary, normalize any non-recurring effect and prevent these effects from being included in the projections.

Our procedures also included thereview of the appropriateness of the Entity’s disclosures regarding the assumptions and accounting policies for the recognition of investment properties, which are included in the Note 10 to the consolidated financial statements.

Impartiment Long-lived assets

The Entity owns long-lived assets such as fixed assets and intangible assets that is uses in its business. Management has identified that the lowest level at which independent cash flows are generated (Cash Generating Units or "CGUs") are the Entity’s stores and restaurants. Each year an assesment is performed by looking for indicators of impairment in accordance with the International Accounting Standard 36, *Impairment of Assets* ("IAS 36"), during which indicators of possible impairment losses such as operating losses or recurring negative cash flows are identified. For the CGUs that present impairment indicators, management calculates the value in use of the CGU, by calculating discounted future cash flows, and compares them to the the CGU’s book value to identify impairment losses. For long-lived assets that are not attributable to a single CGU, corporate assets, they are allocated to the group of CGUs to which they are related and subsequently a comparison is made by adding the total value in use of the group of CGUs against its book value including the corporate assets assigned.

The audit procedures performed to test operating effectiveness included:

As of the end of year we tested: 1) the identification of CGUs with indicators of impairment, 2) the reasonableness of the value in use calculations of the CGUs idenfied in 1), 3) the calculation of the impairment losses determined by management, and 4) the recognition and, if applicable, the reversal of any impairment loss previously recognized. Our tests included testing the determination of, among others, the following assumptions: the determination of the future cash-flows, the discount rate used and, according to our knowledge of the Entity's business, testing that the increases considered in those future cash-flows were reasonable.

Notes 3o and 3t include the disclosures about the accounting policy of the Entity regarding impairment of long-lived assets.

Information other than the Financial Statements and Auditors' Report

Management is responsible for the other information. The other information comprises two documents, the Entity's Annual Report and the information that will be incorporated in the Annual Report which the Entity is required to prepare in accordance with Article 33 Fraction I, subsection b) of the Fourth Title, First Chapter of the General Provisions Applicable to Issuers of Securities and Other Participants in the Securities Market in Mexico (the requirements). As of the date of our auditor's report we have not yet obtained these documents and they will be available only after the issuance of this Audit Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether if the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. When we read the Annual Report we will issue the auditors' legend about the reading thereof, required in Article 33 Fraction I, subsection b) numeral 1.2. of the Provisions or if we conclude that it is materially misstated we would be required to report this fact.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with IAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtein sufficient and appropriate envidency related with the financial information of the entities or bussines activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Entity. We are solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

C. P. C. Erick J. Calvillo Rello

México City, March 26, 2019

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

Consolidated Statements of Financial Position

As of December 31, 2018, 2017 and 2016
(In thousands of Mexican pesos)

Assets	Note	2018	2017	2016
Current assets:				
Cash and cash equivalents	5	$ 2,049,520	$ 1,926,334	$ 2,281,685
Financial instruments	6	426,113	434,889	491,531
Accounts receivable – Net	7	3,121,337	2,759,379	2,859,590
Inventories – Net	8	6,743,666	6,627,937	6,927,570
Prepaid expenses		236,250	239,802	533,562
Total current assets		12,576,886	11,988,341	13,093,938
Property and equipment – Net	9	10,399,393	9,821,015	9,769,426
Investment properties	10	13,923,440	12,745,562	11,894,763
Investments in joint ventures and associates	11	2,910,299	2,543,020	2,491,610
Goodwill	14	985,993	995,885	992,582
Deferred income taxes	27	495,946	418,451	463,385
Intangibles and other assets – Net	15	2,010,082	2,056,088	1,726,119
Total non-current assets		30,725,153	28,580,021	27,337,885
Total assets		$ 43,302,039	$ 40,568,362	$ 40,431,823

Liabilities and stockholders' equity

	Note	2018	2017	2016
Current liabilities:				
Current portion of long-term debt	17	$ 1,058,348	$ 514,549	$ 472,304
Trade accounts payable		5,329,197	4,303,164	5,028,255
Accrued expenses and taxes	16	1,942,677	1,610,772	1,906,220
Total current liabilities		8,330,222	6,428,485	7,406,779
Long-term debt	17	9,459,285	9,587,214	9,854,892
Employee benefits	19	73,944	207,605	124,680
Deferred income taxes	27	2,476,342	2,470,887	2,537,776
Long-term income tax payable	27	224,721	280,901	337,081
Derivative financial instruments		300,562	-	-
Prepaid rents, rent holidays received and other accounts payable		330,273	214,284	183,438
Total non-current liabilities		12,865,127	12,760,891	13,037,867
Total liabilities		21,195,349	19,189,376	20,444,646
Stockholders' equity:				
Common stock	21	1,374,928	1,374,928	1,374,928
Additional paid-in capital		4,026,542	4,026,542	4,026,542
Retained earnings		15,990,370	14,820,534	13,410,665
Other comprehensive income	22	455,280	641,477	667,692
Equity attributable to owners of the Entity		21,847,120	20,863,481	19,479,827
Non-controlling interest	23	259,570	515,505	507,350
Total stockholders' equity		22,106,690	21,378,986	19,987,177
Total stockholders' equity and liabilities		$ 43,302,039	$ 40,568,362	$ 40,431,823

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the years ended December 31, 2018, 2017 and 2016
(In thousands of Mexican pesos, except earnings per share data)

	Note	2018	2017	2016
Sale of goods – Net		$ 31,519,002	$ 30,589,532	$ 29,153,978
Rental income		1,401,704	1,319,916	1,284,447
Other income		268,089	242,263	420,139
		33,188,795	32,151,711	30,858,564
Cost of sales	25	20,741,363	20,000,794	19,134,734
Operating expenses	25	10,223,313	9,512,107	8,965,854
Gain on revaluation of investment property	10	(290,552)	(231,725)	(803,535)
Interest expense		1,036,244	1,008,808	1,505,383
Interest income		(179,808)	(116,267)	(106,462)
Exchange (gain) loss – Net		(4,432)	25,346	181,505
Available-for-sale financial instruments		-	-	(1,513,836)
Gain on revaluation of financial instruments		(151,813)	(19,834)	(368,042)
Share of profit of joint ventures and associates	11	(188,687)	(241,340)	(429,805)
Profit before income taxes		2,003,167	2,213,822	4,292,768
Income taxes expense	27	748,872	732,779	1,410,036
Net consolidated income		$ 1,254,295	$ 1,481,043	$ 2,882,732
Other comprehensive income:				
Items that will be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations		$ 233,561	$ 15,186	$ (554,311)
Net fair value loss on available-for-sale financial assets		-	-	1,528,179
Deferred tax related to gain on available-for-sale financial assets	27	-	-	(476,195)
Other comprehensive income for the year, net of income tax		233,561	15,186	497,673
Total comprehensive income for the year		$ 1,020,734	$ 1,465,857	$ 2,385,059

(Continued)

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the years ended December 31, 2018, 2017 and 2016
(In thousands of Mexican pesos, except earnings per share data)

	Note	2018	2017	2016
Profit for the year attributable to:				
Owners of the Entity		$ 1,169,836	$ 1,400,358	$ 2,789,483
Non-controlling interest	12	84,459	80,685	93,249
		$ 1,254,295	$ 1,481,043	2,882,732
Other comprehensive income attributable to:				
Owners of the Entity		$ 983,639	$ 1,374,143	$ 2,221,272
Non-controlling interest		37,095	91,714	163,787
		$ 1,020,734	$ 1,465,857	$ 2,385,059
Earnings per share:				
Basic and diluted earnings	28	$ 1.18	$ 1.41	$ 2.81

(Concluded)

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Stockholders’ Equity

For the years ended December 31, 2018, 2017 and 2016
(In thousands of Mexican pesos)

	Stockholders’ equity		Retained earnings	Other items of comprehensive income			
	Common Stock	Additional paid-in capital	Retained earnings	Net cumulative fair value gain on available- for-sale financial assets	Cumulative exchange differences on translating foreign operations	Non-controlling interest	Total stockholders’ equity
Balances as of January 1, 2016	$ 1,374,928	$ 4,026,542	$ 10,621,182	$ 1,051,984	$ 183,919	$ 424,296	$ 17,682,851
Repurchase of shares	-	-	-	-	-	(101,880)	(101,880)
Subsidiaries acquired	-	-	-	-	-	21,147	21,147
Comprehensive income	-	-	2,789,483	(1,051,984)	483,773	163,787	2,385,059
Balances as of December 31, 2016	1,374,928	4,026,542	13,410,665	-	667,692	507,350	19,987,177
Other	-	-	9,511	-	-	-	9,511
Dividends paid to non-controlling interest	-	-	-	-	-	(83,559)	(83,559)
Comprehensive income	-	-	1,400,358	-	(26,215)	91,714	1,465,857
Balances as of December 31, 2017	1,374,928	4,026,542	14,820,534	-	641,477	515,505	21,378,986
Initial recognition of put option for Grupo Prisa	-	-	-	-	-	(293,030)	(293,030)
Comprehensive income	-	-	1,169,836	-	(186,197)	37,095	1,020,734
Balances as of December 31, 2018	$ 1,374,928	$ 4,026,542	$ 15,990,370	$ -	$ 455,280	$ 259,570	$ 22,106,690

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2018, 2017 and 2016
(In thousands of Mexican pesos)

	2018	2017	2016
Cash flow from operating activities:			
Profit before income taxes	$ 2,003,167	$ 2,213,822	$ 4,292,768
Adjustments:			
Depreciation and amortization	883,618	842,983	753,742
Long-lived assets impairment loss (reversal of)	31,000	-	(45,844)
Gain on revaluation of investment property	(290,552)	(231,725)	(803,535)
Loss on sale and disposal of property and equipment	121,510	295,345	304,196
Foreign exchange	-	-	1,085,834
Available-for-sale financial instruments	-	-	(1,513,836)
Gain on revaluation of financial instruments	(151,813)	(19,834)	(368,042)
Dividends received	-	-	(6,648)
Share of gain of joint ventures and associates	(188,687)	(241,340)	(429,805)
Interest income	(179,808)	(116,267)	(106,462)
Other non-cash	103,119	119,289	3,911
Interest expense	1,036,244	1,008,808	1,505,383
	3,367,798	3,871,081	4,671,662
Working capital adjustments:			
(Increase) decrease in:			
Accounts receivable – Net	(225,454)	100,211	(109,012)
Inventories – Net	(115,729)	218,544	(1,479,870)
Prepaid expenses	24,081	(103,036)	(73,634)
Increase (decrease) in:			
Trade accounts payable	1,026,033	(725,091)	934,045
Accrued expenses and taxes	393,057	(264,042)	18,994
Income taxes paid	(1,077,226)	(805,708)	(785,720)
Net cash generated by operating activities	3,392,560	2,291,959	3,176,465
Cash flow from investing activities:			
Acquisition of property and equipment	(1,577,532)	(1,159,448)	(1,201,909)
Acquisition of investment properties	(887,326)	(493,962)	(333,529)
Acquisition of intangible and other assets	(70,537)	-	-
Proceeds on sale of investment properties	-	-	2,167,218
Proceeds on sale of properties and equipment	6,207	-	-
Acquisition of subsidiaries – net of cash received	-	-	(145,017)
Dividends received in cash from joint ventures and associates	17,000	222,704	6,648
Disposals of financial instruments	31,115	56,646	1,794,245
Increase in joint ventures and associates	(180,070)	(52,219)	(109,256)
Interest received	179,808	116,267	106,462
Net cash (used in) generated by investing activities	(2,481,335)	(1,310,012)	2,284,862

(Continued)

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2018, 2017 and 2016
(In thousands of Mexican pesos)

	2018	2017	2016
Cash flow from financing activities:			
Proceeds from borrowings net of issuance costs	$ 1,878,654	$ 4,183,435	$ 3,114,000
Re-payments of borrowings	(1,482,225)	(4,460,053)	(960,696)
Re-payments of senior notes payable	-	-	(7,164,764)
Interest paid	(1,002,348)	(979,078)	(1,491,974)
Dividends paid to non-controlling interest	-	(83,559)	(101,880)
Net cash used in financing activities	(605,919)	(1,339,255)	(6,605,314)
Net increase (decrease) in cash and cash equivalents	305,306	(357,308)	(1,143,987)
Cash and cash equivalents at the beginning of year	1,926,334	2,281,685	3,177,165
Effects of exchange rates changes on cash	(104,521)	1,957	248,507
Cash and cash equivalents at the end of year	$ 2,127,119	$ 1,926,334	$ 2,281,685

(Concluded)

See accompanying notes to consolidated financial statements.

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2018, 2017 and 2016
(In thousands of Mexican pesos, except earnings per share data)

1. Activities

Grupo Gigante, S. A. B. de C. V. is a public corporation incorporated under the laws of Mexico. The address of its corporate offices is Ejercito Nacional 769, Tower “B”, 12th floor, Granada, 11520, Mexico City, Mexico.

Grupo Gigante, S. A. B. de C. V. and subsidiaries (collectively, the “Entity”) is engaged in the operation of restaurants, management and development of investment property and the operation of self-service stores that sell office supplies, electronic goods as well as housewares.

On November 21, 2018, Grupo Gigante, S. A. B. de C. V., informed that, under terms of the respective deposit contracts, the procedure for the termination of Level I programs for 416 ADRs and Rule 144A for 588 ADRs was definitively concluded, which collectively represent 10,040 oridnary, normative shares without par value of the common stock of Grupo Gigante, S. A. B. de C. V.

On May 28, 2018, the outstanding balance of the bank loan that Restaurants Toks, S.A. de C.V., owed was prepaid for a total amount of $1,150,000, the prepayment was made by suing the proceeds of a new bank loan entered into for a total amount of $1,100,000, which matures in 6 years and it accrues interest using a single applicable margin during the entire term of the loan.

On July 14, 2017, Grupo Gigante, S. A. B. de C. V. prepaid in advance the outstanding balance of the Unsecured Credit Contract which, in its capacity as borrower, it executed with certain financial institutions on July 4, 2014 for $4,544,015. This payment was made through using the proceeds received from the three-year unsecured loan for $4,200,000, which has no periodic amortization until maturity and it accrues interest at a variable interest rate. On May 14, 2018, Grupo Gigante, S.A.B. de C.V., signed an amendment agreement to the Credit Agreement dated July 14, 2017, in order to renegotiate the terms of payment, maturity (extending it until 2024) and establish a single margin applicable for the calculation of the interest rate during the entire term of the loan.

On September 7, 2017, Grupo Gigante, S. A. B. de C. V. reported that, under the terms of the respective deposit contracts, a procedure was initiated to terminate Level I programs for 416 ADRs and Rule 144 A for 588 ADRs which collectively represent 10,040 oridnary normative shares with no par value of the common stock of Grupo Gigante, S. A. B. de C. V.

On December 19, 2016, Grupo Gigante, S. A. B. de C. V., through its subsidiary Office Depot de México, S.A. de C.V ("ODM"), settled its Senior Notes payable (the Senior Notes) using the “Make Whole Payment” clause as described in the Senior Note’s Indenture. The Notes were issued on September 20, 2013, for a total amount of 350,000,000 dollars, were due in 2022 and they bear interest at an annual rate of 6.875%.

On June 30, 2016, Office Depot de México, S. A. de C. V., an indirect subsidiary of Grupo Gigante, S. A .B. de C. V., acquired through its subsidiary OD Chile, S. P. A. 51% of the voting shares of the Chilean companies Transportes Surtivía Limitada, S. A., Transporte Tropiservi Limitada, S. A. and Transporte y Distribuidora Tropivias Limitada, S. A.

On May 27, 2016, Operadora y Administradora de Restaurantes Gigante, S. A. de C. V., an indirect subsidiary of Grupo Gigante, S. A. B. de C. V., entered into an agreement to acquire five restaurants that until then were operated under the trademark “Wings”, by Fly By Wings, S. A. de C. V., a subsidiary of CMR, S. A. B. de C. V. known as units Barranca, Fray Servando, Chapultepec, Queretaro, Alameda, as well as the assets of Cedros, all these restaurants operated under the "Wings" brand, which was previously owned by Fly By Wings, S.A. de C.V., a subsidiary of CMR, S.A. B. de C.V.

2. Application of new and revised International Financial Reporting Standards

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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

a. ***Application of new and revised International Financing Reporting Standars ("IFRSs" or "IAS") and interpretations that are madatory efective for the current year***

In the current year, the Entity has applied a number of amendments to IFRSs and new Interpretation issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2018.

New and modified IFRS that are effective for the current year

Initial impact of the application of IFRS 9 – Financial Instruments

In the current fiscal year, the Entity has applied IFRS 9, *Financial Instruments* (as revised in July 2014) and the adjustments related to other IFRS Standards that are effective for the year beginning on or after January 1, 2018. The transitional provisions of IFRS 9 allow the entity not to restate comparative financial statements.

Additionally, the Entity has adopted the adjustments of the IFRS 7, *Financial Instruments Disclosures*, which were applied to the 2018 disclosures.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Deterioration of financial assets, and
3. Hedge accounting.

The details of these new requirements, as well as their impact on the Consolidated Statements of the Entity's financial position are described below.

The Entity has adopted IFRS 9 in accordance with the transition provisions contemplated in IFRS 9.

a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Entity has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is January 1, 2018. Accordingly, the Entity has applied the requirements of IFRS 9 to instruments that continue to be recognized as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognized as at January 1, 2018.

All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortized cost;

- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income.

- All other debt investments and equity investments are measured subsequently at fair value through profit or loss.

Despite the aforegoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Entity may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination in other comprehensive income; and

- The Entity may irrevocably designate a debt investment that meets the amortized cost or fair value trought other comprehensive income criteria as measured at fair value through profit and or loss if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Entity has not designated any debt investments that meet the amortized cost or fair value trought other comprehensive income criteria as measured at fair value through profit and or loss.

When a debt investment measured at fair value trought other comprehensive income is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at fair value trought other comprehensive income is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortized cost or at fair value trought other comprehensive income are subject to impairment. See (b) below.

Reviewed and assessed the Entity’s existing financial assets as at January 1, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Entity’s financial assets as regards their classification and measurement:

- There is no change in the measurement of the Entity’s investments in equity instruments that are held for trading; those instruments were and continue to be measured at fair value through profit or loss;

- Financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortized cost continue to be measured at amortized cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Specifically, IFRS 9 requires the Entity to recognize a loss allowance for expected credit losses on:

(1) Debt investments measured subsequently at amortized cost or at fair value through other comprehensive income,
(2) Lease receivables,
(3) Trade receivables and contract assets, and
(4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Entity is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Because the Entity has elected to restate comparatives, for the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognized on the date of initial application of IFRS 9 (i.e. 1 January 2018), the directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2017.

c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at fair value through profit or loss attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognized. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Entity's financial liabilities.

d) Disclousures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Entity had previously designated as at fair value through profit and loss under IAS 39 that were subject to reclassification or which the Entity has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Entity has elected to designate as at fair value through profit or loss at the date of initial application of IFRS 9.

e) Impact of initial application of IFRS 9 on financial performance

The application of IFRS 9 has had no impact on the consolidated cash flows of the Entity.

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Entity has applied IFRS 15, *Revenue from Contracts with Customers*, (as amended in April 2016) which is effective for an annual period that begins on or after January 1, 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Entity's consolidated financial statements are described below.

The Entity has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognize that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Entity has adopted the terminology used in IFRS 15 to describe such balances.

The accounting policies for the Entity's results are described in detail in note 3 below.

The application of IFRS 15 had no impact on the financial position and on the financial performance of the Entity.

Impact of application of Other amendments to IFRS Standars and Interpretations

In the current year, the Entity has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after January 1, 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 2 (amendments) *Classification and Measurement of Share-based Payment Transactions*	The Entity has adopted the amendments to IFRS 2 for the first time in the current year. The amendments clarify the following: 1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments. 2. When tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. 3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: (i) the original liability is derecognized; (ii) the equity-settled share-based payment is recognized at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and (iii) any difference between the carrying amount of the liability at the modification date and the amount recognized in equity should be recognized in profit or loss immediately.

IAS 40 (amendments)Transfers of Investment Property.	The Entity has adopted the amendments to IAS 40, *Investment Property*, for the first time in the current year. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue). The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

New and revised IFRS Standards in issue but nor yet effective

At the date of authorization of these financial statements, The Entity has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 16	*Leases*
Amendments to IFRS 9	*Payment Features with Negative Compensation*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Anual Improvements to IFRS Standards 2015-2017 Cycle	*Amendments to* IFRS 3, *Business Combinations,* IFRS 11, *Joint Arrangements,* IAS 12, *Income Taxes,* and IAS 23, *Borrowing Costs*
Amendments to IAS 19, *Employee Benefits*	*Plan Amendment, Curtailmento r Settlement*
IFRS 10, *Consolidated Financial Statements* and IAS 28 (amendments	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
IFRIC 23	*Uncertainty over Income Tax Treatments*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Entity in future periods, except as noted below:

IFRS 16 Leases

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17, *Leases*, and the related Interpretations when it becomes effective for accounting periods beginning on or after January 1, 2019. The date of initial application of IFRS 16 for the Entity will be January 1, 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The Entity will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before January 1, 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Entity will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after January 1, 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Entity has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Entity.

Impact on Lessee Accounting

Operating leases

IFRS 16 will change how the Entity accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Entity will:

a) Recognize right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognize depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortized as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Entity will opt to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after January 1, 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The directors of the Entity do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The directors of the Entity do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements

Annual Improvements to IFRS Standars 2015-2017

Cycle Amendments to IFRS 3, Business Combinations, IFRS 11, Joint Arrangements, IAS 12, Income Taxes, and IAS 23, Borrowing Costs

The *Annual Improvements* include amendments to four Standards.

IAS 12 *Income Taxes*

The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 *Borrowing Costs*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IFRS 3 *Business Combinations*

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation.

IFRS 11, *Joint Arrangements*

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

All the amendments are effective for annual periods beginning on or after January 1, 2019 and generally require prospective application. Earlier application is permitted.

The directors of the Entity do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

Amendments to IAS 19, Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The directors of the Entity do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

IFRS 10, Consolidated Financial Statements, and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has becomn associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Entity's consolidated financial statements in future periods should such transactions arise.

The directors of the Entity do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements

IFRIC 23, Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as an entity; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
    - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after January 1, 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Entity do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

3. Summary of significant accounting policies

a. ***Statement of compliance***

The consolidated financial statements have been prepared in accordance with IFRS released by the IASB.

b. ***Basis of measurement***

The consolidated financial statements have been prepared on the historical cost basis except for, investment property and certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

i. *Historical cost*

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. *Fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable.

c. ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of the Entity and its subsidiaries controlled by it. Control is achieved when the Entity:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Entity considers all relevant facts and circumstances in assessing whether or not the Entity's voting rights in an investee are sufficient to give it power, including:

- The size of the Entity's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Entity, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Entity's accounting policies.

All intra-Entity assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation.

Changes in the Entity’s ownership interests in existing subsidiaries

Changes in the Entity’s ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

d. ***Business combinations***

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Entity, liabilities incurred by the Entity to the former owners of the acquiree and the equity interests issued by the Entity in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, *Income Taxes,* and IAS 19 *Employee benefits*, respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Entity entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, *Share Based Payments,* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations,* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Entity previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

e. ***Investments in joint ventures and associates***

An associate is a company over which the Entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Entity's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Entity's share of losses of an associate or a joint venture exceeds the Entity's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Entity's net investment in the associate or joint venture), the Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36, *Impairment of Assets,* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Entity discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Entity retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Entity measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Entity reduces its ownership interest in an associate or a joint venture but the Entity continues to use the equity method, the Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the Entity transacts with an associate or a joint venture of the Entity, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Entity.

f. ***Cash equivalents***

Cash equivalents consist mainly in 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 equivalents are measured at fair value; any fluctuations in fair value are recognized in profit for the year.

g. ***Restricted cash***

Restricted cash represents cash and cash equivalents balances held by the Entity that are only available for use under certain conditions pursuant to the guarantee agreements and other contracts entered into by the Entity (as discussed in Note 5). These restrictions are classified according to their restriction period: less than 12 months and over one year, considering the period of time in which such restrictions are fulfilled and the Entity may use these amounts, whereby the short-term restricted cash balance was classified within current assets under cash and cash equivalents and the long-term restricted cash, was classified within intangibles and prepaid expenses.

h. ***Financial assets***

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (fair value through other comprehensive income):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (fair value through profit or loss).

Despite the foregoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- the Entity may irrevocably designate a debt investment that meets the amortized cost or fair value through other comprehensive income criteria as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

(i) Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at fair value through other comprehensive income. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Entity recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in profit or loss and is included in the "finance income - interest income".

(ii) *Equity instruments designated as at fair value through other comprehensive income*

On initial recognition, the Entity may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income. Designation at fair value through other comprehensive income is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not being reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' in profit or loss.

The Entity has designated all investments in equity instruments that are not held for trading as at fair value through other comprehensive income on initial application of IFRS 9 (see note 2).

(iii) *Financial assets at* fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income (see (i) to (iii) above) are measured at fair value through profit or loss. Specifically:

- Investments in equity instruments are classified as at fair value through profit or loss, unless the Entity designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at fair value through other comprehensive income on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortized cost criteria or the fair value through other comprehensive income criteria (see (i) and (ii) above) are classified as at fair value through profit or loss. In addition, debt instruments that meet either the amortized cost criteria or the fair value through other comprehensive income criteria may be designated as at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Entity has not designated any debt instruments as at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses'. Fair value is determined in the manner described in note 20 (1).

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses';
- for debt instruments measured at fair value recognized in other comprehensive income that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'other gains and losses'. Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve;

- for financial assets measured at fair value through profit or loss that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses' and
- for equity instruments measured at fair value recognized in other comprehensive income, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Entity recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at fair value recognized in other comprehensive income, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Entity always recognizes lifetime expected credit loss for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Entity recognizes lifetime expected credit loss when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Entity measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

Lifetime expected credit loss represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month expected credit loss represents the portion of lifetime expected credit loss that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date

(i) Sifnificant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Entity compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Entity considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Entity's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Entity's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Entity presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Entity has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Entity assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Entity considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Entity becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Entity considers the changes in the risk that the specified debtor will default on the contract.

The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Entity considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Entity, in full (without taking into account any collateral held by the Entity).

Irrespective of the above analysis, the Entity considers that default has occurred when a financial asset is more than 90 days past due unless the Entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Entity writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Entity's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Entity's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Entity in accordance with the contract and all the cash flows that the Entity expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 *Leases.*

For a financial guarantee contract, as the Entity is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Entity expects to receive from the holder, the debtor or any other party.

If the Entity has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Entity measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Entity recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition *of financial assets*

The Entity derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Entity has elected on initial recognition to measure at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial *liabilites and equity*

Classification *as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

i. ***Inventories***

Inventories are stated at the lower of cost or realizable value. The costs, including a portion of fixed and variable overhead costs are allocated to inventories using the most appropriate method for the particular kind of inventory and they are mainly measured using the average cost. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

j. ***Housing inventories***

Housing inventories consist of houses and apartments, land in process of being developed for its sale, costs and expenses incurred during the construction process of such inventories. They are stated at its construction cost, including all directly attributable costs such as the cost of the land used, construction in process and borrowing costs, without exceeding its realizable value.

k. ***Prepaid expenses***

Prepaid expenses are measured at the amount of cash or cash equivalents paid and recognized as assets from the date in which the payment is made. They are recognized in profit or loss during the period in which the related services are received or the goods are used. They are classified as short-term or long-term depending on whether the period of use of the services or goods goes beyond 12 months.

l. ***Property and equipment***

Property and equipment are initially recognized at cost and subsequently at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in such estimates accounted for on a prospective basis. Land is not depreciated.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation is calculated using the straight-line method based on the estimated useful lives of the related assets, as follows:

	Average years
Buildings	40
Leasehold improvements	9-25
Furniture and equipment	4-10
Vehicles	4
Computers	4

Leasehold improvements are amortized over the shorter of their useful life or the term of the lease.

m. ***Investment properties***

Investment properties are properties held to earn rentals and/or for capital appreciation, mainly buildings and land destined for use by the Entity's customers as supermarkets, retail stores and offices. It includes investment property under construction for such purposes. Property occupied by the Entity is segregated from the Entity's investment property and classified as property and equipment, such segregation is made based on relative square meters.

Investment properties are measured initially at cost, including transaction costs. Subsequent investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Fair values are based on market values, which are estimated to be the amount of money for which an investment property could be sold at the measurement date. Fair value for investment property and land occupied or ready to be occupied for the Entity's tenants is determined internally using valuation techniques such as the discounted cash flows approach which uses the capitalization of rental income minus property operating expenses, such as maintenance, insurance and other direct costs. The valuations take into account the ability of market participants to generate economic benefits by selling the asset or by using it in its "highest and best use" which includes the consideration of the highest and best use that physically possible, legally permissible and financially feasible. Valuations are periodically made by a specialized department of the Entity that has experience in location and category of valued investment properties. This valuation is performed for the investment properties currently in conditions to be rented; for land reserves, an appraisal is made by independent external experts that use the market approach to determine their fair value.

After initial recognition of the investment properties, all repairs and maintenance expenses are recognized within profit or loss of the period in which they are incurred.

Investment properties under construction are measured at is fair value only to the extent that such fair value can be reliably determined. In such determination, management considers, among other factors, the general conditions of the construction contract, the stage of completion of such construction, the existence of similar construction projects in the market, the reliability of the expected future cash inflows, the specific risk of the related property and past experiences.

An investment property is derecognized upon sale or when the investment property is permanently withdrawn from use and no future economic benefits are expected to be received from such investment property. Any gain or loss arising on derecognition of the property (calculated as the difference between the net sale proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

The Entity transfers from other categories of property to investment property when, and only when, there is a change in use, evidenced by commencement of development with a view to sell, the Entity vacates an existing owner-occupied property with a view to begin redevelopment as investment property or the beginning of an operating lease with a third party.

n. ***Borrowing costs***

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs, including costs for loans related to investment properties that are valued at fair value are recognized in profit or loss in the period in which they are incurred.

o. ***Goodwill***

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 14) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Entity's cash-generating units (or the Entity's of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

p. ***Deferred charges***

Costs incurred in the development phase that meet certain requirements and that the Entity 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 profit or loss of the period in which they are incurred.

q. ***Intangible assets***

1. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

2. Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to their initial measurement, an internally-generated intangible asset is recognized at their cost less accumulated amortization and cumulative impairment losses, on the same basis as the intangible assets that are acquired separately.

3. <u>Intangible assets acquired in a business combination</u>

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

4. <u>Derecognition of intangible assets</u>

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

r. ***Customer lists***

Customer lists represent the fair value of the intangible assets related to client lists identified as an asset at the acquisition date. Its expected economic life is estimated to be ten years and is subject to impairment tests on an annual basis.

s. ***Leasing***

Leases are classified as finance leases whenever the terms of the lease agreement transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

i. The Entity as a lessor

The Entity, as a lessor, retains substantially all of the benefits and risks of ownership of the property; therefore, it accounts for its leases as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease agreement. Contingent rents are recognized as rental income in the consolidated statements of profit or loss and other comprehensive income in the period in which the contingency occurs.

ii. The Entity as a lessee

Leases have been classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Rent holidays are amortized over the lease term. Contingent rents arising under operating leases are recognized as an expense in the consolidated statement of profit or loss in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

t. ***Impairment in value of tangible and intangible assets other than goodwill***

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Entity of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less (or a cash-generating unit) than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

u. ***Financial liabilities and equity instruments***

Financial assets and financial liabilities are recognized when an Entity becomes a party to the contractual provisions of the instruments.

Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

i. Classification as debt or equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

ii. Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL’ or ‘other financial liabilities’.

iii. Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

iv. Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

v. Offset

Financial assets and liabilities are subject to offset and the net amount is shown in the financial status statement only when the Entity has a legal right to offset the amounts and its purpose is to carry out liquidation on a net basis or to simultaneously realize the asset and liquidate the liability.

vi. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Entity are recognized at the proceeds received, net of direct issue costs.

v. ***Derivative financial instruments***

The Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks including foreign exchange forward contracts, including interest rate *swaps* and exchange rate *forwards*. Further details of derivative financial instruments are disclosed in Note 20.

Derivative financial instruments presented as of the date of the report, even though they have been entered into with hedging purposes from an economic perspective, they have been classified as trading from an accounting perspective. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

w. ***Provisions***

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, when it is probable that the Entity will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties associated with the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

i. Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

ii. Restructurings

A restructuring provision is recognized when the Entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Entity.

x. ***Employee benefits, benefits from termination, retirement and statutory employee profit sharing (PTU)***

<u>Employee benefits from termination and retirement</u>

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income.
- Remeasurement.

The Entity presents the first two components of defined benefit costs in profit or loss. Gains and losses for reduction of service are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Entity's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

<u>Short-term and other long-term employee benefits</u>

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

<u>Statutory employee profit sharing (PTU)</u>

PTU is recorded in the results of the year in which it is incurred and is presented in operating expenses and cost of sales line item in the consolidated statement of profit or loss and other comprehensive income/consolidated statement of income. PTU is determined based on taxable income, according to Section I of Article 9 of the Income Tax Law.

y. ***Income taxes***

Income tax expense represents the sum of the tax currently payable and deferred tax.

i. <u>Current tax</u>

Current income tax ("ISR") is recognized in the results of the year in which is incurred.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

ii. Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

iii. Current and deferred taxes

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

z. ***Repurchase of treasury shares***

Pursuant to the Mexican Stock Market Law, a reserve was created to repurchase shares of Grupo Gigante, S.A.B. de C.V. which amount is reviewed and approved each year by the General Annual Ordinary Shareholders' Meeting. Shares, that are purchased temporarily by Grupo Gigante, S.A.B. de C.V., are repurchased by charging the stockholders' equity or the common stock, according to Article 56 of the Stock Market Law. No Gains or losses related the repurchase, sale, issuance or settlement of Grupo Gigante, S.A.B. de C.V. own equity instruments are recognized in the comprehensive income statements.

aa. ***Foreign currencies***

In preparing the financial statements of the Entity, transactions in currencies other than the Entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

The individual financial statements of each subsidiary, directy or indirect of Grupo Gigante, S.A.B. de C.V., are prepared in the currency of the primary economic environment operates (its functional currency). For purposes of these financial statements, the results and financial position of each subsidiary of Grupo Gigante, S.A. de C.V. are expressed in Mexican pesos, which is the functional currency of the Entity and the presentation currency for the consolidated financial statements.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal (i.e. a disposal of the Entity's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled Entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Entity are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Entity losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Entity losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

bb. ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Entity recognizes revenue related to the different activities it is engaged on as follows:

i. *Sale of goods:* revenue is recognized when control of the goods has been transferred, being at the point when customers purchas the goods at the stores or resturants. Payment is received immediately when customers buy the goods and services.

Under the Entity's standard contract and sale terms, customers have the right to return purchased goods. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognized for those products expected to be returned. At the same time, the Entity has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales. The Entity uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognized will not occur given the consistent level of returns over previous years.

The entity sells goods through its own stores and online.

For sales on the point of sales and online, revenue is recognized when control of the goods is transferred, this generaly occurs when the goods have been shipped to the customer specific location (delivery) for sales made at the point of sales.

For online sales, revenue is recognized when control of the goods has transferred to the customer, which occurs once the purchase goods are delivered to the customer. When the customer initially purchases the goods online the transaction price received by the Entity is recognized as a contract liability until the goods have been delivered to the customer

ii. *Rental income:* The Entity, as a lessor, retains substantially all of the benefits and risks of ownership of the property; therefore, it accounts for its leases as operating leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are capitalized within non-current assets and recognized on a straight-line basis over the lease term. Income from maintenance services related to property for rent granted are recognized in the period in which they accrue. Leasing incentives are recognized on a straight-line basis over the life of the lease. Rental income includes income from parking lots operated by the Entity.

iii. *Dividend and interest income:* Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably). Dividend income is included in other income in the consolidated statements of profit or loss and other comprehensive income.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

iv. *Rendering of services:* Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period.
- Servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold.
- Revenue from time and material contracts is recognized at the contractual rates as labor hours and direct expenses are incurred.

Service revenue is included in other income in the consolidated statements of profit or loss and other comprehensive income.

cc. ***Statement of Cash Flows***

The Entity reports cash flows for investment transactions using the indirect method whereby the profit or loss is adjusted for the effects of transactions of a nature different than cash, any deferral of inflow or outflow of cash for past or future accumulation or entries of income or expenses associated with cash flows from investment or financing activities.

Interests paid and interests and dividends received are classified as financing and investment activities, respectively.

dd. ***Earnings per share***

Basic earnings per common share are calculated by dividing net income of the equity attributable to owners of the Entity by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are determined by adjusting consolidated profit attributable to the owners of the Entity for the year and common shares on the assumption that the Entity's commitments to issue or exchange its own shares would be fulfilled. During 2018, 2017 and 2016, the Entity did not have any dilutive instruments; therefore, basic and diluted per share are the same.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in Note 3, the Entity's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. ***Critical accounting judgments when applying accounting policies***

Leases classification - Leases are classified based on the extent that the risks and benefits inherent to the property of the leased asset are transferred or maintained, depending more on the substance of the transaction than in the legal form. The Entity set forth internal criteria to determine if the term of the leases is for most of the economic life of the leased property, as well as the criteria for the separation of the value allocated to the land and the construction by the participants on the lease of a real estate.

b. ***Key sources of estimation uncertainty:***

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

i. ***Investment properties***

The Entity carries out internal valuations of its investment property which are occupied or ready to be occupied by leasees (investment properties in operation). The valuation methodology includes assumptions that are not directly observable in the market to determine the fair value. The method used was the income capitalization method - income approach, which consists of valuation techniques and mathematic models to analyze the capacity for the future generation of economic benefits by the property discounted at present value. The main assumptions used in such calculation are discount rates, the Entity's future net operating income per property and inflation rates.

Significant changes in occupancy levels and/or in the rental income or significant increases or changes in the discount rate may result in a fair value for the investment properties significantly different and a related impact in profit or loss.

The valuation techniques used during the reported periods have been consistent. Management believes that the valuation methodologies and assumptions used are appropriate for the determination of the Entity's investment property fair values.

For investment property that is not in condition for being occupied (land or land reserves maintained for future development or to obtain capital appreciation) external appraisals are performed periodically by an independent appraiser.

ii. ***Property and equipment***

The Entity determines the useful lives and residual values of its property and equipment based on its experience using the advice of internal specialists.

iii. ***Impairment testing***

The Entity is required to test its definite useful live long-lived assets for impairment when there are indicators that an impairment loss has occurred and to test its indefinite useful live assets, including goodwill and other intangible assets, at least on an annual basis. To calculate impairment losses of long-lived assets in use, it is necessary to determine the asset's recoverable amount. Recoverable amount is defined as the higher of the asset's fair value less cost to sell or its value in use, which is the present value of the future cash flows expected to be derived from the asset. Determining whether goodwill is impaired requires an estimation of the value-in use of the cash-generating units to which goodwill has been allocated. The value-in use calculation requires management to estimate the present value of the future cash flows expected to arise from the cash-generating unit, determined using a suitable discount.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires Management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

iv. ***Deferred taxes***

Under IFRS, the Entity is required to recognize income tax effects for temporary differences between the carrying amount of the Entity's assets and liabilities in the statement of financial position and their related tax basis. A deferred income tax asset is recognized in the consolidated financial statements to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilize and therefore future economic benefits will ultimately flow to the Entity. Such estimates are based on management's knowledge of the business as well as projections of future profits, including tax strategies entered into by the Entity.

5. Cash and cash equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, bank deposits and short-term investments highly liquid which are measured at nominal value. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	2018	2017	2016
Cash on hand	$ 26,229	$ 26,617	$ 24,883
Bank deposits and cash equivalents	2,023,291	1,825,248	2,050,753
Restricted cash and cash equivalents (1)	-	74,469	206,049
	$ 2,049,520	$ 1,926,334	$ 2,281,685
Restricted cash Long Term – Note 15	77,599	-	-
	$ 2,127,119	$ 1,926,334	$ 2,281,685

(1) Some of the Entity's subsidiaries have borrowings from financial institutions whose contracts require certain amounts of cash to be deposited as collateral. Such amounts are deposited in trusts that have been created and where the collection of rental income of some of the Entity's investment properties is deposited. Such funds service the borrowings and a reserve equivalent to five monthly payments of capital and interest is required to exist at any point in time. The deposited amounts are invested in debt instruments which are highly liquid such as government bonds. At the end of the reporting period, the balance maintained for the service of the debt in accordance with the borrowing agreements and since the time restriction for the use of these resources is less than 12 months; such amounts are presented as restricted cash within current assets. As of December 31, 2016, restricted cash includes $141,480 related to the gain on the sale of a derivative financial instrument which will be available for use during 2017. Since the restrictions on these balances go beyond 12 months, as of December 31, 2018, restricted cash is presented as a non-current asset in the Intangibles and Other Assets line item as descrived in Note 15.

6. Financial instruments

	2018	2017	2016
Held for trading financial assets (i)	426,113	434,889	491,531
	$ 426,113	$ 434,889	$ 491,531

(i) Investments in financial instruments, including both equity and debt some of which trade in stock exchanges in Mexico and other countries, acquired with the intention of being sold. They are measured at fair value through profit or loss.

7. Accounts receivable

a. Accounts receivable are as follows:

	2018	2017	2016
Trade accounts receivable	$ 1,521,044	$ 1,669,839	$ 1,530,535
Allowance for doubtful accounts	(46,142)	(29,208)	(33,136)
	1,474,902	1,640,631	1,497,399
Recoverable Value Added Tax ("VAT")	1,049,885	720,077	777,347
Recoverable income tax	285,777	189,229	302,388
Accounts receivable in joint venture and associates (i)	47,278	89,622	158,346
Other accounts receivable	263,495	119,820	124,110
	$ 3,121,337	$ 2,759,379	$ 2,859,590

(i) As of December 31, 2017, and 2016, there was an account receivable from the associate Fideicomiso CI Banco, S. A. IBM CIB/535 for $50,000 which accrued interest at a fixed rate of 8% annually, the principal and its accrued interests were capitalized during 2018.

b. Movement in the allowance for doubtful accounts receivable as follows:

	2018	2017	2016
Balance at beginning of the year	$ 29,208	$ 33,136	$ 34,616
Increases	30,485	9,518	15,968
Amounts written-off as uncollectible	(13,551)	(13,446)	(17,448)
Balance at end of the year	$ 46,142	$ 29,208	$ 33,136

Normal credit terms for most of the customers of the Entity are 30 to 90 days; thereafter the payment is considered past due. As of December 31, 2018, 2017 and 2016, 97%, 96% and 96% of all accounts receivable are current, respectively.

Balances past due but not impaired: The main accounts receivable that are past due but not impaired relate to receivables owed by one of the Entity's clients, which even though are past due, management considers they have a high probability of being collected and therefore, an allowance for recoverability has not been created. As of December 31, 2018, 2017 and 2016, the amount of past due but not impaired receivables is $43,578, $71,889 and $62,977, respectively.

The allowance for doubtful accounts receivable covers receivables past due for more than 90 days with low recovery possibilities.

8. Inventories

	2018	2017	2016
Office supplies inventories	$ 6,440,595	$ 6,209,405	$ 6,263,802
Housewares supplies inventories	189,432	169,165	137,847
Food inventories	107,614	93,933	87,511
Allowance for obsolete inventories	(25,393)	(23,580)	(17,924)
	6,712,248	6,448,923	6,471,236
Housing inventories	31,418	179,014	456,334
	$ 6,743,666	$ 6,627,937	$ 6,927,570

9. Property and equipment

	2018	2017	2016
Gross investment at cost:			
Land	$ 2,259,923	$ 2,052,314	$ 2,095,013
Buildings and leasehold improvements	8,898,096	8,569,750	8,477,070
Furniture and equipment	3,204,075	3,072,937	2,963,116
Computers	1,172,466	1,078,457	893,262
Vehicles	450,947	411,499	313,557
Construction in-progress	472,194	171,878	250,199
Gross investment	$ 16,457,701	$ 15,356,835	$ 14,992,217
Accumulated depreciation:			
Buildings and leasehold improvements	$ (2,949,608)	$ (2,689,954)	$ (2,678,617)
Furniture and equipment	(1,973,003)	(1,813,100)	(1,655,337)
Computers	(853,614)	(765,437)	(677,907)
Vehicles	(282,083)	(267,329)	(210,930)
Accumulated depreciation	$ (6,058,308)	$ (5,535,820)	$ (5,222,791)
Net investment:			
Land	$ 2,259,923	$ 2,052,314	$ 2,095,013
Buildings and leasehold improvements	5,948,488	5,879,796	5,798,453
Furniture and equipment	1,231,071	1,259,837	1,307,779
Computers	318,852	313,020	215,355
Vehicles	168,865	144,170	102,627
Construction in-progress	472,194	171,878	250,199
Total property and equipment – Net	$ 10,399,393	$ 9,821,015	$ 9,769,426

a. The roll forward of the net book value of property and equipment is as follows:

	Land	Buildings and leasehold improvements	Furniture and equipment	Computers
Balance as of January 1, 2016	$ 2,051,885	$ 5,630,510	$ 1,242,714	$ 205,837
Additions	-	445,091	323,726	117,003
Additions through business combinations	-	90,581	10,244	-
Transfers	-	5,500	-	-
Effect of foreign currency exchange differences	43,128	97,267	15,645	4,277
Depreciation	-	(293,788)	(184,307)	(96,259)
Impairment	-	-	-	-
Disposals related to sale	-	(176,708)	(100,243)	(15,503)
Balance as of December 31, 2016	2,095,013	5,798,453	1,307,779	215,355

	Land	Buildings and leasehold improvements	Furniture and equipment	Computers
Additions	8,246	639,629	207,419	217,057
Additions through business combinations	-	(44,023)	-	-
Effect of foreign currency exchange differences	(15,350)	(12,306)	(8,278)	445
Depreciation	-	(319,563)	(204,765)	(114,650)
Disposals related to sale	(35,595)	(182,394)	(42,318)	(5,187)
Balance as of December 31, 2017	2,052,314	5,879,796	1,259,837	313,020
Additions	222,661	533,095	229,469	121,366
Additions through business combinations	-	(31,000)	-	-
Effect of foreign currency exchange differences	(10,384)	(25,829)	(8,501)	(1,561)
Depreciation	-	(339,024)	(214,819)	(107,320)
Disposals related to sale	(4,668)	(68,550)	(34,915)	(6,653)
Balance as of December 31, 2018	$ 2,259,923	$ 5,948,488	$ 1,231,071	$ 318,852

	Vehicles	Construction in-progress	Net investment
Balance as of December 31, 2016	$ 96,317	$ 137,108	$ 9,364,371
Additions	126,395	190,716	1,202,931
Additions through business combinations	-	-	100,825
Transfers	-	-	5,500
Effect of foreign currency exchange differences	10,210	505	171,032
Depreciation expense	(118,332)	-	(692,686)
Impairment	-	(72,851)	(72,851)
Disposals related to sale	(11,963)	(5,279)	(309,696)
Balance as of December 31, 2016	102,627	250,199	9,769,426
Additions	171,638	(84,541)	1,159,448
Additions through business combinations	-	9,512	9,512
Transfers	-	-	(44,023)
Effect of foreign currency exchange differences	(1,362)	(5,570)	(42,421)
Depreciation expense	(113,839)	5,056	(747,761)
Disposals related to sale	(14,894)	(2,778)	(283,166)

	Vehicles	Construction in-progress	Net investment
Balance as of December 31, 2017	144,170	171,878	9,821,015
Additions	169,140	301,801	1,577,532
Impairment	-	-	(31,000)
Effect of foreign currency exchange differences	(1,723)	(822)	(48,820)
Depreciation expense	(131,116)	-	(792,279)
Disposals related to sale	(11,606)	(663)	(127,055)
Balance as of December 31, 2018	$ 168,865	$ 472,194	$ 10,399,393

b. Depreciation expense is presented in the cost of sales and operating expenses line items in the consolidated statements of profit and loss and other comprehensive income. As of December 31, 2018, an impairment loss on buildings and leashold improvements was recognized for $31,000, during the year ended December 31, 2017, no impairment losses were recognized and as of December 31, 2016, impairment losses were recognized for construction in process for $72,851.

10. Investment properties

The Entity uses different valuation approaches such as the income approach, the replacement cost approach and the market approach to determine the fair value of its investment property. The techniques used include assumptions, the majority of which are not directly observable in the market such as discount rates, long-term future net operating income (NOI), inflation rates and the market value of its land reserves per square meter. The Entity internally calculates the fair value of its land and buildings that are leased, both vacant and occupied by tenants, using the income approach and it uses external independent appraisers to determine the fair value of its land reserves. The fair value determination considered the highest and best use of the investment properties. There have been no changes in the valuation approaches used.

Gains or losses arising from changes in the fair values are included in the consolidated statements of profit and loss and other comprehensive income in the period in which they arise.

The direct operating expenses, including maintenance, arising from investment property that generated rental income during the years ended December 31, 2018, 2017 and 2016, were $243,759, $227,331 and $228,623, respectively. The direct operating expenses, for properties that did not generate rental income for the years ended December 31, 2018, 2017 and 2016 were $4,062, $3,390 and $3,326, respectively.

As of December 31, 2018, 2017 and 2016, the Entity's investment properties have a gross leasable area (unaudited) of 929,011, 928,649 and 923,675 square meters, respectively. As of December 31, 2018, 2017 and 2016 were 95%, 96% and 96%, occupied (unaudited) by tenants, respectively.

The Entity's investment properties are located in Mexico and they are classified as Level 3 in the IFRS fair value hierarchy. The following table provides information about how the fair values of the investment properties are determined (in particular, the valuation technique(s) and inputs used).

Property	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Value/range	Relationship of unobservable inputs to fair value
Buildings and land	Level 3	Discounted cash flows	Discount rate	2018: 12.16% 2017: 12.05% 2016: 11.35%	The higher the discount rate, the lower the fair value.
			Long-term NOI	Based on contractual rent and then on market related rents	The higher the NOI, the higher the fair value.

Property	Fair value hierarchy	Valuation techniques	Significant unobservable inputs	Value/range	Relationship of unobservable inputs to fair value
			Inflation rate	Mexico: 2018: 4.02% 2017: 4.20% 2016: 3.76%	The higher the inflation rate, the higher the fair value.
Land reserves	Level 3	Market value	Price per square meter	Depending on the location	The higher the price, the higher the fair value.

a. The table below sets forth the aggregate values of the Entity's investment properties for the years indicated:

	2018	2017	2016
Buildings and land	$ 12,806,866	$ 11,628,988	$ 10,611,684
Land reserves	1,116,574	1,116,574	1,283,079
Balance at end of year	$ 13,923,440	$ 12,745,562	$ 11,894,763

b. The reconciliation of investment property is as follows:

	2018	2017	2016
Balance at beginning of year	$ 12,745,562	$ 11,894,763	$ 12,924,916
Additions	887,326	493,962	333,529
Transfer of assets (i)	-	125,112	-
Disposals		-	(2,167,217)
Gain on revaluation of investment property	290,552	231,725	803,535
Balance at end of year	$ 13,923,440	$ 12,745,562	$ 11,894,763

Additions for 2018 include insurance recovery for the loss of a property for $56,669. The gain on revaluation of the property is driven by changes in: 1) discount rates used to calculate the fair value, 2) higher occupancy rates and NOI and 3) new operating leases entered into by the Entity as well as changes in the market-related assumptions used to determine the fair value of land reserves.

As of December 31, 2018, 2017 and 2016, there is 24, 23 and 23 of Enttity´s invesment properties, respectively, and as of December 31, 2016, 24 of the Entity's investment properties were pledged as collateral for the long-term debt as discussed in Note 17. The fair value of such investment properties as of December 31, 2018, 2017 and 2016 was $7,155, 256, $5,703,698 and $5,642,135, respectively.

On May 25, 2016, the Entity through its subsidiary Gigante, S.A. de C.V., entered into an agreement with UIR Polanco, S.A. de C.V. (UIR), a subsidiary of Union Investment Real Estate GmbH (Investment fund investment entity Kapitalanlagegesellschaft/KAG), in which (i) Gigante, S.A. de C.V. agreed to sale to UIR the investment property known as "Corporativo Dos Patios", (ii) Gigante, S.A. de C.V. ceded to UIR all rights and responsibilities as lessor related to several lease contracts in respect of the such investment property and (iii) Gigante ceded to UIR the trademark Dos Patios. The consideration received was 117,500,000 dollars.

The operating lease contracts entered into by the Entity with its customers, include rental incentives such as rent holidays, other incentives as well as one time signing payments charged (known as key money). Income from operating leases is recognized on a straight-line basis over the lease term, including the income related to these lease incentives.

(i) Transfers to investment properties are related to land that was transferred from housing inventories.

11. Investments in joint venture and associates

Details of each of the Entity's joint ventures and associates are as follows:

Entity	Investment type	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Entity 2018	2017	2016
Mascotas y Compañía, S. A. P. I. de C. V.	Joint venture	Retail specialized in selling pet products	Mexico city, Mexico	50.0%	50.0%	50.0%
Trust Banorte F/743955	Associate	Parent of an entity that operates a shopping center	Veracruz, Mexico	50.0%	50.0%	50.0%
Trust CIB/535	Associate	Entity that operates a shopping center	Veracruz, Mexico	50.0%	50.0%	50.0%
Inmobiliaria Conjunto Polanco, S. A. P. I. de C. V.	Associate	Developing of investment properties	Mexico City, Mexico	41.6%	41.6%	41.6%

The details of the amounts recognized in the consolidated statement of financial position and in the consolidated statements of profit or loss and other comprehensive income as of and for the years ended December 31, 2018, 2017 and 2016 are as follows:

Entity	Investment in shares 2018	2017	2016
Mascotas y Compañía, S. A. P. I. de C. V.	$ 571,615	$ 407,798	$ 313,241
Trust Banorte F/743955	315,276	303,361	292,016
Trust CIB/535	433,011	360,910	347,346
Other	263	263	263
Inmobiliaria Conjunto Polanco, S. A. P. I. de C. V.	1,590,134	1,470,688	1,538,744
	$ 2,910,299	$ 2,543,020	$ 2,491,610

Entity	Entity's share of profit or loss 2018	2017	2016
Mascotas y Compañía, S. A. P. I. de C. V.	$ (75,916)	$ (52,520)	$ (24,763)
Trust Banorte F/743955	(11,068)	(11,026)	(32,801)
Trust CIB/535	(11,796)	(13,564)	(9,744)
Inmobiliaria Conjunto Polanco, S. A. P. I. de C. V. – Note 15	(89,907)	(164,230)	(362,497)
	$ (188,687)	$ (241,340)	$ (429,805)

Mascotas y Compañía, S. A. P. I. de C. V. was classified as a joint venture because the contractual agreement gives the Entity the right to 50% of the net assets of this joint agreement. The investment in the joint venture is accounted for using the equity method.

The Trust Banorte F/743955 and the Trust CIB/535 and Inmobiliaria Conjunto Polanco, S.A.P.I. de C.V. were classified as associate entities because the Entity does not have control or joint control over them and they are measured them using the equity method.

A summary of the information on the joint venture and of the Entity's associates is detailed below. The condensed financial information presented below represents the amounts which are presented in the financial statements of the joint venture and in associates' and they are prepared in conformity with the IFRS.

Condensed information related to the statement of financial position as of December 31, for Mascotas y Compañía S. A. P. I. de C. V. is as follows:

	2018	2017	2016
Current assets	$ 610,903	$ 470,911	$ 388,252
Property and equipment	694,041	541,481	358,066
Other assets	95,184	65,364	30,634
Total assets	1,400,128	1,077,756	776,952
Current liabilities	256,897	262,161	150,470
Total liabilities	256,897	262,161	150,470
Net assets	$ 1,143,231	$ 815,595	$ 626,482

Condensed information related to the statement of profit or loss and other comprehensive income for the years ended December 31, for Mascotas y Compañía S. A. P. I. de C. V. is as follows:

	2018	2017	2016
Total revenues	$ 2,156,238	$ 1,528,459	$ 945,344
Cost of sales	1,223,609	878,823	549,287
Operating expenses	726,152	505,588	311,164
Financing expense	3,380	1,412	5,562
Income taxes	69,792	48,751	34,400
Profit for the year	$ 133,305	$ 93,885	$ 44,931

Condensed information related to the statement of financial position as of December 31, 2018, 2017 and 2016, for the associates is as follows:

	2018 Banorte Trust F/743955	2017 Banorte Trust F/743955	2016 Banorte Trust F/743955
Current assets	$ 40,045	$ 40,045	$ 40,045
Other assets	533,275	509,489	487,319
Total assets	$ 573,320	$ 549,534	$ 527,364
Current liabilities	$ 40,000	$ 40,044	$ 40,565
Total liabilities	40,000	40,044	40,565
Stockholders' equity	533,320	509,490	486,799
Total	$ 533,320	$ 509,490	$ 486,799

	2018 Trust CIB/535	2017 Trust CIB/535	2016 Trust CIB/535
Current assets	$ 27,025	$ 53,288	$ 44,094
Investment properties	882,048	843,173	815,868
Other assets	12,862	7,224	8,151
Total assets	921,935	903,685	868,113
Current liabilities	78,373	207,932	195,975
Other long term liabilities	12,505	17,954	21,467
Total liabilities	90,878	225,886	217,442
Stockholders 'equity	758,219	627,098	650,671
Shareholders' pending equity contributions	72,838	50,701	-
Total	$ 831,057	$ 677,799	$ 650,671

	2018 Inmobiliaria Conjunto Polanco, S. A. P. I. de C.V.	2017 Inmobiliaria Conjunto Polanco, S. A. P. I. de C.V.	2016 Inmobiliaria Conjunto Polanco, S. A. P. I. de C. V.
Current assets	$ 1,615,913	$ 1,573,331	$ 2,566,045
Other long-term assets	-	-	10,064
Investment properties	4,462,415	4,128,356	3,800,973
Total assets	6,078,328	5,701,687	6,377,082
Current liabilities	177,721	665,393	320,040
Long-term debt	1,000,000	1,000,000	1,000,000
Other long-term liabilities	1,438,361	872,557	1,728,322
Total liabilities	2,616,082	2,537,950	3,048,362
Stockholders 'equity	$ 3,462,246	$ 3,163,737	$ 3,328,720

Condensed information related to the statement of profit or loss and other comprehensive income for the years ended December 31, 2018, 2017 and 2016 for the associates is as follows:

	2018 Banorte Trust F/743955	2017 Banorte Trust F/743955	2016 Banorte Trust F/743955
Equity method	$ 23,786	$ 22,170	$ 66,260
Operating expenses	194	119	566
Interest income	-	1	1
Profit for the year	$ 23,592	$ 22,052	$ 65,695

	2018 Trust CIB/535	2017 Trust CIB/535	2016 Trust CIB/535
Revenue	$ 43,660	$ 43,755	$ 41,405
Operating expenses	22,919	23,188	20,221
Financing expense	(1,395)	6,438	7,595
Gain on revaluation of investment properties	-	13,000	5,900
Profit for the year	$ 22,136	$ 27,129	$ 19,489

	2018 Inmobiliaria Conjunto Polanco, S. A. P. I. de C.V.	2017 Inmobiliaria Conjunto Polanco, S. A. P. I. de C.V.	2016 Inmobiliaria Conjunto Polanco, S. A. P. I. de C. V
Revenues	$ 425,132	$ 1,895,900	$ 1,109,182
Cost of sales of housing	72,837	1,289,281	768,155
Operating expenses	160,074	183,682	143,732
Financing (income) expense	76,239	(21,908)	21,122
Gain on revaluation of investment properties	(265,299)	(37,842)	(1,001,015)
Income taxes expense	95,457	121,280	336,843
Profit for the year	$ 285,824	$ 361,407	$ 840,345

12. Investment in subsidiaries

The subsidiaries listed below are companies incorporated in Mexico with operations throughout the country, except for some direct subsidiaries of Office Depot de México, S.A. de C.V., which have operations in Central America, the Caribbean (until October 31, 2018), Colombia and Chile.

The ownership interest and voting power held by Grupo Gigante, S. A. B. de C. V., in its direct subsidiaries is as follows:

Entity	Ownership 2018	Ownership 2017	Ownership 2016	Activity
Gigante Retail, S. A. de C. V. and Subsidiaries	100.00%	100.00%	100.00%	Holding entity; its subsidiaries are engaged in specialized retail.
Grupo Toks, S. A. de C. V. (formerly Hospitalidad y Servicios Especializados Gigante, S. A. de C. V. and Subsidiaries until February 21, 2018) and Subsidiaries	100.00%	100.00%	100.00%	Holding entity; its subsidiaries are engaged in managing restaurants and selling prepared food.
Gigante Hospitalidad y Servicios Especializados, S. A. P. I. de C. V.	100.00%	100.00%	100.00%	Holding entity.
Gigante Grupo Inmobiliario S. A. de C. V. and Subsidiaries	100.00%	100.00%	100.00%	55 companies that own and manage properties where offices, stores and shopping centers are located which are leased to third parties and where some of the Entity's restaurants and stores are located.
Gigante Fleming, S. A. de C. V.	100.00%	100.00%	100.00%	Real estate entity that owns investment property where 2 stores that are leased to third parties are located.
Controladora y Operadora de Inmuebles, S.A. de C.V. (1)	-	-	100.00%	Real estate entity
Servicios Toks, S. A. de C. V. (1)	-	-	100.00%	Provides administrative services to the Entity.

Entity	Ownership 2018	Ownership 2017	Ownership 2016	Activity
Operadora Gigante, S. A. de C. V.	100.00%	100.00%	100.00%	Provides administrative services to the Entity.
Servicios Gastronómicos Gigante, S. A. de C. V. (1)	-	-	100.00%	Provides administrative services to the Entity.
Servicios Gigante, S. A. de C. V.	100.00%	99.99%	99.99%	Provides administrative services to the Entity.
Servicios Operativos Gigante, S. A. de C. V.	100.00%	100.00%	100.00%	Provides administrative services to the Entity.
Servicios Técnicos y Administrativos Gigante, S. A. de C. V.	100.00%	100.00%	100.00%	Provides administrative services to the Entity.
Unidad de Servicios Compartidos Gigante, S.A. de C.V.	100.00%	100.00%	100.00%	Provides administrative services to the Entity.
Gigante IT, S. A. de C. V. and Subsidiaries	100.00%	100.00%	100.00%	Entities engaged in providing information technology consulting services and technical support to the Entity and to third parties.

(1) During 2017, theses entities were contributed by the Entity to Grupo Toks, S. A. de C. V.

Proportion of ownership interest and voting power held by Grupo Gigante, S.A.B. de C.V. in its indirect subsidiaries is as follows:

Entity	Ownership 2018	Ownership 2017	Ownership 2016	Activity
Office Depot de México, S. A. de C. V. and Subsidiaries	100.00%	100.00%	100.00%	It operates 291 office supply stores in Mexico (including 4 Distribution Centers that also sell merchandise), 9 in Costa Rica (including one Distribution Centers that also sell merchandise), 9 in Guatemala, 4 in El Salvador (including one Distribution Centers that also sell merchandise), 4 in Honduras, 5 in Panama (including one distribution center that also sells merchandise), 9 in Colombia (including one Distribution Center that also sell merchandise and one printing service), 5 distribution centers that also sell merchandise in Chile and 1 distribution center in Mexico. It also includes 220 electronics and technology stores Radio Shack (including one distribution center that also sells merchandise).

Entity	Ownership 2018	Ownership 2017	Ownership 2016	Activity
Distribuidora Storehome, S. A. de C. V.	100.00%	100.00%	100.00%	It operates 20 self-service stores that sell houseware.
Restaurantes Toks, S. A. de C. V. and subsidiaries	100.00%	100.00%	100.00%	It is a chain of 208 restaurants; 203 of them are operated under the Restaurantes Toks brand and 5 Beer Factory units.
Operadora y Administradora de Restaurantes Gigante, S. A. de C. V.	100.00%	100.00%	100.00%	It operates 20 Chinese fast food restaurants and 4 restaurants under the Toks trademark, which were acquired in May 2016 to Fly by Wings, subsidiary of CMR, S. A .B. de C. V.
Operadora de Café y Chocolate de Especialidad, S.A. de C. V.	100.00%	100.00%	100.00%	Starting in 2019, it will operate fast food restaurants using the Shake Shack brand through a franchise agreement.

All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation.

The table below shows details of non-wholly owned subsidiaries of the Entity whereby the Entity has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2018	Profit (loss) allocated to non-controlling interests 2018	Accumulated non-controlling interests 2018
Benmore International Corp.	Dominican Republic	10.0%	$ (368)	$ (986)
Inmobiliaria Lomo Lomas Verdes, S. A. de C. V.	Mexico	49.9%	16,215	171,146
Grupo Prisa	Chile	49.0%	68,612	89,410
			$ 84,459	$ 259,570

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2018	Comprehensive income allocated to non-controlling interest 2018
Benmore International Corp.	Dominican Republic	10.0%	$ (240)
Inmobiliaria Lomo Lomas Verdes, S. A. de C. V.	Mexico	49.9%	16,215
Grupo Prisa	Chile	49.0%	21,120
			$ 37,095

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2017	Profit (loss) allocated to non-controlling interests 2017	Accumulated non-controlling interests 2017
Benmore International Corp.	Dominican Republic	10.0%	$ (3,799)	$ (746)
Inmobiliaria Lomo Lomas Verdes, S. A. de C. V.	Mexico	49.9%	12,943	154,931
Grupo Prisa	Chile	49.0%	71,541	361,320
			$ 80,685	$ 515,505

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2017	Comprehensive income allocated to non-controlling interest 2017
Benmore International Corp.	Dominican Republic	10.0%	$ (3,650)
Inmobiliaria Lomo Lomas Verdes, S. A. de C. V.	Mexico	49.9%	12,943
Grupo Prisa	Chile	49.0%	82,421
			$ 91,714

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2016	Profit (loss) allocated to non-controlling interests 2016	Accumulated non-controlling interests 2016
Benmore International Corp.	Dominican Republic	10.0%	$ (2,876)	$ 2,993
Inmobiliaria Lomo Lomas Verdes, S. A. de C. V.	Mexico	49.9%	19,566	147,305
Grupo Prisa	Chile	49.0%	76,559	357,052
			$ 93,249	$ 507,350

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2017	Comprehensive income allocated to non-controlling interest 2017
Benmore International Corp.	Dominican Republic	10.0%	$ (2,200)
Inmobiliaria Lomo Lomas Verdes, S. A. de C. V.	Mexico	49.9%	19,566
Grupo Prisa	Chile	49.0%	146,421
			$ 163,787

On June 30, 2016, OD Chile, S.P.A. acquired 51% of the total shares of Transporte Surtivia Limitada, S.A., Transporte Tropiservi Limitada, S.A. and Trasportes and Distribuidora Tropivias Limitada, S.A. (all of these companies are part of Grupo Prisa).

Grupo Gigante, S.A.B. de C.V., through its indirect subsidiary Office Depot de México, S.A. of C.V., acquired 90% of the shares of Benmore International Corp., during December 2014, which operated under the name Office Depot in the Dominican Republic. On October 31, 2018, Grupo Gigante, S.A. B. de C.V., informed that in accordance to its strategic plan and particularly regarding the treatment of unproductive assets, it closed its operation in the Dominican Republic and early terminate the franchise contract that it had with Office Depot Inc., in relation to that territory.

Inmobiliaria Lomo Lomas Verdes, S. A. de C. V. – it operates a shopping center in Mexico City's metropolitan area.

Condensed financial information in respect of each of the Entity's subsidiaries that has material non-controlling interests is set out below.

Inmobiliaria Lomo Lomas Verdes, S.A. de C.V.:

Condensed information related to the statements of financial position as of December 31:

	2018	2017	2016
Current assets	$ 71,901	$ 97,144	$ 125,506
Investment property	574,226	593,285	611,857
Other assets	23,930	20,967	23,476
Total assets	$ 670,057	$ 711,396	$ 760,839

	2018	2017	2016
Current liabilities	$ 55,354	$ 109,783	$ 156,957
Long-term debt	272,410	291,751	309,271
Total liabilities	327,764	401,534	466,228
Stockholders' equity	$ 342,293	$ 309,862	$ 294,611
Non-controlling interest	$ 171,146	$ 154,931	$ 147,305

Condensed information related to the statements of profit or loss and other comprehensive income for the years ended December 31 is as follows:

	2018	2017	2016
Rental income	$ 122,241	$ 120,561	$ 109,175
Profit for the year	32,431	25,886	39,133
Non-controlling interest	16,216	12,943	19,566

Grupo Prisa:

Condensed information related to the statements of financial position as of December 31:

	2018	2017	2016
Current assets	$ 1,885,440	$ 2,073,466	$ 1,934,616
Property and equipment	146,021	273,959	98,479
Other assets	21,534	723,947	17,622
Total assets	$ 2,052,995	$ 3,071,372	$ 2,050,717

	2018	2017	2016
Current liabilities	$ 1,271,942	$ 1,281,711	$ 1,322,041
Bank loans		-	-
Other long-term liabilities	560	28,705	-
Total liabilities	1,272,502	1,310,416	1,322,041
Stockholders' equity	$ 780,493	$ 1,760,956	$ 728,676
Equity interest 49%	$ 382,440	$ 361,320	$ 357,052
Initial recognition of the Grupo Prisa put option	$ (293,030)	-	-
Non-controlling interest	$ 89,410	$ 361,320	$ 357,052

Condensed information related to the statements of profit or loss and other comprehensive income for the year ended December 31 is as follows:

	2018	2017	2016
Rental income	$ 4,586,622	$ 4,343,368	$ 4,095,441
Profit for the year	140,024	158,014	156,244
Non-controlling interests	68,612	71,541	76,559
Comprehensive income	43,102	168,206	298,819
Comprehensive income allocated to non-controlling interest	21,120	82,421	146,421

13. Business combinations

1. *Subsidiaries acquired and Assets acquired*

Subsidiaries acquired

Name of Subsidiary	Principal activity	Date of acquisition	Proportion of voting equity interest acquired (%)	Consideration transferred
Grupo Prisa (Transportes Surtivía Limitada, S.A., Transporte Tropiservi Limitada, S.A. and Transporte y Distribuidora Tropivias Limitada, S.A.)	Freight and transport	June 30, 2016	51%	$ 42,917

Assets acquired

Assets acquired to:	Principal activity	Date of acquisition	Acquired assets	Consideration transferred
Fly By Wings, S.A. de C.V. subsidiary of CMR, S. A. B. de C. V.	Restaurants Chain	May 27, 2016	Five restaurants	$ 102,100

On June 30, 2016, Office Depot de Mexico, S.A. de C.V., an indirect subsidiary of Grupo Gigante, S.A.B. de C.V., acquired through OD Chile, S.P.A. 51% of the shares of the Chilean entities: Transportes Surtivía Limitada, S.A., Transporte Tropiservi Limitada, S.A. and Trasnporte y Distribuidora Tropivias Limitada, S.A.

On May 27, 2016, Operadora y Administradora de Restaurantes Gigante, S. A. de C. V., an indirect subsidiary of Grupo Gigante, S. A. B. de C. V., acquired the assets of the Barranca, Fray Servando, Chapultepec, Querétaro, Alameda and Cedros, "Wings" restaurants which until then were owned by Fly By Wings, S.A. de C.V., a subsidiary of CMR, S. A. B. de C. V.

The acquisitions made during the year are part of the Entity's strategy to expand its presence in Mexico and Latin America.

Costs related to the acquisition are excluded from the consideration transferred and recognized as an expense in profit or loss in the period in which they are incurred.

For tax purposes, the tax basis of the assets and liabilities acquired are adjusted to their related market values on the acquisition date. None of the goodwill arising on these acquisitions will be deductible for tax purposes.

2. ***Assets and liabilities recognized at the date of acquisition***

Net assets acquired after allocation of the purchase price are equal to the total consideration paid in cash and are as follows:

	2016	
	Grupo Prisa (Transportes Surtivía Limitada, S.A., Transporte Tropiservi Limitada, S.A. and Transporte and Distribuidora Tropivias Limitada, S.A.)	**Assets Fly by Wing**
Current assets:		
Cash	$ 3,956	$ -
Accounts receivable	4,968	-
Inventories	-	986
Non-current assets:		
Property and equipment	26,084	49,680
Intangibles assets	-	51,434
Other assets	1,849	-
Current liabilities:		
Accounts and notes payable to suppliers and other payables	$ 9,416	$ -
Deferred income taxes	-	15,430
Net assets acquired	27,441	86,670
Consideration paid in cash	42,917	102,100
Goodwill	$ 15,476	$ 15,430

The preliminary identification of the assets and liabilities acquired was determined only provisionally at the acquisition date, using management"s best estimate. The fair value calculations and other calculation necessary to determine the fair values of intangible assets acquired at December 31, 2016 and 2015 were concluded for each acquisition.

The fair values of intangible assets acquired as of December 31, 2016 and deferred taxes generated are:

	Grupo Prisa (Transportes Surtivía Limitada, S.A., Transporte Tropiservi Limitada, S.A. y Transporte and Distribuidora Tropivias Limitada, S.A.)	Activos - Fly by Wings
Acuerdo de no competencia	$ -	$ -
Marcas	-	-
Impuesto diferido	-	(15,430)
Derecho de uso de locales y otros	-	51,434
Crédito Mercantil	15,476	15,430

3. ***Net cash outflow on business combinations:***

	2016	
	Grupo Prisa (Transportes Surtivía Limitada, S.A., Transporte Tropiservi Limitada, S.A. y Transporte and Distribuidora Tropivias Limitada, S.A.)	Assets - Fly by Wings
Consideration paid in cash	$ 42,917	$ 102,100
Less: Cash and cash equivalents acquired	(3,956)	-
	$ 38,961	$ 102,100

4. ***Impact of acquisitions in profit or loss of the Entity**:*

Revenues from sales of goods and net income as of December 31, 2016, included in the consolidated financial statements, generated by acquisitions are:

	Sale of goods	Net profit
Grupo Prisa (Transportes Surtivía Limitada, S.A., Distribuidora Prisa Store, S.A., Proveedores Integrales del Norte, S.A., Surtiventas, S.A., Proveedores Integrales del Sur, S.A. and Prisa Logistica, S.A.)	$ 24,014	$ 3,975
Assets – Fly by Wings	38,785	10,136

14. Goodwill

Goodwill represents the excess of the consideration paid over the fair value of the net assets acquired at acquisition date. Goodwill has been assigned to the cash generating units that management considers to have synergies and which will benefit from the acquisition. Similarly, goodwill is subject to annual impairment testing based on the use value of these cash generating units.

The reconciliation of goodwill is as follows:

	2018	2017	2016
Balance at beginning of year	$ 995,885	$ 992,582	$ 947,361
Additional amounts recognized from business combinations that occurred during the year	-	-	30,906
Effect of foreign currency translation	(9,892)	3,303	14,315
Total	$ 985,993	$ 995,885	$ 992,582

The detail of goodwill generated by business combination is as follows:

	2018	2017	2016
Casa la Daga, S. A. de C. V.	$ 47,750	$ 47,750	$ 47,750
Casa Marchand, S. A. de C. V.	261,327	261,327	261,327
Grupo Prisa (Proveedores Integrales Prisa, S.A., Distribuidora Prisa Store, S.A., Proveedores Integrales del Norte, S.A., Surtiventas, S.A., Proveedores Integrales del Sur, S.A. and Prisa Logística, S.A.)	60,871	60,871	60,871
Restaurantes California, S. A. de C. V.	588,306	588,306	588,306
Assets – Fly by Wings	15,430	15,430	15,430
Grupo Prisa (Transportes Surtivía Limitada, S.A., Transporte Tropiservi Limitada, S.A. and Transporte y Distribuidora Tropivias Limitada, S.A.)	15,476	15,476	15,476
Effect of foreign currency translation	(3,167)	6,725	3,422
Total	$ 985,993	$ 995,885	$ 992,582

15. Intangibles and other assets

	2018	2017	2016
Deferred charges	$ 34,722	$ 34,722	$ 35,359
Accumulated amortization	(19,253)	(17,515)	(15,082)
	15,469	17,207	20,277
Trademark	702,604	761,178	742,925
Customer list	355,958	381,356	379,198
Non-compete agreement	68,144	68,280	69,999
Accumulated amortization	(291,379)	(274,588)	(233,082)
	835,327	936,226	959,040

	2018	2017	2016
Software licenses	314,371	283,928	290,398
Accumulated amortization	(254,711)	(201,484)	(169,082)
	59,660	82,444	121,316
Restricted cash – Note 5	77,599	-	-
Technical assistance paid in advance	14,811	17,554	12,351
Rent holidays and key money paid	142,538	147,500	167,077
Derivative financial instruments	287,774	147,119	128,516
Other long-term advance payments and advance payments for construction	576,904	708,038	317,542
Total	$ 2,010,082	$ 2,056,088	$ 1,726,119

Amortization expense is presented in the operating expenses line item in the consolidated statements of profit and loss and other comprehensive income. The following total useful lives are used in the calculation of amortization expense:

	Average years
Deferred charges	4
Trademarks with definite useful life	3 and 7
Non-compete agreements	3 and 7
Software licenses	from 3 to 10
Customer lists	10

16. Accrued expenses and taxes

	2018	2017	2016
Taxes payable – mainly ISR	$ 344,363	$ 433,635	$ 554,872
Direct employee benefits	449,862	259,283	251,845
Accrued operating expenses	243,529	232,374	243,939
Accrued interest	19,190	29,730	13,409
Advances received from customers	10,946	54,134	251,227
Other accounts payable	874,787	601,616	590,928
	$ 1,942,677	$ 1,610,772	$ 1,906,220

17. Long-term debt

	2018	2017	2016
Secured – at amortized cost			
On June 23, 2010, a loan was taken out with a mortgage guarantee. The only withdrawal was made on June 25, 2010 in the sum of $229,000, payable in 108 monthly installments. Monthly interest payments were set at TIIE rate plus 3 percentage points. In December 2015, the loan was renegotiated and the maturity date was changed to 2023 at a fixed rate of 7.92%. (i)	$ 121,135	$ 128,360	$ 135,037

Secured – at amortized cost	2018	2017	2016
On June 23, 2010, a loan was taken out with a mortgage guarantee. The first disbursement was in the sum of $342,000, payable in 96 monthly installments. Monthly interest payments were set at TIIE rate plus 3 percentage points. In December 2015, the loan was renegotiated and the maturity date was changed to 2023 at a fixed rate of 7.92%. On February 9, 2016, a second disbursement of the loan was made in the sum of $114,000 with the same conditions as the first, except for the rate, that was set at 7.51%. (i)	291,751	309,377	325,748
On October 26, 2012, a loan was taken out in the sum of $130,000. Its disbursement date was scheduled for October 31, 2012, at a seven-year term with monthly interest payable at a fixed rate of 7.50% and monthly payments of capital. On May 19, 2014, the loan was extended by $31,000, under the same conditions as the original loan, except for the rate that was set at 7.55%. (i)	82,282	99,032	114,572
On October 26, 2012, a loan was taken out in the sum of $250,000. Its disbursement date was scheduled for October 31, 2012, at a seven-year term with monthly interest payable at a fixed rate of 7.50% and monthly payments of capital. On May 19, 2014, the loan was extended by $124,000, under the same conditions as the original loan, except for the rate that was set at 7.55%. On August 13, 2014, an additional disbursement was made for this loan in the sum of $95,000, under the same conditions as the original loan, except for the rate that was set at 7.06%. (i)	297,325	335,352	370,670
On March 27, 2013, a loan was taken out in the sum of $112,500, payable in 14 quarterly installments with a 21-month grace period, only with respect to the capital. Monthly interest payments were set at TIIE rate plus 2 percentage points. (iv)	-	9,825	47,681

Secured – at amortized cost	2018	2017	2016
On July 4, 2014, a syndicated loan was taken out in the sum of $4,544,015. Its disbursement date was scheduled for July 9, 2014, at a six-year term with monthly interest payable at TIIE rate plus a margin. The applicable margin is determined with respect to the leverage ratio of the Entity. This credit was fully prepaid in advance on July 14, 2017 using the proceeds of a new unsecured loan entered into on July 12, 2017. (ii)	-	-	4,223,956
On January 22, 2015, a loan was taken out in the sum of $1,300,000, payable in 7 years. The following disbursements were made under the same conditions as this agreement: a) On February 4, 2015, disposition for $336,000 at a fixed rate of 7.36%; b) On February 4, 2015, disposition $224,000 at a fixed rate of 7.36% c) April 29, 2015, a Disbursement in the sum of $225,000 at a fixed rate of 7.80%; d) April 29, 2015, a disbursement in the sum of $150,000 at a fixed rate of 7.74%; e) July 10, 2015, a disbursement in the sum of $98,220 at a fixed rate of 7.96%; and f) July 10, 2015, a disbursement in the sum of $65,480 at a fixed rate of 7.90%. (i)	979,051	1,013,657	1,045,549
On February 27, 2015, a loan was taken out in the sum of $1,150,000. Its disbursement date was scheduled for March 11, 2015, payable in 16 quarterly installments with a 15-month grace period, only with respect to the capital. The first capital payment was made on May 27, 2016. Monthly interest is paid at TIIE plus the applicable margin. This loan was paid off using the proceeds of a new bank loan entered into on May 24, 2018. (v)	-	1,068,758	1,118,188
On November 15, 2016, a loan was taken out. Its disbursement date was scheduled for November 17, 2016, payable in 96 monthly installments, at a ten-years term with a 24-month grace period, only with respect to the capital. Monthly interest payments were set at 28-day TIIE rate plus the applicable margin of 1.43%. (vi)	2,925,838	2,951,667	2,945,795

	2018	2017	2016
Secured – at amortized cost			
On July 12, 2017, the Entity entered into an unsecured credit for $4,200,000, for a three-year period, with the payment of principal on maturity and interest payable monthly which are calculated using TIIE rate plus a margin that increased each year. On May 14, 2018, an amendment agreement was signed in the credit agreement, extending the maturity date to 2024, with 36 months of grace period in respect to principal. Interest is paid monthly using 28-day TIIE plus the applicable margin of 1.30%. (vii)	4,179,369	4,185,735	-
On May 24, 2018, a simple loan for $1,100,000 was entered into, with a disposition date of May 28, 2018, for a term of six years and with a 36-month grace period, with respect to principal. Interest were payable monthly and calculated usint the 28-day TIIE plus the applicable margin of 1.30%. (iii)	1,097,951	-	-
On November 5, 2018, an unsecured loan was entered into for $250,000 to be paid in one year after the disposition date. Interest is paid monthly and it is calculated using TIIE plus 1.25%. (viii)	250,000	-	-
On December 13, 2018, a mortgage was entered into for a 39-month period for $300,000. Interest is paid monthly at a fixed rate of 10.89%. (i)	292,931	-	-
Total debt	$ 10,517,633	$ 10,101,763	$ 10,327,196
Current portion	$ 1,058,348	$ 514,549	$ 472,304
Long–term debt	9,459,285	9,587,214	9,854,892
	$ 10,517,633	$ 10,101,763	$ 10,327,196

As of December 31, 2018, 2017 and 2016, TIIE was 8.60%, 7.62% and 6.11%, respectively.

(i) Some of these loans are guaranteed with twenty-four investment properties of the Entity, of which twenty-three properties are in operation and one property is under development. As of December 31, 2018, the fair value of the twenty-three investment properties in operation is $5,899,626 and the fair value of the property under development is $1,255,630. These loans are guaranteed with joint and several obligations of some subsidiaries of Grupo Gigante, S. A. B. de C. V.

The agreements documenting these loans establish certain restrictions, which include incurring in additional liabilities, restrictions to create liens on its assets, restrictions related to merges, spin-offs, dissolutions, liquidations or consolidations. Similarly, these agreements establish different financial ratios and restrictions that include financial ratios and restrictions on the stockholders' equity and in the leverage ratio. The agreements dated June 23, 2010 establish limits for dividend payments in case an event of default occur.

With respect to the agreements dated June 23, 2010 and January 22, 2015, the Entity executed hedging agreements to cap the loans that were taken out with variable TIIE rates in order to manage the risk from the interest rates of the loans that were received. Accordingly, the Entity limits TIIE to levels from 7.3% to 7.96%, for the purpose of calculating interests with respect to the total balance from its bank loans. These financial derivative instruments are valued at their reasonable price and changes to them re recognized in the results of the fiscal year; these instruments are presented as assets or liabilities from financial instruments in the consolidated statement of financial position, according to the results of the valuation on the date of the report.

(ii) This loan was guaranteed by joint obligations of certain subsidiaries of Grupo Gigante, S.A.B. de C.V., such as the Guarantee Trust with Right of Reversal F/1709 whose Trustee is Deutsche Bank México, S.A., Institución de Banca Múltiple, División Fiduciaria and to which the shares representing 75% (seventy-five percent) of the capital stock of Office Depot de México, S.A. de C.V., owned by Grupo Gigante, S.A.B. de C.V., and by Gigante Retail, S.A. de C.V. was transferred.

This loan agreement provides affirmative covenants such as Grupo Gigante's intercompany debts (except for the provision related to the loan granted to Grupo Gigante, S.A.B. de C.V. by Office Depot de México, S.A. de C.V.) being subordinated to this loan payment. It also provides other restrictions for Grupo Gigante, S.A.B. de C.V. (with specific exceptions contained the agreement itself) like incurring in additional liabilities, paying dividends while its Leverage Ratio is greater than 2.5, making investments in capital, creating liens on its assets and merging, dissolving or consolidating. Moreover, it provides several financial ratios and restrictions such as limitations on its stockholders' equity and leverage ratio.

On July 14, 2017, Grupo Gigante, S.A. B. de C. V. prepaid the total outstanding balance of the Credit Agreement. The advance payment was made using the proceeds from the new Simple Credit marked as (vii).

(iii) This loan is guaranteed by the joint obligation of Grupo Gigante, S. A. B. de C. V. The agreement establishes restrictions to incur in additional liabilities, restrictions to create liens on its assets, restrictions related to merges, spin-offs, dissolutions, liquidations or consolidations, limitation to substantially modify the way in which business is conducted. The Entity entered into a hedge derivative contract, in order to cover the TIIE variable rate plus the 130 base points surcharge, in order to manage the interest rate risk of the loan received, setting the rate at 9.46. % during the entire term of the credit.

(iv) The agreement establishes restrictions for dividend payments in the event of default as well as limitations to incur in additional liabilities, restrictions in creating liens on their assets, limitation to merge, spin-off, dissolve, liquidate or consolidate. It also establishes financial ratios and restrictions including financial ratios and restrictions in the stockholders' equity and the leverage ratio. The agreements also establish restrictions for dividend payments in the event of breaching the agreement.

(v) This loan is guaranteed by a joint obligation of Grupo Gigante, S. A. B. de C. V. The agreement establishes restrictions to incur in additional liabilities, restrictions to create liens on its assets, restrictions related to merges, spin-offs, dissolutions, liquidations or consolidations. It also establishes financial ratios and restrictions including financial ratios and restrictions in the stockholders' equity and the leverage ratio. The agreements also establish restrictions for dividend payments in the event of breaching the agreement, as well as casuses of early maturity such as: failure to pay the principal or interest; cross-default on debt; failure to comply with covenants; delivery of false information or errors; insolvency; control changes; stop paying taxes or tax debts. The advance payment was made using the proceeds from the contracting of the unsecured credit identified in point (iii) above.

(vi) This loan is guaranteed by a joint obligation of Grupo Gigante, S.A.B. de C.V. The agreement establishes restrictions to incur in additional liabilities, restrictions to create liens on its assets, restrictions to reduce or change the shareholding structure of Office Depot de México, S.A. de C.V. At the same time, the Entity executed a derivative hedging contract to fix the interest rate on the credit and manage its interest rate risk. The rate was fixed to 7.59% interest rate plus 143 basis points.

(vii) This loan is guaranteed by the joint and several liabilities of certain subsidiaries of Grupo Gigante, S.A.B. de C.V. The loan establishes a series of financial ratios and restrictions, together with restrictions applicable to stockholders' equity, the level of leverage, the attachment of liens and encumbrances to the Entity's assets and its capacity to perform merger, corporate bankrupcy or consolidation processes, as well as causes of early maturity such as: failure to pay principal or interest; cross-default on debt; breach of obligations to do or not to do; delivery of false information or errors; insolvency; control changes. Likewise, it establishes limitations for the payment of dividends. Grupo Gigante, S.AB. de C.V. entered into a hedge contract to limit the TIIE variable rate, in order to manage the interest rate risk, fixing it at 8.02% plus the 130 basis point throughout the term of the loan.

(viii) This loan is guaranteed by the jointly and severaly by certain subsidiaries of Grupo Gigante, S.A.B. de C.V. The agreement establishes restrictions to incur in additional liabilities, restrictions to create liens on its assets, restrictions related to merges, spin-offs, dissolutions, liquidations or consolidations. It also establishes various financial ratios and restrictions, including the credit / value ratio, debt coverage ratio and generated return to debt ratio.

The restrictive clauses contained in bank loan contracts establish the obligation to maintain certain financial ratios. The terms of these clauses have been fulfilled for all loans as of December 31, 2018.

The Entity has taken out revolving lines of credit with banks, which are available in pesos as well as letters of credit in US dollars to cover needs related to work capital. As of December 31, 2018, 2017 and 2016, it has undrawn revolving lines of credit for sums of $860,000, $476 000 and $544,600, respectively. The Entity does not have revolving credit lines denominated in US dollars. Additionally, the unused balance of the letters of credit as of December 31, 2018, 2017 and 2016 is, in thousands of US dollars, 4,987, 4,746 and 13,614, respectively, while outstanding balance of the letters of credit denominated in US dollars as of December 31, 2018, 2017 and 2016 were, in thousands of US dollars, 1,513, 1,754 and 1,386, respectively.

18. Senior notes payable

On September 20, 2013, Grupo Gigante S.A.B. de C.V., through its subsidiary Office Depot de México, S. A. de C. V. listed senior notes, according to rule 144A, on the international markets. The sum of such notes was US350,000,000 dollars for a seven-year term without capital payments and with annual fixed interest rates of 6.875% (the "Senior Notes"). Interests for noteholders are payable on a semi-annual basis.

Grupo Gigante, S. A. B. de C. V., through its subsidiary Office Depot de México, S. A. de C. V., on December 19, 2017 made a total upfront payment of the Senior Notes through a process known as Make Whole provided by an "Indenture" (Through which, it was issued the Senior Notes) and the legal provisions applicable to said document.

Office Depot de México, S.A. de C.V. made an upfront payment of the Senior Notes, taking advantage of the favorable exchange rate of $19.02 pesos per US dollar and by using (i) funds from its own operations; (ii) funds from the capital contributions of its shareholders (Grupo Gigante, S.A.B. de C.V. and Gigante Retail, S.A. de C.V.) for the total sum of US200,000,000 dollars originating from the divestment of the group's non-strategic assets that were liquidated and held in US dollars; and (iii) funds from taking out a long-term loan with Banco Nacional de Comercio Exterior, S.N.C., Banca de Desarrollo (as the Borrower) and Grupo Gigante, S.A.B. de C.V. (as the Joint Obligor) for the sum of $3,000,000 with a 10-year term and a 24-month grace period, according to note 17.

The securities loan was guaranteed by the following indirect subsidiaries: Formas Eficientes, S. A. de C. V., Papelera General, S. A. de C. V., Servicios Administrativos Office Depot, S. A. de C. V., Centro de Apoyo Caribe, S. A. de C. V., Centro de Apoyo, S. A. de C. V., O. D. G. Caribe S. A. de C. V., OD Colombia, S. A. S. and Ofixpres, S. A. S. This securities loan imposes certain restrictions on these subsidiaries such as the limitation to take out more debt, restrictions on selling significant assets or a certain subsidiary, limits to the amount of dividends that may be decreed from the note's issue date as well as forbidding any merger or transfer of its assets.

19. Employee benefits

a. Defined contribution plans - Under Mexican law, the Entity is required to make payments equivalent to 2% of its workers' daily integrated salary to a defined contribution plan that is part of the retirement savings system. The related expense during 2018, 2017 and 2016 was $53,243, $48,215 and $47,177, respectively.

b. Defined benefit plans - The Entity has defined benefits pension plans which include a voluntary retirement plan and a lump-sum payment plan required by the Mexican Labor law (seniority premiums). In the voluntary retirement plan eligible employees who retire voluntarily are entitled to receive a lump-sum payment determined based on their years of service and salary. Seniority premium, according to article 162 of the Mexican Labor law, consists of a lump-sum payment equivalent to12 days per each year of worked based on the worker's last wage and it is limited to two times the minimum wage set forth by Mexican law.

c. Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows:

	2018	2017	2016
Service cost:			
Current service cost	$ 15,134	$ 16,086	$ 14,386
Past service cost and curtailment gains	(221)	(51)	
Net interest expense	9,805	9,131	3,747
	24,718	25,166	18,133
Components of defined benefit costs recognized in other comprehensive income - Net actuarial gains	(17,839)	(4,041)	(1,432)
Total	$ 6,839	$ 21,125	$ 16,701

d. The amounts included in the consolidated statements of financial position arising from the Entity's obligation in respect of its defined benefit plans are as follows:

	2018	2017	2016
Present value of defined benefit obligation	$ 174,545	$ 168,576	$ 162,895
Fair value of plan assets	(100,601)	(95,204)	(97,910)
Net liability arising from defined benefit obligation	73,944	73,372	64,985
Other long term benefits - Note 19e)	-	134,233	59,695
Total liability arising from defined benefit obligation	$ 73,944	$ 207,605	$ 124,680

Other disclosures required by IFRS have not been included since they are considered immaterial.

e. Other long-term benefits – The Entity has a long-term incentive plan for some of its employees. Under this plan, eligible employees receive a tri annual payment calculated using certain criteria in accordance with the plan, including the increase in the Entity's net equity. As of December 31, 2018, the liability related to this plan was $188,453 of which was presented in the line of accrued expenses and taxes, in current liabilities, due to the payment of this benefit was done during February 2019.

20. Financial instruments

a. ***Capital management***

The Entity manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Entity's overall strategy remains unchanged.

The capital structure of the Entity consists of net debt (long-term debt and the Senior Notes payable as detailed in Note 17 and 18 offset by cash and cash equivalents and financial assets) and equity of the Entity (comprising common stock, additional paid-in capital, retained earnings and other comprehensive income).

The Entity is not subject to any externally imposed capital requirements.

b. ***Leverage ratio***

The Entity's finance committee reviews its capital structure on a regular basis. As part of this review, the committee considers the cost of capital and the risks associated with each type of funding.

The leverage ratio at the end of the reporting period was as follows:

	2018	2017	2016
Cash and cash equivalents – Note 5	$ (2,049,520)	$ (1,926,334)	$ (2,281,685)
Financial assets – Note 6	(426,113)	(434,889)	(491,531)
Long term restricted cash – Note 15	77,599	-	-
Long-term debt – Note 17	10,517,633	10,101,763	10,327,196
Net debt	7,964,401	7,740,540	7,553,980
Stockholders' equity	22,106,690	21,378,986	19,987,177
Net debt to equity ratio	36%	36%	38%

c. ***Categories of financial instruments***

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial.

The main financial instruments of the Entity as presented in the consolidated financial statements are as follows:

	2018	2017	2016
i. Cash and cash equivalents	$ 2,049,520	$ 1,926,334	$ 2,281,685
ii. Held for trading financial instruments	77,599	-	-
iii. Available-for-sale financial instruments	426,113	434,889	491,531

		2018	2017	2016
iv.	Accounts receivable	3,121,337	2,759,379	2,859,590
v.	Trade accounts payable	5,329,197	4,303,164	5,028,255
vi.	Long-term debt at amortized cost	10,517,633	10,101,763	10,327,196
vii.	Assets related to derivative financial instruments through profit and losses	(12,787)	147,119	302,156

During the year there were no reclassifications of financial instruments between categories.

d. ***Financial risk management objectives***

The Entity's Board of Directors through its finance committee supervises and manages the financial risks relating to the Entity's exposure as a result of its operations. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Entity seeks to minimize the effects of these risks by using different instruments including derivative financial instruments to hedge its exposures. The use of financial derivatives is governed by the Entity's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Entity does not enter into derivative financial instruments for speculative purposes.

The Corporate Treasury function reports quarterly to the Finance Committee, which is an independent body that monitors risks and policies implemented to mitigate risk exposures.

e. ***Market risk***

The Entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Entity seeks to minimize the potential negative effects of these risks on its financial performance through an overall risk management program. The Entity uses derivative and non-derivative financial instruments to hedge some of its exposures to financial risks as described in Note 17 y 18. The Entity identifies, assesses and hedges financial risks in collaboration with its subsidiaries. There have been no changes in the Entity exposure to market risks in the way these risks are managed and measured.

f. ***Foreign currency risk management***

The Entity undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise, primarily with respect to US dollar denominated financial instruments, trade accounts payables. In addition, approximately 5%, 5% and 8% for the year ended December 31,2018, 2017 and 2016, respectively, of total purchases of the Entity's inventories were imported by approximately 62,661, 59,259 and 96,007 (thousands of US dollars) for the years ended December 31, 2018, 2017 and 2016, respectively.

The carrying amounts of monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are as follows:

	2018	2017	2016
Thousands of U.S. dollars:			
Monetary assets	2,715	8,544	20,113
Monetary liabilities	16,514	12,073	41,524
Net liability position	(13,799)	(3,529)	(21,411)
Equivalent in thousands of Mexican pesos	$ (271,241)	$ (69,646)	$ (442,437)

The exchange rates as of December 31, 2018, 2017, 2016 and as of the date of issuance of these consolidated financial statements were as follows:

	2018	2017	2016	March 26, 2019
U.S. dollar	$ 19.6566	$ 19.7354	$ 20.6640	$ 19.0151

g. ***Foreign currency sensitivity analysis***

The following table details the Entity's sensitivity to a 5% appreciation or depreciation in Mexican peso against the U.S. dollar. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency exchange rates.

	2018	2017	2016
Net position in thousands of U.S. dollar	(13,799)	(3,529)	(21,411)
Estimated exchanges rates:	20.6394 18.6738	20.7222 18.7486	21.6972 19.6308
Sensitivity + / -	5%	5%	5%
Change in total comprehensive income for the year + / -	$ 13,562	$ 3,483	$ 22,122

h. ***Interest rate risk management***

The Entity obtains financing under different conditions; when such financing is subject to variable interest rates, the Entity enters into derivative financial instruments (interest rate CAPS and SWAPS) in order to reduce its exposure to risks of volatility in interest rates. Such CAPS limit the Entity's exposure to changes in variable interest rates. Negotiating with derivative instruments is done only with credit-worthy institutions and limits have been established for each institution. The Entity's policy is to not perform transactions with derivative financial instruments for speculation purposes.

Interest rate swap contracts

Under interest rate swap contracts, the Entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Entity to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the reporting period.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 5% higher/lower and all other variables were held constant, the Entity's:

Net income for the year ended December 31, 2018, 2017 and 2016 would decrease/increase by $168, $20,068 and $16,457, respectively. This is mainly attributable to the Entity's exposure to interest rates on its variable rate borrowings.

As of December 31, 2018, all of the variable rate bank loans held by the Entity are covered by derivative financial instruments that limit the interest rate risk by converting it to a fixed rate, except for the bank loan contracted and arranged on December 5, 2018 and in November 2018 (See Note 17, viii).

i. ***Credit risk management***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Entity. Due to the nature of the Entity's operations, its exposure to credit risk is low, since its trade accounts receivable mainly relate to credit sales to wholesalers that operate in the retail industry.

The maximum credit exposure is represented by the balance of trade accounts receivable as presented in the consolidated statement of financial position. As of December 31 2018, 2017 and 2016, the allowance for doubtful accounts receivable includes accounts that have been identified as potentially not recoverable.
No one single client outstanding balance represented an amount higher than 10% of the total trade accounts receivable.

j. ***Other price risks***

The Entity is exposed to equity price risk arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Entity does not actively trade these investments.

Equity price sensitivity analysis

The Sensitivity analysis has been determined based on the exposure to equity price risk at the end of reporting period.

If equity prices had been 5% higher/lower and all other market conditions remained the same:

- Net consolidated profit for the year ended December 31, 2018 would increase/decrease by $206 as a result of the Entity’s exposure to share prices on it’s held for trading financial assets.

The Entity’s sensitivity to equity prices has not changed significantly from the prior year.

k. ***Liquidity risk management***

If the Entity is unable to raise additional debt or equity, its results of operations could suffer. The Entity closely monitors the maturity of its liabilities and the cash needs of its operations. It prepares and provides a detailed cash flow analysis on a quarterly basis and presents it to its board of directors. Decisions are made to obtain new financing or limit cash investments in order to maintain a healthy projected cash balance.

The following tables detail the Entity’s remaining contractual maturity for its derivative and non-derivative financial liabilities is as follows:

	Less than 1 year	More than 1 year and less than 5 years	More than 5 years
Trade accounts payable	$ 5,329,197	$ -	$ -
Advances received from customers	10,946	-	-
Other accounts payable	874,787	-	-
Long-term debt	1,058,348	7,196,863	2,262,421
Interest to accrue	904,565	2,213,858	281,185

The weighted average interest rate on the long-term debt as of December 31, 2018 was 9.02%. As of December 31, 2018, all of the variable rate bank loans held by the Entinty are hedged by derivative financial instruments that limit the interest rate risk by converting it to a fixed rate, except for the bank loan contracted on November 5. of 2018. (See Note 17, viii)

l. ***Fair value measurements recognized in the consolidated statement of financial position***

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, arranged into levels from 1 to 3 based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

1. Fair value of the Entity's financial assets and financial liabilities that are measured at fair value on a recurring basis.

   Some of the Entity's financial assets and financial liabilities are measured at their fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Assets/ liabilities	Fair value as of 2018	Fair value hierarchy	Valuation techniques and key inputs
Financial instrument available-for-sale financial assets	$ 426,113	Level 1	Quoted bid prices in an active market
Derivative financial instruments	(12,787)	Level 2	Discounted cash flow
Investment properties	13,923,440	Level 3	Discounted cash flow (i)

Assets/ liabilities	Fair value as of 2017	Fair value hierarchy	Valuation techniques and key inputs
Financial instrument available-for-sale financial assets	$ 434,889	Level 1	Quoted bid prices in an active market
Derivative financial instruments	147,119	Level 2	Discounted cash flow
Investment properties	12,745,562	Level 3	Discounted cash flow (i)

Assets/ liabilities	Fair value as of 2016	Fair value hierarchy	Valuation techniques and key inputs
Held for trading financial assets	491,531	Level 1	Quoted bid prices in the market
Derivative financial instruments	302,156	Level 2	Discounted cash flow
Investment properties	11,894,763	Level 3	Discounted cash flow (i)

(i) The significant non-observable input data and their relationship with fair value are described in Note 10.

There were no transfers among the levels during the period.

2. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

Except as detailed in the following table, the Entity's management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	2018	
	Carrying amount	**Fair value**
Financial liabilities held at amortized cost:		
Long-term debt	$ 10,517,633	$ 10,213,959

	Level 1	**Level 2**	**Total**	**Valuation techniques and significant inputs**
Financial liabilities held at amortized cost:				
Long-term debt	$ -	$ 10,213,959	$ 10,213,959	Discounted cash flows using market rates

	2017	
	Carrying amount	**Fair value**
Financial liabilities held at amortized cost:		
Long-term debt	$ 10,101,763	$ 10,033,288

	2016	
	Carrying amount	**Fair value**
Financial liabilities held at amortized cost:		
Long-term debt	$ 10,327,196	$ 10,766,958

21. Stockholders' equity

a. Common stock as of December 31, 2018, 2017 and 2016 consists of the following:

	Outstanding number of shares	**Nominal value**
Fixed capital	176,734,102	$ 18,922
Variable capital	817,493,226	87,525
	994,227,328	$ 106,447

Shares of the Grupo Gigante, S.A.B. de C.V. are registered in the National Securities Registry kept by the National Banking and Securities Commission. The outstanding shares of Grupo Gigante, S.A.B. de C.V are represented by ordinary shares, registered shares of the same series without par value, which can be subscribed freely.

On November 21, 2018, the procedure for the termination of the Level I programs for 416 ADRs and Rule 144 A for 588 ADRs, which together represented 10,040 single, ordinary, nominative shares without par value of the common stock was definitively concluded.

b. As of December 31, 2018, 2017 and 2016, Grupo Gigante, S.A.B. de C.V. had 500 shares repurchased with recorded against to stockholders' equity. The market price of such shares as of December 31, 2018, 2017 and 2016, was $36.50, $39.60 and $39.00 per share, respectively.

c. Retained earnings include a statutory legal reserve. Mexican General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value (historical pesos). The legal reserve may not be distributed, except in the form of a stock dividend, unless the Entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2018, 2017 and 2016, the legal reserve, in historical pesos, was $21,290.

d. Stockholders' equity, except restated additional paid-in capital and tax retained earnings will be subject to ISR payable by the Entity 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, against the tax for the year and provisional payments.

e. Dividends paid from the profits generated from January 1, 2014 to residents in Mexico and to nonresident shareholders may be subject to an additional tax of up to 10%, which will be withheld by the Entity.

f. The balances of the stockholders' equity tax accounts as of December 31, are:

	2018	2017	2016
Contributed capital account	$ 13,469,253	$ 12,848,663	$ 12,033,964
Net consolidated tax income account (CUFIN) after 2014	(168,382)	(123,338)	(78,862)
Net consolidated tax income account (CUFIN) before 2014	12,051,544	10,899,127	9,948,495
Total	$ 25,352,415	$ 23,624,452	$ 21,903,597

22. Other comprehensive income

	2018	2017	2016
Exchange differences on translating foreign operations	$ 455,280	$ 641,477	$ 667,692
Total	$ 455,280	$ 641,477	$ 667,692

a. ***Cumulative fair value gain on available-for-sale financial assets - net***

	2018	2017	2016
Balance at beginning of year	$ -	$ -	$ 1,051,984
Gain (loss) arising on changes in fair value	-	-	(14,343)
Reclassified to profit or loss	-	-	(1,513,836)
Related income taxes	-	-	476,195
Balance at end of year	$ -	$ -	$ -

b. ***Exchange differences on translating foreign operations***

	2018	2017	2016
Balance at beginning of year	$ 641,477	$ 667,692	$ 183,919
Exchange differences for the year	(186,197)	(26,215)	483,773
Balance at end of year	$ 455,280	$ 641,477	$ 667,692

23. Non-controlling interests

	2018	2017	2016
Balance at beginning of year	$ 515,505	$ 507,350	$ 424,296
Profit allocated to non-controlling interest	84,459	80,685	93,249
Acquisition of non-controlling interest	-	-	21,147
Dividends paid	-	(83,559)	(101,880)
Put option for Grupo Prisa (1)	(293,030)	-	-
Exchange differences arising on translating the foreign operations	(47,364)	11,029	70,538
Balance at end of year	$ 259,570	$ 515,505	$ 507,350

(1) Initial recognition of the probability to be required to acquire the remaining 49% of the sotck equity of Grupo Prisa established in the acquisition contracts of the Entity Grupo Prisa.

24. Transactions with related parties

Balances and transactions between the companies that comprise the Entity, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Entity and other related parties are disclosed below.

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

	2018	2017	2016
Purchases of fixed assets - other related parties	$ 37,068	$ 34,917	$ 27,808
Rental expense - shareholders	128,999	80,798	40,294
Rental income - other related parties	37,789	22,268	16,301
Purchase of inventory - other related parties	9,908	9,158	3,993
Consulting services received - other related parties	103,958	127,208	49,676
Consulting services provided - other related parties	107,454	61,132	83,829
Charitable contributions - other related parties	41,856	9,221	23,225
Loans issued	-	-	498
Other income	8,852	36,611	11,759
Other expenses	3,188	5,288	1,684

The above transactions with related parties were performed with the usual list of prices of the Entity.

b. As of December 31, 2018, 2017 and 2016, the Entity has accounts receivable due from related parties for $47,278, $89,622 and $158,346. As of December 31, 2018, 2017 and 2016, there are accounts payable to related parties for $781, $5,273 and $431, respectively.

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

	2018	2017	2016
Short-term benefits	$ 185,153	$ 182,755	$ 150,537
Other long term benefits	60,280	68,105	60,068
Termination benefits	19,824	-	-
Post employee benefits	6,347	7,790	5,202

25. Cost of sales and operating expenses

a. Cost of sales is as follow:

	2018	2017	2016
Cost of merchandise sold	$ 19,667,912	$ 19,020,876	$ 18,166,599
Employee benefits	491,475	459,052	462,347
Rental expense	181,159	155,353	162,322
Electricity, water, gas and other utilities	189,409	171,399	154,824
Depreciation and amortization	211,408	194,114	188,642
Total cost of sales	$ 20,741,363	$ 20,000,794	$ 19,134,734

b. Operating expenses are as follows:

	2018	2017	2016
Employee benefits	$ 4,397,380	$ 4,187,947	$ 3,886,400
Rental expense	1,118,620	1,084,976	1,001,592
Insurance	84,899	66,951	63,648
Electricity, water, gas and other utilities	458,951	444,118	391,219
Maintenance	405,033	414,724	348,142
Marketing	359,983	300,976	309,332
Depreciation and amortization	672,210	648,870	565,100
Loss (reversal) impairment of property and equipment and intangibles	31,000	-	(45,844)
Other operating expenses	2,695,237	2,363,545	2,446,265
Total operating expenses	$ 10,223,313	$ 9,512,107	$ 8,965,854

26. Operating leases

a. The Entity as lessor – As lessor, agreements consist of leasing the investment properties to the Entity's clients who operate in the retail and restaurant industries. These mostly contain a minimum guaranteed income and contingent income based on the sale percentages of the clients with increases in the minimum guaranteed income determined based on inflation. Lease periods vary from 1 to 25 years (including possible extensions).

Within such leases are given incentives to customers, like grace periods as well as single payments made by customers (referred to as "key money"). These incentives are recorded in the consolidated statement of financial position as deferred income and recognised as income in a straight line over the contract term.

The future minimum lease receivables related to non-cancelable operating leases are as follows:

	2018
Not more than 1 year	$ 997,972
More than 1 year and not more than 5 years	2,476,898
More than 5 years	1,156,586
Total	$ 4,631,456

b. The Entity as lessee – Operating leases relate to leases of land and buildings in which the Entity has some of its stores, the lease terms range from 1 to 25 years. All operating lease agreements, greater than 1 year, include inflation escalation clauses. Key money paid as well as rent holidays received are recognized initially as a prepaid rent and subsequently as rent expense on a straight-line basis over the lease terms unless another systematic basis is more representative of Entity's consumption of the benefits.

The future minimum lease payments related to non-cancelable operating leases are as follows:

		2018
Not more than 1 year	$	1,102,543
More than 1 year and not more than 5 years		4,880,580
More than 5 years		2,673,060
Total	$	8,656,183

27. Income taxes

The Entity is subject to ISR. Under the ISR Law the rate for 2018 and 2017 was 30% and will continue at 30% thereafter. The rate of current income is 30%. The Entity incurred ISR on a consolidated basis until 2013 with its Mexican subsidiaries. As a result of the 2014 Tax Law, the tax consolidation regime was eliminated, and the Entity and its subsidiaries have the obligation to pay the deferred income tax benefit calculated as of that date over a five-year period beginning in 2014, as illustrated below.

In compliance with the Decree that amends several provisions of the Income Tax Law published on November 18, 2015, the Entity recalculated the deferred income tax related to the consolidation regime considering: a) tax loss carryforwards according to Article Two, sections VIII and IX of the Decree that amends several provisions of the Income Tax Law published on November 18, 2015. This credit is related to tax losses for which a deferred tax asset had not been recognized since it was not probable that the economic benefits would flow to the Entity and b) reversal of losses determined in share sale transactions which had been used to offset the consolidated taxable income. According to this Decree, the resulting deferred tax payable will be settled in 10 annual installments beginning on the date in which the consolidation regime ended (December 31, 2013). During September 2016 a payment of $168,540 was made related to the difference between the amounts previously paid in the three annual instalments already paid and the recalculated amounts. The remaining income tax payable will be paid in seven yearly instalments beginning in March 2017.

During 2018 the tax authorities exercising its faculties of verification to two subsidiaries of Grupo Gigante, S.A.B. de C.V., as a result of one these verifications, Office Depot de México, S.A. de C.V., filed complementary returns to amend its previous returns, making a payment of $117,900, including interest. Likewise, on February 2019, a final agreement related to this review was signed. Currently, the tax authorities continue faculties of verification in the other subsidiary, without a tax credit beingd determined as of the date of the financial statements.

Income taxes in other countries, for Office Depot de México, S. A. de C. V., its foreign subsidiaries calculate their individual income taxes, according to the regulations of each country.

a. Income taxes recognize in profit for the year are as follow:

		2018		2017		2016
ISR expense (benefit):						
Current	$	820,912	$	754,045	$	715,283
Deferred		(72,040)		(21,266)		694,753
	$	748,872	$	732,779	$	1,410,036

b. The effective ISR rate for fiscal 2018, 2017 and 2016 differ from the statutory rate as follow:

	2018 %	2017 %	2016 %
Statutory rate	30	30	30
Permanent differences	3	5	2
Effects of inflation	(4)	(4)	-
Effect of future tax loss carry forwards partially recognized	8	2	1
Effective rate	37	33	33

c. Income taxes recognized in other comprehensive income are as follows:

	2018	2017	2016
Deferred ISR benefit:	$ -	$ -	$ 476,195

d. The main items originating deferred taxes are:

	2018	2017	2016
Deferred ISR assets (liabilities):			
Property and equipment and investment property	$ (2,042,029)	$ (2,202,695)	$ (2,193,039)
Inventories	5,946	(3,995)	9,557
Accrued expenses and provisions	287,965	324,687	245,279
Prepaid expenses and advances from customers	(87,352)	(88,177)	(93,692)
Intangible assets and others	(263,636)	(197,363)	(248,986)
	(2,099,106)	(2,167,543)	(2,280,881)
Effect of tax loss carry forwards	118,710	115,107	206,490
Total deferred tax liability – Net	$ (1,980,396)	$ (2,052,436)	$ (2,074,391)

e. The balances presented in the consolidated statements of financial position are as follows:

	2018	2017	2016
Deferred tax asset	$ 495,946	$ 418,451	$ 463,385
Deferred tax liability	(2,476,342)	(2,470,887)	(2,537,776)
Total deferred tax liability – Net	$ (1,980,396)	$ (2,052,436)	$ (2,074,391)

In the determination of the deferred ISR liability as of December, 31, 2018, 2017 and 2016, a total of $422,404, $265,576 and $286,606, respectively, related tax losses carry forwards were excluded since the management believes that it is not probable the related future economic benefits will be realized.

As of December 31, 2018, the Entity's has tax losses carryforwards related to its operations in Colombia for $569,826 which can be recovered without limitation on the value or period; however, the related deferred income tax asset has not been recognized as management does not believe that it is probable that sufficient future taxable income will be generated in order to benefit from such tax loss carryforwards. Accordingly, unrecognized tax loss carryforwards in Colombia as of December 31, 2018, 2017 and 2016, are $170,948, $185,330 and $181,738, respectively.

f. Tax consolidation

ISR liability as of December 31, 2018 related to the tax deconsolidation which will be paid in the following years is as follows:

Year		
2019 (i)	$	56,180
2020		56,180
2021		56,180
2022		56,180
2023		56,181
	$	280,901

(i) The current portion of the income tax payable is included within accrued expenses and taxes in the consolidated statements of financial position.

28. Earnings per share

The amounts used to determinate basic and diluted earnings per share were as follows:

	2018 Mexican pesos per share	2017 Mexican pesos per share	2016 Mexican pesos per share
Basic and diluted earnings per share:	1.18	1.41	2.81

a. ***Basic and diluted earnings per share***

For the years ended December 31, 2018, 2017 and 2016, the Entity does have any commitments to issue or exchange its own shares; therefore, there are no potentially dilutive instruments hence basic and diluted earnings per share are the same. The earnings amounts and the weighted average number of shares used for the calculation of the basic and diluted earnings per share are the following:

For the years ended December 31:

	2018	2017	2016
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	$ 1,169,836	$ 1,400,358	$ 2,789,483
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	994,227,328	994,227,328	994,227,328

b. ***Weighted average number of ordinary shares***

For the years ended December 31, 2018, 2017 and 2016, there were no movements in the number of outstanding shares, therefore, the weighted average of ordinary shares is equal to the number of outstanding shares at the end of each one of these periods.

c. ***Basic and diluted earnings per share determination***

	As of December 31, 2018		
	Profit	Weighted average number of shares	Mexican pesos per share
Basic and diluted earnings per share	$ 1,169,836	994,227,328	1.18

	As of December 31, 2017		
	Profit	Weighted average number of shares	Mexican pesos per share
Basic and diluted earnings per share	$ 1,400,358	994,227,328	1.41

	As of December 31, 2016		
	Profit	Weighted average number of shares	Mexican pesos per share
Basic and diluted earnings per share	$ 2,789,483	994,227,328	2.81

29. Commitments and contingencies

Commitments

The Entity has entered into operating leases for land and buildings in which some of its stores and restaurants are located. Rental payments are calculated as a percentage of sales ranging from 1% to 6%, subject to minimum amounts which are adjusted annually for increases in inflation.

Also, certain operating lease agreements entered into by the Entity as lessor gives tenants renewal options to extend the lease terms for up to 10 years.

The Entity has no commitments for the acquisition of property and equipment or investment property.

Contingencies

In the ordinary course of business, the Entity is party to various legal proceedings which have resulted in immaterial contingencies for which the Entity has created reserves.

Except for the aforementioned paragraph, neither the Entity nor its assets are subject to any legal contingency that does not derive from the Entity's normal and routine activities.

30. Reportable segments

The information provided to the Chief Operating Decision Maker of the Entity (“CODM”) for purposes of allocating resources and assessing segment performance focuses on types of goods and services sold or rendered to customers, the type of customers of each of the operating segments of the Entity and also in the way in which the Entity delivers such goods or provides the related services to its customers. The Entity, using this approach, has identified the following reportable segments:

i. Retail – Specialized stores which sell:

a. Office supplies and furniture as well as office electronics
b. Ideas and solutions for home furniture and décor based on an offering of novelty products and goods.

ii. Prisa distribution – Institutional distribution and retail specialized in office goods, furniture and electronics products

iii. Restaurants – Family restaurant chain, which stands out for its innovative dishes, excellent service in a young and casual environment.

iv. Real Estate – Development of investment property, retail stores, shopping malls and corporate office buildings, which are leased to tenants as well as development of housing for sell to customers.

v. Corporate – Entity management and corporate administration

vi. Other – The Entity groups its other operations like information technology software, parking lot operations and other subholdings.

Reportable segments information is as follows:

a. ***Segment revenues and results***

The following is an analysis of the Entity's revenues and results from continuing operations by reportable segment:

	Revenues by segment		
	2018	2017	2016
Retail	$ 22,249,661	$ 21,579,478	$ 20,679,603
Prisa distribution	4,489,478	4,302,696	4,034,089
Restaurants	4,765,510	4,562,566	4,493,718
Real Estate	1,575,998	1,605,175	1,430,830
Corporate	420	-	-
Other	107,728	101,796	220,324
	$ 33,188,795	$ 32,151,711	$ 30,858,564

	Profit by segment		
	2018	2017	2016
Retail	$ 1,091,386	$ 1,470,115	$ 1,414,091
Prisa distribution	180,927	210,282	221,976
Restaurants	402,997	361,454	360,324
Real Estate	1,168,330	1,088,344	1,656,622
Corporate	(386,851)	(291,480)	(290,960)
Other	57,882	31,820	199,458
	$ 2,514,671	$ 2,870,535	$ 3,561,511
Interest expense	$ 1,036,244	$ 1,008,809	$ 1,505,383
Available for sale financial instruments		-	(1,513,836)
Interest income	(179,808)	(116,267)	(106,462)
Exchange loss – Net	(4,432)	25,346	181,505
Gain on revaluation of financial instruments – Net	(151,813)	(19,834)	(368,042)
Share of profit of joint venture and associates	(188,687)	(241,341)	(429,805)
Profit for the year from continuing operations before income taxes	$ 2,003,167	$ 2,213,822	$ 4,292,768

Segment revenues reported above represent revenues generated from external customers. Inter-segment revenues are as follows:

	Inter-segment revenues		
	2018	2017	2016
Retail	$ 20,803	$ 19,282	$ 35,526
Restaurants	49,579	41,321	20,729
Real Estate	250,402	255,352	213,733
Corporate	520,332	434,230	539,811

The accounting policies of the reportable segments are the same as the Entity's accounting policies described in Note 3. Segment profit represents the profit before tax earned by each reportable segment without allocation of corporate administration costs and the equity share in the profits or losses of joint ventures and associates.

b. ***Segment assets, long-term debt and Senior Notes payable***

	Total segment assets		
	2018	2017	2016
Retail	$ 14,212,759	$ 13,285,599	$ 13,692,114
Prisa distribution	2,667,624	2,844,236	2,772,518
Restaurants	3,556,740	3,405,405	3,991,914
Real Estate	18,986,384	17,508,324	16,799,961
Corporate	1,301,991	1,161,422	1,324,464
Other	2,576,541	2,363,376	1,850,852
Total assets	$ 43,302,039	$ 40,568,362	$ 40,431,823

Intercompany balances are not included.

	Long-term debt and Senior Notes payable		
	2018	2017	2016
Retail	$ 2,925,837	$ 2,951,667	$ 2,945,795
Restaurants	1,097,950	1,068,758	1,118,188
Real Estate	2,314,475	1,885,778	1,991,575
Corporate	4,179,371	4,185,735	4,223,956
Other	-	9,825	47,682
Total long-term debt and Senior Notes payable	$ 10,517,633	$ 10,101,763	$ 10,327,196

c. ***Other segment information***

	Depreciation and amortization		
	2018	2017	2016
Retail	$ 493,392	$ 439,270	$ 464,762
Prisa distribution	37,033	34,429	26,223
Restaurants	250,131	233,197	215,353
Real Estate	11,153	7,994	9,343
Corporate	2,069	6,886	6,886
Other	89,840	121,207	31,175
Total	$ 883,618	$ 842,983	$ 753,742

	Additions to long-term assets		
	2018	2017	2016
Retail	$ 1,080,281	$ 540,832	$ 518,630
Prisa distribution	74,878	28,754	57,004
Restaurants	407,670	430,595	741,582
Real Estate	929,791	496,456	240,423
Corporate	38,808	-	-
Other	3,969	156,773	79,647
Total	$ 2,535,397	$ 1,653,410	$ 1,637,286

d. ***Geographical information***

The Entity operates in four principal geographical areas, Mexico, Central America, Colombia, the Caribbean and Chile. The Entity's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from external customers		
	2018	2017	2016
Mexico	$ 26,035,374	$ 25,085,997	$ 24,054,213
Chile	4,489,478	4,302,696	4,034,089
Central America	1,784,795	1,799,779	1,843,407
Colombia	804,455	822,124	778,455
Caribbean	74,693	141,115	148,400
Total	$ 33,188,795	$ 32,151,711	$ 30,858,564

	Non-current assets		
	2018	2017	2016
Mexico	$ 29,234,200	$ 26,932,596	$ 25,597,520
Chile	731,127	780,156	757,461
Central America	613,445	680,420	684,388
Colombia	141,484	163,669	267,073
Caribbean	4,897	23,180	31,443
Total	$ 30,725,153	$ 28,580,021	$ 27,337,885

31. Authorization to issue the Consolidated Financial Statements

On March 26, 2019, the issuance of the consolidated financial statements was authorized by the Board of Directors of Grupo Gigante, S. A. B. de C. V. 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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