



COMMITTED

We Keep Evolving

Grupo Gigante has consolidated its presence in 7 countries, from Mexico, where it covers all 32 states, to Central and South America.

2020 has been an example of Grupo Gigante's permanent commitment to Mexico, **which for 58 years has continued to evolve and generate value.**

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*.

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.

VISION

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

VALUES

Leadership
Teamwork
Excellence
Creativity and Innovation
Productivity
Transparency
Recognition
Social Responsibility



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).



RESTAURANT

DIVISION

Composed of RESTAURANTES TOKS, with the BEER FACTORY brand; as well as PANDA EXPRESS, SHAKE SHACK and EL FAROLITO.



REAL ESTATE

DIVISION

With the participation of GIGANTE GRUPO INMOBILIARIO.



SOCIAL RESPONSIBILITY

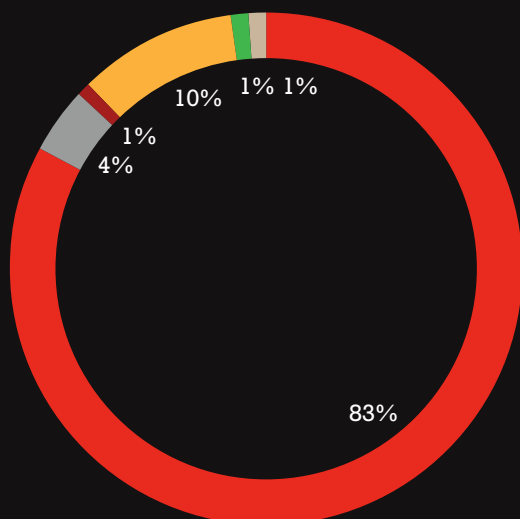
Which supplements the business group. It is important to mention the part of social responsibility of the company that through the action of its own subsidiaries and of FUNDACIÓN GIGANTE, prove the social commitment of the Group.

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SALES BREAKDOWN

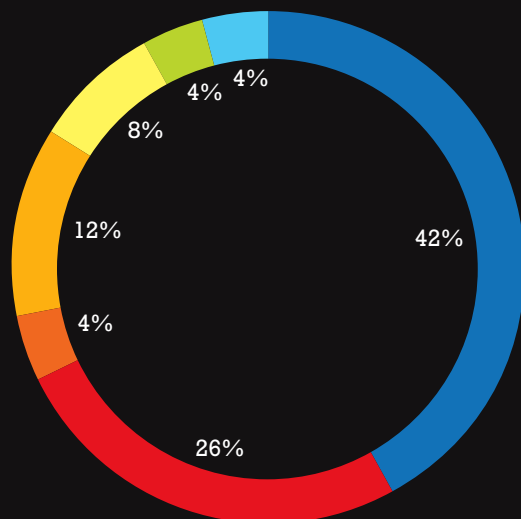
BY FORMAT



- Office Depot
- Restaurantes Toks
- Gigante Grupo Inmobiliario
- Shake Shack
- Panda Express
- The Home Store

REGIONAL DISTRIBUTION

OF UNITS



- Metropolitan Area
- Southeast
- Central Area
- Southwest
- North
- Central and South America
- Northeast

SALES FLOOR

PARTICIPATION OF SUBSIDIARIES

Business Unit	Units	m ²	Seats
Office Depot	501	458,689	
Restaurantes Toks	197	-	41,503
Beer Factory	7		1,493
Shake Shack	4		660
Panda Express	24	-	-
El Farolito	6		751
The Home Store	18	23,105	
Sub total	757	481,794	44,407
Parkings	84		
Total	841	481,794	44,407

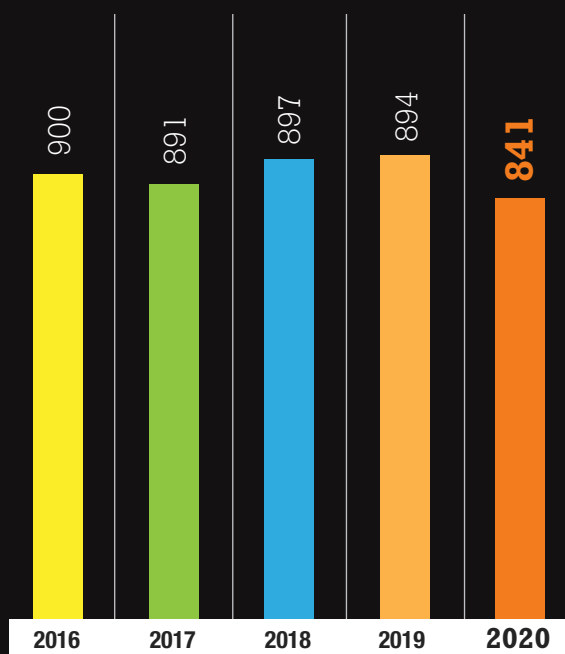
SALES FLOOR

PARTICIPATION OF ASSOCIATED

Business Unit	Units	m ²
Petco	97	58,643

CONSOLIDATED

UNITS



HIGHLIGHTS

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2020, 2019 and 2018. In thousands of Mexican pesos, except per share data

	2020	2019	2018
Total revenues	26,276,233	32,445,627	33,188,795
% variation	-19.0%	-2.2%	3.2%
Operation flow (Ebitda)	2,173,520	4,530,100	3,107,736
% variation	-52%	45.8%	-10.7%
Consolidated net income	-2,143,060	629,137	1,254,295
% variation	-440.6%	-49.8%	-15.3%
Consolidated integral income	-2,025,442	466,442	1,020,734
% variation	-534.2%	-54.3%	-30.4%
Basic earnings per common share	-2.04	0.60	1.18
% variation	-440.0%	-49.2%	-16.3%
Price of share	25.80	35.41	36.50
Common shares outstanding	994,227,328	994,227,328	994,227,328

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2020, 2019 and 2018. In thousands of Mexican pesos.

	2020	2019	2018
Assets	47,680,682	48,829,625	43,302,039
% variation	-2.4%	12.8%	6.7%
Cash and cash equivalents	2,424,653	1,686,783	2,049,520
% variation	43.7%	-17.7%	6.4%
Financial instruments	351,643	426,608	426,113
% variation	-17.6%	0.1%	-2.0%
Inventories-Net	5,655,442	6,568,139	6,743,666
% variation	-13.9%	-2.6%	1.7%
Assets use rights	4,311,648	4,972,202	
% variation	-13.3%	NA	
Property and equipment-Net	9,364,427	10,775,004	10,399,393
% variation	-13.1%	3.6%	5.9%
Investment properties	13,685,998	14,932,014	13,923,440
% variation	-8.3%	7.2%	9.2%
Other assets	11,886,871	9,468,875	9,759,907
% variation	25.5%	-3.0%	8.3%
Liabilities and Stockholder's equity	47,680,682	48,829,625	43,302,039
% variation	-2.4%	12.8%	6.7%
Suppliers	4,123,831	4,773,714	5,329,197
% variation	-13.6%	-10.4%	23.8%
Bank loans	12,241,873	10,745,739	10,517,633
% variation	13.9%	2.2%	4.1%
Long-term lease liability	4,158,531	4,678,668	
% variation	-11.1%	NA	
Other liabilities	6,625,218	6,066,832	5,348,519
% variation	9.2%	13.4%	11.8%
Stockholder's equity	20,531,229	22,564,672	22,106,690
% variation	-9.0%	2.1%	3.4%

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

ANNUAL REPORT 2020 OF THE CHAIRMAN OF THE BOARD AND OF THE CEO

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

Mexico City, March 30, 2021

Dear Board Members and Shareholders,

It is our privilege to address you on the occasion of the annual report of activities and results for 2020. This past year was one of the most complex that the world, our country and our company have ever faced. The pandemic caused by COVID-19 generated permanent social, political and financial uncertainty in the world; the consequences of which are still being felt today. The pandemic not only damaged the health of millions of people, but also generated a severe economic crisis that has affected thousands of families and caused the loss of millions of jobs and businesses. In Mexico, its consequences resulted in an economic contraction of 8.2%, the worst in the last 90 years. This contraction most severely impacted the hospitality, tourism, commercial and real estate industries. The pandemic accelerated trends that were already occurring, such as home office, e-commerce and e-banking, which grew at triple-digit rates. The pandemic surprised societies, governments and companies as a whole. In our company, we decided that the most important thing was to protect the health of our employees and customers, so we outlined strict sanitary measures in our units and offices. The use of face masks, temperature monitoring, application of antibacterial gel, cleaning and sanitization in all our stores, restaurants and offices was fundamental to operate our units. In less than a week, our businesses were able to operate remotely, our business continuity plans worked, and the correct operation of all areas of the companies was guaranteed. The authority defined an intermittent confinement, which ranged from total closure of

units to partial opening, according to what each municipality or mayor's office defined. The confinement severely impacted the way in which we were able to operate. In 2020, we operated normally only 25% of the days. However, a crisis of this depth is an opportunity to innovate and incorporate new ways to serve our customers and be more productive. In all of our businesses, we implemented new digital strategies to increase sales and strict expense control to protect our liquidity. So, we ended the year with 938 productive units, including stores, restaurants and parking lots. We are present in 7 countries, including Mexico, Guatemala, El Salvador, Honduras, Panama, Costa Rica and Chile. GIGANTE GRUPO INMOBILIARIO closed the year with 119 owned and managed properties. The inauguration of the second stage of the Gran Terraza Coapa Shopping Center was one of the most important events for this company. Despite the impact of the pandemic on businesses and the closures ordered by the authorities, the average occupancy level of the properties was over 90%. OFFICE DEPOT celebrated its 25th anniversary, establishing itself as a leader in the office supplies and technology sector. During 2020, OFFICE DEPOT developed new ways to serve customers through technology-based initiatives such as digital lockers, drive thru delivery service and the strengthening of e-commerce. Its sales grew by more than 70%.

Our PETCO business, a joint venture with PETCO USA, reached 97 units in the country with a presence in 24 states of Mexico. Its performance was exceptional during 2020, with sales growth of more than 30% in the actual units and more than 100% in e-commerce. GRUPO RESTAURANTERO GIGANTE faced a particularly complex year. Just over

25% of the year operated normally. It finished the year with 44,407 seats and 238 restaurants. During 2020, El Farolito Restaurants were successfully incorporated. Two Shake Shack restaurants were opened successfully, demonstrating the strong positioning of the concept with the national consumer. As in other business, digital initiatives allowed us to serve our customers in an innovative way: web ordering, digital menus, payments with QR codes and the development of "Dark Kitchens" are some of the new ways we now have available. As part of our commitment and social responsibility that has characterized us for over 58 years, and given the situation we face in Mexico, through Fundación Gigante and with the support of Grupo Restaurantero Gigante and Grupo Presidente (a company associated with Grupo Gigante's controlling group), more than 378,000 complete meals were delivered to the staff of 7 hospitals located in 4 cities in the country, among other charitable initiatives by Fundación Gigante. During this complex year, Grupo Gigante was privileged to have the permanent commitment of the Planning and Finance, Corporate Practices and Audit Committees, which met more frequently to advise and provide support to Management in the challenges that had to be faced.

In Grupo Gigante, we understand that every organization becomes relevant when it understands the importance of its contributions to society, shareholders, employees and business partners. Therefore, we want to specially highlight the solidarity of our employees and their enthusiasm and effort during the last year. Today, as never before, our employees proved that what makes Gigante a giant is its people. 2020 was an example of Grupo Gigante's

permanent commitment to Mexico, which for 58 years has continued to evolve and generate value and development in all the states of the country. We are confident in the future of Mexico and that being in a favorable position will allow us to overcome a crisis of the magnitude generated by COVID-19, which gives us the certainty that our company is strong and solid to continue growing and creating value for society, shareholders, employees and business partners.

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



**Office
DEPOT**

petco

SALUD + BIENESTAR
PARA TUS MASCOTAS

THE HOME STORE



Office DEPOT

THE EXPERIENCE AND

STRENGTH WE HAVE GAINED

OVER THE PAST 25 YEARS

HAVE ENABLED US TO

SUCCESSFULLY FACE THE

PRESENT CHALLENGES.

This is especially true with respect to the health contingency, which prompted us to continue evolving in order to remain at the forefront and reiterate our commitment to the well-being of Mexico.

E-COMMERCE INCREASED
BY OVER

74%



OFFICE DEPOT

FROM INSIDE



PRESENCE IN

7

countries
of America



501
UNITS

in operation in their
different formats.



343
TONS

of cardboard and
74 tons of plastic wrap
collected for recycling.



83%
SHARE

of consolidated
revenues.



192
UNITS

with server upgrades
during 2020.



Over
10,000
EMPLOYEES

by the end of 2020.



Over
458,000m²
OF SALES FLOOR

by 2020.





The difficult situation that we have experienced has prompted us to maintain a special focus on the safety of both our customers and our employees, which is why we implemented safety protocols such as: the use of face masks, temperature monitoring, application of antibacterial gel, constant cleaning of furniture and general sanitization of our units. Restrictions led to stores closing temporarily, so we started with different merchandise delivery modalities, implementing new sales channels, such as: the creation of digital lockers, the “drive thru” program and the Office Depot App, as well as the strengthening of “fast delivery”, which allowed us to reach our customers’ homes. Office Depot’s e-commerce platform is ideal for customers to make online purchases quickly and easily, as shown by the increase by over 74% in 2020 compared to the previous year. During 2020, we started with the renewal of equipment in stores to improve the level of service and productivity with which we

managed to cover 178 units with updated POS (Point of Sale); 192 units with updated servers and 87 units with renewed rental equipment. We also facilitated remote work for our office employees, reinforcing the security of our systems. As part of our strategy, we also had to implement extraordinary cost-control measures. For 2021, we plan to maintain our customer focus and efficient cash flow management, with strict optimization of resources. Additionally, we will continue to promote digital transformation and systems upgrades through the PROTEO program in areas such as merchandise, inventory management, point of sale, import management and analytical reporting platform. At Office Depot, we reiterate our commitment to the satisfaction of our customers, their care and that of our employees, with the firm conviction to continue working for a better Mexico for everyone.

**NEW SALES CHANNELS WERE
CREATED, SUCH AS DIGITAL LOCKERS,
THE “DRIVE THRU” PROGRAM AND THE OFFICE DEPOT APP.**

At RadioShack, we know that the role we play in Mexico as a provider of cutting-edge technology is of great importance. It became ever more relevant as a result of social distancing during the pandemic since connectivity became fundamental for coexistence and work. Thus, our passion for technology took on a great sense of evolution, helping to diminish the impact of the restriction measures for mobility and social confinement, with communication tools that we made available to all Mexicans. In this sense, Radio Shack confirmed its commitment to Mexico, offering items with state-of-the-art technology that are present from a video call between friends to the virtual signing of a business contract. The importance that used to be given to television is now given to technology: many of the things for entertainment and interaction have been migrated to devices, such as music, the agenda and the calculator, to mention a few. We are convinced that we will continue to evolve, working at all times to offer innovative and cutting-edge technological solutions for our customers, with the best quality and the most important brands, allowing us to meet the needs of connectivity, communication, security and

entertainment, for a much lighter confinement with a more fun lifestyle. Another consolidated brand in this division is undoubtedly Casa Marchand. These stores specialize in the sale of school supplies, with a philosophy aimed at customer satisfaction and with the clear objective of being a leader in this niche industry. It has a presence in Mexico City and in 8 states of the Mexican Republic, with a total of 44 units. At the beginning of the pandemic, together with Fundación Gigante, we delivered free face masks to hospitals, police stations and municipal offices in different states of Mexico. In addition to donating hot meals to several hospitals in Mexico, as a token of gratitude to health professionals for their great work on the front lines. At the Office Depot Logistics Center, 343 tons of cardboard and 74 tons of plastic wrap were collected for recycling, which is equivalent to 5,800 trees saved or electricity for 897 homes. Office Depot was recognized as a Socially Responsible Company by the Centro Mexicano para la Filantropía, A.C. (Cemefi) for the 13th consecutive year, confirming its commitment to socially responsible management.



Clientes





**SALUD + BIENESTAR
PARA TUS MASCOTAS**

WE IMPLEMENT NEW

SALES CHANNELS

TO RESPOND QUICKLY

AND ADEQUATELY TO OUR

CUSTOMERS' DEMANDS.

In addition to this, the renewal of the brand's image and philosophy confirmed our commitment and mission to be the best option in health and wellness for pets.

35%

INCREASE IN SALES
VS PREVIOUS YEAR



PETCO

FROM INSIDE



30%

PARTICIPATION

in online sales through
the Petco App.



97
UNITS
in operation.



PRESENCE IN
23
Mexican States.



Opening of
8
UNITS
in 2020.



\$2.9
MDP
raised in the "Salvando
Vidas" campaign.



More than
2.5
MILLION
in Club Petco.



\$1.5
MDP
raised in the "Redondea un
Hogar" campaign.



2020 was unusual, the confinement and sanitary measures changed our lifestyle allowing us to be closer to our family, including our 4-legged friends. During this period, preserving health and avoiding contagion has been paramount. Therefore, in Petco, we implemented all the sanitary measures required by the authorities, safeguarding the welfare of our customers and suppliers. With regard to our employees, we protected vulnerable personnel and implemented flexible working arrangements to work from home and/or in offices, as required by the activities. Additionally, free COVID-19 tests are provided to those with symptoms of infection. Undoubtedly, it has been a difficult and uncertain time; however, it was this same context that helped us to listen carefully to our customers' requests and implement creative ways to provide them with the essential products for their pets; this is how the "Ventel" service,

telephone sales, was born. On the other hand, processes were implemented to speed up the delivery of online orders from stores, and finally, the "Petco App" was launched, which in record time offered customers the possibility to purchase their products and even schedule Grooming appointments in a couple of clicks. These efforts, among others, paid off, increasing total sales by 35% compared to 2019, our Club Petco base surpassed 2.5 million members and we achieved triple-digit growth in e-commerce. We also reported excellent results through the "Petco Easy Buy" program, where we achieved a 168% increase in our sales, as well as the 30% increase in online sales participation of the "Petco App". We continue with our commitment to place new members in Mexican families, always with the vision that when a pet is adopted, wonderful things

DURING 2020, WE LAUNCHED THE "PETCO APP",

WHICH IN RECORD TIME OFFERED CUSTOMERS THE

POSSIBILITY TO PURCHASE PRODUCTS AND EVEN SCHEDULE

GROOMING APPOINTMENTS WITH A COUPLE OF CLICKS.



happen in people's lives. Thus, with our "Primero Adopta" [Adopt First] program and in collaboration with more than 45 adoption centers, rescuers, volunteers and veterinary networks, we have achieved more than 50 thousand adoptions, of which 32,771 are dogs, 17,317 cats, 3,244 small mammals, 2,002 fish, 255 reptiles and 148 birds. Also, with less fortunate in mind, our campaigns: "Redondea un Hogar" and "Salvando Vidas" [Round Up for Homes and Saving Lives], we raised \$1.5 million pesos and \$2.9 million pesos, respectively. These resources benefit pets living on the street that are rescued by different adoption centers, in

order to give them a more dignified life and integrate them responsibly into a loving family. As part of our achievements, as a result of the efforts of everyone at Petco and in line with our expansion plans, during 2020 we opened 8 more units to add a total of 97 establishments (67 Petco and 30 Petco Express). This means we now have a presence in 23 states in Mexico, including Mexico City. At Petco, we are determined to continue growing and innovating for the welfare and care of pets in Mexico, because providing quality of life to those who leave their mark on our lives gives us the opportunity to be happier and make the world a better place.

DURING 2020, WE OPENED 8 MORE UNITS TO ADD A TOTAL OF 97 ESTABLISHMENTS

(67 PETCO AND 30 PETCO EXPRESS), WHICH MEANS WE NOW HAVE
A PRESENCE IN 23 MEXICAN STATES, INCLUDING MEXICO CITY.



INCREASED TOTAL SALES

BY 35% COMPARED TO 2019,

PETCO CLUB SURPASSED 2.5 MILLION MEMBERS AND WE

ACHIEVED TRIPLE-DIGIT GROWTH IN E-COMMERCE.



THE HOME STORE

WE STRENGTHEN THE USE OF DIGITAL TECHNOLOGIES

SUCH AS APPS AND SOCIAL MEDIA.

For 2021, we will continue to work hand-in-hand with our customers and maintain our commitment to Mexico.

GROWTH IN
ONLINE SALES

190%

THANKS TO THE APPS
AND SOCIAL MEDIA SUPPORT.



THE HOME STORE

FROM INSIDE



More than
8,000
PRODUCTS
in each
unit.



18
UNITS
in operation.



More than
22,000m²
OF SALES FLOOR.



24 hour
HOME
DELIVERIES.



PRESENCE IN
9
Mexican States.



190%
GROWTH IN
online sales.



2020
implementation of the
“CÍRCULO HOME
STORE” program.

At The Home Store we are committed to providing our customers with a unique shopping experience, inspiring them with innovative ideas that allow them to decorate the spaces where they live their most precious moments, especially now that these spaces have become shelters. In 2020, circumstances forced us to evolve to reach our customers in a different way, due to the self-isolation and prevention measures required by the pandemic in which we are still immersed, such as social distancing, the temporary closing of units and shopping centers, restricted business hours, reduced unit capacity, among others. However, the situation did not discourage us; on the contrary, it led us to think about how to keep our customers close, taking care of their most valuable asset, which is their safety, and considering new forms of interaction. As part of our evolution, we were able to consolidate the use of digital technologies such as apps and social media, which resulted in a growth in online sales of almost 190%, in addition

to an increase in average sales ticket of 6.3% compared to 2019. Among the most relevant digital initiatives, we should highlight the development and implementation of the "Círculo Home Store" program, with access to exclusive promotions, welcome coupon and birthday promotion, in addition to increasing our presence on social media such as Facebook, the distribution of catalogues in networks such as Tiendeo and Ofertia, and a successful mailing strategy. For 2021, our objective is based on improving our profitability while maintaining our commitment to our customers by offering innovative, competitive and different products. We will continue to take advantage of e-commerce technology, offering the best shopping experience, with accessible delivery methods, either in 24 hours at home or through pick up in store. The Home Store will continue working as we have been doing for 10 years, always hand in hand with our customers, either virtually or in person. We are the best option to make their ideas possible.

WE WILL CONTINUE TO TAKE ADVANTAGE OF E-COMMERCE TECHNOLOGY,

OFFERING THE BEST SHOPPING EXPERIENCE, WITH ACCESSIBLE DELIVERY
METHODS, EITHER WITHIN 24 HOURS AT HOME OR THROUGH PICK UP IN STORE.





RESTAURANT

DIVISION





The logo for Tok's Restaurante is displayed within a black square. It features the word "Tok's" in a large, white, serif font, with the apostrophe in "Tok's" stylized as a diagonal slash. Below "Tok's", the word "RESTAURANTE" is written in a smaller, white, sans-serif, all-caps font. A registered trademark symbol (®) is located to the right of the black square.

Tok's
RESTAURANTE

IN RESPONSE TO THE PANDEMIC,

TOKS EVOLVED

BY USING AND DEVELOPING

ONLINE CHANNELS AND

HOME DELIVERIES.

We also follow all the sanitary measures in our establishments and take care of every detail when preparing our dishes, which allows us to offer safe, reliable and high-quality food, services and spaces.

IN THE YEAR
2020
THE “A COMER CLUB”
LOYALTY PROGRAM BEGAN.



RESTAURANTES TOKS

FROM INSIDE



197
UNITS
in operation.



During
2020,
we will implement
payments through
QR CODES.



41,503
SEATS
in 2020.



PRESENCE IN
23
Mexican States.



49
YEARS
in Mexico.



Donations of food to
7
COVID HOSPITALS.



In
2020,
we launched the
loyalty program
“A COMER CLUB”





In 2020, at Grupo Restaurantero Gigante (GRG) we worked hard to evolve and reinvent ourselves in the face of the uncertainty generated by the health contingency. The restaurant business witnessed a decrease in demand and temporary closures, as well as new restrictions that limited our take-out and home delivery. Motivated by our conviction to satisfy our customers and add value to their experience, in September we launched "A Comer Club", a loyalty program that is present in Toks, Beer Factory & Food and Panda Express restaurants, with plans to include another restaurant, El Farolito. At the end of the year, this program had 66 thousand members, with whom we can now be closer, knowing their tastes and preferences perfectly. This allows

us to anticipate their future needs. At GRG, we will continue to evolve to promote programs and initiatives that help us to remain current in the face of changes and new customer needs: the expansion of "Toks en Casa", the increase in "Dark Kitchens", the integration of "Web Ordering", the launch of "Self-Ordering" kiosks, among others. As part of our commitment and social and responsible contribution to the situation we are living in Mexico, GRG joined in the support of medical personnel, allocating more than 181 thousand full meals in 7 hospitals located in 4 cities in the country, in addition to the distribution of food pantries for its employees and residents of the communities that supply the products of the "Toks a Mano" productive projects.

AT GRG, WE WORK HARD

TO REINVENT OURSELVES, ALWAYS CLOSE

TO OUR CUSTOMERS AND MAINTAINING

OUR COMMITMENT TO MEXICO.

RESTAURANTES TOKS

2020 led us to change and develop, where the vision and solid business strategy, which have given us almost 50 years of operating in the Mexican market, prompted us to evolve with a clear objective: to remain at the tables and in the taste of our customers, either physically in our restaurants or at the table of each Mexican home. We focused on strengthening the use of digital channels, innovating new ways to stay close to people, through home delivery platforms, as well as the use of social media and apps like "Whatsapp" and "Web App". To take care of our customers and our staff, we paid special attention to follow hygiene and healthy distance measures, thoroughly sanitizing each space in our restaurants, implementing signage and physical protection barriers. We also emphasized our *Distintivo H* protocols, ensuring the correct hygienic handling of our food and thus

guaranteeing the customer that, "Si es Toks, es Seguro" [If it's Toks, it's Safe]. To this end, we developed digital menus incorporating new products to the menu and implemented payments through QR codes, to largely avoid contact with external objects. Likewise, we successfully integrated the "Dark Kitchens". We especially dedicated ourselves to caring for every detail when preparing dishes. So, we managed to provide safe, reliable and high-quality spaces, services and products. Undoubtedly, 2020 was a different and challenging year for all of us, where our values of service and innovation were the driving force to evolve, transform ourselves, move forward and continue to transcend, with the conviction that Restaurantes Toks has the team, infrastructure, human capacity and experience to continue operating with the success and commitment we have always had.

IN ORDER TO TAKE CARE OF OUR CUSTOMERS AND OUR STAFF, WE PAID SPECIAL ATTENTION

TO FOLLOW HYGIENE AND HEALTHY DISTANCE MEASURES,
THOROUGHLY SANITIZING EVERY SPACE IN OUR RESTAURANTS.



**RESTAURANTES TOKS HAS THE
EQUIPMENT, INFRASTRUCTURE,
HUMAN CAPACITY AND EXPERIENCE**

TO CONTINUE OPERATING WITH THE SUCCESS

AND COMMITMENT WE HAVE ALWAYS HAD.





WE REMAIN UNITED AS THE GREAT FAMILY

THAT WE ARE AND WE WILL CONTINUE
TO EVOLVE TO GET CLOSER TO OUR
CUSTOMERS EVERY DAY.

Promoting new technologies and programs that focus on fulfilling our commitment, as we have done since 2011 when we entered the Mexican market, to satisfy the most demanding palates.

COOKING FOODS AT MORE THAN

74°C

FOR 15 SEC. AS A PROTECTION
MEASURE AGAINST COVID.



PANDA EXPRESS

FROM INSIDE



38%
INCREASE
in delivery
sales by 2020.



24
UNITS
in operation.



10
YEARS
in Mexico.



PRESENCE IN
3
Mexican States.



20.9%
INCREASE
in average ticket.



During
2020
the loyalty program
“A COMER CLUB”
was launched.



Food cooked at
+74°
FOR 15 SECONDS
as a protection measure
against covid.





At Panda Express, we remain united as the great family that we are in these uncertain times, guided by our vision and values, with the firm conviction to serve and continue taking care of our valued diners. With this commitment, we apply the strictest hygiene controls in all our dishes, cooking the ingredients at temperatures above 74C° degrees for 15 seconds. Given the circumstances during this pandemic, we temporarily removed the serving trays and suspended tastings in our common areas, in addition to storing our supplies in sanitized places. With respect to our delivery service, we ensured that food travels in a sealed bag until it arrives at our customers' doorsteps.

As part of our evolution that today allows us to be in the palm of our customers' hands through their mobile devices, Panda arrives to "Whatsapp" so they can enjoy our flavor wherever they are, by placing orders through this social media, and picking them up at any of our 24 locations. We also launched the "Panda Kids Club", to unleash the imagination of the little ones with recreational activities through our website; and hand in hand with GRG, we implemented the loyalty program "A Comer Club" ["Let's Eat Club"], to accumulate points that can be exchanged for delicious dishes, among other benefits.

AS PART OF OUR EVOLUTION THAT TODAY ALLOWS US TO BE IN THE
PALM OF OUR CUSTOMERS' HANDS THROUGH THEIR MOBILE DEVICES,
**PANDA ARRIVES TO "WHATSAPP" SO THAT THEY
CAN ENJOY OUR FLAVOR WHEREVER THEY ARE.**



BEER FACTORY

& FOOD

WE ARE PROUD

TO CONTINUE PROVIDING THE

BEST EXPERIENCE TO OUR CUSTOMERS,

now reaching the kitchen of
Mexican homes with food kits,
accompanied by the authentic
flavor of our craft beers.

100%

CRAFT BEER.



BEER FACTORY

FROM INSIDE



23

YEARS IN MEXICO

serving the best
quality craft beer.



7
UNITS
in operation.



1,493
SEATS
by the end of 2020.



100%
CRAFT
beer.



During
2020
started the
loyalty program
“A COMER CLUB”.



More than
232,000
CUSTOMERS
SERVED
in 2020.



2,488
HECTOLITERS
of beer produced
in 2020.



WE ARE PROUD TO SAY THAT AT BEER FACTORY & FOOD,

OUR BREWMASTERS MAKE THE
HIGHEST QUALITY MALTS AND HOPS.

Social distancing caused by the health crisis of 2020 was not an obstacle for Beer Factory & Food to reach the lovers of the authentic craft beers we brew. The strategy we have followed allowed us to enter the kitchen of Mexican homes with food and beverage kits that are delivered through various channels of home or restaurant sales. We also launched a program of daily promotions that allows our customers to enjoy delicious dishes that have been specially

prepared to exalt the flavor of our beers on any day of the week. We are proud to say that at Beer Factory & Food, our master brewers make the highest quality malts and hops, only to obtain the best craft beer that is accompanied with one of our delicious dishes, which whether at home or in our restaurants, will always be the best experience, the BF&F experience.





WE ARE WORKING

STEADILY TO

ADVANCE OUR GROWTH PLAN.

We know that being on the cutting edge of flavor is an attribute that sets us apart, which is why we're always dreaming up the next Shake Shack experience with you in mind.

OVER
1 million

HAMBURGERS SOLD
IN THE YEAR.



SHAKE SHACK

FROM INSIDE



100%

natural Angus beef
without hormones
or antibiotics.



4
SHACKS
in operation.



660
SEATS
by the end of 2020.



PRESENCE IN
2
Mexican States.



More than
100,000
ORDERS
by delivery.



Opening of
2
SHACKS
in 2020.



4.4%
PARTICIPATION
in online sales
through the web app.



WE EVOLVED WITH NEW WAYS

TO REACH OUR GUESTS,

WITH THE CREATION OF "KITS DIY", IN WHICH WE SEND ALL

THE COMPLEMENTS TO PREPARE OUR SHACK BURGER AT HOME.

At Shake Shack, we work hard every day to maintain our presence in the taste of our guests, firmly driving our growth in the market. In 2020, as the consequences of the pandemic were devastating for the restaurant industry, we made progress with our plan for growth. We opened 2 new Shacks, in addition to preparing the opening of Shack "Roma Cibeles" for 2021. Thus, we strengthened our commitment to continue boosting the country's economy. One of our greatest challenges in the face of the "new normal" has been to keep the Shake Shack experience alive as a fun meeting point, where people enjoy socializing, savoring high quality food, and where the safety of our visitors always comes first, striving to preserve everyone's health.

We seek to remain close to our guests, keeping us connected at all times. That is why we developed the "Web Ordering" sales channel, in which our guests place their orders from a distance, but directly with us, and then pick them up at the Shack of their choice. We evolved with new ways to reach our guests, with the creation of "Kits DIY", in which we send all the accessories to prepare our Shack Burger at home. At Shake Shack, we know that being at the forefront of flavors is a quality that distinguishes us, so we launched new products such as our Chick'n Shack and the delicious Pumpkin Shake and Christmas Cookie Shake.



El Farolito^{MR}

IN 2020, WE ACQUIRED

TAQUERIAS EL FAROLITO

WITH ITS TRADITIONAL AND RENOWNED

CHARCOAL-GRILLED TACOS AND

ITS FRESH WATERS “COLORINES”.

When talking about tacos, El Farolito always comes to mind because it has remained in the taste of Mexicans since 1962.

WE OPERATE WITH

6

UNITS AND THE
FRANCHISE RIGHTS
OF 4 UNITS.



EL FAROLITO

FROM INSIDE



SINCE
1962
with presence
in Mexico.



6
UNITS
in operation.



PRESENCE IN
2
Mexican States.



4
UNITS
under the franchise
rights program.



2020
home delivery service
was strengthened.



More than
73,600
ORDERS
DELIVERED
at home in 2020.



More than
174,000
CUSTOMERS
SERVED
in 2020.



SINCE 1962, EL FAROLITO HAS BECOME A TRADITION WHEN TALKING ABOUT TACOS.

IT HAS DISTINGUISHED ITSELF FOR BEING

THE PIONEER IN CHARCOAL COOKING.

In March 2020, we welcomed a new member of the family: El Farolito, allowing us to reach new diners in this market niche by operating 6 units and the franchise rights to 4 units. El Farolito has become a tradition when talking about tacos, because since 1962 it has distinguished itself for being the pioneer in charcoal preparation. It's part of the magic... to enjoy every bite wrapped in a tortilla freshly out of the skillet, which can be accompanied with a rich variety

of sauces, and of course, without forgetting the freshness, hygiene and quality of each ingredient. During 2020, we strengthened our home delivery service, allowing us to bring the experience to many more Mexican homes. We are proud that, both in our business family and in Mexican homes, when talking about tacos in Mexico, El Farolito always comes to mind.





GIGANTE
GRUPO
INMOBILIARIO®

2020 WAS A

CHALLENGING YEAR

AS A RESULT OF THE

COVID 19 EMERGENCY.

The commitment that Gigante Grupo Inmobiliario has had throughout its history with Mexico and its people has been strengthened during this time, with the firm conviction to continue working in the construction of a better country.

BY THE END OF 2020, OVER
989,000m²
LEASABLE AREA.



GIGANTE GRUPO INMOBILIARIO

FROM INSIDE



Second stage of
Gran Terraza Coapa

100%
COMPLETED



30%
PROGRESS
in the Aqwa
Bosques project.



20%
PROGRESS
of the fourth stage
of the Miyana project.



1,520
COMMERCIAL
PREMIS
for lease.



92%
OCCUPANCY
of rentable m²
by the end of 2020.



84
PARKING SPACE
in operation.



119
ROPERTIES
in operation.



**GIGANTE GRUPO INMOBILIARIO MAINTAINS THE FIRM
CONVICTION TO CONTINUE WORKING IN THE
CONSTRUCTION OF A BETTER COUNTRY FOR EVERYONE,
SO WE MOVE FORWARD EVOLVING WITH FIRM STEPS, AWARE
OF BEING PART OF THE STRENGTH THAT DRIVES MEXICO.**

From the beginning of the health contingency, we have followed the new regulations and decrees issued by the authorities, according to the risk assessment strategy. Consequently, most of the year, we operate with temporary or partial closures in our shopping centers throughout the country. In the face of this pressing situation, we developed strategies that have allowed us to optimize resources, while maintaining our focus on what is most important to us, which is the human element. So, with great effort, we were able to protect jobs while ensuring the well-being of our people. We also sought to support our tenants with discounts and deadlines for their rent payment, since many of them registered losses because they were not considered essential activities within the sanitary emergency, such as restaurants, movie theaters, gyms and retail stores. We moved forward evolving with firm steps without looking back, conscious of being a part of the strength that drives Mexico. Thus, with enthusiasm and effort, we achieved important results in three of our largest ongoing projects:

- We completed the second stage of the Gran Terraza Coapa shopping center, which is scheduled to open in the summer of 2021.
- We achieved 30% progress in the construction of the Aqwa Bosques office project, which will have a total of 30,329 m2 and is scheduled to be completed by the end of 2022.
- We completed the construction and adaptation of the Chapulín Tower, which is part of the housing project within the iconic Miyana complex. This tower is the tallest in the conglomerate, with 44 levels and 321 apartments for sale. We are also 20% advanced in the construction of phase 4 of the last stage of the complex, which consists of a 27-story tower available for offices and commercial base.

At Gigante Grupo Inmobiliario, we are convinced that our evolution is permanent, and that we have the capacity to adapt to the challenges and situations that the world presents us with, which is why we will continue to give our best and greatest effort, hand in hand, to get through these difficult times together.





**WE STRIVE TO PROMOTE
SUSTAINABLE DEVELOPMENT
AND SPECIALLY SUPPORT THE
PROGRESS OF THE MOST VULNERABLE
COMMUNITIES IN MEXICO.**

At Fundación Gigante, we are convinced that actions taken in solidarity and in an organized and strategic manner contribute to the progress of our country and help to make it more inclusive and widespread.

WE SUCCESSFULLY DELIVERED
378,327

HOT MEALS TO THE HEROES
WHO DAY AFTER DAY GIVE IT
THEIR ALL TO SAVE LIVES.



FUNDACIÓN GIGANTE

FROM INSIDE



100

VIRTUAL CLASSROOMS

donated to 100 public
school teachers.



6,899

**SCHOOL SUPPLY
PACKAGES**

delivered to children
of collaborators.



30,000

PROTECTION MASKS

donated to people
exposed to covid 19 because
of their activity.



9,900

**SCHOOL SUPPLY
PACKAGES**

delivered to 28 public
elementary schools.



12 vulnerable communities
benefited with

22,000

**FOOD
SUPPLEMENTS**

for children.



19,915

PERSONS

benefited through the
delivery of biosafety kits
in strategic alliances.



We delivered

5,200

FOOD PANTRIES

to Toks and Grupo
Presidente employees
during the pandemic.



WE HAVE A COMMITMENT WITH SOCIETY AND DECIDED TO SUPPORT MEDICAL AND ADMINISTRATIVE STAFF

BY PROVIDING HOT MEAL PACKAGES IN COVID-19 HOSPITALS.

At Grupo Gigante, now more than ever we pledge ourselves again the value of “serving to transcend” by promoting progress in Mexico. So, through Fundación Gigante, we maintain our commitment to the welfare of the most vulnerable in Mexico, as part of our business model to continue moving forward together, for a more equitable country for all. 2020 was a year that required a lot of strength and alliance to face the pandemic, as well as the social and economic challenges that continue to have repercussions; therefore, the contribution we made from Fundación Gigante, in addition to the alliances we established with other companies and institutions, allowed us to multiply the help to reach more people. Even at a distance, we show that our commitment to Mexico is more present than ever, with actions for social welfare in the areas of health, education and support for natural disasters. We are aware that social responsibility is essential to our business.

DELIVERY OF HOT MEALS TO HOSPITAL MEDICAL STAFF

Since the beginning of the pandemic, Fundación Gigante made a commitment to society and decided to support medical and administrative staff by delivering hot meals (breakfasts, lunches and dinners) in COVID-19 hospitals. This support began on May 4 with the donation of 110,000 meals prepared by Grupo Restaurantero Gigante (Toks, Beer Factory, Panda Express and El Farolito) and Grupo Presidente; an initiative with which we benefited the health professionals of the following hospitals:

- Instituto Nacional de Ciencias Médicas y Nutrición Salvador Zubirán
- Instituto Nacional de Enfermedades Respiratorias (INER)
- Hospital General Dr. Enrique Cabrera
- Hospital Regional Lic. Adolfo López Mateos, belonging to ISSSTE
- Unidad Médica Familiar 16 in Cancún
- Hospital Regional Tlalnepantla
- Hospital Niño y Mujer in Querétaro
- Hospital Regional in Querétaro



To achieve a greater impact, we made alliances with different companies that joined us with an economic donation. This meant that many more doctors, nurses and administrative staff received this support:

- Banco Santander México – 67,000 meals
- Fundación Santander – 114,496 meals
- Zurich Santander - 10,812 meals
- Zurich Foundation – 47,188 meals
- Constellation Brands – 16,531 meals
- Fundación Ara -10,000 meals
- Impulso Festival - 2,300 meals

Thanks to these alliances we managed to deliver 378,327 hot meals to the heroes who day after day give it their all to save lives.

SCHOOL SUPPLY KITS

Committed to education and to Mexicans families, we delivered 6,899 school supply kits to our employees' children throughout the country, who signed up for this

annual program that continues to promote children's learning. We also supported the schools enrolled in the Responsible Education program we have in alliance with Fundación Botín, which we operate through Proeducación I.A.P. We delivered 9,900 school supply kits to students between the ages of 6 and 14 who study in 28 public elementary schools in Mexico City, the State of Mexico, Morelos, Puebla, Querétaro, Michoacán and Zacatecas.

PANTRIES

In order to contribute to the family economy during the COVID-19 pandemic, we delivered 5,200 pantries to our Toks and Grupo Presidente employees.

FOOD SUPPLEMENTS

Together with Asociación Mexicana de Malta [the Mexican Malt Association], we also delivered 22,000 food supplements to children in 12 vulnerable communities in order to provide them with better nutrition for their development.

WE DELIVERED 6,899 SCHOOL SUPPLY KITS

TO EMPLOYEES' CHILDREN THROUGHOUT THE COUNTRY,

WHO SIGNED UP FOR THIS ANNUAL PROGRAM THAT

CONTINUES TO PROMOTE CHILDREN'S LEARNING.





**9,900 SCHOOL SUPPLIES PACKAGES
WERE DELIVERED TO STUDENTS**

BETWEEN 6 AND 14 YEARS OF AGE IN 28 PUBLIC ELEMENTARY
SCHOOLS IN MEXICO CITY, THE STATE OF MEXICO, MORELOS,
PUEBLA, QUERETARO, MICHOACAN AND ZACATECAS.





AT FUNDACIÓN GIGANTE, WE ARE HAPPY

WITH THE ACHIEVEMENTS WE HAVE REACHED,

BUT KNOW THAT THERE IS STILL A LONG ROAD AHEAD.

VIRTUAL CLASSROOMS

Together with Office Depot, 100 virtual classrooms were donated to 100 public school teachers supported by Proeducación, I.A.P. in Chalco, Morelos and Mexico City. The classrooms contained: a professional desk, an ergonomic office chair, a headset for teleconferencing, a stationery package (blackboard, markers and notebooks). This donation benefited 4,000 students.

PROTECTIVE FACE MASKS

Through Office Depot, with the aim of supporting people who are most exposed to COVID-19, 30,000 protective face masks were delivered to doctors, nurses and police personnel in various states of the country.

FLOODS IN TABASCO

In line with our commitment regarding Natural Disasters, as a result of the floods that caused by heavy rains in Tabasco, we were able to: provide support to 69 employees in Mexico and 7 employees in Honduras who lost the furniture

in their homes, and to whom we provided refrigerators, stoves, washing machines, dining rooms, living rooms, mattresses and mattress bases. Additionally, in Honduras, we provided support to rebuild homes that were damaged. The employees benefited work for Office Depot, Toks, Petco, The Home Store and Grupo Presidente. At the same time, we formed an alliance with World Vision and Banco Santander Mexico to help in the most affected municipalities of Centro and Centla. With this alliance we were able to benefit 19,915 people through the delivery of biosecurity kits (COVID-19 protection supplies), family hygiene kits, food pantries and blankets. At Fundación Gigante we are happy with the achievements we have reached but are aware that there is still much to do. This fuels our enthusiasm and interest to continue contributing to the welfare of Mexicans and the growth of Mexico; and therefore, as Grupo Gigante, we reiterate our commitment to continue strengthening our business units as essential entities to implement the company's Social Responsibility actions. Together, we will continue to transcend.

REPORT OF THE

AUDIT COMMITTEE

Mexico City, March 30, 2021

To the Board of Directors

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

Dear Sirs,

As Members and Secretary of the Audit Committee and in compliance with the provisions of Articles 42 and 43 of the Securities Market Law, the committee bylaws and the Internal Regulations of the Board of Directors of GRUPO GIGANTE, S.A.B DE C.V. (Grupo Gigante), and considering the recommendations of the Code of Principles and Best Practices of Corporate Governance, we hereby submit our annual report for the 2020 fiscal year, having performed the following duties:

- I.** We analyzed and recommended for approval the quarterly and annual consolidated financial statements, having requested from the External Auditor, the corresponding written reports for each quarter, which confirm that the financial information of Grupo Gigante, was prepared according to the same financial reporting standards, criteria and practices with which the annual reports are prepared, which as mentioned in section III, have been prepared using the International Financial Reporting Standards (IFRS).
- II.** We reviewed the state of Grupo Gigante's internal control and corporate internal audit system. Regarding the Corporate Internal Audit Department, the Committee reviewed and approved its budget, guidelines, annual review plan and its proper compliance. We conclude that in general, there is an adequate internal control and corporate internal audit system.
- III.** We approved the operating and accounting guidelines and policies of Grupo Gigante and its subsidiaries, in compliance with IFRS.
- IV.** We verified that the procedures established for risk control of the different business units of Grupo Gigante are observed.
- V.** Considering the previous point and in response to the events derived from the COVID-19 pandemic, we followed-up with the different measures and plans implemented by the General Management of Grupo Gigante and its different divisions to mitigate the risks caused by the aforementioned unexpected event.
- VI.** We followed up on the strict compliance with the policy of approval of services other than external audit services in order to confirm its validity and adherence to the regulations and provisions issued by the National Banking and Securities Commission during 2018 and thus ensure the independence of the external auditor.
- VII.** We reviewed and followed up on the reinforcement and implementation of information security practices in Grupo Gigante, including all risks and controls related to cybersecurity.
- VIII.** We evaluated the performance of the firm Galaz, Yamazaki, Ruiz Urquiza, S.C., who audited the consolidated financial statements for the fiscal year, as well as the External Auditor, C.P.C. Carlos Torres Villagómez and his team, considering that they all performed their duties according to the International Auditing Standards and the applicable provisions of the Securities Market Law. We approved their Service Plan, their Report of Observations and Recommendations, the Action Plans established by management, as well as we recommend to the Board of Directors the approval of their Opinion on the consolidated financial statements as of December 31, 2020.
- IX.** We analyzed the description and valuation of the services other than the external audit of financial statements provided during fiscal year 2020 by the firm Galaz, Yamazaki, Ruiz Urquiza, S.C., as well as we received their confirmation of independence.
- X.** We reviewed the process carried out by Grupo Gigante to support and document the statement signed by those

responsible for initialing the basic financial statements audited pursuant to Article 32 of the provisions issued by the National Banking and Securities Commission [CNBV] on April 26, 2018.

- XI.** We approved the reports of external and internal lawyers to ensure that Grupo Gigante and its subsidiaries duly comply with legal provisions, as well as the timely disclosure of any contingencies. Likewise, we held working sessions with its External Auditor, its Corporate Internal Audit Director, as well as with the officers we considered appropriate from the management of Grupo Gigante and its subsidiaries.
- XII.** Management presented to the Committee the control measures implemented to formally comply with the Federal Law for the Protection of Personal Data Held by Individuals, as well as the Federal Law for the Prevention and Identification of Operations with Illegal Proceeds.
- XIII.** We consider matters related to relevant observations and, if applicable, possible complaints about facts that are considered irregular in the administration formulated by shareholders, board members, senior management, employees and, in general, any third party, with respect to accounting, internal controls and issues related to internal corporate or external auditing.

XIV. We followed up on the resolutions of the Shareholders' Meetings and of the Board of Directors related to this Committee.

XV. We reviewed the Annual Report for the 2020 fiscal year of the Chairman of the Board and the Chief Executive Officer of Grupo Gigante.

Based on the work performed and the opinion of the external auditors, we are of the opinion that the accounting and information policies and criteria followed by the company are adequate and sufficient and have been applied consistently, and therefore the information presented by the Chief Executive Officer reasonably reflects the financial situation and results of the company.

As a result, we recommend that the Board of Directors submit for the approval of the Shareholders' Meeting, the Financial Statements of Grupo Gigante for the year ended December 31, 2020.

Therefore, we hereby comply with the obligation set forth in the aforementioned Articles of the Securities Market Law, Bylaws and regulations of the Board of Directors of Grupo Gigante.



Carlos Vara Alonso

Chairman



Luis Rebollar Corona

Board Member



Roberto Salvo Horvilleur

Board Member



Ernesto Valenzuela Espinoza

Secretary

REPORT OF THE CORPORATE

PRACTICES COMMITTEE

Mexico City, March 30, 2021

To the H. Board of Directors

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

Dear Board Members and Shareholders,

As members of the Corporate Practices Committee, and in compliance with the provisions of Article 43, Section I and other applicable provisions of the Securities Market Law, and according to the bylaws of GRUPO GIGANTE, S.A.B DE C.V. and the Regulations of its Board of Directors, we hereby submit this committee's report on the activities of fiscal year 2020.

Pursuant to the aforementioned provisions, and considering the unusual circumstances caused by the emergency due to COVID-19, during the year ended this Committee held 4 work sessions, of which one of them was in person and the remaining 3 were held remotely via Zoom. The committee presented its respective reports and recommendations to the Board of Directors in a timely manner, in all its meetings of the year, regarding the content and development of the following topics and duties:

I. CORPORATE GOVERNANCE OVERSIGHT. In compliance with the "Corporate Governance" program and the applicable legal provisions, the Committee supervised the meetings and functioning of the governing bodies and their rules of operation, as well as compliance with the legal provisions on the matter and the bylaws of Grupo Gigante. It is reported that they were carried out properly and on time, having held the different meetings of the Board itself and its committees, as provided.

II. COMPREHENSIVE COMPENSATION PLAN. Based on the Compensation Plan for the CEO and the senior executives of Grupo Gigante, including the Base Salary Structure, the Annual Variable Compensation or

Performance Bonus, the Long-Term Incentive and the Retirement Benefit, the Committee actively participated in the supervision of its execution, having proposed and agreed on adjustments and clarifications, in view of the emergency faced.

III. REVIEW AND APPROVAL OF GENERAL AND SPECIFIC INCREASES. Pursuant to its powers and considering the general and specific economic conditions of the Group, but also the unusual circumstances of the COVID-19 pandemic, the Committee reviewed and approved management's proposal.

IV. EVALUATION OF THE PERFORMANCE OF THE CHIEF EXECUTIVE OFFICER AND SENIOR EXECUTIVES. In compliance with the applicable provisions, the performance of the Chief Executive Officer of the Company and Senior Executives was evaluated, having authorized salary adjustments, as well as some performance bonuses, for the results of the 2019 fiscal year, as well as the plans for 2020, all under the perspective of the extraordinary savings measures generated for the emergency.

V. RELATED PARTY TRANSACTIONS. In compliance and execution of its responsibilities and powers, and based on the provisions of Article 28, section III, paragraph b) of the Securities Market Law, the Committee reviewed and analyzed transactions between related parties, recurring and specific, seeking at all times values, costs and fair and market parameters in these transactions, for the benefit of the Company. Particularly, 2 transactions were reviewed and submitted to the consideration of the Board, for its knowledge or approval, within the framework of the existing regulations and the internal Corporate Policies on Related Parties, which were updated.

VI. WAIVERS ESTABLISHED BY LAW. Since there was no situation that had to do with the waivers referred to in Article 28, section III, paragraph (f) of the Securities

Market Law, there was no need to present these transactions to the Board, and consequently there is nothing to report.

VII. CORPORATE POLICIES AND PROCEDURES. The Committee participated in the oversight of the review and application of the established policies.

VIII. REVIEW AND RECOMMENDATIONS TO THE BOARD OF DIRECTORS ON THE ANNUAL REPORT OF THE CHAIRMAN OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER. The 2020 Annual Report of the Chairman of the Board and the Chief Executive Officer was reviewed, and it was agreed to recommend its approval.

IX. LABOR REFORM MATTERS. In view of the labor reform approved the previous year -2019- and again addressing the unusual circumstances produced by the units closures in all business formats, caused by COVID-19, the Committee participated in the review and

adjustments to management's proposal on compliance and adequacy strategy.

X. POSSIBLE LEGAL REFORM TO VARIOUS LAWS (LABOR AND TAX) THAT WILL PROHIBIT OR REGULATE THE OUTSOURCING OR INSOURCING OF EMPLOYEES. Based on the Presidential announcement and the Reform Project to several Laws on outsourcing, the Committee began to analyze the impact of these Reforms to the company, jointly with management, agreeing to continue its review, to start preparing the possible action guidelines and to be very attentive to the definitions on this important subject, executing the measures in this regard in a timely manner.

Therefore, we hereby comply with the provisions of Article 43, Section I and other applicable provisions of the Securities Market Law, as well as with other general provisions, Bylaws and the Regulations of the Board of Directors of Grupo Gigante, S.A.B. de C.V.



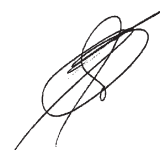
Roberto Salvo Horvilleur
Committee Chairman



Gilberto Pérezalonso Cifuentes
Board Member



Juan Carlos Mateos Durán de Huerta
Board Member



Sergio Montero Querejeta
Committee Secretary

REPORT OF FINANCE AND

PLANNING COMMITTEE

Mexico City, March 30, 2021

To the H. Board of Directors

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

Dear Board Members and Shareholders,

As members of the Finance and Planning Committee, and in compliance with the bylaws of GRUPO GIGANTE, S.A.B DE C.V. (Grupo or GG) and the Regulations of the Board of Directors, we are pleased to present to you the Report of Activities for 2020.

According to the aforementioned provisions, and considering the unusual circumstances caused by the COVID-19 pandemic, during the year ended this Committee held 10 work sessions, of which one of them was in person and the remaining 9 were held remotely via Zoom. The committee presented its respective reports and recommendations to the Board of Directors in a timely manner, in all its meetings of the year, regarding the content and development of the following topics and duties:

I. RECURRING ACTIVITIES. In the exercise of its powers, the Committee received detailed and timely information, on a quarterly or extraordinary basis, on matters related to strategic, financial and budgetary aspects, which integrated the decisions and recommendations of this collegiate body to the Board of Directors, being relevant to report on the discussion and analysis of the following specific topics:

- I.1.** 2020 Budget, its structure, follow-up, adjustments and progress.
- I.2.** Cash flows of the Group and its subsidiaries.
- I.3.** Annual and quarterly results of the company, its subsidiaries and affiliates.
- I.4.** Integration, monitoring and adjustments of the Capex of the company and its business units.

I.5. Monitoring and careful use of the credit lines of the company and its controlled companies.

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

I.7. Analysis and definition of the premises and main aspects of the 2020 budget, as well as the financial ratios to be applied and the performance meters.

I.8. Follow-up and reporting of openings and closings of the Group's units.

I.9. Analysis and, if necessary, approval of investment and divestment projects.

II. SUPERVISION OF THE GROUP'S TREASURY MANAGEMENT. Like every year, alternatives were reviewed, and investment guidelines and policies were defined, and their performance and compliance were carefully monitored. As a complement to the annual report, it is reported that at the close of the 2020 fiscal year, the company's treasury ended with an amount of \$2.541 billion pesos, after having paid interest, repaid bank loans and covered investments of various kinds, including income from financial interest.

III. BUYBACK POLICY AND OUTSTANDING SHARES. This Committee received periodic reports regarding compliance with the buyback policy of the Company's own shares, with no operations to report, informing that at the end of the fiscal year, the Company had 994,227,328 outstanding shares.

IV. ASSET VALUATION CRITERIA. The Committee participated in the review and confirmation of asset valuation criteria, recommending to the Board the authorization thereof, in application of the International Financial Reporting Standards (IFRS).

V. ANALYSIS AND SUPERVISION OF DEBT AND CASH FLOWS. COVID-19 PANDEMIC. Considering the seriousness of the events caused by COVID-19 and the

prolonged and intermittent closures of the units of the different business formats of the Company, ordered at different times and circumstances throughout the year by the Mexican authorities, at the 3 levels of government (federal, state and municipal), according to the emergency and the corresponding powers of such authorities, and the consequent negative effects on our business revenue, the Committee participated very actively and recurrently, together with the management and attending its proposals and analysis, in the follow-up of the cash flow and debt of the Group and its subsidiaries, having defined savings proposals at all levels, in addition to debt reduction and efficiency, including the refinancing of the total debt of the Company and the monetization or divestment of non-strategic assets of the Company and its subsidiaries.

In view of cash flow pressures due to the significant decrease in revenues, a liquidity credit line was authorized, negotiated and exercised, with the participation of 4 banks of the Mexican Financial System, as well as the analysis and proposal of the necessary guidelines for the refinancing of all the Company's debt, and these efforts have been initiated.

VI. BUSINESS PLAN OF GRUPO GIGANTE AND SUBSIDIARIES.

Considering the permanent exercise of reviewing and updating the Planning for Grupo Gigante and its main subsidiaries and considering the circumstances and effects of the COVID-19 pandemic, the Committee dedicated important efforts on this essential aspect, participating in the updating and design of the new strategies and specific actions, in total coordination with management.

VII. REAL ESTATE PROJECTS. DIVESTMENT IN NON-STRATEGIC PROJECTS.

During the year ended, and given their budgetary and strategic importance, the

Committee continued its participation in the review processes of the progress of some real estate projects, having particularly analyzed the potential divestment projects, in the context of the negotiation of the liquidity credit line and the beginning of the analysis of the negotiation for the refinancing of the total debt of the Group and its subsidiaries.

VIII. MEETINGS WITH MANAGEMENT.

Throughout 2020, the Committee held permanent meetings with management and with the heads of the Group's most important operating subsidiaries, analyzing the flows produced and the actions to be taken, as well as the periodic and extraordinary reports, proposing specific recommendations, insisting -as never before- on the care for the optimal use of capital, the Group and its subsidiaries' indebtedness levels, as well as the management of cash flows, continued with the identification of different alternatives for their achievement, including savings measures and actions in all aspects, as well as divestment or monetization of non-strategic assets to improve and/or reduce leverage.

IX. REVIEW AND RECOMMENDATIONS TO THE BOARD OF DIRECTORS ON THE ANNUAL REPORT OF THE CHAIRMAN OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER.

The 2020 Annual Report of the Chairman and Chief Executive Officer was reviewed, and it was agreed to recommend its approval.

With this report, we comply 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



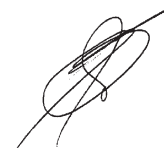
Roberto Salvo Horvilleur
Board Member



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

Chairman of Consejo Nacional Empresarial Turístico.

BS in Business Administration, Universidad Anáhuac.

MS in Business Administration Southern Methodist
University.

GONZALO BARRUTIETA LOSADA

Chairman of 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.

CARLOS VARA ALONSO

Chairman of VACE Partners and Independent board
member in several companies.

BS in Economics, ITAM.

MS in Economy, Yale University.

MS in Business Administration, Yale School of
Management.

LORENZO PEÓN ESCALANTE

Independent board member in several companies.

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

National Vice chairman of the Cruz Roja.

Independent board member in several companies.

BS in Legal. Studies Universidad Iberoamericana.

BS in Business Administration, INCAE. Business School.

LUIS REBOLLAR CORONA

Independent board member in several companies.
BS in Chemical Engineering, Universidad Nacional
Autónoma de México

ARTURO ELÍAS AYUB

Director of Strategic Alliances and Content of América
Movil; CEO of UNOTV and CEO of Fundación Telmex Telcel.
BS in Business Administration, Universidad Anáhuac.
Diploma in Senior Management, IPADE.

MANUEL SOMOZA ALONSO

Chief Executive Officer of CI Fondos, S.A. de C.V. BS in
Economics, Universidad Anáhuac.
MS in Business Administration, TEC de Monterrey
México.

JUAN CARLOS MATEOS DURÁN DE HUERTA

Consultant and independent board member in several
companies.
BS in Economics, Claremont McKenna College.
MS in Business Administration,
Harvard Business School.

JAVIER MARTÍNEZ DEL CAMPO LANZ

Secretary of the Board of Grupo Gigante, S.A.B. de C.V.
BS in Legal Studies, Universidad Anáhuac del Norte.
MS by University of San Diego.

AUDIT COMMITTEE**CARLOS VARA ALONSO**

Committee Chairman

ROBERTO SALVO HORVILLEUR

LUIS REBOLLAR CORONA

ERNESTO VALENZUELA ESPINOZA

Committee Secretary

**CORPORATE PRACTICES
COMMITTEE****ROBERTO SALVO HORVILLEUR**

Committee Chairman

GILBERTO PÉREZALONSO CIFUENTES

JUAN CARLOS MATEOS DURÁN DE HUERTA

SERGIO MONTERO QUEREJETA

Committee Secretary

**FINANCE AND PLANNING
COMMITTEE****JAVIER MOLINAR HORCASITAS**

Committee Chairman

ÁNGEL LOSADA MORENO

JUAN CARLOS MATEOS DURÁN DE HUERTA

MANUEL SOMOZA ALONSO

ROBERTO SALVO HORVILLEUR

SERGIO MONTERO QUEREJETA

Committee Secretary

CONSOLIDATED

FINANCIAL

STATEMENT

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

Consolidated Financial Statements
for the Years Ended December 31,
2020, 2019 and 2018, and
Independent Auditors' Report Dated
March 31, 2021

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, 2020, 2019 and 2018, 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, 2020, 2019 and 2018, 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.

Emphasis paragraph

Without affecting our opinion, we draw attention to Note 3b to the accompanying consolidated financial statements, Going Concern, in which management describes the effects resulting from the COVID-19 pandemic at the date of these consolidated financial statements, particularly in relation to operations and financial performance and more specifically, with regard to certain indicators such as the debt, liquidity and working capital of the Restaurants segment. It also includes the measures implemented by management to revert these effects and those related to the determination of the recoverable value of assets and other intangible assets and compliance with the financial ratios included in long-term loan agreements, due to the uncertainty derived from this extraordinary sanitary emergency. This note also refers to the financial support which Grupo Gigante, S. A. B. de C. V. will continue to provide to this segment.

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 consolidated 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 its Investment properties, which requires Entity's management the use of certain significant judgments and estimates.

The COVID-19 pandemic has considerably affected general economic conditions and, accordingly, the fair value measurements of these types of assets. Likewise, the partial shutdown of the country's economic activity due to the government's implementation of measures to halt the spread of the virus caused a reduction in the operations of most industries, which directly affected the income and expense estimates for the determination of future cash flows generated by investment properties.

The audit procedures performed to test investment properties included:

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

Substantive tests on the assumptions used by the Entity's management such as the future flows that investment properties will generate and the determination of the discount rate that includes assumptions such as long-term inflation, the level of indebtedness, country risk rate and size premium among others.

We involved our Financial Advisory specialists to perform financial exercises stressing certain variables; we performed fairness tests on income and expenses used in future cash flow projections, creating scenarios based on comparable industry indicators and their stabilization. For this 2020 period, together with our specialists, we assessed the fairness of the effects of COVID-19 on the main judgments and estimates included in the valuation model in such a way that fair value reasonably reflects the opinions of market participants and economic data as of the measurement date under current market conditions.

Our procedures also included the review of the appropriateness of the Entity's disclosures regarding the assumptions and accounting policies for the recognition of investment properties and the main economic effects of COVID-19 that affected the inputs to the valuation model, which are included in the Note 12 to the consolidated financial statements.

Long-term asset impairment valuation

The Entity owns long-lived assets such as fixed assets and intangible assets that it 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 assessment 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 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. As a result of the COVID-19, the fair value was negatively affected due to the uncertainty estimate related to the pandemic, which triggered impairment indicators in several CGUs. Similarly, due to the operating restrictions imposed by the government to prevent the spread of COVID-19, the cash flows of the Entity's businesses decreased, mainly in its Restaurants segment.

The audit procedures performed to test operating effectiveness included:

As of the end of year we tested: i) the identification of CGUs with indicators of impairment, ii) the reasonableness of the value in use calculations of the CGUs, iii) involvement of valuation specialists for the evaluation of the judgments and estimates affected by the market expectation and economic conditions that impact the inputs in the calculation of the value in use of CGUs, particularly as a result of the uncertainty due to COVID-19 and time in which it will take the overall economy to recover, iv) 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 and take into account the impacts of COVID-19 and the estimation of the triggering economic uncertainty.

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

The effects of COVID-19 on the financial statements and business operation

The infectious COVID-19 disease caused by coronavirus, which was declared a global pandemic on March 11, 2020 by the World Health Organization (WHO), emerged in early 2020. Its global spread has triggered a series of containment measures in the different economic sectors in which the Entity operates. Likewise, the federal government has implemented certain sanitary measures to halt the spread of this virus.

Due to the uncertainty and duration of this pandemic, the Entity's businesses have undergone various financial and operating effects, particularly in the restaurant segment. This adverse economic environment has resulted in significant cash flow reductions and, consequently, difficulties in maintaining positive financial results in some of its businesses. Debt amendatory agreements were executed, assets were sold, stores and restaurants in certain locations were partially, and in some cases, permanently closed.

The audit procedures we applied to assess the fairness of judgments and estimates, as well as the completeness and accuracy of the financial effects recorded and disclosed in these financial statements to address this key audit matter included the following:

We obtained and tested the financial and operating plans presented by management to enable the Entity to continue as a going concern from the perspective of International Auditing Standard 1, which requires disclosure of material uncertainties in the financial statements. We reviewed the main cornerstones and arguments supporting management's conclusions and assessed their fairness by considering current facts and circumstances, as well as the expectations of the industry in which it operates.

We assessed the fairness of current operating and financial plans and their impact on projected future taxable profits, which will be used to recover deferred income tax assets. We also evaluated whether these projections are sufficient for the application of existing tax losses before they expire. We involved our tax specialists to review the key assumptions in tax matters and analyzed historical results to conclude on their reasonableness.

We reassessed our audit procedures as follows: i) we reviewed our risk assessment to consider the effects generated by COVID-19 on the audit plan; ii) we assessed the implications of home office work both on our work team and on the Entity's internal controls, iii) we used internal inquiry processes to ensure the completeness of the effects and disclosures related to COVID-19; and iv) we combined approaches based on tests of details and substantive analytical procedure to address risk; v) we worked closely with management and earlier involved our specialists in matters such as investment property appraisal, impairment, derivative financial instruments and land valuation; vi) we involved information technology (IT) specialists to assess the cybersecurity environment and verify the absence of security breaches due to the increased number of users working remotely.

Similarly, we considered the risk whereby the Entity might default on the financial obligations established in debt agreements this year due to COVID-19, which could affect the classification of liabilities as current or non-current. Accordingly, we reviewed debt agreements, amendatory agreements and compliance with affirmative and negative covenants to verify the fairness of the determination of required financial obligations, as well as the respective disclosures of these effects in the financial statements.

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.
- Obtain sufficient and appropriate evidence related with the financial information of the entities or business 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. Carlos Alberto Torres Villagómez

México City, March 31, 2021

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

Consolidated Statements of Financial Position

As of December 31, 2020, 2019 and 2018

(In thousands of Mexican pesos)

Assets	Note	2020	2019	2018
Current assets:				
Cash and cash equivalents	5	\$ 2,424,653	\$ 1,686,783	\$ 2,049,520
Financial instruments	6	351,643	426,608	426,113
Accounts receivable – Net	7	2,981,259	3,137,809	3,121,337
Inventories – Net	8	5,655,442	6,568,139	6,743,666
Prepaid expenses		163,300	203,927	236,250
Assets classified as held for sale	9	<u>1,536,769</u>	<u>-</u>	<u>-</u>
Total current assets		13,113,066	12,023,266	12,576,886
Property and equipment – Net	10	9,364,427	10,775,004	10,399,393
Right-of-use asset – Net	11	4,311,648	4,972,202	-
Investment properties	12	13,685,998	14,932,014	13,923,440
Investments in joint ventures and associates	13	3,665,313	3,190,718	2,910,299
Goodwill	16	985,408	978,474	985,993
Deferred income taxes	29	982,778	484,915	495,946
Intangibles and other assets – Net	17	<u>1,572,044</u>	<u>1,473,032</u>	<u>2,010,082</u>
Total non-current assets		<u>34,567,616</u>	<u>36,806,359</u>	<u>30,725,153</u>
Total assets		<u>\$ 47,680,682</u>	<u>\$ 48,829,625</u>	<u>\$ 43,302,039</u>
Liabilities and stockholders' equity				
Current liabilities:				
Current portion of long-term debt	20	\$ 2,677,782	\$ 446,205	\$ 1,058,348
Trade accounts payable		4,123,831	4,773,714	5,329,197
Accrued expenses and taxes	18	2,309,269	2,164,870	1,942,677
Current portion of lease liabilities	19	<u>796,257</u>	<u>724,874</u>	<u>-</u>
Total current liabilities		9,907,139	8,109,663	8,330,222
Long-term debt	20	9,564,091	10,299,534	9,459,285
Lease liabilities	19	4,158,531	4,678,668	-
Employee benefits	21	236,772	150,366	73,944
Deferred income taxes	29	2,392,639	2,396,713	2,476,342
Long-term income tax payable	29	112,360	168,540	224,721
Derivative financial instruments	22	608,781	278,674	300,562
Prepaid rents, rent holidays received and other accounts payable		<u>169,140</u>	<u>182,795</u>	<u>330,273</u>
Total non-current liabilities		<u>17,242,314</u>	<u>18,155,290</u>	<u>12,865,127</u>
Total liabilities		<u>27,149,453</u>	<u>26,264,953</u>	<u>21,195,349</u>
Stockholders' equity:				
Common stock	23	1,374,928	1,374,928	1,374,928
Additional paid-in capital		4,026,542	4,026,542	4,026,542
Retained earnings		14,381,672	16,591,220	15,990,370
Other comprehensive income	24	<u>384,746</u>	<u>284,512</u>	<u>455,280</u>
Equity attributable to owners of the Entity		20,167,888	22,277,202	21,847,120
Non-controlling interest	25	<u>363,341</u>	<u>287,470</u>	<u>259,570</u>
Total stockholders' equity		<u>20,531,229</u>	<u>22,564,672</u>	<u>22,106,690</u>
Total stockholders' equity and liabilities		<u>\$ 47,680,682</u>	<u>\$ 48,829,625</u>	<u>\$ 43,302,039</u>

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, 2020, 2019 and 2018

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

	Note	2020	2019	2018
Sale of goods – Net		\$ 24,082,379	\$ 30,620,281	\$ 31,519,002
Rental income		1,546,006	1,511,144	1,401,704
Other income		<u>647,848</u>	<u>314,202</u>	<u>268,089</u>
		26,276,233	32,445,627	33,188,795
Cost of sales	27	16,600,426	19,765,988	20,741,363
Operating expenses	27	9,574,517	9,877,277	10,223,313
Gain on revaluation of investment property	12	504,974	(136,640)	(290,552)
Interest expense		1,680,522	1,549,737	1,036,244
Interest income		(124,195)	(190,175)	(179,808)
Exchange gain – Net		(11,120)	(416)	(4,432)
Loss (gain) on revaluation of financial instruments		419,757	443,467	(151,813)
Share of profit of joint ventures and associates	13	<u>(457,514)</u>	<u>(182,920)</u>	<u>(188,687)</u>
Profit before income taxes		(1,911,134)	1,319,309	2,003,167
Income taxes expense	29	<u>49,282</u>	<u>690,172</u>	<u>748,872</u>
(Loss) income from continuing operations		<u>\$ (1,960,416)</u>	<u>\$ 629,137</u>	<u>\$ 1,254,295</u>
Discontinued operations:				
Loss from discontinued operations - net of tax	30	<u>(182,644)</u>	<u>-</u>	<u>-</u>
Net consolidated (loss) income		<u>\$ (2,143,060)</u>	<u>\$ 629,137</u>	<u>\$ 1,254,295</u>
Other comprehensive income:				
Items that will be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations and net actuarial (gains) loss		<u>\$ (117,618)</u>	<u>\$ 162,695</u>	<u>\$ 233,561</u>
Total comprehensive (loss) income for the year		<u>\$ (2,025,442)</u>	<u>\$ 466,442</u>	<u>\$ 1,020,734</u>

(Continued)

	Note	2020	2019	2018
(Loss) profit for the year attributable to:				
Owners of the Entity		\$ (2,209,548)	\$ 600,850	\$ 1,169,836
Non-controlling interest	14	<u>66,488</u>	<u>28,287</u>	<u>84,459</u>
		<u>\$ (2,143,060)</u>	<u>\$ 629,137</u>	<u>\$ 1,254,295</u>
Other comprehensive (loss) income attributable to:				
Owners of the Entity		\$ (2,109,314)	\$ 430,082	\$ 983,639
Non-controlling interest		<u>83,872</u>	<u>36,360</u>	<u>37,095</u>
		<u>\$ (2,025,442)</u>	<u>\$ 466,442</u>	<u>\$ 1,020,734</u>
(Loss) gains of continued operations controlling portion:				
Basic and diluted earnings (Mexican pesos per share)	30	<u>\$ (2.04)</u>	<u>\$ 0.60</u>	<u>\$ 1.18</u>
Loss of discontinued operations controlling portion				
Basic and diluted earnings (Mexican pesos per share)	30	<u>\$ (0.18)</u>	<u>\$ -</u>	<u>\$ -</u>

(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, 2020, 2019 and 2018

(In thousands of Mexican pesos)

	<u>Stockholders' equity</u>		<u>Retained earnings</u>	<u>Other items of comprehensive income</u>		
				Cumulative exchange differences on translating foreign operations and Net actuarial gains (loss)	Non-controlling interest	Total stockholders' equity
	Common Stock	Additional paid-in capital	Retained earnings			
Balances as of January 1, 2018	\$ 1,374,928	\$ 4,026,542	\$ 14,820,534	\$ 641,477	\$ 515,505	\$ 21,378,986
Dividends paid to non-controlling interest	-	-	-	-	(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
Dividends paid to non-controlling interest	-	-	-	-	(8,460)	(8,460)
Comprehensive income	-	-	600,850	(170,768)	36,360	466,442
Balances as of December 31, 2019	1,374,928	4,026,542	16,591,220	284,512	287,470	22,564,672
Dividends paid to non-controlling interest	-	-	-	-	(8,001)	(8,001)
Comprehensive (loss)	-	-	(2,209,548)	100,234	83,872	(2,025,442)
Balances as of December 31, 2020	<u>\$ 1,374,928</u>	<u>\$ 4,026,542</u>	<u>\$ 14,381,672</u>	<u>\$ 384,746</u>	<u>\$ 363,341</u>	<u>\$ 20,531,229</u>

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, 2020, 2019 and 2018

(In thousands of Mexican pesos)

	2020	2019	2018
Cash flow from operating activities:			
(Loss) profit before income taxes	\$ (1,911,134)	\$ 1,319,309	\$ 2,003,167
Adjustments:			
Depreciation and amortization	1,823,604	1,727,727	883,618
Long-lived assets impairment (reversal of) loss	-	(31,000)	31,000
Loss (gain) on revaluation of investment property	436,197	(136,640)	(290,552)
Loss on sale and disposal of property and equipment	248,632	173,392	121,510
Loss (gain) on revaluation of financial instruments	419,757	443,467	(151,813)
Share of gain of joint ventures and associates	(457,514)	(182,920)	(188,687)
Interest income	(124,195)	(190,175)	(179,808)
Rent concessions	(173,189)	-	-
Profit on sale and leaseback of investment property transaction	(227,158)	-	-
Other non-cash	(23,753)	49,472	103,119
Interest expense	<u>1,680,522</u>	<u>1,549,737</u>	<u>1,036,244</u>
	1,691,769	4,722,369	3,367,798
Working capital adjustments:			
(Increase) decrease in:			
Accounts receivable – Net	(29,100)	(16,472)	(225,454)
Inventories – Net	824,852	290,913	(115,729)
Prepaid expenses	40,626	32,323	24,081
Increase (decrease) in:			
Trade accounts payable	(581,845)	(555,483)	1,026,033
Accrued expenses and taxes	180,146	369,194	393,057
Income taxes paid	<u>(590,854)</u>	<u>(865,952)</u>	<u>(1,077,226)</u>
Net cash generated by operating activities	1,535,594	3,976,892	3,392,560
Cash flow from investing activities:			
Acquisition of property and equipment	(541,147)	(1,250,891)	(1,577,532)
Acquisition of investment properties	(391,253)	(1,014,578)	(887,326)
Acquisition of intangible and other assets	(137,439)	-	(70,537)
Proceeds on sale of properties and equipment	863,130	-	6,207
Dividends received in cash from joint ventures and associates	32,094	24,516	17,000
Disposals of financial instruments	-	2,221	31,115
Increase in joint ventures and associates	(40,961)	(104,500)	(180,070)
Interest received	<u>124,195</u>	<u>190,175</u>	<u>179,808</u>
Net cash (used in) generated by investing activities	(91,381)	(2,153,057)	(2,481,335)

(Continued)

	2020	2019	2018
Cash flow from financing activities:			
Proceeds from borrowings net of issuance costs	1,991,010	1,287,000	\$ 1,878,654
Repayments of borrowings	(583,780)	(1,075,896)	(1,482,225)
Repayment of lease liabilities	(1,008,670)	(1,256,145)	-
Interest paid	(1,158,147)	(1,032,146)	(1,002,348)
Dividends paid to non-controlling interest	<u>(8,001)</u>	<u>(8,460)</u>	<u>-</u>
Net cash used in financing activities	(767,588)	(2,085,647)	(605,919)
Net increase (decrease) in cash and cash equivalents	676,625	(261,812)	305,306
Cash and cash equivalents at the beginning of year	1,772,074	2,127,119	1,926,334
Effects of exchange rates changes on cash	<u>92,359</u>	<u>(93,233)</u>	<u>(104,521)</u>
Cash and cash equivalents at the end of year	<u>\$ 2,541,058</u>	<u>\$ 1,772,074</u>	<u>\$ 2,127,119</u>

(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, 2020, 2019 and 2018

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

1. Activities and significant events

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 September 20, 2020, Grupo Gigante, S.A.B. de C.V., in accordance with its strategic plan and, more specifically, with regard to the treatment of non-strategic assets, through its subsidiary Office Depot de México, S.A. de C.V., decided to leave the Colombian market by disposing of its assets and concluding its operations in that market. The activities of Office Depot de México, S.A. de C.V. in Colombia were consolidated through its subsidiary OD Colombia, S.A.S., and consisted of the operation of three stores under the “Office Depot” brand, a distribution center and a paper production and transformation plant, which sold goods. As of December 31, 2019, at the consolidated level, the Colombian operation only represented 2.82% of the revenues and 1.60% of the total liabilities of Office Depot de México, S.A. de C.V.

On July 6, 2020, Grupo Gigante, S.A.B. de C.V., as borrower, Office Depot de México, S.A. de C.V., Gigante Grupo Inmobiliario, S.A. de C.V., and Restaurantes Toks, S.A. de C.V., as guarantors, BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer (BBVA), Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México (Santander), HSBC México, S.A., Institución de Banca Múltiple, Grupo Financiero HSBC (HSBC) and Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat (Scotiabank) as creditors, and BBVA as administrative and collateral agent, executed an Unsecured Syndicated Loan for up to \$1,800,000, for a nine-month period and the possibility, as applicable, of extending it for three additional months (the “Liquidity Loan”), to allow the Entity could cover the liquidity requirements derived from the pandemic caused by the SARS-CoV-2 coronavirus (COVID-19). On July 7, 2020, Grupo Gigante, S.A.B. de C.V., executed the only drawdown of \$1,300,000.

As part of this transaction, Grupo Gigante, S.A.B. de C.V.: a) renegotiated (i) the Unsecured Syndicated Loan Agreement executed on July 12, 2017 by Grupo Gigante, S.A.B. de C.V., as borrower; Office Depot de México, S.A. de C.V., Gigante Grupo Inmobiliario, S.A. de C.V., and Restaurantes Toks, S.A. de C.V., as guarantors; and BBVA, Scotiabank and Santander, as creditors and (ii) the Current Account Loan Agreement executed on January 28, 2019 by Grupo Gigante, S.A.B. de C.V., as borrower; Office Depot de México, S.A. de C.V., Gigante Grupo Inmobiliario, S.A. de C.V., and Restaurantes Toks, S.A. de C.V., as guarantors; BBVA and HSBC, as creditors (the 2019 loan agreement, together with the 2017 loan agreement, hereinafter, the “Loan Agreements”) to make them consistent with the Liquidity Agreement, b) granted, through a Guarantee Trust Agreement with Reversal Rights executed, among others, with CIBANCO, S.A., Institución de Banca Múltiple, as trustee, and a Pledge Agreement, security interests consisting of 100% of the common stock shares of Gigante Grupo Inmobiliario, S.A. de C.V., as well as certain non-strategic real estate assets, to guarantee the payment obligations of the Liquidity Loan and the Loan Agreements and c) approved the divestment of non-strategic assets, whose resources will be used to pay the Liquidity Loan and reduce the unpaid balance under the Loan Agreements (see Notes 20 vii and 34).

Beer Factory de México, S.A. de C.V., a subsidiary of Grupo Toks, S.A. de C.V. acquired from certain subsidiaries of Fine & Casual Dining, S.A.P.I. de C.V., a company controlled by private equity funds managed by Nexxus Capital, S.A.P.I. de C.V. All these assets, including the brand and rights related to franchise agreements, of the “El Farolito” taco restaurants. As established in the respective purchase sale agreement, Beer Factory de México, S.A. de C.V., assumed operations of the “El Farolito” taco restaurants on March 4, 2020. The assets of six units and the franchise rights of five units were acquired through this transaction. The consideration paid by Beer Factory de México, S.A. de C.V. was \$150,000. (See Note 15).

On January 28, 2019 Grupo Gigante, S.A.B. de C.V. obtained a committed credit line of up to \$1,000,000, for a three-year period, with a competitive interest rate under market conditions (establishing the interest rate plus an applicable margin, based on the leverage ratio variance). Office Depot de México, S.A. de C.V., Gigante Grupo Inmobiliario, S.A. de C.V., and Restaurantes Toks, S.A. de C.V., were involved in the agreement as guarantors (see Note 20 v). On March 27, 2020, Grupo Gigante, S.A.B. de C.V. carried out the first drawdown of \$650,000 and, on June 30, 2020, it requested that creditors cancel the remaining unused committed amount.

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 ordinary, normative shares without par value of the common stock of Grupo Gigante, S. A. B. de C. V.

On May 28, 2018, Grupo Gigante, S. A. B. de C. V., informed that, was prepaid the outstanding balance of the bank loan, that Restaurants Toks, S.A. de C.V., held on February 27, 2015 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 May 14, 2018, Grupo Gigante, S.A.B. de C.V., signed an amendment agreement to the Credit Agreement dated July 12, 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.

COVID-19 is having significant effects on most markets and economies in a large number of countries; certain impacts on public health conditions specific to COVID-19 are affecting the entities’ operations. The scope of the impact on the Entity’s financial performance will greatly depend on the evolution and reach of COVID-19 during the following months, and on the ability to react and adapt of all the economic agents impacted by future developments including, among others: (i) the duration and spread of the outbreak, (ii) the restrictions and recommendations of Governments and Health Organizations, (iii) the effects on financial markets, and (iv) the effects, in general, on the domestic and international economy, which to date continue to be highly uncertain and unpredictable. In 2020, this contingency reduced the average traffic at the Entity’s units and has even implied the partial and final closing of certain units, thereby affecting the Entity’s revenue level. The Entity’s primary focus and attention is on the health and well-being of its employees, suppliers and customers.

Accordingly, and considering (a) the uncertainty regarding the evolution of COVID-19 during the following months and (b) the impossibility of determining, to date, the final impact that such evolution may have on the Entity’s financial performance, elements which will be continuously monitored, a series of preventive measures have been and will continue to be implemented in all fields of action to face the contingency, including, among others, cash strengthening and financing decisions, substantial savings, agreement renegotiations and the suspension or cancellation of non-essential projects. (See Note 3b)

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 Financial Reporting Standards (“IFRS” or “IAS”) and interpretations that are mandatory effective 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, 2020.

Initial impact of the application of the Reference Interest Rate Reform (Amendment to IFRS 9, IAS 39, and IFRS 7)

In September 2019, the IASB issued the Interest Rate Benchmark Reform document (amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for the affected hedges during the period of uncertainty before the hedging of items or instruments affected by the current reference interest rate is modified as result of the reforms in progress of the reference interest rate.

These modifications are not relevant for the Entity since the latter does not apply hedge accounting to its exposure to reference interest rates.

Initial impact of concessions applied to Income under IFRS 16 due to issues related to COVID-19

In May 2020, the IASB issued the amendment to IFRS 16, COVID-19 Related Rent Concessions that provides practical resources for tenant rental concessions that occurred as a direct consequence of COVID-19, thus introducing a practical expedient for IFRS 16. The practical expedient allows a lessee the choice to assess whether a COVID-19 related rental concession is a lease modification. The lessee making this choice should account for any change in rent payments resulting from the COVID-19 rental grant applying IFRS 16 as if the change were not a modification to the lease.

The practical expedient applies only to rental concessions that occur as a direct consequence related to COVID-19 and only if the following conditions are met:

- a) The change in lease payments results in a consideration that is substantially the same, or less than, the consideration of the lease immediately prior to the change.
- b) Any reduction in lease payments only affects payments due on or before June 30, 2021 (a rental concession meets this condition if it results in a reduction in payments before June 30, 2021 or increases payments lease after June 30, 2021); and
- c) There is no substantive change in any other clause or condition of the lease.

In fiscal year 2020, the Entity decided to apply the amendments to IFRS 16 (as issued by the IASB in May 2020) early.

Accounting impact of applying the exception to changes in lease payments

The Entity has applied the practical expedient retrospectively to all rental concessions that meet the conditions in IFRS 16: 46B, and has not reformulated prior periods.

The Entity has benefited from the suspension of months of payment of rent for leases of stores and restaurants. The suspension for lease payments during the year amounted to \$ 173,189 and has been accounted for as income in the results of the year.

Impact of application of Other amendments to IFRS Standards and Interpretations that are effective for an annual period that begins on or after 1 January 2020

In the current year, the Entity has applied a number of modifications to IFRS Standards and Interpretations issued by the IASB that are effective for the reporting period beginning on January 1, 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to the Conceptual Framework references in IFRS

The modifications include derivative amendments to the affected standards that now refer to the new Conceptual Framework. Not all amendments, however, update such pronouncements with respect to Conceptual Framework references and phrases that refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Conceptual Framework they refer to (the IASB Conceptual Framework adopted by the IASB in 2001, the IASB Conceptual Framework 2010, or the new and revised 2018 Conceptual Framework) or to indicate the definitions of the standards that have not been updated with the new definitions developed in the revised Conceptual Framework.

The standards that have had modifications are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32

Amendments to IFRS 3 Definition of a business

The modifications clarify that while businesses usually have exits, exits are not required for an integrated set of activities or assets to qualify as a business. To be considered a business, a set of activities or assets must include, at a minimum, inputs and a substantive process that together contribute to the creation of outputs.

The modification eliminates the evaluation of whether market participants are capable of replacing some input or process and continuing with the exits. The amendments also introduced additional guidance that helps determine whether a substantive process has been acquired.

The modification eliminates the evaluation of whether market participants are capable of replacing some input or process and continuing with the exits. The amendments also introduced additional guidance that helps determine whether a substantive process has been acquired.

The modifications introduced an optional concentration test that allows a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all the fair values of the acquired assets are concentrated in the same identifiable asset or group of similar assets. The modifications are applied prospectively to all business combinations or asset acquisitions for which the acquisition date is on or after January 1, 2020.

Amendments to IAS 1 and IAS 8
Definition of materiality

The modifications made the definition of "material" in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. The concept of "obscuring" material information with immaterial information has been included as part of the new definition.

The threshold of materiality influencing users has been changed from 'could influence' to 'reasonably expect to influence'.

The definition of "material" in IAS 8 has been replaced by a reference to the definition in IAS 1. In addition, the IASB modified other standards and the Conceptual Framework to contain a definition of "material" to ensure consistency.

New and revised IFRS Standards in issue but not 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 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of liabilities as current or non-current.
Amendments to IFRS 3	References to the conceptual framework
Amendments to IAS 16	Property, Plant and Equipment - before being used
Amendments to IAS 37	Onerous contracts - costs of fulfilling a contract
Annual improvements to IFRS 2018-2020 cycle	Amendments to IFRS 1 First adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture

The management do not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Entity in future periods.

IFRS 10 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 become an 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.

Amendments to IAS 1 Classification of Liabilities as Current and Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current and non-current in the statement of financial position and not for the amount or time in which any asset, liability, income or expense is recognized, or the information disclosed about of those games.

The amendments clarify that the classification of liabilities as current and non-current is based on the rights of existence at the end of the reporting period, specifying that the classification is not affected by expectations about whether the entity will exercise the right to defer the cancellation of the liability, explain that there are rights if there are agreements that must be fulfilled at the end of the reporting period, and introduce a definition of the 'agreement' to make it clear that the agreement refers to the transfer of cash from the counterparty, equity instruments, other assets or services.

The modifications are applied retrospectively for annual periods beginning on or after January 1, 2023, with early application permitted.

Amendments to IFRS 3 References to the conceptual framework

The amendments update IFRS 3 so that it can refer to the 2018 Conceptual Framework rather than the 1989 Framework. They also added a requirement that, for obligations within the scope of IAS 37, a buyer applies IAS 37 to determine whether the acquisition date is a present obligation or exists as a result of a past event. For liens that are within the scope of IFRIC 21 Liens, the buyer applies IFRIC 21 to determine whether the obligation gives rise to a liability to pay the levy that occurred on the acquisition date.

Finally, the amendments add an explicit statement that the buyer will not recognize a contingent asset acquired from a business combination.

The amendments are effective for business combinations whose acquisition date is on or after the initial period of the first annual period beginning on or after January 1, 2022. With the option of early application if the entity also applies all other updated references (published together with the Conceptual Framework) at the same time or in advance.

Amendments to IAS 16 - Property, Plant and Equipment - Before being used.

The amendments prohibit the deduction from the cost of a property, plant or equipment asset any income from selling the asset after it is ready for use, for example, income while the asset is being brought to the location and the necessary conditioning is done so that be operable in the manner that is intended according to the administration. Consequently, an entity must recognize those sales income and costs in profit or loss. The entity measures the costs of those items in accordance with IAS 2 Inventories.

The amendments clarify the meaning of "testing whether an asset works properly." Now IAS 16 specifies this as an evaluation in which the physical and technical performance of the asset is capable of being used in the production or supply of goods or services, for rent or other, or administrative purposes.

If it is not presented separately in the statement of comprehensive income, the financial statements must disclose the amounts of income and costs in results related to items that are not an output from the ordinary activities of the entity, in the entry line (s) in the statement of comprehensive income where income and costs are included.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and conditions necessary for them to be able to operate as the administration has planned on or after the beginning of the period in which they are presented the financial statements of the entity to which you first apply the amendments.

The entity must recognize the cumulative effect of the initial application of the modifications as an adjustment to the balance sheet in retained earnings (or some capital component, as appropriate) at the beginning of the first period that occurs.

The amendments are effective for annual periods beginning on January 1, 2022 with the option of early application.

Amendments to IAS 37 - Onerous Contracts - Costs for Fulfilling a Contract

The amendments specify that the "costs to be met" in a contract include the "costs directly related to the contract." The costs that are directly related to a contract consist of the incremental costs and the costs to fulfill a contract (example: labor or materials) and the allocation of other costs that are directly related to fulfill a contract (such as the allocation of the depreciation of property, plant and equipment items to fulfill the contract).

The modifications apply to contracts in which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity applies the modifications for the first time. The comparatives should not be reformulated. Instead, the entity should recognize the cumulative effect of the initial application of the amendments as an adjustment to the balance sheet in retained earnings or some other component of equity, as appropriate, by the date of initial application.

The modifications are effective for annual periods beginning on or after January 1, 2022, with the option of early application.

Annual Amendments to IFRS 2018-2020 standards

The Annual Modifications include the modification to four standards.

IFRS 1 First-Time Adoption of International Financial Reporting Standards

The amendment provides additional relief for the subsidiary that adopts for the first time after its parent with respect to accounting for accumulated translation differences. As a result of the amendments, a subsidiary uses the exception of IFRS 1: D16 (a) can now choose to mediate the accumulated effects of translation of foreign operations to book value which would be what is included in the consolidated statements of the parent, based on the date of transition of the parent to IFRS, if there were no adjustments for the consolidation procedures and for the business combination effects in which the parent acquired the subsidiary. A similar choice is available for an associate or joint venture that uses the exception in IFRS 1: D16 (a).

The modification is effective for periods beginning on or after January 1, 2022, with the option of early adoption.

IFRS 9 Financial Instruments

The amendment clarifies that when applying the "10%" test to evaluate whether to write off a financial liability, an entity includes only the installments paid or received between the entity (the borrower) and the provider, including installments paid or received by the entity or the provider.

Amendments are applied prospectively to modifications or changes that occur on or after the date, the entity first applies the amendment.

The modification is effective for annual periods beginning on or after January 1, 2022, with the option of early application.

IFRS 16 Leases

The modifications eliminate the figure of reimbursement for improvements to leases.

As the amendments to IFRS 16 are only with respect to an illustrative example, there is no set start date.

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 IFRS 16, 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 considered on an active market for identical assets or liabilities that the Entity may obtain at the valuation date;
- 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.

Going Concern

The consolidated financial statements have been prepared by management on the basis that the Entity will continue operating as a going concern.

COVID-19 appeared during the first months of 2020 and was declared by the World Health Organization (WHO) as a global pandemic on March 11, 2020. The spread of this virus has generated a series of containment measures in the various geographic regions where the Entity operates, while different competent authorities have implemented sanitary measures to halt the spread of the virus. As a result of these measures and the effects of COVID-19 on markets, society's overall economic and health conditions have deteriorated, thereby affecting businesses worldwide. The Entity has been specifically affected in the restaurant segment, which is considered as a non-essential activity by the Mexican authorities.

Due to the uncertainty and duration of this pandemic, the Entity analyzed the conditions to determine whether the going concern assumption is applicable based on current facts and circumstances. Some of the adopted considerations are as follows:

- a) The Entity believes that it will be able to generate sufficient cash flows to comply with its commitments insofar as the authorities allow the opening of establishments and the economy is revived.
- b) Debt rescheduling plans were requested during the year to adjust the schedule of certain principal repayments and certain interest payments, while non-strategic assets were sold.
- c) The restaurant segment has created new electronic distribution channels to continue serving its customers. The Entity believes that this measure will benefit cash flow generation.
- d) Optimize working capital and the operation of stores and restaurants with an expense reduction strategy that will strengthen the financial structure

No accounting estimates have been calculated due to the impossibility of reliably assessing or estimating all the potential future effects that this sanitary emergency may continue to generate given the uncertainty of this extraordinary situation.

The Entity partially closed units, particularly in the restaurant segment, once the Federal Government declared Phase II, adopting the delivery and pick-up scheme. The scope of the impact on the restaurant segment's financial performance will greatly depend on the evolution and reach of COVID-19 and on the ability to react and adapt of all the economic agents impacted by future developments including, among others: (i) the duration and spread of the outbreak, (ii) the restrictions and recommendations of Governments and Health Organizations, (iii) the effects on financial markets, and (iv) the effects, in general, on the domestic and international economy, which to date continue to be uncertain.

As of the issuance date of the consolidated financial statements, the Entity expects a gradual recovery as the government's vaccination process progresses and, consequently, the economy is activated.

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.

Non-controlling interests in subsidiaries are identified separately from the Entity's capital in them. Non-controlling shareholders' interests that are current ownership interests that entitle their holders to a proportionate share of the net assets at liquidation may be initially measured at fair value or the non-controlling share of fair value of the identifiable network of the acquiree. The choice of measure is made acquisition by acquisition. Other non-controlling interests are initially measured at fair value. Post-acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the participation of non-controlling interests in subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in non-controlling interests having a negative balance.

The results of each component of other comprehensive income are attributed to the Entity's shareholders and non-controlling interests. The total statement of comprehensive income of the subsidiaries is attributed to the Entity's shareholders and the non-controlling interests, even if this results in a deficit in the non-controlling interests.

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 36 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 IFRS 9. 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. ***Financial instruments***

Financial assets and financial liabilities are recognized in the Entity's statement of financial position when the Entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and 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.

h. ***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 other assets.

i. ***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 period 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:

- 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.

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 (ii) 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 (iii) 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) *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 (ii) 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 (ii) above).
- Debt instruments that do not meet the amortized cost criteria or the fair value through other comprehensive income criteria (see (i) 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 22 (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) *Significant 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 (ECL) 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 IFRS 16 *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.

j. ***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 either as 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 fair value through profit or loss (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.

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.

k. ***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.

l. ***Housing and real estate 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, see Note 8. 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.

m. ***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.

n. ***Assets classified as held for sale***

Long-lived assets and groups of available assets are classified as held for sale if their book value will be recovered through their sale and not their continued use. This condition is deemed fulfilled only when the sale is highly probable and the asset (or group of available assets) is available for its immediate sale in its current conditions, subject only to common sales terms for such assets. Management must be committed to the sale, which must qualify for recognition as a finalized sale within one year as of the classification date.

When the Entity is committed to a sales plan, which involves the loss of control over a subsidiary, all of the assets and liabilities of such subsidiary are classified as available for sale upon compliance with the above criteria, regardless of whether the Entity will maintain a non-controlling interest in its former subsidiary after the sale.

Long-lived assets (and groups of available assets) classified as held for sale are valued at the lesser of book value and fair value less costs of sale.

o. ***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, leasehold improvements are amortized over the shorter of their useful life or the term of the lease as follows:

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

p. ***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 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.

q. ***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.

r. ***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 16) 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 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.

s. ***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. Intangible assets acquired in a business combination

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

On a business acquisition, 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.

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. Derecognition of intangible assets

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.

5. Patents and trademarks

Patents and trademarks are initially measured at purchase cost and are amortized in a straight line over their estimated useful lives.

6. 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. It mainly includes the costs of acquiring and generating software.

t. ***Leasing***

The Entity as a lessor

The Entity enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Entity is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Entity is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Entity's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Entity's net investment outstanding in respect of the leases.

When a contract includes both lease and non-lease components, the Entity applies IFRS 15 to allocate the consideration under the contract to each component.

The Entity as a lessee

The Entity assesses whether a contract is or contains a lease, at inception of the contract. The Entity recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Entity recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Entity uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Entity remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Entity did not make any such adjustments during the periods presented, except for the lease payments that are changed due to changes in an index.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Entity applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in profit or loss.

u. ***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.

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 22.

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.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months.

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 fair value through profit or loss (FVTPL).

w. **Provisions**

Provisions are recognized when (i) the Entity has a present obligation (legal or constructive) as a result of a past event, (ii) when it is probable that the Entity will be required to settle the obligation, and (iii) 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)***

Employee benefits from termination and retirement

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.

Short-term and other long-term employee benefits

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.

Statutory employee profit sharing (PTU)

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. **Current tax**

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Entity intends to settle its current tax assets and liabilities on a net basis.

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, direct 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 purchase the goods at the stores or restaurants. 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 recognizes 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 generally 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. *Sale of housing*: They are recognized in the period in which the risks and benefits of inventories are transferred to customers, which occurs at the time of deed of the homes.
- 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 2020, 2019 and 2018, 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.

The Entity as lessee - As part of the adoption of IFRS 16, the Entity established assumptions for the identification of lease terms, as well as the use of discount rates according to business conditions.

Deferred taxes on investment properties – For purposes of assessing deferred tax assets or liabilities which arise from investment properties under the fair value model, Entity management has reviewed its investment property portfolio and concluded that such properties are not maintained under a business model in which the objective consumes all of the economic benefits of the investment over time, instead of the sale. Therefore, upon determining deferred taxes on investment properties, Entity management has determined to maintain the book value using the fair value model and recover everything through the sale.

Control over uncontrolled subsidiaries – Note 14 discloses three Entity subsidiaries in which Grupo Gigante, S.A.B. de C.V., does not own (directly or indirectly) 100% of the common stock. However, management assessed whether the Entity has control over such subsidiaries and has the ability to lead relevant activities unilaterally. After such analysis, management concluded that the Entity has dominant voting rights to lead relevant activities and, therefore, the Entity has control over such subsidiaries.

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 in this calculation are the discount rate, the net income from long-term leases, the long-term inflation rate, for the discount rate weighted capital cost rates were used that oscillate in existing market ranges to the date of each valuation.

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.

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.

The Entity prepares financial projections for each legal entity in which it holds control to determine whether tax assets may be used in the future, particularly tax loss carryforwards. Based on these projections, tax losses are activated or reserved in each country in which the Entity operates.

v. ***Discount rate used to determine the book value of the defined benefit obligation***

The Entity's defined benefit obligation is discounted at a rate based on high quality corporate and government bond market rates at the end of the reporting period. Professional judgment must be exercised when establishing the criteria for the bonds that will be included in the population from which the yield curve is derived. The most significant criteria considered for bond selection include the issuance size of corporate and government bonds, their rating and the identification of atypical bonds, which are excluded.

vi. ***Fair value valuation and measurement processes***

Some of the Entity's assets and liabilities are measured at fair value for reporting purposes. Entity management uses professional judgment to determine the appropriate valuation techniques for fair value measurements.

When estimating the fair value of an asset or liability, the Entity uses observable market data when available. When Level 1 results are not available, the Entity internally calculates fair values (Level 3). Entity management reviews results each quarter and analyzes the reasons for fluctuation in the fair value of assets and liabilities.

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:

	2020	2019	2018
Cash on hand	\$ 6,726	\$ 23,929	\$ 26,229
Bank deposits and cash equivalents	<u>2,417,927</u>	<u>1,662,854</u>	<u>2,023,291</u>
	<u>\$ 2,424,653</u>	<u>\$ 1,686,783</u>	<u>\$ 2,049,520</u>
Restricted cash Long Term ⁽ⁱ⁾ – Note 17	<u>\$ 116,405</u>	<u>\$ 85,291</u>	<u>77,599</u>
	<u>\$ 2,541,058</u>	<u>\$ 1,772,074</u>	<u>\$ 2,127,119</u>

- (i) Given that some subsidiaries have bank loans with mortgage guarantees, in certain cases, administrative trusts and alternative sources were created to cover the payment of the collection rights derived from the lease contracts executed for the commercial premises used for the projects covered by bank loans. Accordingly, a debt service reserve fund equal to five months' principal and interest has been established. Trust assets are invested in investment-grade debt instruments with 24-hour liquidity, such as promissory notes or bank bonds, debt instruments issued and guaranteed by the Federal Government. At each monthly close, the Entity maintains an interest payment balance for each executed contract.

6. Financial instruments

	2020	2019	2018
Held for trading financial assets ⁽ⁱ⁾	<u>\$ 351,643</u>	<u>\$ 426,608</u>	<u>\$ 426,113</u>

- (i) Investments in financial instruments of debt, which trade in stock exchanges in Mexico.

They are measured at fair value through profit or loss.

7. Accounts receivable

- a. Accounts receivable are as follows:

	2020	2019	2018
Trade accounts receivable	\$ 1,158,955	\$ 1,302,455	\$ 1,521,044
Allowance for expected credit losses	<u>(56,077)</u>	<u>(34,922)</u>	<u>(46,142)</u>
	1,102,878	1,267,533	1,474,902
Recoverable Value Added Tax ("VAT")	1,245,754	1,164,417	1,049,885
Recoverable income tax	387,044	400,788	285,777
Other accounts receivable	<u>167,819</u>	<u>101,043</u>	<u>263,495</u>
	2,903,495	2,933,781	3,074,059
Accounts receivable in joint venture and associates	<u>77,764</u>	<u>204,028</u>	<u>47,278</u>
	<u>\$ 2,981,259</u>	<u>\$ 3,137,809</u>	<u>\$ 3,121,337</u>

b. Movement in the Allowance for expected credit losses as follows:

	2020	2019	2018
Balance as of January 1	\$ 34,922	\$ 46,142	\$ 29,208
Increases	42,582	4,582	30,485
Amounts written-off as uncollectible	<u>(21,427)</u>	<u>(15,802)</u>	<u>(13,551)</u>
Balance as of December 31	<u>\$ 56,077</u>	<u>\$ 34,922</u>	<u>\$ 46,142</u>

Normal credit terms for most of the customers of the Entity are 30 to 90 days; thereafter the payment is considered past due.

The following table details the risk profile of accounts receivable based on the Entity's provisioning matrix. Since the historical experience of credit loss indicates that there are no significant differences in the loss patterns for the different customer segments, the estimate of expected credit losses is based on the maturity status of the portfolio without distinguishing between the customer bases of the entity.

31/12/2020	Accounts receivable - days past due					
	<30	31 - 60	61 - 90	91 - 360	>360	Total
Expected credit loss rate	0%	0%	0%	71%	0%	
Value in books	\$ 982,183	\$ 61,510	\$ 36,227	\$ 79,035	\$ -	\$1,158,955
Expected Credit Loss						
Life	\$ -	\$ -	\$ -	\$ 56,077	\$ -	\$ 56,077
31/12/2019	Accounts receivable - days past due					
	<30	31 - 60	61 - 90	91 - 360	>360	Total
Expected credit loss rate	0%	0%	0%	52%	0%	
Value in books	\$1,116,139	\$ 65,176	\$ 53,790	\$ 67,349	\$ -	\$1,302,455
Expected Credit Loss						
Life	\$ -	\$ -	\$ -	\$ 34,922	\$ -	\$ 34,922
31/12/2018	Accounts receivable - days past due					
	<30	31 - 60	61 - 90	91 - 360	>360	Total
Expected credit loss rate	0%	0%	0%	43%	0%	
Value in books	\$1,292,481	\$ 72,859	\$ 49,468	\$ 106,237	\$ -	\$1,521,044
Expected Credit Loss						
Life	\$ -	\$ -	\$ -	\$ 46,142	\$ -	\$ 46,142

8. Inventories

	2020	2019	2018
Office supplies inventories	\$ 5,213,817	\$ 6,105,068	\$ 6,440,595
Housewares supplies inventories	177,495	212,911	189,432
Food inventories	127,476	140,805	107,614
Allowance for obsolete inventories	<u>(12,017)</u>	<u>(17,639)</u>	<u>(25,393)</u>
	5,506,771	6,441,145	6,712,248
Housing and real estate inventories	<u>148,671</u>	<u>126,994</u>	<u>31,418</u>
	<u>\$ 5,655,442</u>	<u>\$ 6,568,139</u>	<u>\$ 6,743,666</u>

The value of the inventory recognized within the cost of sales is disclosed in Note 27 within the merchandise and supplies concept.

9. Assets classified as held for sale

	2020
Buildings and adaptations	\$ 175,247
Investment Properties	<u>1,814,097</u>
	1,989,344
Adjustment to fair value	(68,777)
Disposals of assets due to sale ⁽ⁱ⁾	<u>(383,798)</u>
	<u>\$ 1,536,769</u>

(i) This amount includes the sale of a property under “sale and leaseback”.

In 2020, the Entity decided to classify as held for sale properties, which were considered as investment properties and property and equipment in the statement of financial position, to increase liquidity and mitigate COVID-19 impacts.

The Entity has a formal sales plan approved by management for assets classified as available for sale. These assets are expected to be sold within the next 12 months.

10. Property and equipment

	2020	2019	2018
Gross investment at cost:			
Land	\$ 1,931,620	\$ 2,206,150	\$ 2,259,923
Buildings and leasehold improvements	8,605,507	9,416,698	8,898,096
Furniture and computers	5,385,898	4,799,704	4,376,541
Vehicles	432,549	449,715	450,947
Construction in-progress	<u>62,626</u>	<u>462,547</u>	<u>472,194</u>
Gross investment	<u>\$ 16,418,200</u>	<u>\$ 17,334,814</u>	<u>\$ 16,457,701</u>
Accumulated depreciation:			
Buildings and leasehold improvements	\$ (3,351,206)	\$ (3,198,725)	\$ (2,949,608)
Furniture and equipment	(3,379,367)	(3,064,380)	(2,826,617)
Vehicles	<u>(323,200)</u>	<u>(296,705)</u>	<u>(282,083)</u>
Accumulated depreciation	<u>\$ (7,053,773)</u>	<u>\$ (6,559,810)</u>	<u>\$ (6,058,308)</u>
Net investment:			
Land	\$ 1,931,620	\$ 2,206,150	\$ 2,259,923
Buildings and leasehold improvements	5,254,301	6,217,973	5,948,488
Furniture and computers	2,006,531	1,735,324	1,549,924
Vehicles	109,349	153,010	168,864
Construction in-progress	<u>62,626</u>	<u>462,547</u>	<u>472,194</u>
Total property and equipment – Net	<u>\$ 9,364,427</u>	<u>\$ 10,775,004</u>	<u>\$ 10,399,393</u>

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

	Lands	Buildings and leasehold improvements	Furniture and computers
Balance as of January 1, 2018	\$ 2,052,314	\$ 5,879,796	\$ 1,572,857
Additions	222,661	533,095	350,835
Impairment	-	(31,000)	-
Effect of foreign currency	(10,384)	(25,829)	(10,062)
Depreciation expense	-	(339,024)	(322,139)
Disposals related to closures, remodeling and sale	<u>(4,668)</u>	<u>(68,550)</u>	<u>(41,568)</u>
Balance as of December 31, 2018	2,259,923	5,948,488	1,549,923
Additions	32	567,195	637,215
Impairment reversal	-	31,000	-
Transfer assets	-	42,662	-
Effect of foreign currency	(5,546)	(15,485)	(12,712)
Depreciation expense	-	(318,863)	(417,837)
Disposals related to closures, remodeling and sale	<u>(48,259)</u>	<u>(37,024)</u>	<u>(21,265)</u>
Balance as of December 31, 2019	2,206,150	6,217,973	1,735,324
Additions	-	153,178	734,627
Additions for Assets acquired (Note 15)	-	-	17,471
Transfer assets	(287,600)	(502,446)	(174)
Effect of foreign currency	13,070	17,147	13,831
Depreciation expense	-	(430,535)	(461,368)
Disposals related to discontinuation	-	(1,318)	(11,278)
Disposals related to closures, remodeling and sale	<u>-</u>	<u>(199,698)</u>	<u>(21,902)</u>
Balance as of December 31, 2020	<u>\$ 1,931,620</u>	<u>\$ 5,254,301</u>	<u>\$ 2,006,531</u>
	Vehicles	Construction in- progress	Net investment
Balance as of January 1, 2018	\$ 144,170	\$ 171,878	\$ 9,821,015
Additions	169,140	301,801	1,577,532
Impairment	-	-	(31,000)
Effect of foreign currency	(1,723)	(822)	(48,820)
Depreciation expense	(131,116)	-	(792,279)
Disposals related to closures, remodeling and sale	<u>(11,606)</u>	<u>(663)</u>	<u>(127,055)</u>
Balance as of December 31, 2018	168,865	472,194	10,399,393
Additions	36,446	10,003	1,250,891
Impairment reversal	-	-	31,000
Transfer assets	-	-	42,662
Effect of foreign currency	(3,571)	(6,455)	(43,769)
Depreciation expense	(45,957)	-	(782,657)
Disposals related to closures, remodeling and sale	<u>(2,773)</u>	<u>(13,195)</u>	<u>(122,516)</u>
Balance as of December 31, 2019	153,010	462,547	10,775,004

	Vehicles	Construction in-progress	Net investment
Additions (transfers between property and equipment)	17,314	(381,443)	523,676
Additions for Assets acquired (Note 15)	-	-	17,471
Transfer assets	-	-	(790,220)
Effect of foreign currency	2,615	820	47,483
Depreciation expense	(54,874)	-	(946,777)
Disposals related to discontinuation	(982)	-	(13,578)
Disposals related to closures, remodeling and sale	<u>(7,734)</u>	<u>(19,298)</u>	<u>(248,632)</u>
Balance as of December 31, 2020	<u>\$ 109,349</u>	<u>\$ 62,626</u>	<u>\$ 9,364,427</u>

Depreciation expense is presented within cost of sales and operating expenses in the consolidated statements of comprehensive income. See Note 27. As of December 31, 2019, an impairment loss recognized in buildings and adaptations was reversed during 2018, for \$ 31,000.

As of December 31, 2020, a total of 4 properties classified as property and equipment of the Entity were contributed to the guarantee trust with reversion rights corresponding to the credits described in sections (iii), (v) and (vii) of Note 20. The opinion of the commercial value of the 4 properties is \$ 742,080.

11. Right-of-use assets – Net

The Entity leases various premises and offices. The analysis of the maturity of the lease liabilities is presented in Note 19.

Building and sites	2020	2019
Balance as of January 1	\$ 4,972,202	\$ 5,495,245
Additions by new contracts and increase by index or rates (ii)	276,863	356,681
Disposals related to early termination (i)	(138,296)	-
Depreciation expense on right-of-use assets	(802,286)	(879,724)
Effect of foreign currency exchange differences	<u>3,165</u>	<u>-</u>
Balance as of December 31	<u>\$ 4,311,648</u>	<u>\$ 4,972,202</u>

- (i) During fiscal year 2020, lease contracts for stores and restaurants were canceled in certain locations in the country due to COVID -19.
- (ii) The Entity enters into asset lease agreements. These additions during 2020 and 2019 did not result in cash flows.

Depreciation expense of Right-of-use assets is presented in the cost of sales and operating expenses line items in the consolidated statements of profit and loss and other comprehensive income. See Note 27.

12. Investment properties

The Entity uses the discounted future cash flow approach and the comparable market approach to determine the fair value of its investment properties. These techniques include assumptions, which are not directly observable in the market, such as discount rates, long-term net operating income (NOI), inflation rates and the price of their territorial reserve per square meter. The Entity internally determines the fair value of its leased land and buildings using the discounted future cash flow approach and external appraisers, which use the comparable market approach to determine the fair value of territorial reserves. The fair value estimate of investment properties considered the greater and better use of the properties in its current use. During the year, there have been no changes in the valuation technique. However, due to the greater risk of uncertainty regarding the long-term implications of the COVID-19 pandemic, different projections of NOI and discount rate inputs were reviewed, such as size premium and country risk, resulting in a decrease in fair value, particularly affected by the economic effects of COVID-19 on the inputs.

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, 2020, 2019 and 2018, were \$303,556, \$259,215 and \$243,759, respectively and the direct operating expenses, for properties that did not generate rental income for the years ended December 31, 2020, 2019 and 2018 were \$23,501, \$10,578 and \$4,062, respectively.

As of December 31, 2020, 2019 and 2018, the Entity's investment properties have a gross leasable area (unaudited) of 1,036,850, 921,178 and 929,011 square meters, respectively. As of December 31, 2020, 2019 and 2018 were 94%, 95% 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	Relationship of unobservable inputs to fair value
Buildings and land	Level 3	Discounted cash flows	Discount rate	2020: 11.79% 2019: 12.10% 2018: 12.16%	The higher the discount rate, the lower the fair value.
				Based on contractual rent and then on market related rents	The higher the NOI, the higher the fair value.
				NOI	
Land reserves	Level 3	Market value	Price per square meter	Mexico: 2020: 3.60% 2019: 3.65% 2018: 4.02%	The higher the inflation rate, the higher the fair value.
				Inflation rate	
				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:

	2020	2019	2018
Buildings and land	\$ 12,364,195	\$ 13,554,830	\$ 12,806,866
Land reserves	<u>1,116,978</u>	<u>1,139,242</u>	<u>1,116,574</u>
Investment Properties	13,481,173	14,694,072	13,923,440
Investment properties of Right-of-use assets	<u>204,825</u>	<u>237,942</u>	<u>-</u>
	<u>\$ 13,685,998</u>	<u>\$ 14,932,014</u>	<u>\$ 13,923,440</u>

- b. The reconciliation of investment property is as follows:

Investment Properties	2020	2019	2018
Balance at beginning of year	\$ 14,694,072	\$ 13,923,440	\$ 12,745,562
Additions	391,253	1,014,579	887,326
Transfer of assets ⁽ⁱ⁾	(1,199,126)	(374,808)	-
Disposals	-	(50,876)	-
Gain on revaluation of investment property	(404,136)	181,737	290,552
Effect of foreign currency exchange differences	<u>(890)</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>\$ 13,481,173</u>	<u>\$ 14,694,072</u>	<u>\$ 13,923,440</u>
Investment properties of Right-of-use assets			
Balance at beginning of year	\$ 237,942	\$ -	\$ -
Initial recognition of right-of-use asset investment properties	-	283,039	-
Additions	1,824	-	-
Disposals	(6,270)	-	-
Effect of foreign currency exchange differences	3,390	-	-
Loss from the revaluation of right-of-use asset investment properties	<u>(32,061)</u>	<u>(45,097)</u>	<u>-</u>
Balance at end of year	<u>\$ 204,825</u>	<u>\$ 237,942</u>	<u>\$ -</u>

- (i) Asset transfers correspond to land transfers and construction between investment properties, property and equipment and housing and real estate inventories.

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, 2020, 2019 and 2018, there is 23, 24 and 23 of Entity's investment properties, respectively, the Entity's investment properties were pledged as collateral for the long-term debt as discussed in sections (i) and (vi) of Note 20. The fair value of such investment properties as of December 31, 2020, 2019 and 2018 was \$7,484,063, \$8,046,900 and 7,155,256, respectively.

As of December 31, 2020, a total of 4 investment properties of the Entity were contributed to the guarantee trust with reversion rights corresponding to the credits described in sections (iii), (v) and (vii) of Note 20. The opinion of the commercial value of the 4 investment properties is \$ 1,108,450.

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.

13. 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		
				2020	2019	2018
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, 2020, 2019 and 2018 are as follows:

Entity	Investment in shares		
	2020	2019	2018
Mascotas y Compañía, S. A. P. I. de C. V.	\$ 776,193	\$ 642,100	\$ 571,615
Trust Banorte F/743955	346,704	322,837	315,276
Trust CIB/535	664,009	543,560	433,011
Other	261	261	263
Inmobiliaria Conjunto Polanco, S. A. P. I. de C. V.	<u>1,878,146</u>	<u>1,681,960</u>	<u>1,590,134</u>
	<u>\$ 3,665,313</u>	<u>\$ 3,190,718</u>	<u>\$ 2,910,299</u>

Entity	Entity's share of profit or loss		
	2020	2019	2018
Mascotas y Compañía, S. A. P. I. de C. V.	\$ 166,189	\$ 95,000	\$ 75,916
Trust Banorte F/743955	12,905	2,976	11,796
Trust CIB/535	90,449	10,549	11,068
Inmobiliaria Conjunto Polanco, S. A. P. I. de C. V. – Note 15	<u>187,971</u>	<u>74,395</u>	<u>89,907</u>
	<u>\$ 457,514</u>	<u>\$ 182,920</u>	<u>\$ 188,687</u>

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:

	2020	2019	2018
Current assets	\$ 1,078,320	\$ 752,574	\$ 610,903
Property and equipment	1,852,295	1,801,196	694,041
Other assets	<u>242,899</u>	<u>183,314</u>	<u>95,184</u>
Total assets	3,173,514	2,737,084	1,400,128
Total liabilities	<u>1,621,128</u>	<u>1,452,885</u>	<u>256,897</u>
Equity	<u>\$ 1,552,386</u>	<u>\$ 1,284,199</u>	<u>\$ 1,143,231</u>

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:

	2020	2019	2018
Total revenues	\$ 3,808,187	\$ 2,821,589	\$ 2,156,238
Cost of sales	2,206,803	1,602,823	1,223,609
Operating expenses	1,051,350	888,891	726,152
Financing expense	116,126	85,533	3,380
Income taxes	<u>133,626</u>	<u>78,857</u>	<u>69,792</u>
Profit for the year	<u>\$ 300,282</u>	<u>\$ 165,485</u>	<u>\$ 133,305</u>

Condensed information related to the statement of financial position as of December 31, 2020, 2019 and 2018, for the associates is as follows:

	2020 Banorte Trust F/743955	2019 Banorte Trust F/743955	2018 Banorte Trust F/743955
Current assets	\$ 40,658	\$ 44,535	\$ 40,045
Other assets	<u>565,255</u>	<u>539,406</u>	<u>533,275</u>
Total assets	<u>\$ 605,913</u>	<u>\$ 583,941</u>	<u>\$ 573,320</u>
Current liabilities – contributions for Entity's future capital increase	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>\$ 40,000</u>
Total liabilities	40,000	40,000	40,000
Stockholders' equity	<u>565,913</u>	<u>543,941</u>	<u>533,320</u>
Total	<u>\$ 605,913</u>	<u>\$ 583,941</u>	<u>\$ 573,320</u>
	Trust CIB/535	Trust CIB/535	Trust CIB/535
Current assets	\$ 144,765	\$ 96,285	\$ 27,025
Investment properties	1,424,129	1,244,988	882,048
Other assets	<u>621</u>	<u>621</u>	<u>12,862</u>
Total assets	1,569,515	1,341,894	921,935
Current liabilities	6,562	39,857	78,373
Other long term liabilities	<u>238,999</u>	<u>218,882</u>	<u>12,505</u>
Total liabilities	245,561	258,739	90,878
Stockholders equity	<u>1,323,954</u>	<u>1,083,155</u>	<u>831,057</u>
Total	<u>\$ 1,569,515</u>	<u>\$ 1,341,894</u>	<u>\$ 921,935</u>
	2020 Inmobiliaria Conjunto Polanco, S. A. P. I. de C.V.	2019 Inmobiliaria Conjunto Polanco, S. A. P. I. de C.V.	2018 Inmobiliaria Conjunto Polanco, S. A. P. I. de C. V.
Other assets	\$ 1,794,485	\$ 2,149,901	\$ 1,615,913
Investment properties	<u>5,641,267</u>	<u>5,152,446</u>	<u>4,462,415</u>
Total assets	7,435,752	7,302,347	6,078,328
Current liabilities	746,167	441,409	177,721
Long-term debt	1,608,195	1,650,000	1,000,000
Other long-term liabilities	<u>926,636</u>	<u>1,527,901</u>	<u>1,438,361</u>
Total liabilities	<u>3,280,998</u>	<u>3,619,310</u>	<u>2,616,082</u>
Stockholders 'equity	<u>\$ 4,154,754</u>	<u>\$ 3,683,037</u>	<u>\$ 3,462,246</u>

Condensed information related to the statement of profit or loss and other comprehensive income for the years ended December 31, 2020, 2019 and 2018 for the associates is as follows:

	2020 Banorte Trust F/743955	2019 Banorte Trust F/743955	2018 Banorte Trust F/743955
Equity method	\$ 25,849	\$ 6,131	\$ 23,786
Operating expenses	247	242	194
Interest income	<u>208</u>	<u>66</u>	<u>-</u>
Profit for the year	<u>\$ 25,810</u>	<u>\$ 5,955</u>	<u>\$ 23,592</u>

	2020 Trust CIB/535	2019 Trust CIB/535	2018 Trust CIB/535
Revenue	\$ 84,427	\$ 58,096	\$ 43,660
Operating expenses	25,196	24,075	22,919
Financing (income) expense	32,483	12,924	(1,395)
Gain on revaluation of investment properties	<u>154,150</u>	<u>-</u>	<u>-</u>
Profit for the year	<u>\$ 180,898</u>	<u>\$ 21,097</u>	<u>\$ 22,136</u>

	2020 Inmobiliaria Conjunto Polanco, S. A. P. I. de C.V.	2019 Inmobiliaria Conjunto Polanco, S. A. P. I. de C.V.	2018 Inmobiliaria Conjunto Polanco, S. A. P. I. de C. V
Revenues	\$ 1,679,688	\$ 450,513	\$ 425,132
Cost of sales of housing	809,911	43,616	72,837
Operating expenses	140,562	156,298	160,074
Financing (income) expense	252,705	145,542	76,239
Gain on revaluation of investment properties	(198,020)	(186,847)	(265,299)
Income taxes expense	<u>202,812</u>	<u>71,114</u>	<u>95,457</u>
Profit for the year	<u>\$ 471,718</u>	<u>\$ 220,790</u>	<u>\$ 285,824</u>

14. 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, 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 2020	Ownership 2019	Ownership 2018	Activity
Gigante Retail, S. A. de C. V.	100.00%	100.00%	100.00%	Holding entity; its subsidiaries are engaged in specialized retail.
Grupo Toks, S. A. de C. V.	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.

Entity	Ownership 2020	Ownership 2019	Ownership 2018	Activity
Gigante Grupo Inmobiliario S. A. de C. V.	100.00%	100.00%	100.00%	Involves 56 companies, in 52 of which Grupo Gigante, S.A.B. de C.V. has a direct investment, which manage properties where stores, offices and shopping malls leased from third parties are located, together with certain restaurants, parking lots and stores pertaining to the Entity. (on July 6, 2020, through a Guarantee Trust Agreement with Reversion Rights identified with the number CIB / 3480, and a Contract of Garment, 100% guaranteed of the shares representing the capital company of Gigante Grupo Inmobiliario, S.A. de C.V., to guarantee the Credit payment obligations Liquidity and credit agreements identified in points (iii) and (v) of Note 20, Bank Loans) (see Note 34))
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.
Operadora Gigante, S. A. de C. V.	100.00%	100.00%	100.00%	Provides administrative services to the Entity.
Servicios Gigante, S. A. de C. V.	100.00%	100.00%	100.00%	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.	100.00%	100.00%	100.00%	Provides information technology consulting services and technical support to the Entity and to third parties.

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

Entity	Ownership 2020	Ownership 2019	Ownership 2018	Activity
Office Depot de México, S. A. de C. V.	100.00%	100.00%	100.00%	It operates 297 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), 5 distribution centers that also sell merchandise in Chile. It also includes 168 electronics and technology stores Radio Shack (including one distribution center that also sells merchandise).
Distribuidora Storehome, S. A. de C. V.	100.00%	100.00%	100.00%	It operates 18 self-service stores that sell houseware.
Restaurantes Toks, S. A. de C. V.	100.00%	100.00%	100.00%	It is a chain of 197 under the Restaurantes Toks brand.
Operadora y Administradora de Restaurantes Gigante, S. A. de C. V.	100.00%	100.00%	100.00%	It operates 24 Chinese fast food restaurants through the franchise agreement.
Operadora de Alimentos y Malteadas, S.A.P.I. de C.V. (Antes Operadora de Café y Chocolate de Especialidad, S. A. de C. V.)	100.00%	100.00%	100.00%	Starting in June, 2019, it operates 4 fast food restaurants using the Shake Shack brand through a franchise agreement.
Beer Factory de México, S.A. de C.V	100.00%	100.00%	100.00%	It includes 7 restaurants under the "Beer Factory" brand. In March 2020, it acquired from some subsidiaries of Fine & Casual Dinning, S.A.P.I. de C.V., the operation of 6 taquerías as well as the rights derived from the franchises of 5 taquerías under the "El Farolito" brand.

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 as of December 31 of each year:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2020	Profit (loss) allocated to non-controlling interests 2020	Accumulated non-controlling interests 2020
Benmore International Corp.	Dominican Republic	10.0%	\$ 498	\$ 7
Inmobiliaria Lomo Lomas Verdes, S. A. de C. V.	Mexico	49.9%	4,170	170,409
Grupo Prisa	Chile	49.0%	<u>61,820</u>	<u>192,925</u>
			<u>\$ 66,488</u>	<u>\$ 363,341</u>

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2020	Comprehensive income allocated to non-controlling interest 2020
Benmore International Corp.	Dominican Republic	10.0%	\$ 1,546
Inmobiliaria Lomo Lomas Verdes, S. A. de C. V.	Mexico	49.9%	4,170
Grupo Prisa	Chile	49.0%	<u>78,156</u>
			<u>\$ 83,872</u>

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2019	Profit (loss) allocated to non-controlling interests 2019	Accumulated non-controlling interests 2019
Benmore International Corp.	Dominican Republic	10.0%	\$ (1,117)	\$ (1,539)
Inmobiliaria Lomo Lomas Verdes, S. A. de C. V.	Mexico	49.9%	11,553	174,240
Grupo Prisa	Chile	49.0%	<u>17,851</u>	<u>114,769</u>
			<u>\$ 28,287</u>	<u>\$ 287,470</u>

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2019	Comprehensive income allocated to non-controlling interest 2019
Benmore International Corp.	Dominican Republic	10.0%	\$ (1,117)
Inmobiliaria Lomo Lomas Verdes, S. A. de C. V.	Mexico	49.9%	11,553
Grupo Prisa	Chile	49.0%	<u>25,924</u>
			<u>\$ 36,360</u>

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%	<u>68,612</u>	<u>89,410</u>
			<u>\$ 84,459</u>	<u>\$ 259,570</u>

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%	<u>21,120</u>
			<u>\$ 37,095</u>

During December 2014 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., 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 only franchise contract that it had with Office Depot Inc., in relation to that territory and that it corresponded to the only contract of this nature that Office Depot de México, S. A. de C. V. had with Office Depot Inc..

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:

	2020	2019	2018
Current assets	\$ 36,494	\$ 40,822	\$ 71,901
Investment property	537,065	555,862	574,226
Other assets	<u>42,147</u>	<u>45,288</u>	<u>23,930</u>
Total assets	<u>\$ 615,706</u>	<u>\$ 641,972</u>	<u>\$ 670,057</u>
Long-term debt	\$ 250,906	\$ 251,251	\$ 272,410
Other liabilities	<u>23,982</u>	<u>42,241</u>	<u>55,354</u>
Total liabilities	<u>274,888</u>	<u>293,492</u>	<u>327,764</u>
Stockholders' equity	<u>\$ 340,818</u>	<u>\$ 348,480</u>	<u>\$ 342,293</u>
Non-controlling interest	<u>\$ 170,409</u>	<u>\$ 174,240</u>	<u>\$ 171,146</u>

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

	2020	2019	2018
Rental income	\$ 91,072	\$ 125,464	\$ 122,241
Profit for the year	8,338	23,106	32,431
Non-controlling interest	4,169	11,553	16,216

Grupo Prisa

Condensed information related to the statements of financial position of all the Companies that make up Grupo Prisa (as described in Note 16) as of December 31:

	2020	2019	2018
Current assets	\$ 1,831,233	\$ 1,579,254	\$ 1,885,440
Property and equipment	144,826	154,876	146,021
Right-of-use assets	231,262	277,468	-
Other assets	<u>32,348</u>	<u>25,876</u>	<u>21,534</u>
Total assets	<u>\$ 2,239,669</u>	<u>\$ 2,037,474</u>	<u>\$ 2,052,995</u>
Current liabilities	\$ 1,122,409	\$ 1,085,449	\$ 1,271,942
Other long-term liabilities	<u>182,189</u>	<u>216,245</u>	<u>560</u>
Total liabilities	<u>1,304,598</u>	<u>1,301,694</u>	<u>1,272,502</u>
Stockholders' equity	<u>\$ 935,071</u>	<u>\$ 735,780</u>	<u>\$ 780,493</u>
Equity interest 49%	<u>\$ 458,185</u>	<u>\$ 360,532</u>	<u>\$ 382,440</u>
Initial recognition of the Grupo Prisa put option	<u>\$ (265,260)</u>	<u>\$ (245,763)</u>	<u>\$ (293,030)</u>
Non-controlling interest	<u>\$ 192,925</u>	<u>\$ 114,769</u>	<u>\$ 89,410</u>

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

	2020	2019	2018
Rental income	\$ 4,183,725	\$ 3,983,828	\$ 4,586,622
Profit for the year	126,167	36,431	140,024
Non-controlling interests	61,820	17,851	68,612
Comprehensive income	159,502	52,906	43,102
Comprehensive income allocated to non-controlling interest	78,156	25,924	21,120

15. Acquisition of group of assets

1. *Assets acquired*

Assets acquired from:	Main activity	Date acquisition	Assets acquired	Agreed consideration
Subsidiaries of Fine&Casual Dining, S.A.P.I. de C.V.	Taquerías	March 4, 2020	All the assets, including the brand and the rights derived from the franchise contracts, of the taquerías "El Farolito"	\$ 150,000

Beer Factory de México, S.A. de C.V., a subsidiary of Grupo Toks, S.A. de C.V., acquired from certain subsidiaries of Fine & Casual Dining, S.A.P.I. de C.V., a company controlled by private equity funds managed by Nexxus Capital, S.A.P.I. de C.V., all of the assets, including the brand and rights related to franchise agreements, of the "El Farolito" taco restaurants. As established in the respective purchase sale agreement, the assets of six units and the franchise rights of five units were acquired with this transaction

2. *Assets acquired at the acquisition date*

The net assets acquired after the allocation of the purchase price are equal to the total of the consideration given in cash and are as follows:

Long-term assets:

Inventory	\$ 529
Property and equipment	17,471
Intangible assets	<u>132,000</u>
Net assets acquired	150,000
Agreed consideration	<u>\$ 150,000</u>

The initial record was provisionally determined at the acquisition date with management's best estimate. As of December 31, 2020, the final determination of the fair value of the intangible assets acquired is in process.

3. *Effect of acquisitions on the Entity's results*

Income and net profit as of December 31, 2020, included in the consolidated financial statements, generated by the acquisition of assets are:

	Sales income	Net loss
Assets acquired	\$ <u>64,855</u>	\$ <u>(14,345)</u>

16. 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:

	2020	2019	2018
Balance as of January 1,	\$ 978,474	\$ 985,993	\$ 995,885
Effect of foreign currency translation	<u>6,934</u>	<u>(7,519)</u>	<u>(9,892)</u>
Balance as of December 31,	<u>\$ 985,408</u>	<u>\$ 978,474</u>	<u>\$ 985,993</u>

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

	2020	2019	2018
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	<u>(3,752)</u>	<u>(10,686)</u>	<u>(3,167)</u>
Total	<u>\$ 985,408</u>	<u>\$ 978,474</u>	<u>\$ 985,993</u>

17. Intangibles and other assets

	2020	2019	2018
Deferred charges	\$ 72,132	\$ 72,132	\$ 63,265
Accumulated amortization	<u>(34,971)</u>	<u>(28,976)</u>	<u>(19,253)</u>
	37,161	43,156	44,012
Trademark	765,423	657,929	702,604
Customer list	268,062	338,647	355,958
Non-compete agreement	123,624	66,791	68,144
Accumulated amortization	<u>(277,330)</u>	<u>(309,873)</u>	<u>(291,379)</u>
	879,779	753,494	835,327
Software licenses	433,885	371,536	314,371
Accumulated amortization	<u>(307,442)</u>	<u>(273,291)</u>	<u>(254,711)</u>
	126,443	98,245	59,660
Restricted cash – Note 5	116,405	85,291	77,599
Technical assistance paid in advance	9,268	9,438	14,811
Rent holidays and key money paid ⁽ⁱ⁾	45,938	47,274	142,538
Derivative financial instruments	-	26,168	287,774
Other long-term advance payments and advance payments for construction	<u>357,050</u>	<u>409,966</u>	<u>548,361</u>
Total	<u>\$ 1,572,044</u>	<u>\$ 1,473,032</u>	<u>\$ 2,010,082</u>

(i) As of January 1, 2019, certain items were reclassified to the right-of-use asset in conformity with IFRS 16 (see Note 11).

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

18. Accrued expenses and taxes

	2020	2019	2018
Taxes payable – mainly ISR	\$ 777,015	\$ 524,860	\$ 344,363
Direct employee benefits (See note 21)	115,288	218,870	449,862
Accrued operating expenses	511,785	382,595	243,529
Accrued interest to be paid	26,280	25,999	18,409
Derivative financial instruments (“PUT option”)	183,888	166,284	-
Accounts payable with associated entities	213	4,765	781
Advances received from customers	72,456	36,030	10,946
Other accounts payable	<u>622,344</u>	<u>805,467</u>	<u>874,787</u>
	<u>\$ 2,309,269</u>	<u>\$ 2,164,870</u>	<u>\$ 1,942,677</u>

19. Lease Liabilities

The lease liability involves the leases contracted for the real property where the Entity has some of its stores and corporate offices; lease periods range from 1 to 25 years. All operating lease contracts executed for more than one year contain rental review clauses, which are generally based on inflation.

	2020	2020
Balance as of January 1	\$ 5,403,542	\$ 5,792,224
Additions new contracts and increase by index or rates	389,938	356,681
Disposals to early termination (See note 11)	(165,686)	-
Repayment of lease liabilities	(1,008,670)	(1,256,145)
Rent Concessions ⁽ⁱ⁾	(173,189)	-
Expenses of lease liabilities	486,832	510,782
Effect of foreign currency exchange differences	22,021	-
Balance as of December 31	<u>\$ 4,954,788</u>	<u>\$ 5,403,542</u>
Current portion	796,257	724,874
Long-term lease liabilities	<u>4,158,531</u>	<u>4,678,668</u>
Balance as of December 31	<u>\$ 4,954,788</u>	<u>\$ 5,403,542</u>
Expense relating to short-term leases	185,970	129,446
Expense relating to variable lease payments	<u>47,460</u>	<u>60,268</u>
Total amount recognized in consolidated statement of profit or loss	<u>\$ 233,430</u>	<u>\$ 189,714</u>

- (i) As mentioned in Note 2a, the amount recognized in the results of the reporting period, arising from the rental concessions to which the Entity has applied the practical resource of IFRS 16: 46B, amounted to \$ 173,189 and it has been accounted for as income in the results of the year.

As of December 31, future financial lease payments are detailed in the following table:

	2020	2019
Not more than 1 year	\$ 1,269,640	\$ 1,306,065
More than 1 year and not more than 5 years	3,603,314	4,142,755
More than 5 years	<u>2,826,034</u>	<u>3,494,768</u>
	<u>\$ 7,698,988</u>	<u>\$ 8,943,588</u>

20. Long-term debt

	2020	2019	2018
Secured – at amortized cost			
On June 23, 2010, Gigante, S.A. de C.V. (subsidiary of Grupo Gigante, S.A.B. de C.V.), contracted an unsecured loan with a mortgage guaranty. The only disposal took place on June 25, 2010 for the amount of \$229,000, which will be settled through 108 monthly payments, with monthly interest accrued at the Interbank Interest Rate (TIIE) to 28 days plus 3 percentage points. In December 2015, the credit was renegotiated, whereby the maturity date was extended to 2023 with an interest rate of 7.92%.			
(i)	\$ 104,253	\$ 113,189	\$ 121,135

	2020	2019	2018
Secured – at amortized cost			
On June 23, 2010, Inmobiliaria Lomo Lomas Verdes, S.A. de C.V. (subsidiary of Grupo Gigante, S.A.B. de C.V.) contracted an unsecured loan with a mortgage guaranty. The first disposal of credit resources was for the amount of \$342,000, to be settled through 96 monthly payments, with interest accrued monthly at the TIIE rate to 28 days plus 3 percentage points. In December 2015, the credit was renegotiated, whereby the maturity date was extended to 2023, with an interest rate of 7.92%. The second disposal occurred on February 9, 2016 for the amount of \$114,000, under the same conditions as the first disposal, albeit with the exception of the interest rate, which was set at 7.51%. (i)	250,906	272,410	291,751
On October 26, 2012, Guadalajara, S.A. de C.V. (subsidiary of Grupo Gigante, S.A.B. de C.V.), contracted an unsecured loan of \$130,000, with disposal on October 31, 2012. This loan was contracted for a seven-year period, with interest payable monthly at the fixed 7.50% rate and monthly payments of principal. On May 19, 2014, this credit was extended by \$31,000, under the conditions of the original credit, albeit with the exception of the interest rate, which was set at 7.55%. On October 21, 2020, the outstanding credit contract balance was refinanced and extended, with Guadalajara, S.A. de C.V. as the borrower. The refinancing was performed for the amount of \$165,000, for a 3-year period, with interest payable at the TIIE rate plus a sole applicable margin of 215 basis points throughout the entire credit period. (i)	160,642	164,904	82,282

	2020	2019	2018
Secured – at amortized cost			
On October 26, 2012, Arbokel, S.A. de C.V. (subsidiary of Grupo Gigante, S.A.B. de C.V.), contracted an unsecured loan for the amount of \$250,000, with disposal on October 31 of that year, for a seven-year period, with interest payable monthly at the fixed 7.50% rate and monthly payments of principal. On May 19, 2014, an additional disposal took place for the amount of \$124,000, under the same conditions as the original credit, albeit with the exception of the interest rate, which was set at 7.55%. On August 13, 2014, an additional disposal of \$95,000 took place under the same conditions as the original credit, albeit with the exception of the interest rate, which was set at 7.06%. On October 21, 2020, the outstanding credit contract balance was refinanced and extended, with Arbokel, S.A. de C.V. as the borrower. The refinancing was performed for the amount of \$426,000, for a 3-year period, with interest payable at the TIIE rate plus a sole applicable margin of 215 basis points throughout the credit period. (i)	413,080	424,039	297,325
On January 22, 2015, Gigante Grupo Inmobiliario, S.A. de C.V. (subsidiary of Grupo Gigante, S.A.B. de C.V.), contracted an unsecured loan for an amount of up to \$1,300,000, which is payable in seven years. The following disposals were made under the same contractual conditions: a) February 4, 2015, a disposal of \$336,000, with a 7.36% interest rate; b) February 4, 2015, a disposal of \$224,000, with a 7.36% interest rate; c) April 29, 2015, a disposal of \$225,000 were utilized, with a 7.80% interest rate; d) April 29, 2015, a disposal of \$150,000, with a 7.74% interest rate; e) July 10, 2015, a disposal of \$98,220, with a 7.96% interest rate; and f) July 10, 2015, a disposal of \$65,480, with a 7.90% interest rate (vi).	900,806	941,513	979,051

Secured – at amortized cost	2020	2019	2018
On November 15, 2016, Office Depot de México, S.A. de C.V. (subsidiary of Grupo Gigante, S.A.B. de C.V.), contracted an unsecured loan with disposal on November 17, 2016, for a 10-year period, a grace period of 24 months as regards principal and 96 monthly payments. Interest is payable monthly fixed interest rate of 9.02%.			
(ii).	2,405,429	2,556,259	2,925,838
On July 12, 2017, Grupo Gigante, S.A.B. de C.V., contracted an unsecured loan of \$4,200,000, with disposal on July 14, 2017 for a three-year period, principal payable at maturity and interest payable monthly at the THIE rate plus an applicable margin that increases each year. On May 14, 2018, an amendatory agreement was signed to the credit contract to extend its maturity to 2024, with a grace period of 36 months as regards principal, which begins as of the execution date of the amendatory agreement, together with 13 quarterly payments. Interest is payable monthly at fixed interest rate of 9.32%.			
(iii)	4,186,987	4,183,178	4,179,369
On May 24, 2018, Restaurantes Toks, S.A. de C.V. (subsidiary of Grupo Gigante, S.A.B. de C.V.), contracted an unsecured loan of \$1,100,000, with disposal on May 28, 2018 for a seven-year period, a grace period of 36 months as regards principal and 13 quarterly payments. fixed interest rate of 9.46%.			
(iv)	1,098,177	1,097,919	1,097,951
On November 5, 2018, Gigante Grupo Inmobiliario, S.A. de C.V. (a subsidiary of Grupo Gigante, S.A.B. de C.V.), 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 THIE plus 1.25%.			
(viii)	-	-	250,000

	2020	2019	2018
Secured – at amortized cost			
On December 13, 2018, Covilla, S.A. de C.V. (subsidiary of Grupo Gigante, S.A.B. de C.V.), contracted an unsecured loan with a mortgage guaranty for 39 months with payment at maturity. The first disposal took place on December 14, 2018 for the amount of \$300,000. On February 13, 2019, a second disposal of \$300,000 occurred under the same conditions as the first disposal. On May 13, 2019, a third disposal \$400,000 took place under the same conditions as the first two disposals. Interest is payable monthly at the fixed 10.89% rate for the first disposal, a fixed interest rate of 10.25% for the second disposal and a fixed interest rate of 10.00% for the third disposal. (i)	1,032,329	995,106	292,931
On January 28, 2019, Grupo Gigante, S.A.B. de C.V., obtained a credit line of \$1,000,000 of which expenses are amortized on the unused balance. On March 27, 2020, there was a drawdown of 650,000. Interest is paid monthly at the 28-day interbank interest rate (TIIE) plus an applicable margin of 1.3250%. Through a document dated June 30, 2020, Grupo Gigante, S.A.B. de C.V., asked the creditors to cancel the unused remaining amount of its commitment. (v)	648,556	(2,778)	-
On July 6, 2020, Grupo Gigante, S.A.B. de C.V., obtained a credit line of up to \$1,800,000. On July 7, 2020, there was a drawdown of \$1,300,000 and on December 14, 2020, there was a prepayment of \$240,166. Interest is paid monthly at the 28-day TIIE rate plus an applicable margin of 3.25%. (vii)	<u>1,040,708</u>	<u>-</u>	<u>-</u>
Total debt	<u>\$ 12,241,873</u>	<u>\$ 10,745,739</u>	<u>\$ 10,517,633</u>
Current portion	<u>\$ 2,677,782</u>	<u>\$ 446,205</u>	<u>\$ 1,058,348</u>
Long-term debt	<u>9,564,091</u>	<u>10,299,534</u>	<u>9,459,285</u>
	<u>\$ 12,241,873</u>	<u>\$ 10,745,739</u>	<u>\$ 10,517,633</u>

As of December 31, 2020, 2019 and 2018, TIIE was 4.48%, 7.56% and 8.60%, respectively.

- (i) These loans are guaranteed (Mortgage, Security and/or Trust) by five investment properties belonging to the Entity, of which four properties are currently operational, while one is under development. At December 31, 2020, the fair value of the four properties that are currently operational was \$3,090,305, while the fair value of the property under development was \$1,674,107. These loans are guaranteed by the joint and several liability of certain 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, 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 7.50% to 7.92%, for the purpose of calculating interests with respect to the total balance from its bank loans. These derivative financial instruments liability / (asset) had a fair value of \$ 5,519, \$ (6,064) and \$ (28,272) as of December 31, 2020, 2019 and 2018 respectively.

With respect to the loan agreement dated December 13, 2018, an amending agreement was executed on May 13, 2020 in which, among other matters, the parties agreed to accrue ordinary, earned, incurred and unpaid interest as of May 13, 2020, with ordinary interest earned and incurred, per the loan agreement, in the 4 (four) interest periods following the execution of the amending agreement and to establish the new ordinary interest payment date on September 13, 2020.

With respect to the agreements executed on October 26, 2012, and July 3, 2020, a fourth amending and restatement agreement was executed (together with the amendments applicable to the guarantee documents of such agreement), in which, among other matters, Gigante Grupo Inmobiliario, S.A. de C.V., y Controinmuebles, S.A. de C.V., were released as joint obligors and guarantors of the borrowers, which undertook to create a debt service reserve subsidiary account.

- (ii) This loan is guaranteed by the joint and several liability of Grupo Gigante, S.A.B. de C.V. The contract establishes limitations as regards incurring additional liabilities, attaching liens or encumbrances to assets, reducing or modifying the shareholding structure of Office Depot de México, S.A. de C.V. Likewise, it establishes the causes of early expiration, including the following: default involving the payment of principal or interest; debt cross-default; noncompliance with affirmative or negative covenants; the delivery of information that is significantly false or contains errors; insolvency; the failure to pay taxes or tax debts. At the same time, a credit derivative contract was executed to manage the variable interest rate risk (TIIE). Under this scheme, the Interbank Interest (TIIE) rate is limited to 7.59%, plus a surcharge of 143 basis points. This derivative financial instrument liability / (asset) had a fair value of \$ 214,675, \$ 73,650 and \$ (100,205) as of December 31, 2020, 2019 and 2018 respectively.

On June 17, 2020, the first amending agreement of the loan agreement (Agreement One) was executed, whereby, among other matters, (a) ordinary interest payments and partial principal repayments of June to November 2020 were rescheduled and (b) the financial obligation and restriction regarding the leverage level was included, which will be applicable as of 2022.

On December 16, 2020, the second amending agreement of the unsecured loan agreement (Agreement Two) was executed, whereby, among other matters, the partial principal repayments of December 2020 to February 2021 were rescheduled (see Note 34).

- (iii) This loan is guaranteed with joint and several obligations of some subsidiaries of Grupo Gigante, S.A.B. de C.V. (who sign it as guarantors). The loan establishes various financial reasons and restrictions such as restrictions on its stockholders' equity and on the level of leverage, establishing liens on its assets, merging, spinning off or consolidating, as well as causes of early maturity such as: failure to pay principal or interest; cross debt default; breach of obligations to do or not to do; delivery of false or erroneous information; insolvency; control changes. It also establishes limits for the payment of dividends. Grupo Gigante, S.A.B. de CV, carried out the execution of a hedging derivatives contract to cap the variable rate TIIE, in order to manage the risk of the variable interest rate (TIIE), setting the rate at 8.02% plus the surcharge of 130 points basis throughout the term of the loan. This derivative financial instrument liability / (asset) had a fair value of \$ 296,043, \$ 158,763 and \$ (81,500) as of December 31, 2020, 2019 and 2018 respectively.

On July 6, 2020, Grupo Gigante, S.A.B. de C.V., modified and restated this credit to make it consistent with the Liquidity Credit, established in point (vii) below

- (iv) This loan is guaranteed by the joint and several liabilities of Grupo Gigante, S.A.B. de C.V. (which executes this contract in its capacity as guarantor). The contract establishes a series of financial ratios and restrictions, together with limitations as regards incurring additional liabilities, attaching liens or encumbrances to assets, limitations with regard to consolidation, mergers, corporate breakups, dissolution and liquidation, the transfer, delivery, sale, lease or any other way of disposing of all or substantially all its goods or assets, as well as limitations involving the substantial modification of the way in which business activities are currently performed. A hedging derivative contract was executed to manage the loan interest rate risk, which was set at 9.46% for the entire credit period. This derivative financial instrument liability / (asset) had a fair value of \$ 80,298, \$ 46,261 and \$ 16,328 as of December 31, 2020, 2019 and 2018 respectively.
- (v) This loan is guaranteed by a joint obligation of Grupo Gigante, S. A. B. de C. V. (who sign it as guarantors). 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.

On July 6, 2020, Grupo Gigante, S.A.B. de C.V., modified and restated this credit to make it consistent with the Liquidity Credit, established in point (vii) below.

- (vi) This loan is guaranteed by (based on a trust contract) 18 investment properties belonging to the Entity. As of December 31, 2020, the fair value of the 18 investment properties is \$2,719,651.

The contract documenting this loan establishes a series of limitations including limitations as regards incurring additional liabilities, the attachment of liens or encumbrances to assets, dissolution and liquidation. Likewise, this contract establishes different financial ratios and restrictions, including financial restrictions and ratios applicable to interest rate hedges and the level of leverage, as well as the causes of early expiration, including: default involving the payment of principal or interest; debt cross-default; noncompliance with affirmative or negative covenants; the delivery of information that is significantly false or contains errors; insolvency. The contract also establishes limitations involving the payment of dividends if any of the causes of default and early expiration arise.

At the same time, hedging derivative contracts were executed to limit the use of the credit resources contracted at variable TIIE rates so as to manage the interest rate risk derived from the utilization of loan resources. Under these schemes, the TIIE rate is limited to levels of between 7.36% and 7.96% for the purpose of calculating the interest accrued by the total balance of utilized bank loan resources. These derivative financial instruments liability / (asset) had a fair value of \$ 12,297, \$ (20,103) and \$ (77,796) as of December 31, 2020, 2019 and 2018 respectively.

On July 6, 2020, an amending agreement of the loan agreement was executed, whereby, among other matters, a grace period for principal repayments of July to December 2020 and January to March 2021 was granted to the borrower (if the resources in the management, guarantee and payment source trust related to the loan agreement were insufficient to pay the unpaid balance of such repayments), so that they will be payable in full no later than on February 4, 2022, together with the last principal repayment scheduled for such date.

- (vii) This loan is guaranteed by the Guarantee Trust Agreement with Reversal Rights CIB/3480, executed, among others, with CIBANCO, S.A., Institución de Banca Múltiple, as trustee, and a Pledge Agreement, security interests consisting of 100% of the common stock shares of Gigante Grupo Inmobiliario, S.A. de C.V., as well as certain non-strategic real estate assets.

The guarantees referred to above equally guarantee the payment obligations of the loan agreements established in sections (iii) and (v) above.

The agreement documenting this loan establishes certain limitations, including limitations to incur additional liabilities, attach liens on its assets, and consolidate, merge, spin off, liquidate or dissolve the company. Similarly, such agreement establishes various financial restrictions and ratios, including interest hedge and leverage level ratios, restrictions on stockholders' equity and indebtedness index, as well as early expiration reasons, such as: defaulting on payment of principal or interest; debt cross default; noncompliance with affirmative or negative covenants; delivery of false or misstated significant information and insolvency. The agreement even establishes limitations for payment of dividends (see Note 34).

- (viii) This loan is guaranteed by the joint and several liabilities of Grupo Gigante, S.A.B. de C.V. The contract established limits with regard to incurring additional liabilities, the attachment of liens or encumbrances to assets, mergers, corporate breakups, dissolution, liquidation or consolidation. It also established different financial ratios and restrictions, including restrictions applicable to stockholders' equity and the level of leverage. Likewise, it established limitations involving the payment of dividends if any of the causes of contractual noncompliance arise, as well as the causes of early expiration, including: default involving the payment of principal or interest; debt cross-default; noncompliance with affirmative or negative covenants; the delivery of information that is significantly false or contains errors; insolvency; control changes; ceasing to pay taxes or tax debts.

The restrictive clauses of the bank loan agreements establish the obligation to maintain certain financial ratios. The financial restrictions and ratios established in the loan agreements identified in sections (iii), (v) and (vii), are applicable as of April 1, 2021, except for that related to the indebtedness index, which is applicable as of the agreement execution date. With respect to the financial restrictions and ratios established in the loan agreement identified in section (iv), the Entity obtained an exemption period whereby such financial restrictions and ratios are not applicable during the second, third and fourth quarter of 2020 and the first quarter of 2021.

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, 2020, the Entity has not contracted revolving credit lines. As of December 31, 2019, there were revolving credit lines contracted for \$ 860,000, without any amount of said credit lines being available.

As of December 31, 2020 and 2019, no revolving credit lines were contracted in US dollars.

As of December 31, 2020, letters of credit were contracted in thousands of US dollars for 4,790, of which 499 were drawn. As of December 31, 2019, letters of credit had been contracted in thousands of US dollars for 7,790, of which they were willing 2,769.

Reconciliation of obligations derived from financing activities

The table presented below details changes to the Entity's liabilities as a result of its financing activities, including changes in both cash and cash equivalents. The liabilities derived from financing activities are those in which cash flows were, or future cash flows will be classified as cash flows from financing activities in the Entity's consolidated statement of cash flows.

	2020	2019	2018
Balance as of January 1	\$ 10,745,739	\$ 10,517,633	\$ 10,101,763
Capitalization to interest principal payable ⁽ⁱ⁾	35,048	-	-
Proceeds from borrowings net of issuance costs	1,991,010	1,287,000	1,878,654
Repayments of borrowings	(583,780)	(1,075,896)	(1,482,225)
Amortization of issuance costs	<u>53,856</u>	<u>17,002</u>	<u>19,441</u>
Balance as of December 31	<u>\$ 12,241,873</u>	<u>\$ 10,745,739</u>	<u>\$ 10,517,633</u>

- (i) Due to the COVID-19 contingency and the efforts to improve the liquidity of the Entities, negotiations with financial creditors resulted in the capitalization of interest as principal during 2020. This transaction did not result in cash flows.

21. Employee benefits

- 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 2020, 2019 and 2018 was \$57,698, \$58,252 and \$53,243, respectively.
- 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 to 12 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. The seniority premium considers all the years of service of each worker.
- 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, 2020, the liability related to this plan was 2020, 2019 and 2018 was \$33,909, \$32,472 and \$188,453, respectively.
- Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows:

	2020	2019	2018
Service cost:			
Current service cost	\$ 38,927	\$ 12,132	\$ 15,134
Past service cost and curtailment gains	(36,494)	6,062	(221)
Net interest expense	<u>15,244</u>	<u>9,268</u>	<u>9,805</u>
	17,677	27,462	24,718

	2020	2019	2018
Components of defined benefit costs recognized in other comprehensive income - Net actuarial gains	<u>58,382</u>	<u>5,313</u>	<u>(17,839)</u>
Total	<u>\$ 76,059</u>	<u>\$ 32,775</u>	<u>\$ 6,879</u>

- e. 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:

	2020	2019	2018
Present value of defined benefit obligation	\$ 306,805	\$ 230,065	\$ 174,545
Fair value of plan assets	<u>(103,942)</u>	<u>(112,171)</u>	<u>(100,601)</u>
Net liability arising from defined benefit obligation	202,863	117,894	73,944
Other long term benefits -	<u>33,909</u>	<u>32,472</u>	<u>-</u>
Total liability arising from defined benefit obligation	<u>\$ 236,772</u>	<u>\$ 150,366</u>	<u>\$ 73,944</u>

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

22. 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 20 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:

	2020	2019	2018
Cash and cash equivalents –			
Note 5	\$ (2,424,653)	\$ (1,686,783)	\$ (2,049,520)
Financial assets – Note 6	(351,643)	(426,608)	(426,113)
Long term restricted cash – Note 17	(116,405)	(85,291)	(77,599)
Long-term debt – Note 20	<u>12,241,873</u>	<u>10,745,739</u>	<u>10,517,633</u>
Net debt	<u>9,349,172</u>	<u>8,547,057</u>	<u>7,964,401</u>

	2020	2019	2018
Lease liabilities – Note 19	<u>4,954,788</u>	<u>5,403,542</u>	<u>-</u>
Subtotal –Net Debt with lease	\$ 14,303,960	\$ 13,950,599	\$ 7,964,401
Stockholders' equity	<u>20,531,229</u>	<u>22,564,672</u>	<u>22,106,690</u>
Net debt to equity ratio	<u>46%</u>	<u>38%</u>	<u>36%</u>
Net debt ratio with lease and capital	<u>70%</u>	<u>62%</u>	<u>36%</u>

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:

	2020	2019	2018
i. Cash and cash equivalents	\$ 2,424,653	\$ 1,686,783	\$ 2,049,520
ii. Held for trading financial instruments	116,405	85,291	77,599
iii. Available-for-sale financial instruments	351,643	426,608	426,113
iv. Accounts receivable	2,981,259	3,137,809	3,121,337
v. Trade accounts payable	4,123,831	4,773,714	5,329,197
vi. Lease liabilities	4,954,788	5,403,542	-
vii. Long-term debt at amortized cost	12,241,873	10,745,739	10,517,633
viii. Assets related to derivative financial instruments through profit and losses	(608,781)	(252,506)	271,445
ix. Liability from derivative financial instrument (“purchase obligation”) at fair value through profit or loss. (See Note 18)	(183,888)	(166,284)	(284,233)

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 housed in the statement of financial position (recognized assets and liabilities) as described in Note 22. The administration of financial instruments and the use of derivative and non-derivative financial instruments are governed by the policies of the Entity approved by the Board of Directors of Grupo Gigante, S.A.B. de C.V.

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 8%, 7% and 5% for the year ended December 31, 2020, 2019 and 2018, respectively, of total purchases of the Entity's inventories were imported by approximately 63,555, 76,508 and 62,661 (thousands of US dollars) for the years ended December 31, 2020, 2019 and 2018, respectively.

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

	2020	2019	2018
<i>Thousands of U.S. dollars:</i>			
Monetary assets	4,537	2,838	2,715
Monetary liabilities	<u>6,741</u>	<u>15,393</u>	<u>16,514</u>
Net liability position	<u>(2,204)</u>	<u>(12,555)</u>	<u>(13,799)</u>
Equivalent in thousands of Mexican pesos	<u>\$ (43,937)</u>	<u>\$ (236,947)</u>	<u>\$ (271,241)</u>

The exchange rates as of December 31, 2020, 2019, 2018 and as of the date of issuance of these consolidated financial statements were as follows:

	2020	2019	2018	March 31, 2021
U.S. dollar	<u>\$ 19.9352</u>	<u>\$ 18.8727</u>	<u>\$ 19.6566</u>	<u>\$ 20.6025</u>

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.

	2020	2019	2018
Net position in thousands of U.S. dollar	(2,204)	(12,555)	(13,799)
Estimated exchanges rates:	<u>20.9320</u> <u>18.9384</u>	<u>19.8163</u> <u>17.9291</u>	<u>20.6394</u> <u>18.6738</u>
Sensitivity + / -	5%	5%	5%
Change in total comprehensive income for the year + / -	\$ <u>2,197</u>	\$ <u>11,847</u>	\$ <u>13,562</u>

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 not to 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

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, 2020, 2019 and 2018 would decrease/increase by \$5,074, \$508 and \$168, respectively. This is mainly attributable to the Entity's exposure to interest rates on its variable rate borrowings.

As of December 31, 2020, 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 October 26, 2012 and arranged on October 21, 2019 (See Note 20, i), and, the bank loan contracted in January 28, 2019 and July 6, 2020 (See Note 20 v and vii).

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 2020, 2019 and 2018, 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:

- The result of the period ended December 31, 2020 will not vary. This situation is primarily attributable to the Entity's exposure to the prices of shares classified as financial instruments valued at fair value through profit or loss.

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	\$ 4,123,831	\$ -	\$ -
Advances received from customers	72,456	-	-
Other accounts payable	622,344	-	-
Long-term debt	2,677,782	9,037,809	526,282
Interest to accrue	1,046,355	3,281,524	307,374
Lease Liabilities	796,257	2,197,778	1,960,753

The weighted average interest rate on the long-term debt as of December 31, 2020 was 8.74%. As of December 31, 2020, all of the variable rate bank loans held by the Entity 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 October 26, 2012 and arranged on October 21, 2021 (See Note 20, i), and, the bank loan contracted in January 28, 2019 and July 6, 2020 (See Note 20 v and vii).

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 2020	Fair value hierarchy	Valuation techniques and key inputs
Financial instrument available- for-sale financial assets	\$ 351,643	Level 1	Quoted bid prices in an active market
Derivative financial instruments	(792,669)	Level 2	Discounted cash flow

Assets/ liabilities	Fair value as of 2019	Fair value hierarchy	Valuation techniques and key inputs
Financial instrument available- for-sale financial assets	\$ 426,608	Level 1	Quoted bid prices in an active market
Derivative financial instruments	(418,790)	Level 2	Discounted cash flow

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

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.

	2020	
	Carrying amount	Fair value
Financial liabilities held at amortized cost:		
Long-term debt	\$ 12,241,873	\$ 13,115,956
Lease Liabilities	4,954,788	4,954,788

	Level 1	Level 2	Total	Valuation techniques and significant inputs
Financial liabilities held at amortized cost:				
Long-term debt	\$ -	\$ 13,115,956	\$ 13,115,956	Discounted cash flows using market rates
				2019
		Carrying amount	Fair value	
Financial liabilities held at amortized cost:				
Long-term debt		\$ 10,745,739	\$ 11,024,542	
Lease Liabilities		5,403,542	5,403,542	
				2018
		Carrying amount	Fair value	
Financial liabilities held at amortized cost:				
Long-term debt		\$ 10,517,633	\$ 10,213,959	

23. Stockholders' equity

- a. Common stock as of December 31, 2020, 2019 and 2018 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, 2020, 2019 and 2018, 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, 2020, 2019 and 2018, was \$25.80, \$35.41 and \$36.50 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, 2020, 2019 and 2018, 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:

	2020	2019	2018
Contributed capital account	\$ 14,285,332	\$ 13,849,086	\$ 13,469,253
Net consolidated tax income account (CUFIN) after 2014	537,973	521,381	(168,382)
CUFIN before 2014	<u>14,691,016</u>	<u>14,387,177</u>	<u>12,051,544</u>
Total	<u>\$ 29,514,321</u>	<u>\$ 28,757,644</u>	<u>\$ 25,352,415</u>

24. Other comprehensive income

Foreign currency translation reserve controlling interest

	2020	2019	2018
Balance at beginning of year	\$ 284,512	\$ 455,280	\$ 641,477
Actuarial (loss) gains - net of tax	(58,382)	(5,313)	17,839
Exchange differences on translating foreign operations	<u>158,616</u>	<u>(165,455)</u>	<u>(204,036)</u>
Total	<u>\$ 384,746</u>	<u>\$ 284,512</u>	<u>\$ 455,280</u>

25. Non-controlling interests

	2020	2019	2018
Balance at beginning of year	\$ 287,470	\$ 259,570	\$ 515,505
Profit allocated to non-controlling interest	66,488	28,287	84,459
Dividends paid	-	-	-
Dividends collected	(8,001)	(8,460)	-
Put option for Grupo Prisa (a)	-	-	(293,030)
Exchange differences arising on translating the foreign operations	<u>17,384</u>	<u>8,073</u>	<u>(47,364)</u>
Balance at end of year	<u>\$ 363,341</u>	<u>\$ 287,470</u>	<u>\$ 259,570</u>

- a. Initial recognition of the probability to be required to acquire the remaining 49% of the stock equity of Grupo Prisa established in the acquisition contracts of the Entity Grupo Prisa.

26. 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:

	2020	2019	2018
Purchases of fixed assets - other related parties	\$ -	\$ -	\$ 37,068
Purchase of inventory - other related parties	13,858	30,874	26,223
Rental expense - shareholders	112,239	113,779	128,999
Rental income - other related parties	53,482	45,266	37,789
Sales of inventory - other related parties	7,925	17,234	9,908
Consulting services received - other related parties	98,253	113,796	103,958
Consulting services provided - other related parties	170,765	117,339	107,454
Charitable contributions - other related parties	88	12,283	41,856
Other income	14,894	18,381	8,852
Other expenses	5,427	2,909	3,188

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

- b. As of December 31, 2020, 2019 and 2018, the Entity has accounts receivable due from related parties for \$77,764, \$204,028 and \$47,278. As of December 31, 2020, 2019 and 2018, there are accounts payable to related parties for \$213, \$4,765 and \$781, respectively.
- c. Employee benefits granted to key management were as follows:

	2020	2019	2018
Short-term benefits	\$ 214,074	\$ 196,692	\$ 185,153
Other long term benefits	-	35,658	60,280
Termination benefits	14,328	22,889	19,824
Post employee benefits	1,071	978	6,347

27. Cost of sales and operating expenses

- a. Cost of sales is as follow:

	2020	2019	2018
Cost of merchandise sold	\$ 15,661,868	\$ 18,791,711	\$ 19,667,912
Employee benefits	443,202	537,397	491,475

	2020	2019	2018
Rental expense	65,649	80,354	181,159
Electricity, water, gas and other utilities	123,849	108,105	189,409
Depreciation and amortization	224,434	209,579	211,408
Right-of-use asset depreciation	<u>81,424</u>	<u>38,842</u>	<u>-</u>
Total cost of sales	<u>\$ 16,600,426</u>	<u>\$ 19,765,988</u>	<u>\$ 20,741,363</u>

b. Operating expenses are as follows:

	2020	2019	2018
Employee benefits	\$ 4,111,033	\$ 4,458,890	\$ 4,397,380
Rental expense	167,781	109,360	1,118,620
Insurance	80,271	76,256	84,899
Electricity, water, gas and other utilities	437,641	541,506	458,951
Maintenance	510,489	578,922	405,033
Marketing	318,274	397,773	359,983
Depreciation and amortization	796,884	638,424	672,210
Right-of-use asset depreciation	720,862	840,882	-
Loss (reversal) impairment of property and equipment and intangibles	-	(31,000)	31,000
Other operating expenses	<u>2,431,282</u>	<u>2,266,264</u>	<u>2,695,237</u>
Total operating expenses	<u>\$ 9,574,517</u>	<u>\$ 9,877,277</u>	<u>\$ 10,223,313</u>

28. 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 recognized as income in a straight line over the contract term.

The future minimum lease receivables related to non-cancelable operating leases are as follows:

	2020
Not more than 1 year	\$ 1,113,853
More than 1 year and not more than 5 years	1,734,883
More than 5 years	<u>667,406</u>
Total	<u>\$ 3,516,142</u>

29. Income taxes

The Entity is subject to ISR. Under the ISR Law the rate for 2020 and 2019 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 (See Note 29e).

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 are exercising verification powers to two subsidiaries of Grupo Gigante, S.A.B. de C.V., without, to date, a tax credit or penalty has been determined.

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:

	2020	2019	2018
ISR expense (benefit):			
Current	\$ 532,449	\$ 751,203	\$ 820,912
Deferred	<u>(483,167)</u>	<u>(61,031)</u>	<u>(72,040)</u>
	<u>\$ 49,282</u>	<u>\$ 690,172</u>	<u>\$ 748,872</u>

The deferred income tax balances recognized in the balance sheet include the tax generated by actuarial gains and / or losses, which are items recognized in stockholders' equity. The effect of this tax recognized in the years 2020, 2019 and 2018 was a liability / (asset) of \$ 25,021, \$ 2,277 and \$ (7,645), respectively.

- b. The effective ISR rate for fiscal 2020, 2019 and 2018 differ from the statutory rate as follow:

	2020 %	2019 %	2018 %
Statutory rate	30	30	30
Permanent differences	(7)	5	3
Effects of inflation	5	(3)	(4)
Effect of future tax loss carry forwards partially recognized and others	<u>(31)</u>	<u>20</u>	<u>8</u>
Effective rate	<u>(3)</u>	<u>52</u>	<u>37</u>

- c. The main items originating deferred taxes are:

	2020	2019	2018
Deferred ISR assets (liabilities):			
Property and equipment and investment property	\$ (2,011,286)	\$ (2,159,218)	\$ (2,042,029)
Inventories	3,277	(11,841)	5,946
Accrued expenses and provisions	105,073	180,932	287,965
Prepaid expenses and advances from customers	(34,849)	(73,178)	(87,352)
Intangible assets and others	<u>161,432</u>	<u>31,803</u>	<u>(263,636)</u>
	(1,776,353)	(2,031,502)	(2,099,106)
Effect of tax loss carry forwards	<u>366,492</u>	<u>119,704</u>	<u>118,710</u>
Total deferred tax liability – Net	<u>\$ (1,409,861)</u>	<u>\$ (1,911,798)</u>	<u>\$ (1,980,396)</u>

- d. The balances presented in the consolidated statements of financial position are as follows:

	2020	2019	2018
Deferred tax asset	\$ 982,778	\$ 484,915	\$ 495,946
Deferred tax liability	<u>(2,392,639)</u>	<u>(2,396,713)</u>	<u>(2,476,342)</u>
Total deferred tax liability – Net	<u>\$ (1,409,861)</u>	<u>\$ (1,911,798)</u>	<u>\$ (1,980,396)</u>

The benefits of restated tax loss carryforwards for which a deferred income tax asset has been partially recognized may be recovered upon compliance with certain requirements. The expiration years of such recoverable tax losses of the individual entities and their restated amounts as of December 31, 2020 are as follows:

Year of Caducity	Tax Losses to be amortized
2021	\$ -
2022	5,623
2023	142,593
2024	84,193
2025	195,250
2026	117,940
2027	447,067
2028 onwards	3,351,690
Without caducity	62,347
Losses reserved	<u>(3,185,063)</u>
Tax losses to be amortized	<u>\$ 1,221,640</u>

In the determination of the deferred ISR liability as of December, 31, 2020, 2019 and 2018, a total of \$955,519, \$610,383 and \$422,404, 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, 2020, the Entity's has tax losses carryforwards related to its operations in Colombia for \$619,389 dated from 2016 which can be recovered in the next 12 years after that date; 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, 2020, 2019 and 2018, are \$185,817, \$184,480 and \$170,948, respectively.

e. Tax consolidation

ISR liability as of December 31, 2020 related to the tax deconsolidation which will be paid in the following years is as follows:

Year	
2021 ⁽ⁱ⁾	\$ 56,180
2022	56,180
2023	<u>56,180</u>
	<u>\$ 168,540</u>

⁽ⁱ⁾ The current portion of the income tax payable is included within accrued expenses and taxes in the consolidated statements of financial position.

30. Earnings per share

The amounts used to determinate basic and diluted earnings per share were as follows:

	2020 Mexican pesos per share	2019 Mexican pesos per share	2018 Mexican pesos per share
Basic and diluted earnings per share:	<u>(2.22)</u>	<u>0.60</u>	<u>1.18</u>

a. *Basic and diluted earnings per share*

For the years ended December 31, 2020, 2019 and 2018, 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:

	2020	2019	2018
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	<u>\$ (2,026,904)</u>	<u>\$ 600,850</u>	<u>\$ 1,169,836</u>
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>\$ 994,227,328</u>	<u>\$ 994,227,328</u>	<u>994,227,328</u>

b. ***Weighted average number of ordinary shares***

For the years ended December 31, 2020, 2019 and 2018, 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, 2020		
	Profit	Weighted average number of shares	Mexican pesos per share
Basic and diluted earnings per share	\$ (2,026,904)	994,227,328	(2.04)
Basic and diluted loss per ordinary share from discontinued operations	\$ (182,644)	994,227,328	(0.18)
As of December 31, 2019			
	Profit	Weighted average number of shares	Mexican pesos per share
Basic and diluted earnings per share	\$ 600,850	994,227,328	0.60
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

31. 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.

32. 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.

“Other” includes companies that provide services and supply of information systems as well as sub-holders of shares that are presented for conciliation purposes.

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		
	2020	2019	2018
Retail	\$ 17,487,924	\$ 21,811,985	\$ 22,249,661
Prisa distribution	4,183,725	3,903,243	4,489,478
Restaurants	3,025,656	5,005,897	4,765,510
Real Estate	1,699,821	1,735,684	1,575,998
Corporate	-	-	420
Other	(120,893)	(11,182)	107,728
	<u>\$ 26,276,233</u>	<u>\$ 32,445,627</u>	<u>\$ 33,188,795</u>
	Profit by segment		
	2020	2019	2018
Retail	\$ 204,600	\$ 1,284,188	\$ 1,091,386
Prisa distribution	191,435	39,293	180,927
Restaurants	(905,067)	601,542	402,997
Real Estate	449,081	1,243,558	1,168,330
Corporate	(272,272)	(332,999)	(386,851)
Other	(71,461)	103,420	57,882
	<u>\$ (403,684)</u>	<u>\$ 2,939,002</u>	<u>\$ 2,514,671</u>

	Profit by segment		
	2020	2019	2018
Interest expense	\$ 1,680,522	\$ 1,549,737	\$ 1,036,244
Interest income	(124,195)	(190,175)	(179,808)
(Gain) Exchange loss – Net	(11,120)	(416)	(4,432)
Loss (gain) on revaluation of financial instruments	419,757	443,467	(151,813)
Share of profit of joint venture and associates	<u>(457,514)</u>	<u>(182,920)</u>	<u>(188,687)</u>
Profit for the year from continuing operations before income taxes	<u>\$ (1,911,134)</u>	<u>\$ 1,319,309</u>	<u>\$ 2,003,167</u>

Segment revenues reported above represent revenues generated from external customers. Inter-segment revenues are as follows:

	Inter-segment revenues		
	2020	2019	2018
Retail	\$ 37,557	\$ 70,268	\$ 20,803
Restaurants	4,216	37,209	49,579
Real Estate	193,406	289,628	250,402
Corporate	345,891	472,503	520,332

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 and bank loans**

	Total segment assets		
	2020	2019	2018
Retail	\$ 15,819,820	\$ 16,365,176	\$ 14,212,759
Prisa distribution	2,239,669	2,350,423	2,667,624
Restaurants	6,962,779	7,371,600	5,786,397
Real Estate	20,762,861	20,868,094	18,986,384
Corporate	1,530,782	1,035,377	1,301,991
Other	<u>364,771</u>	<u>838,955</u>	<u>346,884</u>
Total assets	<u>\$ 47,680,682</u>	<u>\$ 48,829,625</u>	<u>\$ 43,302,039</u>

Intercompany balances are not included.

	Bank loans		
	2020	2019	2018
Retail	\$ 2,405,429	\$ 2,556,258	\$ 2,925,837
Restaurants	1,098,177	1,097,919	1,097,950
Real Estate	2,862,015	2,911,162	2,314,475
Corporate	<u>5,876,252</u>	<u>4,180,400</u>	<u>4,179,371</u>
Total bank loans	<u>\$ 12,241,873</u>	<u>\$ 10,745,739</u>	<u>\$ 10,517,633</u>

c. **Other segment information**

	Depreciation and amortization		
	2020	2019	2018
Retail	\$ 1,163,266	\$ 1,156,693	\$ 493,392
Prisa distribution	31,042	37,098	37,033
Restaurants	559,730	437,450	250,131
Real Estate	25,271	24,012	11,153
Corporate	10,503	10,260	2,069
Other	<u>33,792</u>	<u>62,214</u>	<u>89,840</u>
Total	<u>\$ 1,823,604</u>	<u>\$ 1,727,727</u>	<u>\$ 883,618</u>

	Additions to long-term assets		
	2020	2019	2018
Retail	\$ 303,478	\$ 822,914	\$ 1,080,281
Prisa distribution	6,207	34,742	74,878
Restaurants	368,090	347,601	407,670
Real Estate	392,936	1,049,227	929,791
Corporate	-	-	38,808
Other	<u>3,552</u>	<u>10,985</u>	<u>3,969</u>
Total	<u>\$ 1,074,263</u>	<u>\$ 2,265,469</u>	<u>\$ 2,535,397</u>

d. **Geographical information**

The Entity operates in four principal geographical areas, Mexico, Central America, Colombia, the Caribbean and Chile. Until December 2018, it operated in the same way in the Caribbean. 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		
	2020	2019	2018
Mexico	\$ 19,970,910	\$ 26,123,379	\$ 26,035,374
Chile	4,183,725	3,903,244	4,489,478
Central America	1,745,216	1,711,273	1,784,795
Colombia	376,382	707,731	804,455
Caribbean	<u>-</u>	<u>-</u>	<u>74,693</u>
Total	<u>\$ 26,276,233</u>	<u>\$ 32,445,627</u>	<u>\$ 33,188,795</u>

	Non-current assets		
	2020	2019	2018
Mexico	\$ 33,431,163	\$ 35,118,760	\$ 29,234,200
Chile	408,436	765,476	731,127
Central America	728,017	797,262	613,445
Colombia	-	124,861	141,484
Caribbean	<u>-</u>	<u>-</u>	<u>4,897</u>
Total	<u>\$ 34,567,616</u>	<u>\$ 36,806,359</u>	<u>\$ 30,725,153</u>

33. Discontinued operations

On September 20, 2020, Grupo Gigante, S.A.B. de C.V. through its subsidiary Office Depot de México, S.A. de C.V., decided to leave the Colombian market and dispose of its assets and conclude its operations in such market, in adherence to its strategic plan.

On September 1, 2020, a rights assignment agreement was executed regarding the shares of Ofix Suministros y Logística, S.A.S., which consisted of the full, free of charge and irrevocable donation of subscribed paid-in shares to the Company G7 Management SAS, which assumes in a stockholder capacity all of its rights and obligations for past, present, and future events.

On September 20, 2020, three Office Depot stores, a distribution center and a paper production and distribution plant operated by OD Colombia, S.A.S. were closed.

The assets of OD Colombia, S.A. de C.V. involved in this transaction were located in:

- The three stores were located in Cali and Bogota, in Colombia.
- The distribution center was located in Bogota, in Colombia.

Per IFRS-5, Non-current assets held for sale and discontinued operations, the value of the investment in the shares of Ofix Suministros y Logística, S.A.S. of \$182,644, which were fully donated, was recognized under loss from discontinued operations in the comprehensive statement of income.

34. Events after the reporting period

Acquisition of Fiduciary Securitization Certificates of Fibra SOMA

On February 22, 2021, Grupo Gigante, S.A.B. de C.V., reported that, regarding its involvement, through its subsidiaries Monisan, S.A. de C.V., and Inmobiliaria Cuauhtémoc Liceaga, S.A. de C.V., in Management Trust F/743955 (which in turn held the beneficiary rights of Management Fund F/1447) and Management Fund CIB/535 (hereinafter, jointly, the “Subsidiaries’ Interest”), related to the properties located at Boulevard Adolfo Ruiz Cortines, number 4300, Colonia Mocambo, Boca del Río, Veracruz de Ignacio de Llave (where the shopping mall known as Andamar I is built) and Av. Adolfo Ruiz Cortines, number 3500, Colonia Mocambo o Potrero Niño Bonito, Boca del Río, Veracruz de Ignacio de Llave (where the shopping mall known as Andamar II is built), it decided to execute beneficiary right assignment and contribution agreements (hereinafter, the “Contribution Agreements”) to contribute the Subsidiaries’ Interest to Fibra SOMA in exchange for receiving the ownership of 22,837,852 (twenty-two million eight-hundred and thirty-seven thousand eight-hundred and fifty-two) Real Estate Fiduciary Securitization Certificates issued by the latter (hereinafter, the “CBFI”).

Debt rescheduling and recognition agreement

In March 2021, Office Depot de México, S.A. de C.V., as borrower and Grupo Gigante, S.A.B. de C.V., as joint obligor, executed a third rescheduling and recognition agreement of the loan agreement executed with Banco Nacional de Comercio Exterior, S.N.C. Institución de Banca de Desarrollo, as creditor, whereby, among others, (a) the loan principal repayment schedule was rescheduled (modified in turn by Agreement One and Agreement Two), and (b) the financial restriction and obligation related to hedging of interest was included (See Note 20).

Real property classified as for sale

During the first quarter of 2021, the Entity sold two properties classified as for sale as part of its non-strategic asset divestment plan and used the resources to repay the Liquidity Loan.

Prepayment of the “Liquidity Loan”

On March 23, Grupo Gigante, S.A.B. de C.V. repaid the total unpaid balance of the Liquidity Loan. (See Note 20).

As a result of the repayment of the Liquidity Loan, the guarantees related thereto will be extinguished, maintaining the security interests (real property) which guarantee the obligations of the Loan Agreements (see Note 1).

35. Authorization to issue the Consolidated Financial Statements

On March 31, 2021, 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.

INVESTOR INFORMATION

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



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