

GROWING

with the strength of our elements



2021 Annual Report



FLEXIBILITY
TO INNOVATE



PASSION
TO SERVE



SOUNDNESS
ON WHAT WE DO



AIRS OF
HOPE



The flexibility of the businesses of the **SPECIALTY RETAIL DIVISION**, which like drops of water are intertwined making them stronger but without losing their dynamism, has allowed us to adapt to the constant changes and transformations of our time, maintaining us as leaders in the sectors in which we participate.



The passion with which we prepare each food in the businesses of our **RESTAURANT DIVISION** is represented by fire, combined with the warmth of our service, which as a valuable ingredient, reaches the table of our diners in order to provide them with a unique experience that reminds them of the priceless feeling of home.



In Grupo Gigante, the solidity of the land is comparable to our **REAL ESTATE BUSINESS DIVISION**, which provides through its projects, security and strength, which has allowed us to build a solid future to achieve a better country.



Hand in hand with Grupo Gigante and its Business Units, **FUNDACIÓN GIGANTE** has been a fundamental pillar of hope for more than 50 years. Our commitment to Mexico and its most vulnerable groups is a constant factor in contributing to the well-being of Mexicans. The pillars on which we have decided to work with strength are: Health, Education and Natural Disasters, this allows us to assist in areas that we consider fundamental for this social work.

Grupo Gigante has consolidated its presence in 7 countries, from Mexico, where it covers all 32 states, to Central and South America. 2021 has been a year full of challenges, but it also gave us the opportunity to **continue innovating and strengthening the new ways of serving customers**, allowing us continue 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*.

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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

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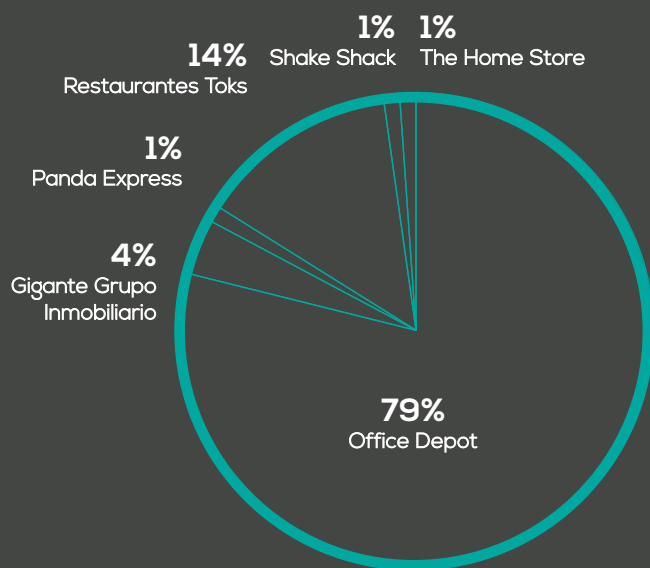
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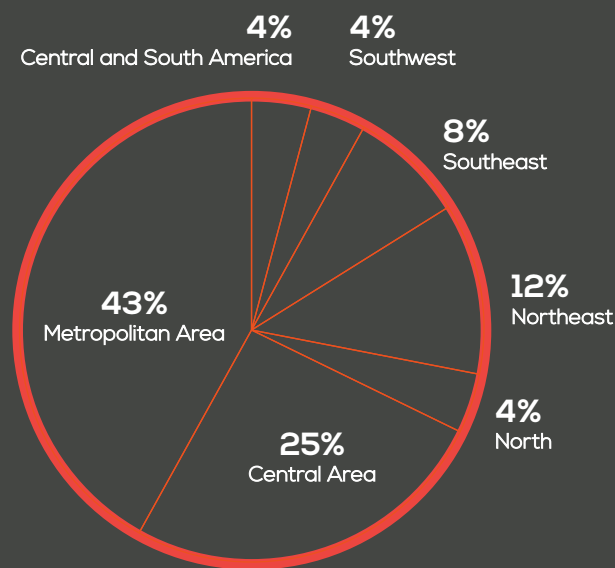
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SALES BREAKDOWN BY FORMAT



REGIONAL DISTRIBUTION



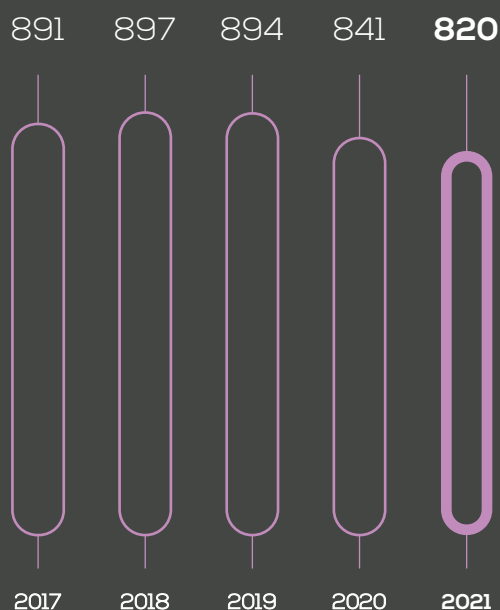
SALES FLOOR PARTICIPATION OF SUBSIDIARIES

Business Unit	Units	m ²	Seats
Office Depot	488	455,586	
Restaurantes Toks	192	-	40,457
Beer Factory & Food	6		1,432
Shake Shack	7		991
Panda Express	22	-	-
El Farolito	7		877
The Home Store	17	22,088	
Total	739	477,674	43,757
Parking Lots	81		
Total	820	477,674	43,757

SALES FLOOR PARTICIPATION OF ASSOCIATED

Business Unit	Unit	m ²
Petco	108	63,877

CONSOLIDATED UNITS



FINANCIAL HIGHLIGHTS

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2021, 2020 and 2019. In thousands of Mexican pesos, except per share data

	2021	2020	2019
Total revenues	28,818,562	26,276,233	32,445,627
% variation	9.7%	-19.0%	-2.2%
Operation flow (Ebitda)	4,174,697	2,156,566	4,530,100
% variation	93.6%	-52.4%	45.8%
Consolidated net income	1,897,141	(2,143,060)	629,137
% variation	188.5%	-440.6%	-49.8%
Consolidated integral income	1,647,749	(2,025,442)	466,442
% variation	181.4%	-534.2%	-54.3%
Basic earnings per common share	1.83	(2.04)	0.60
% variation	189.7%	-440.0%	-49.2%
Price of share	28.90	25.80	35.41
Common shares outstanding	994,227,328	994,227,328	994,227,328

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2021, 2020 and 2019. In thousands of Mexican pesos

	2021	2020	2019
Assets	48,289,717	47,680,682	48,829,625
% variation	1.3%	-2.4%	12.8%
Cash and cash equivalents	3,082,559	2,424,653	1,686,783
% variation	27.1%	43.7%	-17.7%
Financial instruments	1,466,357	351,643	426,608
% variation	317.0%	-17.6%	0.1%
Inventories-Net	5,957,586	5,655,442	6,568,139
% variation	5.3%	-13.9%	-2.6%
Assets use rights	3,919,992	4,311,648	4,972,202
% variation	-9.1%	-13.3%	NA
Property and equipment-Net	8,697,097	9,364,427	10,775,004
% variation	-7.1%	-13.1%	3.6%
Investment properties	14,938,759	13,685,998	14,932,014
% variation	9.2%	-8.3%	7.2%
Other assets	10,227,367	11,886,871	9,468,875
% variation	-14.0%	25.5%	-3.0%
Liabilities and Stockholder's equity	48,289,717	47,680,682	48,829,625
% variation	1.3%	-2.4%	12.8%
Suppliers	3,902,695	4,123,831	4,773,714
% variation	-5.4%	-13.6%	-10.4%
Bank loans	11,303,531	12,241,873	10,745,739
% variation	-7.7%	13.9%	2.2%
Long-term lease liability	3,859,264	4,158,531	4,678,668
% variation	-7.2%	-11.1%	NA
Other liabilities	6,891,072	6,625,218	6,066,832
% variation	4.0%	9.2%	13.4%
Stockholder's equity	22,333,155	20,531,229	22,564,672
% variation	8.8%	-9.0%	2.1%

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

ANNUAL REPORT 2021 OF THE CHAIRMAN OF THE BOARD AND OF THE CEO GRUPO GIGANTE, S.A.B. DE C.V.

Mexico City, March 15, 2022

Honorable Board of Directors

**Honorable Shareholders Meeting of Grupo Gigante,
S.A.B. de C.V.**

Dear Directors and Shareholders:

Once again we are privileged to address you in order to submit for your consideration the Annual Report of activities and performance for the year 2021 and to inform you about the progress of the Group.

Throughout the reported year, we once again faced great volatility and uncertainty due to the COVID-19 pandemic; this uncertainty was also compounded by the concurrence of several domestic and international factors such as consumables inflation, distortion in global supply chains, and substantial increases in logistics costs, particularly in intercontinental transportation systems.

In this context, the Mexican economy had a 4.8% growth, insufficient to recover the size of the economy we had at the end of 2019, while inflation stood at a level of 7.36%, one of the highest in the last two decades.

The intermittent confinement defined by the authorities continued according to what each state, municipality or mayor's office defined. Although the isolation negatively impacted the way in which businesses operated, in the case of Grupo Gigante's companies, we had a recovery compared to the previous year, as well as the opportunity to continue innovating and strengthening new ways to serve the customer and be more productive. In all our business units, digital strategies were implemented and reinforced to increase sales and effective customer

service, in addition to a strict control of spending and investment to protect the Group's liquidity.

We consider it fundamental to express our appreciation to the more than 22,000 employees of Grupo Gigante, including the "Petco" joint venture, for their enormous commitment, effort and dedication during these two years of pandemic.

Likewise, we would like to express our appreciation for the support we received from our shareholders with the restructuring of our credits, which allowed us to significantly improve the maturity profile of our debt in order to continue with the Group's growth plans.

This ability to adapt and the strength of all our employees allowed us to close 2021 with a 9.7% solid growth in total sales, 12.5% in same-store sales, 188.5% in net income, and 93.6% in EBITDA, compared to the previous year.

At year-end, we ended the year with 928 production units, including the "Petco" joint venture. With presence in 7 countries, including Mexico, Guatemala, El Salvador, Honduras, Panama, Costa Rica and Chile.

GIGANTE GRUPO INMOBILIARIO closed the year with 110 owned and managed real estate properties with a leasable area of more than 933 thousand square meters. The return to activities allowed us to continue with the development of our projects, showing considerable progress in the construction of the Aqua Bosques offices and the fourth stage of the Miyana project that we have in partnership. Despite the impact of the confinement on business, we achieved an average occupancy rate on real properties of 93.7%.

OFFICE DEPOT celebrated 26 years of operation in Mexico, consolidating its position as a leader in the office

We consider it fundamental to express our appreciation to the more than 22,000 employees of Grupo Gigante, including the “Petco” joint venture, for their enormous commitment, effort and dedication during these two years of pandemic.

supplies and technology sector. During 2021, the company continued to invest significantly in systems and customer knowledge in order to serve customers more effectively. On the other hand, we continued to build the omnichannel feature to serve the customer through the medium of their choice, physical or digital, and at the time they require. It is important to highlight the performance of our joint venture in Chile, Prisa, which achieved record sales and profits.

PETCO (Mascotas y Compañía, S.A.P.I. de C.V.), a joint venture with Petco Animal Supplies Stores Inc. reached 108 units in the country with presence in 23 states of Mexico. Another year of solid performance, with total sales growth of more than 34.0% and digital sales growth of 61.30%. At PETCO, omnichannel feature is already a reality. We closed the year with more than 3 million Club Petco members and more than 66,500 adoptions.

GRUPO RESTAURANTERO GIGANTE had a year of great challenges, but also of great learning that prompted it to create new technologies to be closer to diners. The recovery towards the third and fourth quarters showed the recognition and preference of customers, again favoring their presence in the different restaurants of the Group by significantly increasing sales in all its brands. During 2021, growth resumed with the opening of 5 new restaurants.

As part of our commitment and social responsibility that has characterized us throughout time, through Fundación Gigante, with the support of Grupo Restaurantero Gigante and Grupo Presidente, we continued to support health personnel and strengthen the different causes that guide our community and social contributions.

Taking into account the great challenges of the environment, we will continue to update and execute our strategic plan for the coming years, based on the six defined premises: (i) Profitability, (ii) Sustainability and Social Responsibility, (iii) digital transformation, (iv) Portfolio Diversification, (v) capture of synergies and, of course, (vi) Development of Talent and Culture of the organization at all levels.

We thank our shareholders and directors for their continued support and trust during these difficult years.

Next November 2022, Grupo Gigante will be celebrating its 60th Anniversary, which fills us with pride, and we want to celebrate it by resuming our investment and growth plans for the benefit of Mexico and its people.

Sincerely,



Ángel Losada Moreno

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



Federico Bernaldo de Quirós Glz. Pacheco

Chief Executive Officer
Grupo Gigante, S.A.B. de C.V.

FLEXIBILITY TO INNOVATE



In the **Specialty Retail Division**, our flexibility and speed in adapting to the constant changes in consumption patterns allow us to remain close to our customers.

**Office
DEPOT**

— THE HOME STORE

petco
SALUD + BIENESTAR
PARA TUS MASCOTAS

Office DEPOT

In 2021, we made our customer approach processes more flexible; it was then that we saw a window of opportunity to transform our services and provide a better experience for our customers.



WE REINFORCED OUR
E-COMMERCE PLATFORM,
ACHIEVING AN INCREASE
OF MORE THAN

25%

IN SALES THROUGH THIS
CHANNEL

PRESENCE IN

7

**MEXICO,
CENTRAL AND
SOUTH AMERICA**



OFFICE DEPOT, 26 YEARS OF REINVENTION IN MEXICO

With our arrival in Mexico in 1995, Office Depot positioned itself as a leading company in the sale of office supplies, adapting to the needs of the Mexican market and meeting its requirements. Our positioning has enabled us to offer this service in six Latin American countries, such as Guatemala, Costa Rica, Panama, El Salvador, Honduras and Chile, in addition to Mexico. At the closing of year 2021, we have 488 units among the different brands.

This sustained and solid growth allowed us to obtain again the recognition of "TOP Companies", which is a national ranking carried out by Expansión magazine.

With the economic reactivation that took place in 2021, Office Depot continued its growth with an increase in total sales of almost 5% as of the closing of that year.

The health emergency experienced in 2020 and 2021 prompted us to make our customer approach processes more flexible; it was then that we saw a window of opportunity to transform our services and to provide them with a better experience, and in this last year we strengthened our e-commerce platform, achieving an increase in sales through this channel of





At Office Depot we provide our customers with the best shopping experience, satisfying their needs and concerns giving the best of us.



more than 25%, representing 5.6% of total sales.

In 2021, we continued with technological renovation, as evidenced by the 2,700 new sales terminals installed in our stores.

Part of the actions that we implemented to reinforce our technology over the years was the implementation of "Sales Force" in the Call Center for 360 customer service, and further, we expanded our catalog of payment methods to include CoDi and digital wallets. These new forms of payment have led us to provide greater confidence to our customers through PCI (Payment Card Industry Compliance) certification for secure credit card transactions, so that our customers can be safe when making their digital purchases.

In this same regard, the Office Depot App and website could not be left behind, so during 2021, Split Order was implemented to increase conversion, as well as to allow cross-selling (digital products with physical products) integrating coupons through the online App with the release of CE.

The formula for the success obtained year after year is the ability to adapt, but, above all, the effort we make over time to provide the best shopping experience to the customer, covering their needs and concerns. Digital commerce has made possible the great progress we have made, but physical stores have also evolved, consolidating their two modalities: the large format and the express store.

The reinforcement of new sales channels such as "parking lot delivery", "digital lockers", "pick up by car", "fast delivery" and the Office Depot App has positioned us as the favorite stationery/office supplies brand among Mexicans.

We launched a loyalty program to reward our frequent customers, which offers exclusive benefits to speed up payment in our stores, provide security on our website, speed up home deliveries, and immediately attend to clarifications in any of our sales channels. As of the closing of the year, we had 1.7 million members, 30% more than we had forecasted when we launched the program.

At RadioShack we know the importance of technology, especially in these times of social distancing, where connectivity has facilitated remote work and social coexistence. At RadioShack we offer items with cutting-edge technology to meet the needs of communication, security, entertainment and



LOYALTY PROGRAM WITH

1.7 MILLION

MEMBERS. 30% MORE THAN FORECASTED AT LAUNCH.

connectivity, positioning ourselves as the favorite place for those who love technology. We will continue with our innovative spirit in the technological vanguard sector.

It is worth mentioning that we do not make these efforts alone, the element that accompanies us and that gives us the necessary strength to move forward is our people, who give their time, experience and service so that Office Depot is considered the leading company in Mexico for office supplies and stationery.



TECHNOLOGICAL
RENOVATION YEAR.

2,700

NEW SALES
TERMINALS INSTALLED
IN OUR STORES.





At Petco, in 2021 we evolved by visualizing growth opportunities in physical stores and digital sales channels, increasing our sales by double digits.



AT THE CLOSING OF 2021,
E-COMMERCE SALES
INCREASED OVER
THE PREVIOUS YEAR
BY MORE THAN

69%



**We have 3 million members
in Club Petco, more than 2.7
million followers on Facebook,
207K on Instagram and
45K on Tik Tok.**



PETCO, LOVE FOR OUR LIFE COMPANIONS

At Petco we continue to lead the pet care, food and product supply industry. As time goes by, we reinvent ourselves, where we see the possibility of making incursions to achieve the excellence of our services and satisfy 100% our clients, as well as their little companions of life.

2021 was no exception; we were able to strengthen our presence through 108 branches in 23 states of the Mexican Republic. Under our Petco and Petco Express formats, we have more than 63K m2 of sales floor, thanks to our desire to satisfy Mexican pets.

Petco is renewing its image providing new experiences to its customers; this year we opened 4 in particular (Nuevo Laredo, Lomas de Chihuahua, Puebla Zavaleta and Miramontes) with new logo, modern image plus interactive Petco Zoo areas that allow children to interact more closely with the little pets and play with the furniture configuration, the Shop in shop area of Reddy which is a large display with all the Reddy collection which is the home brand of higher quality, design, functionality and also ecological.

For many companies the arrival of the pandemic was very difficult, however, in Petco we managed to evolve visualizing an opportunity for growth. A proof of this is that during 2021 we opened 11 units and there was a remodeling in Petco Miramontes, we increased +6,648 m2 in CEDIS and +48.7% storage positions.

PRESENCE IN
23
STATES OF
THE MEXICAN
REPUBLIC
THROUGH 108
BRANCHES.

We continued to strengthen our digital sales channels, through our app and website, to promote new and better functionalities to our customers, which led to a double-digit increase in sales.

Our digital channels have helped to increase Petco's popularity among Mexican families, having today 3 million members on Club Petco, more than 2.7 million followers on Facebook, 207K on Instagram and 45K on TikTok.

At Petco, we know the importance of our pets in daily life, that is why, for safety reasons, from the moment they arrive in our Grooming services we focus on the review of the seven essential points of each pet: eyes, ears, teeth, nose, bottom, hair and nails.

As part of the benefits of our Grooming Appointments service, we have implemented the "Spa Club" loyalty program through the "Petco App", based on which upon the accumulation of services, in the second, fifth and eighth service, we grant the customer special discounts and even a free Grooming. All of this for the benefit of approximately 600,000 dogs and more than 3,500 cats during 2021.

What really characterizes us is that, when you arrive at any of our branches, the employees working for us are true animal lovers who are constantly training to provide personalized advice, in addition to knowing exactly the needs of each pet.

At Petco we are committed to the health and welfare of these little life companions, therefore, we have achieved together with civil associations more than 66,500 adoptions (39,588 dogs, 20,510 cats and 6,632 small pets); we also make donations to campaigns such as "Redondea un Hogar", "Salvando Vidas" and we organized the 1st Neutering Campaign in Jalisco.

Sustainability is also an important matter for Petco, therefore in 2021 its seasonal toy collections, such as Homegrown's this year, are made from 120,000 bottles that were collected from the sea. On the other hand, we reduced 265 tons of cardboard that were previously used for packaging of e-commerce shipments.

Petco is renewing its image and providing new experiences to its customers; this year there were 11 openings, 3 of them (Nuevo Laredo, Lomas de Chihuahua and Puebla Zavaleta) and the remodeling of Petco Miramontes were done with a new logo, updated image and interactive areas of Petco Zoo, which allow children to interact more closely with small pets and play with the configuration of the furniture, the Shop in shop area of Reddy which is a large display with all the Reddy collection (home brand of higher quality, design, functionality and also ecological). Petco continues to evolve with the lapse of time to provide the best services to our best friends who accompany us on the road and leave their footprint; here the real protagonists are them, which we let them know in every visit.



TOGETHER WITH CIVIL
ASSOCIATIONS, WE HAVE
ACHIEVED MORE THAN

66,500

ADOPTIONS

(39,588 DOGS,
20,510 CATS AND
6,632 SMALL PETS).





WE HAVE
MORE THAN
63,000m²



THE HOME STORE

We have 17 units strategically located in 9 states of the Mexican Republic, where your ideas of a flexible home come true.





IN 2021 WE
HAD AN INCREASE
IN SALES OF
MORE THAN

18%

WE HAVE
A SALES
FLOOR AREA
OF MORE THAN
22,000
SQUARE
METERS



THE HOME STORE, MAKING YOUR HOME SPACES MORE FLEXIBLE

At The Home Store we know the importance of our spaces, and especially in recent times in its flexibility to convert them into offices, schools and places of coexistence, and therefore we are committed to providing each customer a unique experience according to their needs when shopping for their homes.

Year 2020 was a particularly difficult year, which had consequences to be solved in 2021, in which we focused on strengthening our closeness to our customers through different media, exploring new options with the use of different digital channels in order to facilitate their purchases, providing greater services and convenience, maintaining constant communication to help us remain in their preference.

With these actions, year 2021 represented a growth in total sales of just over 18%, as well as an increase in our client portfolio in our databases.

Another result of our efforts was an improvement in margin compared to year 2020. This growth was the

During 2021, we improved
our “24-hour home
delivery” and “Pick Up
in Store” programs,
with which we provide
greater convenience
to our customers in the
process of receiving their
purchases.







WE HAVE MORE THAN
613,000
FOLLOWERS
BETWEEN FACEBOOK
AND INSTAGRAM.

result of the strengthening of our e-commerce channel and the 'Círculo Home Store' loyalty program.

In light of the circumstances in which we have been forced to coexist due to the SARS COV2 Covid 19 pandemic, we are dedicated to positioning and strengthening our "24-hour home delivery" and "Pick Up in Store" programs during 2021, with which we are giving greater convenience to our customers in their purchase reception processes

Year 2021 allowed us to present innovations in these already modernized processes, launching the "Write me and I'll tell you about our sales by whatsapp" program through which the digital catalog is sent to all customers so they can order from the comfort of their cell phone, making a subsequent follow-up and preparation of the order to be finally delivered to the user in the store or in the bay of the mall where the nearest The Home Store is located.

This purchase offer through digital channels comes to complement our sales in physical stores, where The Home Store has 17 units strategically located in

9 states of the Mexican Republic, each of them also being launched in applications such as Cornershop and Rappi, with 3,800 products published respectively and where deliveries are made in approximately 90 minutes without need of leaving the comfort of their homes.

At The Home Store we know the importance of social networks, which is why our flexibility also reaches these means of getting to our customers; we currently have more than 613,000 followers between Facebook and Instagram, both aligned with the "Umbrella" campaign and changing monthly with the topics that we renew periodically.

It should be noted that in order to satisfy the tastes of our customers and improve their shopping experience, each social media content is geo-located for the different stores.

We understand that turning your space into your home requires the best ideas to inspire you, that is why at Home Store, we provide the most complete shopping experience with quality products and all categories in one single place.



WE HAVE
3,800
PRODUCTS PUBLISHED
IN SALES APPLICATIONS
AND WHERE DELIVERIES ARE
MADE IN APPROXIMATELY
90 MINUTES.



PASSION

TO SERVICE



In the **Restaurants Division**
we work every day to surprise
every customer through our
passion for service, customer
service and focus on
human capital.





®

In 2021 we doubled our efforts to adapt to changes, reiterating our commitment and passion to be the favorite restaurant for Mexicans.



IN 2021,
OUR CUSTOMERS
SERVED INCREASED
BY MORE THAN

38%

Our passion for Social Responsibility Programs, Productive and Environmental Projects has allowed us to be awarded once again with the Socially Responsible Company (ESR) distinction.



RESTAURANTES TOKS, CELEBRATES 50 YEARS OF FLAVOR IN MEXICO 50 YEARS OF TOKS, 50 YEARS FOR EVERYONE

2021 was a year full of celebrations, changes and challenges that reflect the passion of Restaurantes Toks. At Restaurantes Toks we celebrated 50 years making history in the Mexican restaurant industry, placing us as the favorite restaurant among the Mexican population for the high quality of our dishes, full of tradition, seasoning and warmth in our service.

Under a soda fountain format, in 1971 Toks opened for the first time in Mexico with its first branch in La Villa, Mexico City, since then we have focused on satisfying the tastes of our diners, allowing our expansion with the principle of bringing family and friends together in one place.

Our passion for being the best in our area has been the reason for our acknowledgment as a Socially Responsible Company, holder of the H Distinctive and that adds its operations to the UN Global Pact initiative. Not only that, we have also teamed up with hundreds of Mexican producers who supply us with fruits and vegetables, as well as coffee, mole, granola, jam, chocolate and caramelized nuts, all of which are of the highest quality.



192
UNITS
THROUGHOUT
THE MEXICAN
REPUBLIC.



IN 2021 WE INCREASED OUR
AVERAGE TICKET BY

10.0%

During the celebration of our anniversary, there were great surprises, “Los 50 de Toks” was an initiative in which 50 of our dishes and drinks were 50% off and melancholy flooded the establishments with waitresses wearing uniforms of the past, as a tribute to the path of half a century of existence. In 2021 the Gran Terraza Coapa unit was opened, reaching 192 units throughout the Mexican Republic.

The recovery of the restaurant industry in Mexico and the world has been a slow process due to the impacts of the crisis derived from Covid-19; however, at Restaurantes Toks we have doubled our efforts to adapt to the changes, reinforcing our take-out service, reiterating our commitment and passion to be the favorite restaurant of the Mexican people. We seek at all times to satisfy the preference of our diners.





A man with dark hair and glasses, wearing a blue jacket over a light blue shirt, is seated at a wooden table in a modern restaurant. He is looking down at a plate of food, which appears to be a mound of rice or a similar dish. The background features a wall with a hexagonal pattern and a hanging plant. A large red circle is overlaid on the image, containing text.

AT THE CLOSING
OF 2021 WE HAD

40,457





In 2021, we continued
our mission to deliver
outstanding flavors to create
a unique experience for our
customers' palates.





INCREASED
DELIVERY SALES
BY MORE THAN

30%

COMPARED TO THE
PREVIOUS YEAR.

PANDA EXPRESS, THE CHINESE-AMERICAN FOOD RESTAURANT PAR EXCELLENCE.

Since its arrival in 2011, the brand has stood out for its fresh ingredients, freshly prepared dishes, healthy specialties and, of course, its world-famous Orange Chicken.

In 2021 we celebrated 10 years of conquering the Mexican market with our Chinese-American food, we opened a unit in Mexico City, adding up to our total to 22 units, and we opened our first Dark Kitchen inside a container in the parking lot of Avenida De la Paz, south of Mexico City. This reflects the fact that year after year, despite the sanitary circumstances caused by COVID-19, we have managed to maintain positive growth, which is reflected in new jobs and a boost to the domestic economy.

To keep an ideal service within the gastronomic branch, we have innovated in local recipes with a Mexican touch, one of the most relevant launches in Mexico has been the Jalapeño Chicken, which as of this date is one of the top 5 most requested dishes

10
YEARS
OF CONQUERING
THE MEXICAN
MARKET.



Panda Express has consolidated due to the great variety of dishes that we cook every day, among which Orange Chicken, Kung Pao Chicken and Broccoli Beef stand out.





During the last few years Panda Express has strengthened its delivery channel, consolidating the service, the packaging experience and implementing its own web ordering service and app, which provides the complete order, payment and delivery cycle.

in our restaurants. Always maintaining the gastronomic essence that characterizes Panda Express, where every day we provide high quality food, fresh and with an unparalleled flavor.

Panda Express has also focused on developing dishes that are low in calories, these dishes are known as #WokSmart and contain a minimum of 8 grams of protein, an average of 300 calories and fresh hand-cut vegetables prepared every day.

During the last years Panda Express has strengthened its delivery channel, consolidating its service, packaging experience and implementing its own web ordering service and app, which provides the complete order, payment and delivery cycle.

"Panda Express is a format of great importance for the Grupo Restaurantero Gigante® family. The fact of having been 10 years in Mexico filled us with enthusiasm to continue offering a menu of excellence to enhance the value of American Chinese food.



AS OF YEAR 2021
WE HAVE
22
**STRATEGICALLY
LOCATED UNITS.**

A woman with long brown hair, wearing a blue patterned top and dark pants, is sitting in a wicker chair outdoors. She is smiling and looking down at a red food container she is holding. The background features tall green cacti. A large red circular graphic is overlaid on the lower left of the image, containing white text.

DURING 2021
WE HAD AN INCREASE
OF MORE THAN
25%
IN THE NUMBER OF
TRANSACTIONS.





At Beer Factory & Food, the passion with which we brew our craft beer and the dishes with which we pair it, have allowed us to generate unique experiences in a brewery.



IN 2021 WE HAD
AN INCREASE
IN CUSTOMERS SERVED
OF MORE THAN

43%

At Beer Factory & Food,
in addition to focusing on
quality and innovation,
we are very concerned
about our most important
element, which is our
people, who contribute to
our growth every day.





WE
HAVE
1,432
SEATS
TO SERVE
OUR DINERS.

BEER FACTORY & FOOD, AN AUTHENTIC CRAFT BREWERY EXPERIENCE

The passion and dedication we have put into the elaboration of our craft beer, has allowed us not only to be the pioneers in offering these products to the Mexican market, but also to offer our guests a whole experience, where they can enjoy the brewing process as a spectacle until it reaches their table.

Making show of this artisanal experience that only Beer Factory & Food provides, and with the purpose of allowing more people to go back to a real brewery, while enjoying these beverages paired with dishes made in wood and mesquite ovens, we have expanded the number of our Dark Kitchens inside Restaurantes Toks, where we strategically take advantage of their infrastructure and staff.

Likewise, during the year 2021 we had presence in the market through 6 branches, located in some of the main shopping centers in Mexico City and Metropolitan Area such as Mundo E, Parque Tezontle, Plaza Circuito Inbursa, Gran Terraza Coapa, Santa Fe and Lindavista, with a total of 1,432 seats for our diners.

At Beer Factory & Food, besides taking care of the quality and innovation of our products and providing

extraordinary experiences to our diners, we are very concerned about our most important element, which is our people who contribute to our growth day by day.

The constant changes in our country, as well as the challenges we have faced in recent years, have driven us to innovate and perfect our bottled product concept, seeking new horizons, managing to supply Restaurantes Toks, consumer centers and hotel chains; we have also carried out a process of modernization of our establishments, creating better environments in our restaurants for the comfort and maximum experience of our customers.

Part of this innovation is the brewing of beers in collaboration with renowned alcoholic beverage brands such as Mezcal Montelobos, as well as the launching of a new menu in our Santa Fe unit, seeking to remain at the forefront and provide an offer up to the standards of our beers.

With all our efforts, with our passion and with the strong belief that we are at the forefront of the market, Beer Factory & Food has become a meeting point for gatherings among friends, living unforgettable moments with a perfect combination of the taste of an excellent craft beer, exquisite dishes and great conversations to enjoy.

Beer Factory & Food has become a meeting point for gatherings among friends, living unforgettable moments with a perfect combination of the taste of an excellent craft beer, delicious dishes and great conversations to enjoy.



**DURING 2021
WE INCREASED
OUR AVERAGE
TICKET BY**

10.5%



BEER FACTORY
& FOOD

UNA NUEVA
EXPERIENCIA
DE SABOR





WE HAVE

6

BRANCHES

LOCATED IN THE MAIN
SHOPPING MALLS OF
MEXICO CITY AND THE
METROPOLITAN AREA.



In 2021 we advanced in our growth plan, making an incursion in San Pedro Garza Garcia, Nuevo Leon, being the first Shack outside Mexico City and the Metropolitan Zone.



SHACKS DO NOT STOP;
WE ACHIEVED A

75%

INCREASE IN THE NUMBER
OF UNITS COMPARED TO
THE PREVIOUS YEAR.

WE
REACHED
7
TOTAL SHACKS
IN THE COUNTRY,
WITH MORE THAN
1,000 SEATS.



SHAKE SHACK, MEXICO'S FAVORITE BURGERS

Since we arrived in Mexico two years ago with Grupo Restaurantero Gigante, at Shake Shack we have continued to innovate the way we make hamburgers and to raise our quality through collaborations with renowned chefs and artists. Proof of our success is the growth in units, sales and especially in the number of guests we have had since the opening of the first Shack in June 2019.

During 2021 we advanced in our growth plan, opening three Shacks; one of them in San Pedro Garza García Nuevo León, being the first Shack to open outside Mexico City and the Metropolitan Zone; another in Colonia Roma, one of the most iconic neighborhoods in Mexico City and finally in Colonia Del Valle, where we launched our interactive Kiosks to continue digitizing the experience of our guests by eliminating the checkout process; these three openings in 2021 in addition to the two openings in 2020 and two openings in 2019,



At Shake Shack
we are committed
to providing our
guests with a unique
experience with every
bite of our burgers.







IN 2021 WE HAD A
70.2%
INCREASE IN
CUSTOMERS
SERVED.

total seven Shacks in the country, with more than one thousand seats.

With the openings, there were different launches to continue innovating our menu such as: the famous ShackMeister Burger, made with crispy shallots marinated with our ShackMeister Ale, ShackSauce, American cheese and 100% natural Angus beef. To commemorate an important date, we launched the Pride Shake in collaboration with film director Manolo Caro, where 50% of the profits from its sale were donated to Refugio Casa

Frida, which provides shelter to the LGBTQ+ community. On the other hand, we launched the Hot Chick'n, which has two levels of spices, Hot and Fire, as well as the traditional pumpkin milkshake and Christmas milkshakes for the holiday season.

The increase in the number of guests we have had over the past two years is proof that at Shake Shack we are committed to providing our guests with a unique experience by carefully selecting the ingredients and our meat mix.

**At Shake Shack we continue
to innovate the way we make
hamburgers and to improve our
quality through collaborations with
renowned chefs and artists.**



2021 REPRESENTED A

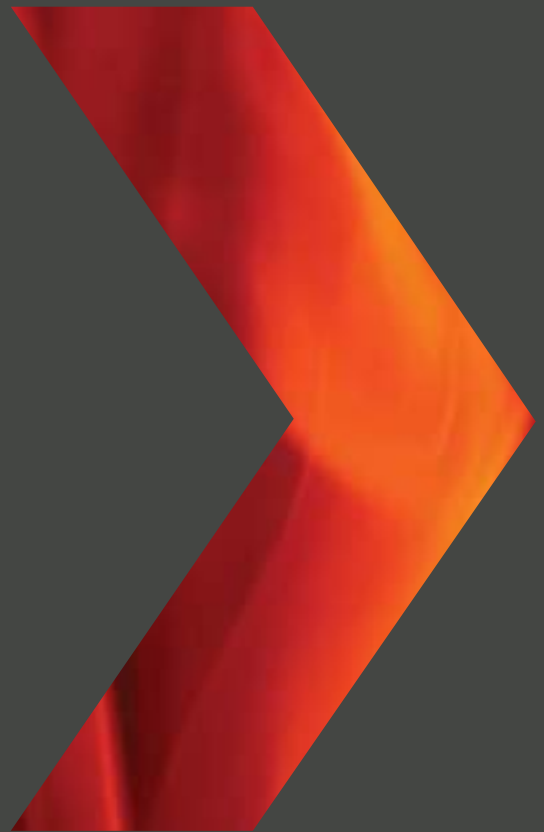
50.2%

INCREASE
IN THE CAPACITY
OF OUR SHACKS.



El Farolito MR

In Taquerias El Farolito we are passionate about tacos that since time immemorial are a tradition at any time of the day. We are proud to be the main representative of this delicious practice.



AT THE CLOSING OF
2021, THE INCREASE IN
THE CAPACITY OF OUR
TACO RESTAURANTS
EXCEEDED

16%

We opened one more unit in Colonia del Valle, Mexico City, adding to the 6 already operating in the Mexican market, increasing our seating capacity to almost 900 seats.





A
45.1%
**INCREASE ON
CUSTOMERS
SERVED.**

EL FAROLITO, 60 YEARS OF TRADITION AND FLAVOR

To talk about Taquerias El Farolito is to revive the tradition that has accompanied Mexicans since 1962. Hand in hand with Grupo Restaurantero Gigante, 2021 was a year full of challenges but also of great successes, opening one more unit in Colonia del Valle, in Mexico City, adding to the 6 units already operating in the Mexican market, increasing our seating capacity to almost 900 seats.

At Taquerias El Farolito we are passionate about tacos that since time immemorial have been a tradition at any time of the day. We are proud to be the main representative of this delicious practice.

Among the strategic actions we have taken this year was the incorporation to "A Comer Club", the loyalty program of Grupo Restaurantero Gigante. Furthermore, we have implemented order taking and collection at the

table, we consolidated the home delivery service channel with the "Línea del Taco" (800 822 TACO), resulting in an increase in the average ticket, as well as an increase in the number of customers served compared to the previous year. In addition, we reactivated our in-home events aimed at bringing the El Farolito experience to our customers' most intimate moments.

To talk about El Farolito is to talk about our renowned and delicious tacos on the grill, made with tortillas made on the comal, with the special sauce, our juices and fresh fruit water "Colorines", and of our passion to serve the best quality with the tradition of Mexico.

The incorporation into "A Comer Club", Grupo Restaurantero Gigante's loyalty program, the implementation of order-taking and collection at the table, the consolidation of the home delivery service channel with the "Línea del Taco" and the reactivation of home delivery events, paid off in terms of average ticket growth, as well as an increase in the number of customers served.



15.6%
INCREASE
IN AVERAGE
TICKET IN 2021.





AGUAS Y JUGOS



JUGOS

- LIMA
- COCO
- MAMEY
- PIÑA
- FRESA





7

**TAQUERÍAS
EL FAROLITO**

**AS OF THE CLOSING OF 2021,
OUR COLORINES FRUIT
WATERS AND JUICES
ARE ENJOYED.**

AGUAS

**JAMAICA
HORCHATA
TAMARINDO
FRUTOS ROJOS**

SOUNDNESS

ON WHAT WE DO



Gigante Grupo Inmobiliario

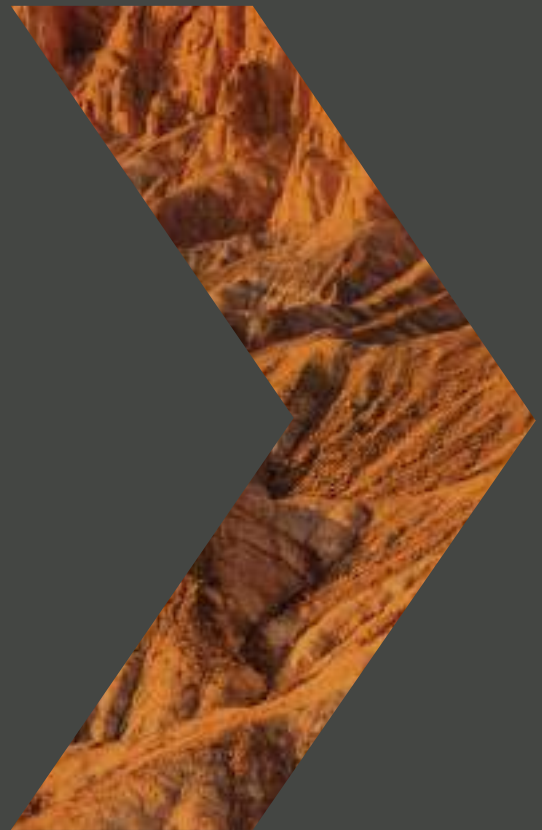
It develops solid, profitable and sustainable projects that generate a very important economic benefit for many productive sectors.





GIGANTE
GRUPO
INMOBILIARIO®

Gigante Grupo Inmobiliario
develops solid, profitable
and sustainable projects
that generate a very
important economic
benefit for many production
sectors.





110

PROPERTIES
IN OPERATION

2021 ALLOWED
US TO HAVE
AN INCREASE IN
TOTAL
REVENUES OF
18.4%
WITH RESPECT
TO 2020.



GIGANTE GRUPO INMOBILIARIO, BUILDING A SOLID FUTURE

The strength that we have forged in Gigante Grupo Inmobiliario (GGI) over the years is mainly based on having one of the most important real estate portfolios nationwide, made up of 101 owned and managed properties in operation, with a gross leasable area (GLA) of 933,000 m² distributed in most of the regions of the country.

As of year 2020, with the pandemic caused by the SARS COV2 Covid 19 virus and its variants, the real estate industry has been one of the most affected, but it has also been a fundamental pillar within the main economic sectors of Mexico. As of 2021, with the gradual and partial return of activities, we were able to continue with the development of our projects, achieving considerable progress, continuing with the construction of "Aqua Bosques" and the completion of the fourth stage of the iconic "Miyana" mixed-use project in Mexico City.



An important part
of our strategy to
maintain our financial
strength this year was
the achievement of the
restructuring of our bank
loans, that allowed us
to have the necessary
resources to strengthen
our recovery.



This recovery has allowed us to obtain an increase in total revenues of 18.4% compared to 2020, maintaining an occupancy rate of 93.7% at our shopping centers and mixed-use developments.

Our strength is also based on diversification, therefore at the closing of 2021 we had the administration of 81 "SET" parking lots and the rental of almost 1,400 commercial premises within our different commercial complexes.

An important part of our strategy to maintain our financial strength this year was the achievement of the restructuring of our bank loans, allowing us to have the necessary resources to strengthen our recovery.

At GGI we know that a fundamental part of the key elements of our strengths are our clients and our tenants, which is why during 2021 we continued with actions aimed at supporting them, such as granting waivers or discounts, strategies to save operating expenses, support to gyms and restaurants with common areas for outdoor activities, among others.

Throughout the 50 years that we have been present in the Mexican market, GGI has been distinguished for being a developer and administrator of great soundness. We work hand in hand with our business partners, to modernize the environment of Mexico and its society.

We have a Gross Leasable Area of more than 933,000 m², distributed in most regions of the country.



**AS OF THE CLOSING
OF 2021, GGI MANAGES**

**81
SET PARKING
LOTS**







WE MAINTAINED
AN OCCUPANCY RATE OF

93.7%

AT OUR SHOPPING
CENTERS AND MIXED-USE
DEVELOPMENTS.

AIRS OF HOPE



At **Fundación Gigante**
our mission is to bring hope
to children and people in
vulnerable situations in order
to help improve the quality
of life in the communities.





The pillars on which Fundación Gigante has decided to work strongly are: Health, Education and Natural Disasters, this allows us to assist in areas that we consider fundamental.





WE PROVIDE
SUPPORT TO THOSE
WHO NEED IT MOST
FOR MORE THAN

20

YEARS



In Grupo Gigante,
the welfare of Mexicans
has become one of our
main commitments from
our Corporate Social
Responsibility (CSR).



FOR
14
MONTHS
WE DELIVERED
PREPARED MEALS
TO HEALTH
PROFESSIONALS.

At Grupo Gigante, the welfare of Mexicans has become one of our main commitments from our Corporate Social Responsibility (CSR), which is why through our philanthropic arm, Fundación Gigante, we are in charge of reinforcing our work with the social sectors that need it most.

For us, generating a positive social impact helps the country's growth and continuous improvement. Therefore, we strive to operate in an economically, socially and environmentally sustainable manner in our business model.

The pillars in which we decided to work strongly are: Health, Education and Natural Disasters, which allows us to assist in areas that we consider fundamental.

DELIVERY OF HOT MEALS TO HOSPITAL MEDICAL STAFF

Since the beginning of the health crisis, Fundación Gigante has been committed to society and decided to support medical and administrative personnel by providing hot meal packages (breakfast, lunch and dinner) in some hospitals taking care of COVID-19 cases.

This support was constant and lasted 14 months: it began in May 2020 and ended in July 2021. The meals were prepared by Grupo Restaurantero Gigante (Toks, Beer Factory, Panda Express and El Farolito) and Grupo Presidente. Thanks to this initiative we were able to benefit 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, perteneciente al ISSSTE
- Unidad Médica Familiar 16 en Cancún
- Hospital Regional Tlalnepantla
- Hospital Niño y Mujer en Querétaro
- Hospital Regional en Querétaro

In order to have a greater impact and reach more doctors, nurses, nurses and administrative personnel, we made alliances with different companies that joined us with a financial donation. The following are among these companies:

- Banco Santander México
- Fundación Santander en España
- Zurich Santander
- Zurich Foundation
- Fundación Familia Bocar
- Constellation Brands
- Fundación Ara
- Festival Impulso

Thanks to these partnerships, we were able to deliver a total of 422,809 hot meals to the heroes in white coats who made their greatest effort every day to save lives.

SCHOOL SUPPLIES PACKAGES

Committed to our Education pillar and to contribute to the family economy of Mexicans, we gave 4,119 packages of school supplies to the sons and daughters of employees throughout the country, who signed up for this annual program.

We also delivered 1,095 packages of school supplies in some schools at San Juan del Río and to some institutions that we support.



WE DELIVERED
4,119
PACKAGES OF
SCHOOL SUPPLIES
TO THE CHILDREN
OF OUR EMPLOYEES
THROUGHOUT THE COUNTRY.



GIG
GR
INMOB

To
REST





DURING 2021

440

PATIENTS

**WERE EVALUATED AND
390 FREE CLEFT LIP
AND PALATE SURGERIES
WERE PERFORMED.**

NATURAL DISASTERS

In line with our Natural Disasters pillar and always thinking of the welfare of our employees, we supported 24 colleagues who were affected by Hurricane Grace. Similarly, we helped 13 employees affected by the earthquake in Acapulco.

The support was provided through the purchase of construction materials, furniture, etc.

In line with our Natural Disasters pillar and always thinking of the welfare of our employees, we supported 24 colleagues who were affected by Hurricane Grace. Likewise, we helped 13 employees affected by the earthquake in Acapulco.

The support was provided through the purchase of construction materials, furniture, etc.

"AYÚDAME A CRECER" NUTRITION PROGRAM

Together with the Order of Malta, we have the "Ayúdame a Crecer" program with the aim to improve the quality of life of children between 6 months and 12 years of age who are in vulnerable communities and in a state

of malnutrition; we delivered 983,427 food supplements to children in 12 vulnerable communities, helping 3,668 minors with the objective of providing them with better nutrition for their development.

HELPLINE

We have a Helpline to provide attention and follow-up to employees who require psychological, medical, legal and/or nutritional care. This year, 1,476 calls and 687 messages via whatsapp have been answered, benefiting 2,163 employees.

CLEFT LIP AND/OR PALATE SURGERIES

We are allies of Operation Smile Mexico and together we perform free surgeries and comprehensive treatment (surgical, dental, phoniatic, nutritional and psychological) to children, young people and adults throughout Mexico with cleft lip and/or palate (LPH).

During 2021, 440 patients were assessed and 390 free surgeries were performed in Chiapas, Monterrey, Guadalajara, Puebla and Mexico City.

VER BIEN PARA APRENDER MEJOR

We donated 500,000 pesos to the Fundación Ver Bien para Aprender Mejor to provide optometric care and high-quality glasses to children in public schools in Mexico. As a result, we helped 3,623 children from 298 schools in 39 municipalities in the states of Aguascalientes, Chihuahua, Durango, Hidalgo, Oaxaca and Veracruz. We also delivered 33 glasses to children from Afeeci.

EDUCATIONAL WORK

Interested in promoting community development, in alliance with Obras Educativas, we trained the inhabitants of Huamelula in Oaxaca and promoted the creation of 15 productive projects, helping more than 158 people.

In addition, we joined a project to bring water to the Chontal region in Oaxaca, training the population in the construction of the MUSA (Model for Sustainable Water Use) with the following objectives: water collection, wells, irrigation system, ecological toilets, bio-filters for gray

water treatment, etc. In the first phase of this project we donated 1 million pesos, benefiting 35 families in 8 communities, with a total of 410 direct beneficiaries and 2,100 indirect beneficiaries.

RAINFOREST ALLIANCE

To reinforce Toks' coffee production project, we partnered with the Rainforest Alliance to improve the quality of life and reduce vulnerability to natural disasters in rural communities through sustainable coffee and cocoa production in the Tacaná Biosphere Reserve region in Chiapas.

The project is a four-year project; in 2021 we delivered 1 million pesos. It began with the development of a work plan, an operational plan and the implementation of the first activities such as: rehabilitation of 3 community nurseries; acquisition of equipment for the application of good agroecological practices; "2020 certification standard, Rainforest Alliance" training; business training



and cost determination and training and implementation of good agroecological practices. This project is helping 150 small producers.

"EDUCACIÓN RESPONSABLE" IN ALLIANCE WITH FUNDACIÓN BOTÍN

In alliance with Fundación Botín and PROED, we support the Educación Responsable program with the objective of promoting the emotional, social and creative growth of students. The program is implemented in 45 schools in Morelos, Puebla, State of Mexico, Michoacán, Querétaro, Zacatecas and Mexico City, favoring 6,379 students and 291 teachers. In 2021, we donated more than 1 million Pesos for this program.

APOYO A INSTITUTOS

We support Mexico's main health institutes, including the Instituto Nacional de Ciencias Médicas y Nutrición Salvador Zubirán, where we made a donation of 1 million Pesos.

REINA SOFÍA NURSING HOME

We support with cash and in-kind donations to the Reina Sofia Nursing Home to help in the welfare of senior citizens.

In each of these initiatives and more, we have put all our efforts to go as far as possible and to be a foundation for everyone. We are aware that this work must be continuous and grow more and more, which is why we seek to maintain our spirit of solidarity. From Fundación Gigante we reiterate our work and social responsibility with Mexico and its inhabitants to achieve more years of honoring our greatest purpose: the welfare of people.



MORE THAN

158

PEOPLE

WERE BENEFITED BY
PROMOTING THE CREATION
OF 15 PRODUCTIVE PROJECTS
IN HUAMELULA, OAXACA.





WE HELPED

3,623

CHILDREN IN PUBLIC SCHOOLS
NATIONWIDE, THROUGH
THE FUNDACIÓN VER BIEN
PARA APRENDER MEJOR.



ANNUAL REPORT OF THE AUDIT COMMITTEE

Mexico City, March 28, 2022

Honorable Board of Directors

Honorable Shareholders Meeting of Grupo Gigante S.A.B. de C.V.

Ladies and Gentlemen:

In our capacity 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's Bylaws and the Internal Regulations of the Board of Directors of Grupo Gigante, S.A.B. de C.V. (Grupo Gigante), and bearing in mind the recommendations of the Code of Corporate Governance Principles and Best Practices, we hereby submit our annual report for fiscal year 2021, 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 under the same financial reporting standards, criteria and practices with which the annual reports are prepared, which as mentioned in item III, have been prepared using the International Financial Reporting Standards (IFRS).
- II. We reviewed the status 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 due compliance. We conclude that generally, 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 verify that the mechanisms established for risk control of the different business units of Grupo Gigante are observed.
- V. In attention to the previous item and in response to the events arisen from the COVID-19 pandemic, we followed up on the different measures and plans implemented by the General Management of Grupo Gigante and its different departments to mitigate the risks materialized due to the extraordinary event mentioned above.
- VI. We followed up on the strict compliance with the approval policy for services other than external audit services in order to validate its effectiveness and compliance with 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. Sergio Vargas Vargas and his team, considering that they all performed their duties in accordance with 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 the management, as well as recommended to the Board of Directors the approval of their Opinion on the consolidated financial statements as of December 31, 2021.
- IX. We analyzed the description and assessment of the services other than the external audit of financial statements service provided during fiscal year 2021 by the firm Galaz, Yamazaki, Ruiz Urquiza, S.C., and 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 signing the basic audited financial statements in terms of 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 legal counsel 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.** The Management submitted to the Committee the control measures implemented to formally comply with the Federal Law for the Protection of Personal Data Held by Private Parties, as well as the Federal Law for the Prevention and Identification of Transactions with Illegal Resources.
- XIII.** We consider matters regarding the relevant remarks and, as the case may be, possible complaints of irregularities in the administration made by shareholders, directors, senior management, employees and, generally, by any third party, with respect to accounting, internal controls and matters 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.



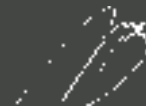
Carlos Vara Alonso
Chairman



Luis Rebollar Corona
Board Member



Roberto Salvo Horvilleur
Board Member



Ernesto Valenzuela Espinoza
Secretary

- XV.** We reviewed the Annual Report for the fiscal year 2021 by 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 reporting policies and criteria followed by the Company are adequate and sufficient and have been consistently applied, and that the information submitted by the Chief Executive Officer fairly reflects the financial position and results of the Company.

Due to the foregoing, we recommend that the Board of Directors submits for the approval of the Shareholders Meeting, the Financial Statements of Grupo Gigante for the year ended December 31, 2021.

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

ANNUAL REPORT OF THE CORPORATE PRACTICES COMMITTEE

Mexico City, March 28, 2022

Honorable Board of Directors

Honorable Shareholders Meeting of Grupo Gigante S.A.B. de C.V.

Dear Directors and Shareholders:

In our capacity as members of the Corporate Practices Committee, and in compliance with the provisions of Article 43, Section I and other applicable provisions of the Securities Market Law, and in accordance with the bylaws of Grupo Gigante S.A.B. de C.V. and the Regulations of its Board of Directors, we hereby submit the report of this Committee for the activities of fiscal year 2021.

In accordance with the aforementioned provisions, and in view of the circumstances arisen from the emergency produced by COVID-19, during the year ended, this Committee held 3 working sessions, 2 of which were held electronically, via zoom, and one of which was of combined participation, that is to say, it also had the attendance in person at the Group's corporate offices of some of the members and guests, timely presenting their respective reports and recommendations to the Board of Directors, with respect to the content and development of the following topics and functions:

- I. CORPORATE GOVERNANCE SUPERVISION.** In compliance with the "Corporate Governance" program and the applicable legal provisions, the Committee supervised the meetings and functioning of the governance 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 in due time and form, having held the different meetings of the Board itself and its Committees, based on what was established.
- II. COMPREHENSIVE COMPENSATION PLAN.** Based on the compensation Plan for the CEO and the key managers of Grupo Gigante, including the base salary structure, the variable annual 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. In terms of its attributions and taking into account the Group's general and particular economic conditions, but also the circumstances of the COVID-19 contingency, the Committee reviewed and approved management's proposal in this regard.

IV. ASSESSMENT OF THE PERFORMANCE OF THE CHIEF EXECUTIVE OFFICER AND ITS KEY MANAGERS. In compliance with that set forth by the applicable provisions, the performance of the Chief Executive Officer of the Company and its Key Managers was assessed, having authorized minimum salary adjustments, as well as some performance bonuses for extraordinary cases, for the results of the 2020 fiscal year, as well as the plans and objectives for 2021.

V. RELATED PARTY TRANSACTIONS. In compliance with and execution of its responsibilities and authority, 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 individual, seeking at all times fair values, costs and market parameters in these transactions, for the benefit of the Company. In particular, a transaction was 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.

VI. WAIVERS ESTABLISHED BY LAW. Since there was no situation regarding 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 overseeing the review and implementation 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 2021 Annual Report of the Chairman and Chief Executive Officer was reviewed and it was agreed to recommend its approval.

IX. LABOR REFORM ISSUES. In view of the labor reform approved in 2019, in response to the extraordinary circumstances produced by the closures of some stores in some of the business formats, arisen from the COVID-19 contingency, the Committee participated in the review and adjustments of the management's actions, ensuring the correct compliance with the Reform.

X. LEGAL REFORM TO VARIOUS LAWS (LABOR AND TAX) THAT PROHIBIT AND REGULATE THE OUTSOURCING OF EMPLOYEES, EITHER EXTERNALLY OR INTERNALLY. Based on the Reform to several Laws on the subcontracting or outsourcing of employees, the Committee participated in the analysis of the impact of these Reforms to the Company

and its subsidiaries jointly with the management, ensuring all the necessary measures of compliance and adequacy in this regard, including amendments and updates to the corporate purposes of the operating or service companies of the Group that remained as contractors of all employees, in compliance with the aforementioned legal reforms..

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



Roberto Salvo Horvilleur
Chairman of the Committee
Grupo Gigante, S.A.B. de C.V.



Gilberto Perezalonso Cifuentes
Board Member



Juan Carlos Mateos Durán de Huerta
Board Member



Sergio Montero Querejeta
Secretary of the Committee
Grupo Gigante, S.A.B. de C.V.

ANNUAL REPORT OF THE FINANCE AND PLANNING COMMITTEE

Mexico City, March 28, 2022

Honorable Board of Directors.

Honorable Shareholders Meeting of Grupo Gigante S.A.B. de C.V.

Dear directors and shareholders:

In our capacity as members of the Finance and Planning Committee, and in compliance with the provisions of the bylaws of Grupo Gigante S.A.B. de C.V. (Grupo, GG or the Company) and the Regulations of the Board of Directors, we are pleased to present the Report of Activities for the year 2021.

In accordance with the aforementioned provisions, and taking into account the extraordinary circumstances generated by the contingency produced by COVID-19, during the year ended this Committee held 6 working sessions, 5 of which were held electronically, via zoom, and one of them was of combined participation, that is to say, with face-to-face attendance of some directors and/or guests, at the corporate offices of Grupo Gigante, while others were connected remotely, through zoom, submitting their respective reports and recommendations to the Board of Directors in a timely manner, in all the meetings of the Board of Directors, regarding the content and development of the following topics and functions:

I. RECURRING ACTIVITIES. In compliance with its responsibilities and exercise of its authority, the Committee received detailed and timely information, on a quarterly or extraordinary basis, on matters related to strategic, financial and budget aspects, which composed 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 issues:

I.1. 2021 Budget, its structure, follow-up, adjustments and progress.

I.2. Cash flows of the Group and its subsidiaries throughout the year.

I.3. Annual and quarterly profits and losses of the Company, its subsidiaries and affiliates.

I.4. Integration, follow-up and adjustments of the Capex of the company and its business units.

I.5. Surveillance and careful use of the credit facilities of the company and its controlled companies.

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

I.7. Analysis and definition of the premises and main aspects of the 2021 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 GG units.

I.9. Performance and headcount by business unit.

I.10. Analysis and, if applicable, approval of investment and divestment projects.

II. SUPERVISION OF THE GROUP'S TREASURY MANAGEMENT.

As 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 informed that as of the closing of fiscal year 2021, the company's treasury ended with an amount of \$3,160.0' million Pesos, after having paid interest, amortization of bank loans and having covered investments of various kinds, including financial interest income. The market value of our stock at year-end was \$28.90 per share.

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

IV. ASSET VALUATION CRITERIA. Listening to the opinion of the external auditors and of management and its specialized advisors, the Committee engaged in the review and confirmation of asset valuation criteria, advising to the Board the authorization of the same, in application of the International Financial Reporting Standards (IFRS).

V. DEBT REFINANCING OF THE GROUP AND ITS MAIN SUBSIDIARIES. Considering several factors, such as the continuation of the events caused by Covid-19 and with it the impairment to consumption and the market, as well as the closures of units of some of the Company's business formats, throughout different times of the year, closures determined by the authorities of the country at its three levels, and the consequent negative effects generated in the income of our businesses, but also taking into account the maturities of the debt and other elements, the Committee -jointly with the management, attending its proposals and analysis- continued

participating actively and recurrently in the study, making and execution of strategic and financial decisions, both in following-up and the impairment to the cash flow and the behavior of the debt of the Group and its subsidiaries, having continued with savings measures at all levels, in addition to the reduction and efficiency of debt, including the refinancing of the Group's total debt, an effort initiated the previous year, and the monetization or divestment of non-strategic assets of the Company and its subsidiaries.

By virtue of this, and considering the behavior of cash flow, as well as the short and medium-term maturities of the debt and the impairment to income, the refinancing of all the debt of the Group and its participating subsidiaries was authorized, negotiated and exercised, for a total of \$11,432.5' million Pesos, with the participation of 6 banks of the country's Financial System, including Bancomext. In recognition of the management's efforts for the results, the refinanced debt went from having an average term of 3.3 years at the end of 2020 to 6.2 years in 2021, with a weighted average rate of 9.41%.

VI. BUSINESS PLAN FOR GRUPO GIGANTE AND SUBSIDIARIES.

Considering the permanent exercise of reviewing and updating the Strategic Planning for Grupo Gigante and its main subsidiaries, and taking into account the circumstances of the complicated environment of the year, including the continued effects of Covid-19 and other elements, 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 the management.

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

During the year ended, and given their importance and budget and strategic weight, the Committee continued its participation in the review processes of real estate projects, having particularly analyzed the divestment projects, in the context of the negotiation of the refinancing of the total debt of the Group and its subsidiaries.

VIII. MEETINGS WITH MANAGEMENT.

Throughout 2021 the Committee held permanent meetings with management and with the heads of the Group's most important operating subsidiaries, having analyzed the flows produced and the actions to be developed, as well as the periodic and extraordinary reports, proposing specific recommendations, insisting significantly on the care of the optimal use of capital, the levels of indebtedness of the Group and its subsidiaries, as well as the management of flows, continuing with the identification of different alternatives for their achievement, including measures and actions for savings in all aspects, as well as the continuation in the analysis about specific alternatives and actions for divestment or monetization of non-strategic assets, in order to improve and/or reduce leverage and be able to have means for growth and investment opportunities.

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

The 2021 Annual Report by the Chairman of the Board and the Chief Executive Officer was reviewed, and it was agreed to recommend its approval to the Board.

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



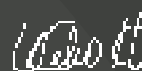
Javier Molinar Horcasitas
Chairman of the Committee
Grupo Gigante, S.A.B. de C.V.



Manuel Somoza Alonso
Board Member



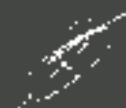
Juan Carlos Mateos Durán de Huerta
Board Member



Roberto Salvo Horvilleur
Board Member



Ángel Losada Moreno
Board Member



Sergio Montero Querejeta
Secretary of the Committee
Grupo Gigante, S.A.B. de C.V.

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 Finance, 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 STATEMENTS



Independent Auditors' Report and Consolidated Financial Statements for the years ended December 31, 2021, 2020 and 2019.

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

Consolidated Financial Statements
for the Years Ended December 31,
2021, 2020 and 2019, and
Independent Auditors' Report Dated
March 28, 2022



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, 2021, 2020 and 2019, and the consolidated statements of income 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, 2021, 2020 and 2019, its consolidated financial performance and its consolidated 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.

Other Matters

As described in Note 3a, the accompanying financial statements have been translated into English for the convenience of readers.

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. During the year ended on December 31, 2021, the uncertainty derived from the COVID-19 pandemic has gradually decreased, so the performance of the various industries where the Entity operates and particularly the restaurant segment has been reactivated. Therefore, the fair value measurements based on the estimation of income and expenses for the determination of future flows generated by the investment properties were affected by these changes in the market and the Entity's operation.

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 appropriately.

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 out 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 2021 period, together with our Financial Advisory specialists, we assessed the effects derived from COVID-19 that remain affecting the economic environment and 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 reasonably.

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 are used 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 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 pandemic, the recoverable amount of assets was negatively affected given that the estimation of uncertainty associated with COVID-19 triggered indicators of impairment in many CGUs. Additionally, given the operating restrictions imposed by the government to prevent the spread of COVID-19 during many months of 2020 and in January and February 2021, the cash flows generated in the Entity's businesses decreased mainly in the restaurant segment of the entity.

During the year ended on December 31, 2021, the uncertainty derived from the COVID-19 pandemic has gradually decreased, so the performance of the various industries where the Entity operates and particularly the restaurant segment has been reactivated. Therefore, the estimates of income and expenses for the calculation of future flows generated by the CGUs (value in use) were positively affected by these changes in the market and the Entity's operation.

The audit procedures performed to test long-term asset impairment valuation 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 Financial Advisory specialists for the assessment 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 the economy will be back on track, iv) the calculation of the impairment losses determined by management, and v) 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 in the future cash flows were reasonable and take into account the impacts of COVID-19 and the estimation of the triggering economic uncertainty.

Note 3u includes the disclosures about the accounting policy of the Entity regarding impairment of long-lived assets.

Information other than the Financial Statements and Independent 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.

Independent 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 consolidated 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. Sergio Vargas Vargas
México City, March 28, 2022



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

Consolidated Statements of Financial Position

As of December 31, 2021, 2020 and 2019
(In thousands of Mexican pesos)

Assets	Note	2021	2020	2019
Current assets:				
Cash and cash equivalents	5	\$ 3,082,559	\$ 2,424,653	\$ 1,686,783
Financial instruments	6	324,465	351,643	426,608
Accounts receivable and recoverable taxes – Net	7	2,987,785	2,981,259	3,137,809
Inventories – Net	8	5,957,586	5,655,442	6,568,139
Prepaid expenses		164,465	163,300	203,927
Assets classified as held for sale	9	40,795	1,536,769	-
Total current assets		12,557,655	13,113,066	12,023,266
Property and equipment – Net	10	8,697,097	9,364,427	10,775,004
Right-of-use asset – Net	11	3,919,992	4,311,648	4,972,202
Investment properties	12	14,938,759	13,685,998	14,932,014
Investments in joint ventures and associates	13	3,169,769	3,665,313	3,190,718
Goodwill	16	975,319	985,408	978,474
Deferred income taxes	29	1,389,316	982,778	484,915
Financial instruments	6	1,141,892	-	-
Intangibles and other assets – Net	17	1,499,918	1,572,044	1,473,032
Total non-current assets		35,732,062	34,567,616	36,806,359
Total assets		\$ 48,289,717	\$ 47,680,682	\$ 48,829,625
Liabilities and stockholders' equity				
Current liabilities:				
Current portion of long-term debt	20	\$ 765,407	\$ 2,677,782	\$ 446,205
Trade accounts payable		3,902,695	4,123,831	4,773,714
Accrued expenses and taxes	18	3,281,001	2,309,269	2,164,870
Current portion of lease liabilities	19	768,679	796,257	724,874
Total current liabilities		8,717,782	9,907,139	8,109,663
Long-term debt	20	10,538,124	9,564,091	10,299,534
Lease liabilities	19	3,859,264	4,158,531	4,678,668
Employee benefits	21	234,902	236,772	150,366
Deferred income taxes	29	2,297,856	2,392,639	2,396,713
Long-term income tax payable	29	56,180	112,360	168,540
Derivative financial instruments	20	91,607	608,781	278,674
Prepaid rents, rent holidays received and other accounts payable		160,847	169,140	182,795
Total non-current liabilities		17,238,780	17,242,314	18,155,290
Total liabilities		25,956,562	27,149,453	26,264,953
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		16,166,395	14,381,672	16,591,220
Other comprehensive income	24	223,430	384,746	284,512
Equity attributable to owners of the Entity		21,791,295	20,167,888	22,277,202
Non-controlling interest	25	541,860	363,341	287,470
Total stockholders' equity		22,333,155	20,531,229	22,564,672
Total stockholders' equity and liabilities		\$ 48,289,717	\$ 47,680,682	\$ 48,829,625

See accompanying notes to consolidated financial statements.



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

Consolidated Statements of Income and Other Comprehensive Income

For the years ended December 31, 2021, 2020 and 2019

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

	Note	2021	2020	2019
Sale of goods – Net		\$ 26,699,458	\$ 24,082,379	\$ 30,620,281
Rental income		1,454,301	1,546,006	1,511,144
Other income		<u>664,803</u>	<u>647,848</u>	<u>314,202</u>
		28,818,562	26,276,233	32,445,627
Cost of sales	27	17,366,452	16,600,426	19,765,988
Operating expenses	27	9,171,650	9,574,517	9,877,277
Gain on revaluation of investment property	12	(911,380)	504,974	(136,640)
Interest expense		1,775,790	1,680,522	1,549,737
Interest income		(98,533)	(124,195)	(190,175)
Exchange gain – Net		(7,512)	(11,120)	(416)
(Gain) loss on revaluation of financial instruments		(417,917)	419,757	443,467
Share of profit of joint ventures and associates	13	<u>(602,767)</u>	<u>(457,514)</u>	<u>(182,920)</u>
Profit (loss) before income taxes		2,542,779	(1,911,134)	1,319,309
Income taxes expense	29	<u>612,438</u>	<u>49,282</u>	<u>690,172</u>
Income (loss) from continuing operations		<u>\$ 1,930,341</u>	<u>\$ (1,960,416)</u>	<u>\$ 629,137</u>
Discontinued operations:				
Loss from discontinued operations - net of tax	30	<u>(33,200)</u>	<u>(182,644)</u>	<u>-</u>
Net consolidated income (loss)		<u>\$ 1,897,141</u>	<u>\$ (2,143,060)</u>	<u>\$ 629,137</u>
Other comprehensive income:				
Items that will be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations and net actuarial loss (gains)	24 & 25	<u>\$ 249,392</u>	<u>\$ (117,618)</u>	<u>\$ 162,695</u>
Total comprehensive income (loss) for the year		<u>\$ 1,647,749</u>	<u>\$ (2,025,442)</u>	<u>\$ 466,442</u>

(Continued)



	Note	2021	2020	2019
Profit (loss) for the year attributable to:				
Owners of the Entity		\$ 1,784,723	\$ (2,209,548)	\$ 600,850
Non-controlling interest	14	<u>112,418</u>	<u>66,488</u>	<u>28,287</u>
		<u>\$ 1,897,141</u>	<u>\$ (2,143,060)</u>	<u>\$ 629,137</u>
Other comprehensive income (loss) attributable to:				
Owners of the Entity		\$ 1,623,407	\$ (2,109,314)	\$ 430,082
Non-controlling interest	14	<u>24,342</u>	<u>83,872</u>	<u>36,360</u>
		<u>\$ 1,647,749</u>	<u>\$ (2,025,442)</u>	<u>\$ 466,442</u>
Gains (loss) of continued operations controlling portion:				
Basic and diluted earnings (Mexican pesos per share)	30	<u>\$ 1.83</u>	<u>\$ (2.04)</u>	<u>\$ 0.60</u>
Loss of discontinued operations controlling portion				
Basic and diluted earnings (Mexican pesos per share)	30	<u>\$ (0.03)</u>	<u>\$ (0.18)</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, 2021, 2020 and 2019

(In thousands of Mexican pesos)

	Stockholders' equity		Retained earnings	Other items of comprehensive income 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, 2019	\$ 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	1,374,928	4,026,542	14,381,672	384,746	363,341	20,531,229
Dividends paid to non-controlling interest	-	-	-	-	(138,853)	(138,853)
Grupo Prisa PUT option reversal (Note 25)	-	-	-	-	293,030	293,030
Comprehensive income	-	-	1,784,723	(161,316)	24,342	1,647,749
Balances as of December 31, 2021	<u>\$ 1,374,928</u>	<u>\$ 4,026,542</u>	<u>\$ 16,166,395</u>	<u>\$ 223,430</u>	<u>\$ 541,860</u>	<u>\$ 22,333,155</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, 2021, 2020 and 2019

(In thousands of Mexican pesos)

	2021	2020	2019
Cash flow from operating activities:			
Profit (loss) before income taxes	\$ 2,542,779	\$ (1,911,134)	\$ 1,319,309
Adjustments:			
Depreciation and amortization	1,776,653	1,823,604	1,696,727
(Gain) loss on revaluation of investment property	(911,380)	436,197	(136,640)
(Gain) loss on sale and disposal of property and equipment	(119,686)	248,632	173,392
(Gain) loss on revaluation of financial instruments	(417,917)	419,757	443,467
Share of gain in joint ventures and associates	(602,767)	(457,514)	(182,920)
Interest income	(98,533)	(124,195)	(190,175)
Rent concessions	(70,184)	(173,189)	-
Gain in exchange of financial instruments (fiduciary rights)	(131,180)	-	-
Profit on sale and leaseback of investment property transaction	-	(227,158)	-
Other non-cash	45,739	(23,753)	49,472
Interest expense	<u>1,775,790</u>	<u>1,680,522</u>	<u>1,549,737</u>
	3,789,314	1,691,769	4,722,369
Working capital adjustments:			
(Increase) decrease in:			
Accounts receivable and recoverable taxes – Net	318,264	(29,100)	(16,472)
Inventories – Net	(302,143)	824,852	290,913
Prepaid expenses	(39,008)	40,626	32,323
Increase (decrease) in:			
Trade accounts payable	(221,137)	(581,845)	(555,483)
Accrued expenses and taxes	402,605	180,146	369,194
Income taxes paid	<u>(656,070)</u>	<u>(590,854)</u>	<u>(865,952)</u>
Net cash generated by operating activities	3,291,825	1,535,594	3,976,892
Cash flow from investing activities:			
Acquisition of property and equipment	(436,476)	(541,147)	(1,250,891)
Acquisition of investment properties	(189,170)	(391,253)	(1,014,578)
Acquisition of intangible and other assets	(108,933)	(137,439)	-
Proceeds on sale of properties and equipment	1,583,249	863,130	-
Dividends received in cash from joint ventures and associates	43,318	32,094	24,516
Disposals of financial instruments	-	-	2,221
Increase in joint ventures and associates	-	(40,961)	(104,500)
Interest received	<u>98,533</u>	<u>124,195</u>	<u>190,175</u>
Net cash generated by (used in) investing activities	990,521	(91,381)	(2,153,057)

(Continued)



	2021	2020	2019
Cash flow from financing activities:			
Proceeds from borrowings net of issuance costs	2,795,456	1,991,010	1,287,000
Repayments of borrowings	(3,988,459)	(583,780)	(1,075,896)
Repayment of lease liabilities	(1,150,080)	(1,008,670)	(1,256,145)
Interest paid	(1,078,228)	(1,158,147)	(1,032,146)
Dividends paid to non-controlling interest	<u>(138,853)</u>	<u>(8,001)</u>	<u>(8,460)</u>
Net cash used in financing activities	<u>(3,560,164)</u>	<u>(767,588)</u>	<u>(2,085,647)</u>
Net increase (decrease) in cash and cash equivalents	722,182	676,625	(261,812)
Cash, cash equivalents and restricted cash at the beginning of year	2,541,058	1,772,074	2,127,119
Effects of exchange rates changes on cash	<u>(103,284)</u>	<u>92,359</u>	<u>(93,233)</u>
Cash, cash equivalents and restricted cash at the end of year (Note 5)	<u>\$ 3,159,956</u>	<u>\$ 2,541,058</u>	<u>\$ 1,772,074</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, 2021, 2020 and 2019

(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.

Mergers between subsidiaries:

On December 31, 2021, Grupo Gigante, S.A.B. de C.V. announced that, as follow-up to the resolutions taken on December 15, 2021 by the Ordinary General Meeting of the Stockholders of Grupo Gigante, S.A.B. de C.V.; the resolutions unanimously taken outside the meeting by all the stockholders of Controinmuebles, S.A. de C.V., and Tabazgar, S.A. de C.V., Baralver, S.A. de C.V., Bayatepec, S.A. de C.V., Inmobiliaria Mayaver, S.A. de C.V., Mezoren, S.A. de C.V., Valtral, S.A. de C.V., Inmobiliaria Real de Arteaga, S.A. de C.V., Inmobiliaria Villamex, S.A. de C.V., Gilosa, S.A. de C.V., Ejenal, S.A. de C.V., Inmobiliaria Zaramon, S.A. de C.V., Acostera, S.A. de C.V., Perishables Conservation Module, S.A. de C.V., Comercial Plaza Huasteca, S.A. de C.V., Largel, S.A. de C.V., Pumex, S.A. de C.V., Posada del Sol, S.A. de C.V., Consejeros Industriales e Inmobiliarios, S.A. de C.V., Monisan, S.A. de C.V., Gelmor, S.A. de C.V., Inmobiliaria Palmaran, S.A. de C.V., Mexican Real Estate of Nuevo Leon, S.A. de C.V., Montorres, S.A. de C.V., Zadazar, S.A. de C.V., Morangel, S.A. de C.V., Inmobiliaria y Administradora Independencia, S.A. de C.V., Citonal, S.A. de C.V., Centros Comerciales Mexicanos, S.A. de C.V., Orimex, S.A. de C.V., Fraccionadora e Inmobiliaria de Matamoros, S.A. de C.V., Bodega Gigante, S.A. de C.V., Inmobiliaria y Administradora Constituyentes, S.A. de C.V., Inmobiliaria Tlaxtlamex, S.A. de C.V., Inmobiliaria Alka, S.A. de C.V., Guadalupe, S.A. de C.V., Centros Comerciales Fronterizos, S.A. de C.V., Logomar, S.A. de C.V., Norival, S.A. de C.V., and Inmobiliaria Lorel, S.A. de C.V., as well as the agreement of the extraordinary general meeting of the stockholders of Inmobiliaria Soba, S.A. (collectively the “Absorbed Entities”), the merger of Controinmuebles, S.A. de C.V., a subsidiary of the Entity, as the absorbing company, with the Absorbed Entities, (the “Mergers”) was agreed. The figures according to which Controinmuebles, S.A. de C.V. and the Absorbed Entities agreed to perform the Mergers reflect those recorded in their respective unaudited financial statements as of October 31, 2021 which, pursuant to Article 223 of the General Corporate Law, were published at that same date together with the Merger agreements in the electronic system established for this purpose by the Economy Department.

As a result of the Mergers, Controinmuebles, S.A. de C.V. became the owner and assignee, under universal title, of the net worth of the Absorbed Entities, which is composed by all their assets and liabilities, without reserves or limitations. Consequently, Controinmuebles, S.A. de C.V. holds all the rights, obligations, shares and guarantees of the Absorbed Entities derived from contracts and agreements (which will remain in effect according to the terms of each), licenses, permits, concessions, records and, in general terms, any operations and acts performed by the Absorbed Entities for all matters applicable to them in fact and in law.

For the purposes of clarity and in conformity with applicable legal provisions, as a result of the Mergers, Controinmuebles, S.A. de C.V. acquired and assumed ownership of all the obligation and liabilities of the Absorbed Entities as of that date, which also constituted the system used to settle the liabilities of each of the Absorbed Entities. Given that Controinmuebles, S.A. de C.V. and the Absorbed Entities are direct or indirect subsidiaries, as the case may be, of Grupo Gigante, S.A.B. de C.V., according to the definition of “control” specified by International Financial Reporting Standards, the consolidated financial statements of Grupo Gigante, S.A.B. de C.V. and subsidiaries were not modified as a result of the Mergers.



Bank debt management:

On August 19, 2021, Gigante Grupo Inmobiliario, S.A. de C.V. (a subsidiary of Grupo Gigante, S.A.B. de C.V.) contracted an unsecured loan of \$2,000,000 with Santander and HSBC, with maturity on August 19, 2026, to be settled through monthly payments and with a variable interest rate. This loan is guaranteed through an irrevocable management, guarantee and payment trust to which 20 investment properties belonging to the Entity were transferred.

On July 20, 2021, Covilla, S.A. de C.V., Arbokel, S.A. de C.V. and Guadalupe, S.A. de C.V., all of which are subsidiaries of Grupo Gigante, S.A.B. de C.V., restructured and contracted bank liabilities with Bank Inbursa, for the total amount of \$1,995,000, of which, the amount of \$391,124 represents new debt that was primarily used to replace bank liabilities. These bank liabilities will mature in July 2031, have variable interest rates and increasing monthly payments (once the applicable grace periods have ended). The transaction considers the granting of guarantees to the bank, which consist of the joint and several liability of different subsidiaries of Grupo Gigante, S.A.B. de C.V., mortgages and pledges.

On July 14, 2021, Grupo Gigante, S.A.B. de C.V., restructured its bank liabilities of \$4,850,000 with BBVA, Santander, HSBC and Scotiabank (the “Bank”) to consolidate them in a single contract, while extending the maturity date to July 14, 2026, with a variable interest rate and increasing quarterly payments as of January 2022. The transaction considers the granting of guarantees to the Banks, which consist of the bond provided by certain subsidiaries of Grupo Gigante, S.A.B. de C.V., as well as a guarantee trust with rights of reversion and a pledge (see Note 20 viii and xi).

On July 14, 2021, Restaurantes Toks, S.A. de C.V. restructured its debt of \$1,100,000 with BBVA, while also extending the maturity date to October 14, 2025, with a variable interest rate and increasing quarterly payments as of July 2022. The transaction considers the granting of guarantees to BBVA, which consist of the bond provided by Grupo Gigante, S.A.B. de C.V. and Grupo Toks, S.A. de C.V. (a subsidiary of Grupo Gigante, S.A.B. de C.V.), as well as a guarantee trust with rights of reversion.

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, and the Banks 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”) which were restructured on July 14, 2021 (see Note 20 viii and xi) 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. On March 23, 2021, Grupo Gigante, S.A.B. de C.V., amortized the total unpaid balance of the Liquidity Credit (see Notes 20 xii).



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 xi). 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 July 14, 2021, this loan was restructured and consolidated with the credit identified in Note 20 viii.

Acquisitions:

On February 22, 2021, Grupo Gigante, S.A.B. de C.V., announced that, in relation to the investment in associates, through its subsidiaries Monisan, S.A. de C.V., and Inmobiliaria Cuauhtémoc Liceaga, S.A., in the Management Trust F/743955 (which, it was the holder of trust rights of the Management Trust F/1447) and in the Management Trust CIB/535 (in hereinafter and as a whole the "Investments in associates"), decided to enter into certain contracts of contribution and assignment of trust rights (hereinafter the "Contribution Contracts") in order to contribute the Investments in associates to Fibra SOMA in exchange of 22,837,852 (twenty-two million, eight hundred and thirty-seven thousand, eight hundred and fifty-two) Real Estate Trust Stock Certificates issued by the latter (hereinafter the "CBFI") (See Notes 6 and 13).

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).

Discontinued operations:

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.

COVID-19:

During the initial months of 2020, COVID-19 appeared and was declared a Global Pandemic by the World Health Organization ("WHO") on March 11 2020. The global expansion of this virus led to the implementation of a series of containment measures in the geographies in which the Entity operates, where the competent authorities to halt the spread of this virus implemented different healthcare measures. As a result of these measures and actions, together with the market effects generated by COVID-19, the economic and healthcare conditions of society as a completely deteriorated, adversely affecting businesses worldwide, including that of the Entity, because the restaurant segment was particularly affected as it was not classified as an essential activity by the Mexican authorities.



In 2020 and during the initial months of 2021, the contingency resulting from COVID-19 decreased average customer traffic in the Entity's units and even resulted in the temporary closure of certain units, thereby affecting the Entity's revenues. The markets and economies of a large number of countries were adversely affected by the public health conditions derived from COVID-19. As of the 2021 close, a degree of uncertainty still existed as regards (i) the duration and spread of the outbreak, together with the appearance of new variants; (ii) the restrictions and recommendations issued by Health and Government Organizations; (iii) the effects arising for financial markets, and (iv) the general effects generated for both the domestic and international economies, which have decreased significantly, although the appearance of new variants may modify this situation.

A considerable level of economic recovery took place during 2021 in comparison with 2020, primarily because the operating restrictions imposed by the government to prevent the spread of COVID-19 were gradually lessened, thereby leading to increasing consumer confidence indexes and permitting the recovery of the Entity's business cash flows, essentially in the restaurant segment (see Note 32a).

Despite the observable recovery of the industry, economy and general business activities of the Entity, performance indicators, the evolution of the pandemic and its effects will be continually monitored as they are still uncertain and cannot be predicted. A series of preventive decisions has been and will continue to be made in all action areas to offset the contingency including, among others, decisions related to financing, refinancing and the strengthening of cash flows, substantial savings, contract renegotiation and the suspension or cancellation of projects that are not strictly indispensable (see Note 3b).

2. Application of new and revised International Financial Reporting Standards

Application of new and modified International Financial Reporting Standards ("IFRS" or "IAS") that are mandatory for the year 2021.

Initial impact of the application of the Reference Interest Rate Reform

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. "Interbank Offered Rate ("IBOR")".

Initial impact of concessions applied to leases under IFRS 16 due to issues related to COVID-19 after June 30, 2021 and amendments to IFRS 16

On 2020, the Entity early adopted 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.

In March 2021, the IASB issued Rent Concessions related to COVID-19 after June 30, 2021 (amendment to IFRS 16). When the IASB published the amendments to IFRS 16 in May 2020, the tenant was allowed to apply the rent allowance practical expedient for any reduction in lease payments affecting the original payments before or as of June 30, 2021. Due to the nature of the COVID-19 pandemic, the amendment extended a practical expedient to apply those original payments before or on June 30, 2022.

In 2021, the Entity applied the amendments to IFRS 16 (as issued by the IASB in May 2020).



The practical expedient allows to the tenant to choose not to assess whether a COVID-19 rent award is a lease modification. A tenant who makes this election should account for any change in rent payments resulting from the granting of rents arising from COVID-19 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.

Accounting impact of applying the exception to changes in lease payments

The Entity has applied the practical expedient retrospectively to all rental concessions as a result of the May 2020 amendment. The Entity has accounted for the lease concessions as other income in the Consolidated Statements of Profit or Loss of the year.

The Entity has recognized a benefit from the rent concessions for leases of stores and restaurants. The rent concessions during 2021 y 2020 amounted to \$70,184 and \$173,189, respectively and has been accounted for as other income in the Consolidated Statements of Profit or Loss of the year.

The Entity has written off the part of the lease liability that has been canceled due to the rent concessions, consistent with the requirements of IFRS 9:3.3.1. The Entity continues to recognize interest expense on lease liabilities.

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
Amendments to IAS 1 and IFRS Practice Statements 2	Disclosure of accounting policies
Amendments to IAS 8	Definition of accounting estimates
Amendments to IAS 12	Deferred taxes related to assets and liabilities arising from a single transaction.

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 items.

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 a head of time.

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.

Amendments to IAS 1 and IFRS Practice Statements 2 Disclosure of Accounting Policies

The amendments change the requirements to IAS 1 with respect to disclosure of accounting policies. The amendment replaces the terms “significant accounting policies” with “information on material accounting policies”. Information on accounting policies is material when it is considered that, together with other information included in the financial statements of an entity, they may influence the decision-making of users interested in the financial statements and that they are made on the basis of these financial statements.

The supporting paragraphs in IAS 1 are amended to clarify accounting policy information that relates to immaterial transactions, other events or conditions that are themselves material.

To support these modifications, the IASB has developed guidance and examples to explain and demonstrate the application of the “4-step materiality process” described in the IFRS practice 2 statements.

The amendments to IAS 1 will be in force for the annual periods beginning on January 1, 2021, with the option of early application and are applied prospectively. The amendments to the IFRS Practice 2 statements do not contain an effective date or transition requirements.

Amendments to IAS 8 Definition of accounting estimates.

The amendments replace the definition of a change in accounting estimates. Under the new definition, accounting estimates are “monetary amounts in the financial statements that are subject to measurement uncertainty”.

The definition of a change in accounting estimates was deleted. However, the IASB maintained the concept of changes in an accounting estimate in the standard with the following clarifications:

- A change in an accounting estimate is the result of new information or a new development and is not the correction of an error.
- The effects of a change in an input or a valuation technique used to develop an accounting estimate are changes in accounting estimates if they do not result from a correction of prior period errors.

The IASB added two examples (Example 4-5) to the IAS 8 Implementation Guide that accompanies the standard. The IASB has removed one example (example 3) as it could cause confusion from the amendments.



The modifications will be applicable for the annual periods beginning on January 1, 2023 for changes in accounting policies and changes in accounting estimates that occur on or after the beginning of such period with the option of early application.

Amendments to IAS 12 Deferred taxes related to assets and liabilities arising from a single transaction.

The amendments introduced an additional exception aside from the initial recognition exemption. In the amendments, an entity does not apply the initial recognition exception for transactions that give rise to taxable and deductible temporary differences.

Depending on the applicable tax law, taxable and deductible temporary differences may occur on initial recognition of an asset and a liability in a transaction that is not a business combination and does not affect accounting or taxable profit. For example, it may occur with a recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 Leases at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognize deferred tax assets and liabilities, with the recognition of any deferred tax assets being subject to the recoverability criteria.

The IASB also adds an illustrative example to IAS 12 that explains how the amendments apply.

The amendments apply to transactions that occur on or after the first comparative period of the period presented. Additionally, at the beginning of the first comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable income is available against the deductible temporary difference) and a deferred tax liability for all taxable and temporary deductions associated with:
 - Right-of-use assets and lease liabilities.
 - Decommissioning, restoration and similar liabilities that correspond to amounts recognized as part of the costs related to the asset.
- The cumulative effect at the beginning of the application of the amendments as an adjustment in the opening balances of retained earnings (or some other component of capital, as applicable) to date.

The modifications will be in force for the annual periods beginning on January 1, 2023, with the option of early application.

3. Summary of significant accounting policies

a. *Statement of compliance and translation into English*

The consolidated financial statements have been prepared in accordance with IFRS released by the IASB and have been translated from Spanish into English for the convenience of readers.

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.

As mentioned in Note 1 above, during the year ended December 31, 2021, given the general improvement in the economy and the reopening of the businesses and industries where the entity operates, the uncertainty of the effects of the pandemic for COVID-19 has decreased considerably. This is mainly because the operating restrictions imposed by the government to prevent the spread of COVID-19 have changed, in addition to an increase of customer confidence, which led to recover cash flows in the Entity's businesses, mainly in the restaurant segment.

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 2021 to adjust the schedule of certain principal repayments and certain interest payments, while non-strategic assets were sold.
- c. Significant improvement in the operation of the Entity, especially in the restaurant segment due to the release of restrictions imposed by the government.
- d. On-line distribution channels continued to be promoted to continue providing the service to its customers.
- e. Optimize working capital and the operation of stores and restaurants with an expense reduction strategy that will strengthen the financial structure.



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.

As of the issuance date of the consolidated financial statements, the Entity continues with a gradual recovery aligned to the general economy reactivation.

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

Contingent liabilities acquired in a business combination are initially valued at fair value at the acquisition date. At the end of subsequent reporting periods, these contingent liabilities will be valued at the higher of the amount that would be recognized in accordance with IAS 37 and the amount initially recognized less the cumulative amount of revenue recognized in accordance with the principles of IFRS 15.

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 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 held neither 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

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at fair value through profit or loss.



Financial liabilities at fair value through results

Financial liabilities are classified at fair value through profit or loss when the financial liability is (i) contingent consideration from an acquirer in a business combination, (ii) held for trading, or (iii) designated at fair value through profit or loss.

A financial liability is classified as held for trading if:

- It has been acquired mainly for the purpose of short-term repurchase; either
- At initial recognition, it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of taking short-term profits; either
- It is a derivative, except for derivatives that are a financial guarantee contract or a designated and effective hedging instrument.

A financial liability that is not held for trading or contingent consideration of an acquirer in a business combination may be designated as fair value through profit or loss on initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; either
- The financial liability is part of an entity of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the entity's risk management or investment strategy, and information is provided internally on that basis; either
- It is part of a contract that contains one or more embedded derivatives, and IFRS 9 allows the entire combined contract to be designated as fair value through profit or loss.

Financial liabilities at fair value through profit or loss are measured at fair value, and gains or losses arising from changes in fair value are recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the line item "Net (gain) loss on revaluation of financial instruments" in profit or loss.

Gains or losses on financial guarantee contracts issued by the Entity that are designated by the Entity at fair value are recognized through profit or loss.

The fair value is determined in the manner described in note 3b.

Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated at fair value through profit or loss, are subsequently measured at amortized cost using the equity effective interest method.

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

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.

When the Entity exchanges a debt instrument with the existing lender for another with substantially different terms, such exchange is accounted for as an extinction of the original financial liability and the recognition of a new financial liability. Similarly, the Entity considers the substantial modification of the terms of an existing liability or part of it as an extinction of the original financial liability and the recognition of a new liability. The terms are assumed to be materially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate, is at least 10% different from the new financial liability discounted the value of the remaining cash flows of the original financial liability. If the modification is not material, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after the modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

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 of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

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 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 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.

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 sales to customers there is a right to return the goods and therefore a reimbursement liability and a right asset for returned goods is recognized in relation to the goods that are expected to be returned.

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.



For the sale of food and beverages: Revenues are calculated at the fair value of the consideration received, taking into account the estimated amount of customer returns, rebates and other similar discounts. Revenue from the sale of food and beverages must be recognized when each and each one of the following conditions is met:

- The Entity has transferred to the customer the control derived from the elaborated product or drink;
 - The Entity does not retain for itself any involvement in the ongoing management of the goods sold, to the extent usually associated with ownership, nor does it retain effective control over them;
 - The amount of income can be measured reliably;
 - It is probable that the Entity will receive the economic benefits associated with the transaction; and
 - The costs incurred, or to be incurred, in connection with the transaction can be measured reliably.
- 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 2021, 2020 and 2019, 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**

Below are essential judgments, apart from those that involve estimates (see Note 4b), made by management during the process of applying the Entity's accounting policies and that have a significant effect on the consolidated financial statements.

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 utilized 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.

vii. ***IFRIC 23 provisions***

The provision recorded is related to the Entity's evaluation of the amount of probable taxes to be paid for open tax positions in accordance with the requirements of IFRIC 23. This provision is made for uncertain tax items that are mainly related to the interpretation of tax authority. Due to the uncertainty associated with such tax items, there is a possibility that, upon conclusion of open tax matters at a future date, the result may differ materially.

viii. ***Lease***

The Entity evaluates the assets subject to lease and defines those that are less than those that are not. Those subject to the registration of rights of use are analyzed to determine the contractual terms of validity and the possibilities of renewal based on economic benefits, the estimated committed payments and the discount rates used by type of asset to determine the amount to be registered.



5. Cash, cash equivalents and restricted cash

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:

	2021	2020	2019
Cash on hand	\$ 10,043	\$ 6,726	\$ 23,929
Bank deposits and cash equivalents	<u>3,072,516</u>	<u>2,417,927</u>	<u>1,662,854</u>
	3,082,559	2,424,653	1,686,783
Restricted cash Long Term ⁽ⁱ⁾ – Note 17	<u>77,397</u>	<u>116,405</u>	<u>85,291</u>
	<u>\$ 3,159,956</u>	<u>\$ 2,541,058</u>	<u>\$ 1,772,074</u>

- (i) Some subsidiaries have bank loans secured with investment properties through mortgages and/or administration trusts and/or collateral and/or alternative source of payment (the “Trusts”).

In the Trusts, different reserve accounts are contemplated on the resources that are part of the trust assets, such as collection rights derived from the lease contracts of the commercial premises located in the investment properties that are the object of the guarantees of such bank loans. In the reserve accounts related to the Trusts are debt service reserve amounts. The assets of the trusts are invested, in terms of the trusts’ contracts, in different instruments, including investment-grade debt instruments with liquidity every 24 hours or as needed to carry out the purposes of Trusts, such as promissory notes or bank bonds, debt instruments issued, guaranteed or endorsed by the Federal Government.

6. Financial instruments

Financial assets valued at fair value with changes through profit or loss

	2021	2020	2019
<u>Short term:</u>			
Financial Instruments / Development capital certificates (CKD) ⁽ⁱ⁾	\$ 324,465	\$ 351,643	\$ 426,608
<u>Long term:</u>			
Real Estate Trust Stock Certificates ⁽ⁱⁱ⁾	1,141,892	-	-

- (i) Investments in development capital certificates (“CKD” by its acronym in Spanish) corresponding to the Trust F/00687. The objective of such trust is to invest in a diversified portfolio of real estate assets located in Mexico, developing land for use in the housing, tourism, industrial, commercial or mixed sectors. This debt financial instrument was listed on the BMV until October 20, 2020, after which it entered into liquidation period. Its fair value at the end of each reporting period is that presented in the table above.



- (ii) On February 22, 2021, Grupo Gigante, S.A.B. de C.V., announced that, in relation to the investment in associates, through its subsidiaries Monisan, S.A. de C.V., and Inmobiliaria Cuauhtémoc Liceaga, S.A., in the Management Trust F/743955 (which, in turn, was the holder of trust rights of the Management Trust F/1447) and in the Management Trust CIB/535 (in as a whole the "Investment in associates"), related to the real estate located at Boulevard Adolfo Ruiz Cortines, number 4300, Colonia Mocambo, Boca del Río, Veracruz de Ignacio de Llave (in which the shopping center known as Andamar is built). I) and Av. Adolfo Ruiz Cortines, number 3500, Colonia Mocambo or Potrero Niño Bonito, Boca del Río, Veracruz de Ignacio de Llave (in which the commercial center known as Andamar II is built), decided to celebrate certain contribution contracts and transfer of trustee rights ("Contribution Contracts") in order to contribute the investment in associates to Fibra SOMA in exchange for receiving, in property, 22,837,852 (twenty-two million s eight hundred and thirty-seven thousand eight hundred and fifty-two) Real Estate Trust Stock Certificates issued by the latter (hereinafter the "CBFIs") (see Note 13). The restrictions established in the contract for this exchange of assets condition the classification of the long-term financial instrument. The exchange of the investment in associates for CBFIs of Fibra SOMA generated a benefit in the Consolidated Statements of Profit or Loss and Other Comprehensive Income of \$131,180; This transaction did not involve cash flows. A stock pledge was constituted on the "CBFI" corresponding to the credit described in subsection (viii) of Note 20.

7. Accounts receivable and recoverable taxes

- a. Accounts receivable are as follows:

	2021	2020	2019
Trade accounts receivable	\$ 1,037,096	\$ 1,158,955	\$ 1,302,455
Allowance for expected credit losses	<u>(54,992)</u>	<u>(56,077)</u>	<u>(34,922)</u>
	982,104	1,102,878	1,267,533
Recoverable taxes are integrated as follows:			
Recoverable Value Added Tax ("VAT")	1,126,852	1,245,754	1,164,417
Recoverable income tax	247,074	387,044	400,788
Other accounts receivable	<u>476,227</u>	<u>167,819</u>	<u>101,043</u>
	2,832,257	2,903,495	2,933,781
Accounts receivable in joint venture and associates	<u>155,528</u>	<u>77,764</u>	<u>204,028</u>
Total	<u>\$ 2,987,785</u>	<u>\$ 2,981,259</u>	<u>\$ 3,137,809</u>

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

	2021	2020	2019
Balance as of January 1	\$ 56,077	\$ 34,922	\$ 46,142
Increases	6,800	42,582	4,582
Amounts written-off as uncollectible	<u>(7,885)</u>	<u>(21,427)</u>	<u>(15,802)</u>
Balance as of December 31	<u>\$ 54,992</u>	<u>\$ 56,077</u>	<u>\$ 34,922</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.

31/12/2021		Accounts receivable - days past due				
	<30	31 - 60	61 - 90	91 - 360	>360	Total
Expected credit loss rate	0%	0%	0%	70%	0%	
Value in books	<u>\$ 860,324</u>	<u>\$ 61,510</u>	<u>\$ 36,227</u>	<u>\$ 79,035</u>	<u>\$ -</u>	<u>\$1,037,096</u>
Expected Credit Loss						
Life	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,992</u>	<u>\$ -</u>	<u>\$ 54,992</u>
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	<u>\$ 982,183</u>	<u>\$ 61,510</u>	<u>\$ 36,227</u>	<u>\$ 79,035</u>	<u>\$ -</u>	<u>\$1,158,955</u>
Expected Credit Loss						
Life	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,077</u>	<u>\$ -</u>	<u>\$ 56,077</u>
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	<u>\$1,116,139</u>	<u>\$ 65,176</u>	<u>\$ 53,790</u>	<u>\$ 67,350</u>	<u>\$ -</u>	<u>\$1,302,455</u>
Expected Credit Loss						
Life	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,922</u>	<u>\$ -</u>	<u>\$ 34,922</u>

8. Inventories

	2021	2020	2019
Office supplies inventories	\$ 5,544,001	\$ 5,213,817	\$ 6,105,068
Housewares supplies inventories	142,545	177,495	212,911
Food inventories	166,471	127,476	140,805
Allowance for obsolete inventories	<u>(9,802)</u>	<u>(12,017)</u>	<u>(17,639)</u>
	5,843,215	5,506,771	6,441,145
Housing and real estate inventories	<u>114,371</u>	<u>148,671</u>	<u>126,994</u>
	<u>\$ 5,957,586</u>	<u>\$ 5,655,442</u>	<u>\$ 6,568,139</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

	2021	2020
Beginning balance	\$ 1,536,769	\$ -
Buildings and leasehold improvements	-	175,247
Investment Properties	<u>-</u>	<u>1,814,097</u>
	1,536,769	1,989,344



	2021	2020
Adjustment to fair value	-	(68,777)
Disposals of assets due to sale ⁽ⁱ⁾	(1,262,621)	(383,798)
Disposals of assets due to discontinued operations (See Note 33)	(33,200)	-
Transfer of assets to property and equipment and investment properties	(191,678)	-
Effect of foreign currency translation effect	(8,475)	-
	<u>\$ 40,795</u>	<u>\$ 1,536,769</u>

⁽ⁱ⁾ As of December 31, 2020, the amount includes the sale of a property under the "sale and leaseback " scheme.

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

	2021	2020	2019
Gross investment at cost:			
Land	\$ 1,900,236	\$ 1,931,620	\$ 2,206,150
Buildings and leasehold improvements	8,447,615	8,605,507	9,416,698
Furniture and computers	5,460,979	5,385,898	4,799,704
Vehicles	403,931	432,549	449,715
Construction in-progress	<u>34,956</u>	<u>62,626</u>	<u>462,547</u>
Gross investment	<u>\$ 16,247,717</u>	<u>\$ 16,418,200</u>	<u>\$ 17,334,814</u>
Accumulated depreciation:			
Buildings and leasehold improvements	\$ (3,526,370)	\$ (3,351,206)	\$ (3,198,725)
Furniture and equipment	(3,734,663)	(3,379,367)	(3,064,380)
Vehicles	<u>(289,587)</u>	<u>(323,200)</u>	<u>(296,705)</u>
Accumulated depreciation	<u>\$ (7,550,620)</u>	<u>\$ (7,053,773)</u>	<u>\$ (6,559,810)</u>
Net investment:			
Land	\$ 1,900,236	\$ 1,931,620	\$ 2,206,150
Buildings and leasehold improvements	4,921,245	5,254,301	6,217,973
Furniture and computers	1,726,316	2,006,531	1,735,324
Vehicles	114,344	109,349	153,010
Construction in-progress	<u>34,956</u>	<u>62,626</u>	<u>462,547</u>
Total property and equipment – Net	<u>\$ 8,697,097</u>	<u>\$ 9,364,427</u>	<u>\$ 10,775,004</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, 2019	\$ 2,259,923	\$ 5,948,488	\$ 1,549,923
Additions	32	567,195	637,215
Transfer assets	-	42,662	-
Effect of foreign currency	(5,546)	(15,485)	(12,712)
Depreciation expense	-	(287,863)	(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	1,931,620	5,254,301	2,006,531
Additions	-	118,700	296,192
Transfer assets	-	(15,760)	(672)
Effect of foreign currency	(1,843)	(4,361)	(1,774)
Depreciation expense	-	(291,375)	(501,904)
Disposals related to closures, remodeling and sale	<u>(29,541)</u>	<u>(140,260)</u>	<u>(72,057)</u>
Balance as of December 31, 2021	<u>\$ 1,900,236</u>	<u>\$ 4,921,245</u>	<u>\$ 1,726,316</u>
	Vehicles	Construction in- progress	Net investment
Balance as of January 1, 2019	\$ 168,865	\$ 472,194	\$ 10,399,393
Additions	36,446	10,003	1,250,891
Transfer assets	-	-	42,662
Effect of foreign currency	(3,571)	(6,455)	(43,769)
Depreciation expense	(45,957)	-	(751,657)
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	109,349	62,626	9,364,427
Additions (transfers between property and equipment)	48,406	(26,822)	436,476
Transfer assets	-	-	(16,432)
Effect of foreign currency	(1,960)	(97)	(10,035)
Depreciation expense	(20,971)	-	(814,250)
Disposals related to closures, remodeling and sale	<u>(20,480)</u>	<u>(751)</u>	<u>(263,089)</u>
Balance as of December 31, 2021	<u>\$ 114,344</u>	<u>\$ 34,956</u>	<u>\$ 8,697,097</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, 2021 and 2020, a total of 19 and 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 (viii) and (ix) of Note 20. The opinion of the market value as of December 31, 2021 of the 19 properties is \$1,849,283 and as of December 31, 2020 of the 4 properties is \$742,080. The book value as of December 31, 2021 of the 19 properties is \$957,375 and as of December 31, 2020 of the 4 properties is \$149,529.

As of December 31, 2021, 2020 and 2019, as part of the balance of buildings leasehold improvements, the recognition of (reversal) impairment of (\$14,191), \$98,308, and (\$31,000), respectively, is included.

The effects of impairment (benefit) in 2021 reflect the improvement in operating results in the group entities derived from the economic recovery and restrictions observed by COVID19 compared to 2020.

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.

	2021	2020	2019
Building and sites:			
Balance as of January 1	\$ 4,311,648	\$ 4,972,202	\$ 5,495,245
Additions by new contracts and increase by index or rates (ii)	430,392	276,863	356,681
Disposals related to early termination (i)	(155,684)	(138,296)	-
Depreciation expense on right-of-use assets	(845,139)	(802,286)	(879,724)



	2021	2020	2019
Changes in contract conditions	141,827	-	-
Effect of foreign currency exchange differences	<u>36,948</u>	<u>3,165</u>	<u>-</u>
Balance as of December 31	<u>\$ 3,919,992</u>	<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. During 2021, the cancellations made correspond to closures of strategic operations.
- (ii) The Entity enters into asset lease agreements. These additions during 2021, 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.

On 2020, 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. For the year 2021, the level of uncertainty has gradually decreased thanks to the generalized economic reactivation in the country, for which the inputs mentioned above were re-assessed with the most recent economic perspectives.

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, 2021, 2020 and 2019, were \$349,619, \$303,556 and \$259,215, respectively and the direct operating expenses, for properties that did not generate rental income for the years ended December 31, 2021, 2020 and 2019 were \$18,685, \$23,501 and \$10,578, respectively.

As of December 31, 2021, 2020 and 2019, the Entity's investment properties have a gross leasable area (unaudited) of 958,021, 1,036,850 and 921,178 square meters, respectively. As of December 31, 2021, 2020 and 2019 were 93%, 94% and 95% 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	2021: 11.06% 2020: 11.79% 2019: 12.10%	The higher the discount rate, the lower the fair value.
			NOI	Based on contractual rent and then on market related rents	The higher the NOI, the higher the fair value.
			Inflation rate	Mexico: 2021: 3.50% 2020: 3.60% 2019: 3.65%	The higher the inflation rate, the higher the fair value.
Land reserves	Level 3	Market value	Price per square meter	Depending on the location	The higher the price, the higher the fair value.

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

	2021	2020	2019
Buildings and land	\$ 13,761,916	\$ 12,364,195	\$ 13,554,830
Land reserves	<u>1,009,666</u>	<u>1,116,978</u>	<u>1,139,242</u>
Investment Properties	14,771,582	13,481,173	14,694,072
Investment properties of Right-of-use assets	<u>167,177</u>	<u>204,825</u>	<u>237,942</u>
	<u>\$ 14,938,759</u>	<u>\$ 13,685,998</u>	<u>\$ 14,932,014</u>

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

Investment Properties	2021	2020	2019
Balance at beginning of year	\$ 13,481,173	\$ 14,694,072	\$ 13,923,440
Additions ⁽ⁱ⁾	319,170	391,253	1,014,579
Transfer of assets ⁽ⁱⁱ⁾	208,110	(1,199,126)	(374,808)
Disposals	(187,275)	-	(50,876)
Gain (loss) on revaluation of investment property	954,602	(404,136)	181,737
Effect of foreign currency exchange differences	<u>(4,198)</u>	<u>(890)</u>	<u>-</u>
Balance at end of year	<u>\$ 14,771,582</u>	<u>\$ 13,481,173</u>	<u>\$ 14,694,072</u>



Investment properties of right-of-use assets	2021	2020	2019
Balance at beginning of year	\$ 204,825	\$ 237,942	\$ -
Initial recognition of right-of-use asset investment properties	-	-	283,039
Additions	3,818	1,824	-
Disposals	-	(6,270)	-
Effect of foreign currency exchange differences	1,756	3,390	-
Loss from the revaluation of right-of-use asset investment properties	<u>(43,222)</u>	<u>(32,061)</u>	<u>(45,097)</u>
Balance at end of year	<u>\$ 167,177</u>	<u>\$ 204,825</u>	<u>\$ 237,942</u>

- (i) The additions of 2021 include \$130,000 that did not involve cash flows.
- (ii) Asset transfers correspond to transfers of land and buildings between investment properties, property and equipment, real estate inventories and assets held for sale.

The gain (loss) on revaluation of the property is driven by changes in: 1) discount rates used to calculate the fair value, 2) 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, 2021, a total of 30 investment properties of the Entity were contributed to guarantee trusts with reversion rights corresponding to the credits described in subsections, (ii) and (viii) of Note 20. The opinion of the market value of the 30 investment properties as of December 31, 2021 is \$7,478,510. Additionally, a mortgage was constituted on 3 investment properties to guarantee the loans in subsections (iv), (vi) and (x) of Note 20. The fair value of these 3 investment properties as of December 31, 2021 was \$3,846,079.

As of December 31, 2020 and 2019, there were 23 and 24 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), (iii), (v) y (x) of Note 20. The fair value of such investment properties as of December 31, 2020 and 2019 was \$7,484,063, \$8,046,900, respectively. Addition, 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 (xii) of Note 20. The opinion of the market value of the 4 investment properties is \$ 1,108,450. Out of the 27 investment properties, 24 were contributed to guarantee trusts with reversion rights and a mortgage was established on the remaining 3 investment properties.

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		
				2021	2020	2019
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 (1)	Associate	Parent of an entity that operates a shopping center	Veracruz, Mexico	-	50.0%	50.0%
Trust CIB/535 (1)	Associate	Entity that operates a shopping center	Veracruz, Mexico	-	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, 2021, 2020 and 2019 are as follows:

Entity	Investment in shares		
	2021	2020	2019
Mascotas y Compañía, S. A. P. I. de C. V.	\$ 988,319	\$ 776,193	\$ 642,100
Trust Banorte F/743955 (1)	-	346,704	322,837
Trust CIB/535 (1)	-	664,009	543,560
Other	261	261	261
Inmobiliaria Conjunto Polanco, S. A. P. I. de C. V.	<u>2,181,189</u>	<u>1,878,146</u>	<u>1,681,960</u>
	<u>\$ 3,169,769</u>	<u>\$ 3,665,313</u>	<u>\$ 3,190,718</u>

Entity	Entity's share of profit or loss		
	2021	2020	2019
Mascotas y Compañía, S. A. P. I. de C. V.	\$ 301,738	\$ 166,189	\$ 95,000
Trust Banorte F/743955 (1)	-	12,905	2,976
Trust CIB/535 (1)	-	90,449	10,549
Inmobiliaria Conjunto Polanco, S. A. P. I. de C. V. – Note 15	<u>301,029</u>	<u>187,971</u>	<u>74,395</u>
	<u>\$ 602,767</u>	<u>\$ 457,514</u>	<u>\$ 182,920</u>



- (1) On February 22, 2021, Grupo Gigante, S.A.B. de C.V., announced that, in relation to the investment in associates through its indirect subsidiaries Monisan, S.A. de C.V., and Inmobiliaria Cuauhtémoc Liceaga, S.A., in the Management Trust F/743955 (which, in turn, was the holder of trust rights of the Management Trust F/1447) and in the Management Trust CIB/535 (the “Trusts”); decided to enter into certain Contribution Contracts in order to contribute the investment in associates to Fibra SOMA in exchange of 22,837,852 CBFI. As a result of this transaction, the Entity stopped recognizing the investments in associates by the Trusts and instead, recognized Long-term Financial Instrument for the CBFI received (see Note 6).

In accordance with the accounting policies described above;

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.

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 that 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, 2021, 2020 and 2019 for Mascotas y Compañía S. A. P. I. de C. V. is as follows:

	2021	2020	2019
Current assets	\$ 1,456,939	\$ 1,078,320	\$ 752,574
Property and equipment	2,056,239	1,852,295	1,801,196
Other assets	<u>338,787</u>	<u>242,899</u>	<u>183,314</u>
Total assets	3,851,965	3,173,514	2,737,084
Total liabilities	<u>1,875,328</u>	<u>1,621,128</u>	<u>1,452,885</u>
Equity	<u>\$ 1,976,637</u>	<u>\$ 1,552,386</u>	<u>\$ 1,284,199</u>

Condensed information related to the statement of profit or loss and other comprehensive income for the years ended December 31, 2021, 2020 and 2019 for Mascotas y Compañía S. A. P. I. de C. V. is as follows:

	2021	2020	2019
Total revenues	\$ 5,109,543	\$ 3,808,187	\$ 2,821,589
Cost of sales	2,932,937	2,206,803	1,602,823
Operating expenses	1,411,752	1,051,350	888,891
Financing expense	98,561	116,126	85,533
Income taxes	<u>198,724</u>	<u>133,626</u>	<u>78,857</u>
Profit for the year	<u>\$ 467,569</u>	<u>\$ 300,282</u>	<u>\$ 165,485</u>



Condensed information related to the statement of financial position as of December 31, 2021, 2020 and 2019, for the associates is as follows:

	2021 Banorte Trust F/743955	2020 Banorte Trust F/743955	2019 Banorte Trust F/743955
Current assets	\$ -	\$ 40,658	\$ 44,535
Other assets	-	565,255	539,406
Total assets	-	605,913	583,941
Current liabilities – contributions for Entity's future capital increase	-	40,000	40,000
Total liabilities	-	40,000	40,000
Stockholders' equity	-	565,913	543,941
Total	\$ -	\$ 605,913	\$ 583,941
	2021 Trust CIB/535	2020 Trust CIB/535	2019 Trust CIB/535
Current assets	\$ -	\$ 144,765	\$ 96,285
Investment properties	-	1,424,129	1,244,988
Other assets	-	621	621
Total assets	-	1,569,515	1,341,894
Current liabilities	-	6,562	39,857
Other long term liabilities	-	238,999	218,882
Total liabilities	-	245,561	258,739
Stockholders' equity	-	1,323,954	1,083,155
Total	\$ -	\$ 1,569,515	\$ 1,341,894
	2021 Inmobiliaria Conjunto Polanco, S. A. P. I. de C.V.	2020 Inmobiliaria Conjunto Polanco, S. A. P. I. de C.V.	2019 Inmobiliaria Conjunto Polanco, S. A. P. I. de C. V.
Other assets	\$ 1,488,716	\$ 1,794,485	\$ 2,149,901
Investment properties	6,486,764	5,641,267	5,152,446
Total assets	7,975,480	7,435,752	7,302,347
Current liabilities	579,456	746,167	441,409
Long-term debt	1,512,528	1,608,195	1,650,000
Other long-term liabilities	1,000,098	926,636	1,527,901
Total liabilities	3,092,082	3,280,998	3,619,310
Stockholders' equity	\$ 4,883,398	\$ 4,154,754	\$ 3,683,037



Condensed information related to the statement of profit or loss and other comprehensive income for the years ended December 31, 2021, 2020 and 2019 for the associates is as follows:

	2021 Banorte Trust F/743955	2020 Banorte Trust F/743955	2019 Banorte Trust F/743955
Equity method	\$ -	\$ 25,849	\$ 6,131
Operating expenses	-	247	242
Interest income	-	208	66
Profit for the year	<u>\$ -</u>	<u>\$ 25,810</u>	<u>\$ 5,955</u>
	2021 Trust CIB/535	2020 Trust CIB/535	2019 Trust CIB/535
Revenue	\$ -	\$ 84,427	\$ 58,096
Operating expenses	-	25,196	24,075
Financing (income) expense	-	32,483	12,924
Gain on revaluation of investment properties	-	154,150	-
Profit for the year	<u>\$ -</u>	<u>\$ 180,898</u>	<u>\$ 21,097</u>
	2021 Inmobiliaria Conjunto Polanco, S. A. P. I. de C.V.	2020 Inmobiliaria Conjunto Polanco, S. A. P. I. de C.V.	2019 Inmobiliaria Conjunto Polanco, S. A. P. I. de C. V
Revenues	\$ 1,111,503	\$ 1,679,688	\$ 450,513
Cost of sales of housing	450,826	809,911	43,616
Operating expenses	153,996	140,562	156,298
Financing (income) expense	(12,777)	252,705	145,542
Gain on revaluation of investment properties	(471,992)	(198,020)	(186,847)
Income taxes expense	<u>262,806</u>	<u>202,812</u>	<u>71,114</u>
Profit for the year	<u>\$ 728,644</u>	<u>\$ 471,718</u>	<u>\$ 220,790</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 (until September 2020) 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 2021	Ownership 2020	Ownership 2019	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 2021	Ownership 2020	Ownership 2019	Activity
Gigante Grupo Inmobiliario S. A. de C. V.	100.00%	100.00%	100.00%	As of December 31, 2021, involves 18 companies, in 14 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. As of December 31, 2020 and 2019, it was made up of 56 companies in both years. (See Note 1 (mergers between subsidiaries)).
Gigante Fleming, S. A. de C. V.	-	100.00%	100.00%	Real estate entity that owns investment property where 2 stores that are leased to third parties are located. On December 13, 2021, Grupo Gigante, S.A.B. de C.V., sold and transferred to its subsidiary Gigante Grupo Inmobiliario, S.A. de C.V., and the latter acquired ownership of all the shares representing the capital stock of Gigante Fleming, S.A. de C.V., owned by Grupo Gigante, S.A.B. de C.V., in such a way that, as of such date, Grupo Gigante, S.A.B. de C.V., ceased to have direct participation in Gigante Fleming, S.A. de C.V., but maintains control through its subsidiary Gigante Grupo Inmobiliario, S.A. de C.V., that is, it maintains an indirect participation of 100%.
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.



Entity	Ownership 2021	Ownership 2020	Ownership 2019	Activity
Unidad de Servicios Compartidos Gigante, S.A. de C.V.	-	100.00%	100.00%	Provides administrative services to the Entity. On December 13, 2021, Grupo Gigante, S.A.B. de C.V., sold and transferred to its subsidiary Gigante Grupo Inmobiliario, S.A. de C.V., and the latter acquired ownership of all the shares representing the capital stock of Unidad de Servicios Compartidos Gigante, S.A. de C.V., owned by Grupo Gigante, S.A.B. de C.V., in such a way that, as of such date, Grupo Gigante, S.A.B. de C.V., ceased to have direct participation in Unidad de Servicios Compartidos Gigante, S.A. de C.V., but maintains control through its subsidiary Gigante Grupo Inmobiliario, S.A. de C.V., that is, it maintains an indirect participation of 100%.
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 2021	Ownership 2020	Ownership 2019	Activity
Office Depot de México, S. A. de C. V.	100.00%	100.00%	100.00%	As of December 31, 2021, It operates 295 office supply stores in Mexico (including 4 Distribution Centers that also sell merchandise), specialized in the sale of office and electronic products and equipment, 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 157 electronics and technology stores Radio Shack (including one distribution center that also sells merchandise). As of December 31, 2020 and 2019, there were a total of 297 and 302 points of sale, respectively.



Entity	Ownership 2021	Ownership 2020	Ownership 2019	Activity
Distribuidora Storehome, S. A. de C. V.	100.00%	100.00%	100.00%	As of December 31, 2021, it operates 17 self-service stores that sell houseware. As of December 31, 2020 and 2019, they comprised 18 and 20 self-service stores specializing in the sale of household items, respectively.
Restaurantes Toks, S. A. de C. V.	100.00%	100.00%	100.00%	As of December 31, 2021, it is a chain of 192 under the Restaurantes Toks brand. As of December 31, 2020 and 2019, there was a chain of 197 and 211 restaurants under the Restaurantes Toks brand, respectively.
Operadora y Administradora de Restaurantes Gigante, S. A. de C. V.	100.00%	100.00%	100.00%	As of December 31, 2021, it operates 22 Chinese fast food restaurants through the franchise agreement. As of December 31, 2020 and 2019, there were 24 and 23 Panda Express Chinese food restaurants under the franchise scheme, respectively.
Operadora de Alimentos y Malteadas, S.A.P.I. de C.V. (formerly Operadora de Café y Chocolate de Especialidad, S. A. de C. V.)	100.00%	100.00%	100.00%	As of December 31, 2021, it operates 7 fast food restaurants using the Shake Shack brand through a franchise agreement. As of December 31, 2020 and 2019, there were 4 and 2 Shake Shack restaurants under the franchise scheme, respectively.
Beer Factory de México, S.A. de C.V.	100.00%	100.00%	100.00%	As of December 31, 2021 and 2020, it includes 6 restaurants under the "Beer Factory" brand. In March 2020, it acquired from some subsidiaries of Fine & Casual Dining, 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. It currently has 7 units and the rights derived from the franchises of 3 units.
Controinmuebles, S.A. de C.V.	100.00%	100.00%	100.00%	As of December 31, 2021, there are more than 70 properties where stores, offices and commercial premises leased to third parties are located (including some restaurants and stores of the Entity) (see Note 1 (mergers between subsidiaries)).

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 2021	Profit (loss) allocated to non-controlling interests 2021	Accumulated non-controlling interests 2021
Benmore International Corp.	Dominican Republic	10.0%	\$ 116	\$ 8
Inmobiliaria Lomo Lomas Verdes, S. A. de C. V.	Mexico	49.9%	16,350	178,756
Grupo Prisa	Chile	49.0%	<u>95,952</u>	<u>363,096</u>
			<u>\$ 112,418</u>	<u>\$ 541,860</u>

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2021	Comprehensive income allocated to non-controlling interest 2021
Benmore International Corp.	Dominican Republic	10.0%	\$ 116
Inmobiliaria Lomo Lomas Verdes, S. A. de C. V.	Mexico	49.9%	16,350
Grupo Prisa	Chile	49.0%	<u>7,876</u>
			<u>\$ 24,342</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	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>

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., announced 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.



Grupo Prisa, is a group of companies dedicated mainly to institutional distribution and specialized retail in articles, furniture and electronic products for the office.

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:

	2021	2020	2019
Current assets	\$ 29,299	\$ 36,494	\$ 40,822
Investment property	519,153	537,065	555,862
Other assets	<u>20,368</u>	<u>42,147</u>	<u>45,288</u>
Total assets	568,820	615,706	641,972
Long-term debt	-	250,906	251,251
Other liabilities	<u>211,308</u>	<u>23,982</u>	<u>42,241</u>
Total liabilities	<u>211,308</u>	<u>274,888</u>	<u>293,492</u>
Stockholders' equity	<u>\$ 357,512</u>	<u>\$ 340,818</u>	<u>\$ 348,480</u>
Non-controlling interest	<u>\$ 178,756</u>	<u>\$ 170,409</u>	<u>\$ 174,240</u>

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

	2021	2020	2019
Rental income	\$ 104,114	\$ 91,072	\$ 125,464
Profit for the year	32,701	8,338	23,106
Non-controlling interest	16,350	4,169	11,553

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:

	2021	2020	2019
Current assets	\$ 1,525,286	\$ 1,831,233	\$ 1,579,254
Property and equipment	111,094	144,826	154,876
Right-of-use assets	145,933	231,262	277,468
Other assets	<u>33,849</u>	<u>32,348</u>	<u>25,876</u>
Total assets	1,816,162	2,239,669	2,037,474
Current liabilities	969,120	1,122,409	1,085,449
Other long-term liabilities	<u>106,030</u>	<u>182,189</u>	<u>216,245</u>
Total liabilities	<u>1,075,150</u>	<u>1,304,598</u>	<u>1,301,694</u>
Stockholders' equity	<u>\$ 741,012</u>	<u>\$ 935,071</u>	<u>\$ 735,780</u>
Equity interest 49%	\$ 363,096	\$ 458,185	\$ 360,532
Initial recognition of the Grupo Prisa put option	<u>-</u>	<u>(265,260)</u>	<u>(245,763)</u>
Non-controlling interest	<u>\$ 363,096</u>	<u>\$ 192,925</u>	<u>\$ 114,769</u>



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

	2021	2020	2019
Rental income	\$ 4,359,972	\$ 4,183,725	\$ 3,983,828
Profit for the year	195,820	126,167	36,431
Non-controlling interests	95,952	61,820	17,851
Comprehensive income	16,074	159,502	52,906
Comprehensive income allocated to non-controlling interest	7,876	78,156	25,924

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"	\$ <u>150,000</u>

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:

<i>Long-term assets:</i>	2020
Inventory	\$ 529
Property and equipment	17,471
Intangible assets	<u>132,000</u>
Net assets acquired	<u>150,000</u>
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, 2021, these values no longer had modifications. It was concluded for the acquisition, the market valuations and other calculations necessary to determine the fair values of acquired intangible assets.



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 determination of the value in use is calculated as the present value of the cash flows of each cash-generating unit ("CGU"), determined through key assumptions such as business plans for each CGU considering past experience performance, budgets approved and economic and market conditions for future plans and their perpetuity. Depending on the nature of the business of each CGU, Entity's management makes projections for future cash flows considering scenarios between 5 and 10 years. The projected cash flows are discounted at a rate that reflects the appropriate weighted average cost of capital (WACC) that considers projected long-term inflation, the level of indebtedness, country risk rate and size premium among others. The most representative discount rates of the CGUs by segment were 12.08% and 10.30% for the restaurant and retail segments, respectively. Likewise, the average perpetuity factor used into the valuation models of restaurant and retail segments were 3.5% and 3.75%, respectively. As of December 31, 2021, 2020 and 2019, the calculations carried out concluded that goodwill is not impaired.

The reconciliation of goodwill is as follows:

	2021	2020	2019
Balance as of January 1,	\$ 985,408	\$ 978,474	\$ 985,993
Effect of foreign currency translation	<u>(10,089)</u>	<u>6,934</u>	<u>(7,519)</u>
Balance as of December 31,	<u>\$ 975,319</u>	<u>\$ 985,408</u>	<u>\$ 978,474</u>

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

	2021	2020	2019
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



	2021	2020	2019
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>(13,841)</u>	<u>(3,752)</u>	<u>(10,686)</u>
Total	<u>\$ 975,319</u>	<u>\$ 985,408</u>	<u>\$ 978,474</u>

17. Intangibles and other assets

	2021	2020	2019
Deferred charges	\$ 72,132	\$ 72,132	\$ 72,132
Accumulated amortization	<u>(38,394)</u>	<u>(34,971)</u>	<u>(28,976)</u>
	33,738	37,161	43,156
Trademark (i)	707,058	765,423	657,929
Customer list	250,437	268,062	338,647
Non-compete agreement	124,627	123,624	66,791
Accumulated amortization	<u>(309,838)</u>	<u>(277,330)</u>	<u>(309,873)</u>
	772,284	879,779	753,494
Software licenses	540,777	433,885	371,536
Accumulated amortization	<u>(355,527)</u>	<u>(307,442)</u>	<u>(273,291)</u>
	185,250	126,443	98,245
Restricted cash – Note 5	77,397	116,405	85,291
Technical assistance paid in advance	8,756	9,268	9,438
Rent holidays and key money paid	49,617	45,938	47,274
Derivative financial instruments	5,399	-	26,168
Other long-term advance payments and advance payments for construction	<u>367,477</u>	<u>357,050</u>	<u>409,966</u>
Total	<u>\$ 1,499,918</u>	<u>\$ 1,572,044</u>	<u>\$ 1,473,032</u>

- (i) Included within Trademark balance, there are trademarks with indefinite useful life, mainly related to the acquisition of Marchand (1) in 2014; as well as Grupo Prisa (2) and RadioShack (3), the latter in 2015. The value of such trademarks is \$498,187, \$556,843 and \$526,880 at the end of 2021, 2020 and 2019, respectively.

During the years ended December 31, 2021 and 2020, there were additions of intangibles for \$108,933, \$194,349, respectively. During 2019, there were no additions of intangibles. The 2021 additions are mainly made up of software licenses and the 2020 additions are mainly made up of trademarks and non-compete agreements derived from the acquisition of Farolito as described in Note 15.

Amortization expense is presented in the operating expenses line item in the consolidated statements of profit and loss and other comprehensive income for the periods 2021, 2020 and 2019 it amounted to \$94,002, \$74,541 and \$65,346, respectively. Likewise, during those same years there is a favorable (unfavorable) conversion effect of (\$67,042), \$28,680 and \$21,242, respectively.



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

	2021	2020	2019
Taxes payable – mainly ISR	\$ 998,031	\$ 777,015	\$ 524,860
Direct employee benefits	272,452	115,288	218,870
Accrued operating expenses ⁽ⁱ⁾	1,209,532	511,785	382,595
Accrued interest to be paid	30,546	26,280	25,999
Derivative financial instruments ("PUT option", see Note 25)	-	183,888	166,284
Accounts payable with associated entities	5,264	213	4,765
Advances received from customers	53,381	72,456	36,030
Other accounts payable	711,795	622,344	805,467
	<u>\$ 3,281,001</u>	<u>\$ 2,309,269</u>	<u>\$ 2,164,870</u>

(i) As of December 31, 2021 and 2020, it includes the recognition of a provision as required by IFRIC 23.

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.

	2021	2020	2019
Balance as of January 1	\$ 4,954,788	\$ 5,403,542	\$ 5,792,224
Additions new contracts and increase by index or rates	430,392	389,938	356,681
Disposals to early termination (Note 11)	(174,350)	(165,686)	-
Repayment of lease liabilities	(1,150,080)	(1,008,670)	(1,256,145)
Rent Concessions ⁽ⁱ⁾	(70,184)	(173,189)	-
Interest of lease liabilities	439,848	486,832	510,782
Changes in contract conditions	161,653	-	-
Effect of foreign currency exchange differences	35,876	22,021	-
Balance as of December 31	<u>\$ 4,627,943</u>	<u>\$ 4,954,788</u>	<u>\$ 5,403,542</u>
Current portion	768,679	796,257	724,874
Long-term lease liabilities	<u>3,859,264</u>	<u>4,158,531</u>	<u>4,678,668</u>
Balance as of December 31	<u>\$ 4,627,943</u>	<u>\$ 4,954,788</u>	<u>\$ 5,403,542</u>
Expense relating to short-term leases	\$ 162,289	\$ 185,970	\$ 129,446
Expense relating to variable lease payments	<u>41,417</u>	<u>47,460</u>	<u>60,268</u>
Total amount recognized in consolidated statement of profit or loss	<u>\$ 203,706</u>	<u>\$ 233,430</u>	<u>\$ 189,714</u>



- (i) As mentioned in Note 2, the amount recognized in the profit or loss of the reporting period, arising from the rental concessions to which the Entity has applied the practical resource of IFRS 16: 46B amounted as of December 31, 2021 and 2020 to \$70,184 and \$173,189 respectively and has been accounted for as other income in the profit or loss of the year.

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

	2021	2020	2019
Not more than 1 year	\$ 1,112,574	\$ 1,269,640	\$ 1,306,065
More than 1 year and not more than 5 years	3,130,231	3,603,314	4,142,755
More than 5 years	<u>2,309,706</u>	<u>2,826,034</u>	<u>3,494,768</u>
	<u>\$ 6,552,511</u>	<u>\$ 7,698,988</u>	<u>\$ 8,943,588</u>

20. Long-term debt

	2021	2020	2019
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
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



	2021	2020	2019
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 16, 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, 2019, 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 a 28 días rate plus a sole applicable margin of 215 basis points throughout the entire credit period. (iii)	-	160,642	164,904
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, 2019, 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. (v)	-	413,080	424,039



	2021	2020	2019
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 (i).	-	900,806	941,513
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 for the amount of \$3,000,000 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%. On June 17, 2020, December 16, 2020, and March 16, 2021, certain modified amendments were entered into the credit agreement by means of which payments of principal and/or interest amortizations were rescheduled, the term of the credit was extended to due in 2031 and the amortization schedule was modified to include a grace period and agree on 120 monthly loan amortizations (vii).	2,325,630	2,405,429	2,556,259
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 TIIE rate plus an applicable margin that increases each year.	-	-	-



	2021	2020	2019
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%. On July 14, 2021, Grupo Gigante, S.A.B. of C.V. restructured this credit loan, consolidating it into the loan identified in point (xi) below, extending the maturity term to 2026, establishing a 28-day TIIE variable rate plus applicable margin and 19 increasing quarterly amortizations as of January 2022. (viii)	3,900,000	4,186,987	4,183,178
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%. On July 14, 2021 Restaurantes Toks, S.A. de C.V., restructured this loan by extending the maturity term to October 14, 2025, establishing a 28-day TIIE variable rate plus applicable margin and 14 increasing quarterly amortizations as of July 2022. (ix)	1,100,000	1,098,177	1,097,919
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 40 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. On July 20, 2021, this loan was restructured, extending the maturity period to 2031, establishing a variable rate of TIIE at 28 days plus 3.5 percentage points and 102 increasing monthly amortizations (once the applicable grace period has ended) (x)	1,035,048	1,032,329	995,106



	2021	2020	2019
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. On July 14, 2021, Grupo Gigante, S.A.B. de C.V., restructured this credit loan by consolidating it into the loan identified in point (viii) above, extending the maturity term to 2026, establishing a 28-day TIIE variable rate plus applicable margin and increasing quarterly amortizations as of January 2022. (xi)	-	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. On February 26, 2021, a second advance payment was made for \$118,000 and on March 23, 2021 the remaining balance was settled for \$941,834. Interest is paid monthly at the 28-day TIIE rate plus an applicable margin of 3.25%. (xii)	-	1,040,708	-
On August 19, 2021, Gigante Grupo Inmobiliario, S.A. of C.V. (subsidiary of Grupo Gigante, S.A.B. de C.V.), entered into a simple loan with fiduciary guarantee. The only drawdown was for \$2,000,000, maturing in 2026, to be settled through 61 monthly installments, paying monthly interest at the 28-day TIIE rate plus an applicable margin of 3.15%. (ii)	1,973,840	-	-
On July 20, 2021, Arbokel, S.A. of C.V. (subsidiary of Grupo Gigante, S.A.B. de C.V.), entered into a simple loan with mortgage and pledge guarantee. The only drawdown was for \$695,000, with a maturity date in 2031, to be settled through 108 monthly amortizations beginning at the end of the grace period and paying monthly interest at 28-day TIIE rate plus 3.00 percentage points. (vi)	695,000	-	-



2021

2020

2019

On July 20, 2021, Guadalajara, S.A. of C.V. (subsidiary of Grupo Gigante, S.A.B. de C.V.), entered into a simple loan with mortgage and pledge guarantee. The only drawdown was for \$265,000, with a maturity date in 2031, to be settled through 108 monthly amortizations beginning at the end of the grace period, paying monthly interest at 28-day TIIE rate plus 3.00 percentage points. As a result of the mergers (see Note 1), on December 31, 2021, Controinmuebles, S.A. of C.V. (subsidiary of Grupo Gigante, S.A.B. de C.V.) assumed, among others, all the rights and obligations that, as of that date, corresponded to Guadalajara, S.A. de C.V., including the rights and obligations of Guadalajara, S.A. de C.V. as accredited in this credit (iv)

	<u>265,000</u>	<u>-</u>	<u>-</u>
Total debt	11,294,518	12,241,873	10,745,739
Amortized Cost - Net ^(a)	<u>9,013</u>	<u>-</u>	<u>-</u>
Total debt	<u>\$ 11,303,531</u>	<u>\$ 12,241,873</u>	<u>\$ 10,745,739</u>
Current portion	\$ 765,407	\$ 2,677,782	\$ 446,205
Long-term debt	<u>10,538,124</u>	<u>9,564,091</u>	<u>10,299,534</u>
	<u>\$ 11,303,531</u>	<u>\$ 12,241,873</u>	<u>\$ 10,745,739</u>

- (a) Effect of amortized cost generated by the restructuring of bank loans that according to the framework of IFRS 9 Financial Instruments did not qualify as substantial modifications of the original bank debt agreement. The present value of such restructuring amounts to a loss of \$225,869, that was recognized as an adjustment to the amortized cost of the original debt. Such amortized cost adjustment was recorded as part of financial expenses in the consolidated statement of income and other comprehensive income for the year ended December 31, 2021. Such effect did not generate cash flows.

As of December 31, 2021, 2020 and 2019, TIIE was 5.71%, 4.48% and 7.56%, respectively.

- (i) On August 27, 2021, these credits were settled ahead of time.

As a result of the settlement of the credits contracted by Gigante, S.A. de C.V. and Inmobiliaria Lomo Lomas Verdes, S.A. de C.V., the mortgages contracted for the two investment properties used as collateral were cancelled. The credits had contracted derivative hedging instruments to limit the drawdowns of credits contracted at a variable interest rate (TIIE), so as to manage the interest rate risk. Under these schemes, the interest rate was limited to levels ranging from 7.50% and 7.92% throughout the entire credit period. These passive/(active) derivative financial instruments had a fair value of \$5,468 and \$(6,065) as of December 31, 2020 and 2019, respectively.



The credit contracted by Gigante Grupo Inmobiliario, S.A de C.V. had contracted a derivative hedging instrument to limit the drawdowns of credits contracted at a variable interest rate (TIIE), so as to manage the interest rate risk related to drawdowns. Under these schemes, the interest rate was limited to levels ranging from 7.36% and 7.96% throughout the entire credit period. These passive/(active) derivative financial instruments had a fair value of \$12,297 and \$(20,103) as of December 31, 2020 and 2019, respectively.

- (ii) This loan is guaranteed through an irrevocable management, guarantee and payment trust to which 20 of the Entity's investment properties were transferred. As of December 31, 2021, the commercial value of these investment properties is \$5,655,200.

The contract documenting this loan establishes financial ratios and restrictions, as well as the causes for early maturity as the main limitations, as follows:

- a) Limitations: 1) incurring additional debt if this additional debt is intended to guarantee the assets used to guarantee the credit; 2) attaching liens to the assets used to guarantee the credit; 3) the dissolution and liquidation of the borrower and trustors; 4) the transfer of the assets used to guarantee the credit; 5) changes the nature of the business of the borrower and trustors; 6) the maximum amounts allocated for the operating expenses and maintenance of the assets used to guarantee the credit, and 7) the payment of dividends by the borrower if the causes for non compliance and early maturity arise.
- b) Financial Ratios and Restrictions: 1) the loan to value ratio; 2) the debt service hedging ratio; 3) "WALT" (the remaining weighted average of the lease contracts related to the assets granted in guarantee); 4) the minimum occupation of the assets granted in guarantee, and 5) the debt service and capital investment reserve funds, and
- c) Causes for Early Maturity: 1) a default involving the principal or interest payment or the use given to the credit; 2) a debt cross-default; 3) noncompliance related to affirmative or negative covenants; 4) the delivery of significantly false or erroneous information; 5) insolvency; 6) expropriation; 7) a change of control; 8) labor conflicts, and 9) sentences and distrains. Most of the causes for early maturity consider remediation periods and materiality amounts.

As part of the negotiation, the creditor financial institutions required the cancellation of the "SWAPS" currently in effect, together with the contracting of new derivative financial instruments as interest hedges, so as to manage the risk related to the variable credit interest rate (28-day TIIE rate), and to hedge the amount and term. Under this scheme, interest rate limits ranging from between 7.2215% and 7.38% were defined as of December 31, 2021 and throughout the entire credit period. Under the terms of the credit contract, the contracted instrument must hedge at least 70% of the outstanding credit balance. Hedging derivative operations are also guaranteed through the trust referred to in this point. The initial notional value of the SWAP was \$1,381,688, thereby hedging 70% of the outstanding credit balance on the date when the derivative instrument was contracted.

These derivative financial instruments had a fair value of \$5,399 as of December 31, 2021.

- (iii) On July 20, 2021, this credit was settled ahead of time.

As a result of settling this credit, ownership of the real property contributed to the guarantee trust was reverted and the pledge was canceled without transferring possession of the movable goods related to that real property.

- (iv) This loan is guaranteed by a mortgage on an investment property, a pledge involving the lease collection rights of this real property, as well as the joint and several liability of Arbokel, S.A. de C.V. (a subsidiary de Grupo Gigante, S.A.B. de C.V.) in its capacity as guarantor. As of December 31, 2021, the fair value of the investment property is \$477,232



On December 31, 2021, Guadalajara, S.A. de C.V. agreed to merge, as the absorbed company, with Controinmuebles, S.A. de C.V. (a subsidiary de Grupo Gigante, S.A.B. de C.V.), as the absorbing company (see Note 1). As a result of this merger, Controinmuebles, S.A. de C.V. assumed all the rights and obligations pertaining to Guadalajara, S.A. de C.V., in its capacity as borrower at the merger date, including those derived from this credit contract.

The contract documenting this loan establishes financial ratios and restrictions, as well as the causes for early maturity as the main limitations, as follows:

- a) Limitations: 1) incurring additional liabilities; 2) attaching liens for a value equal to or exceeding 5% of the borrower's fixed assets; 3) granting loans or credits outside the normal course of business; 4) transferring assets with a value equal to or exceeding 5% of the borrower's fixed assets, and 5) changes to the nature of the borrower's business.
- b) Financial Ratios and Restrictions: 1) the debt service hedging ratio, the measurement of which will start as of the close of the fourth quarter of 2022; 2) minimum stockholders' equity; 3) the minimum appraisal percentage guarantee, and
- c) Causes for early maturity: 1) a default involving the principal or interest payment; 2) a debt cross-default; 3) noncompliance related to affirmative or negative covenants; 4) the delivery of significantly false or erroneous information; 5) noncompliance involving the payment of tax obligations; 6) sentences and distrains; 7) the reduction of the value of the guarantee or the failure to maintain the required insurance; and 8) labor conflicts. Most of the causes for early maturity consider remediation periods and materiality amounts

- (v) On July 20, 2021, this credit was settled in ahead of time.

As a result of settling this credit, ownership of the real property contributed to the guarantee trust was reverted and the pledge was canceled without transferring possession of the movable goods related to that real property

- (vi) This loan is guaranteed by a mortgage on an investment property, a pledge involving the lease collection rights of this real property, as well as the joint and several liability of Controinmuebles, S.A. de C.V. (a subsidiary of Grupo Gigante, S.A.B. de C.V.) in its capacity as guarantor. As of December 31, 2021, the fair value of the investment property is \$1,428,031.

On December 31, 2021, Guadalajara, S.A. de C.V. agreed to merge, as the absorbed company, with Controinmuebles, S.A. de C.V. (a subsidiary de Grupo Gigante, S.A.B. de C.V.), as the absorbing company (see Note 1). As a result of this merger, Controinmuebles, S.A. de C.V. assumed all the rights and obligations pertaining to Guadalajara, S.A. de C.V., in its capacity as joint obligor and guarantor at the merger date, including those derived from this credit contract

The contract documenting this loan establishes financial ratios and restrictions, as well as the causes for early maturity as the main limitations, as follows:

- d) Limitations: 1) incurring additional liabilities; 2) attaching liens for a value equal to or exceeding 5% of the borrower's fixed assets; 3) granting loans or credits outside the normal course of business; 4) transferring assets with a value equal to or exceeding 5% of the borrower's fixed assets, and 5) changes to the nature of the borrower's business.
- e) Financial Ratios and Restrictions: 1) the debt service hedging ratio, the measurement of which will start as of the close of the fourth quarter of 2022; 2) minimum stockholders' equity; 3) the minimum appraisal percentage guarantee, and



- f) Causes for early maturity: 1) a default involving the principal or interest payment; 2) a debt cross-default; 3) noncompliance related to affirmative or negative covenants; 4) the delivery of significantly false or erroneous information; 5) noncompliance involving the payment of tax obligations; 6) sentences and distrains; 7) the reduction of the value of the guarantee or the failure to maintain the required insurance; and 8) labor conflicts. Most of the causes for early maturity consider remediation periods and materiality amounts.

(vii) This loan is guaranteed by the joint and several liability of Grupo Gigante, S.A.B. de C.V

The contract documenting this loan establishes financial ratios and restrictions, as well as the causes for early maturity as the main limitations, as follows:

- a) Limitations: 1) incurring additional liabilities, 2) attaching liens, and 3) reducing or modifying the shareholding structure of Office Depot de México, S.A. de C.V. if this implies a change of control.
- b) Financial Ratios and Restrictions: 1) leverage ratio; and 2) interest rate hedge ratio, in both cases, as of the first quarter of 2022, and
- c) Causes for early maturity: 1) a default involving the principal or interest payment; 2) a debt cross-default; 3) noncompliance related to affirmative or negative covenants; 4) the delivery of significantly false or erroneous information, 5) noncompliance involving the payment of tax obligations, and 6) insolvency. Most of the causes for early maturity consider remediation periods and materiality amounts.

On June 17, 2020, a first amendatory agreement to the credit contract was executed whereby, among other matters: a) the payment of ordinary interest and partial principal payments for the months from June through November 2020 were rescheduled. The rescheduled principal payments will be settled, without penalties, late payment or any other charges through the last four credit payments, while the rescheduled ordinary interest was settled through a single payment, without penalties or charges on December 17, 2020; and, b) the restriction and respective financial obligation were included at the leverage level.

On December 16, 2020, a second amendatory agreement to the credit contract was executed whereby, among other matters: a) the payment of ordinary interest and partial principal payments for the months from December 2020 through February 2021 was rescheduled. The rescheduled principal payments were settled, without penalties, late payment or any other charges on March 17, 2021.

On March 16, 2021, a third amendatory agreement to the credit contract was executed whereby, among other matters, partial principal payments were rescheduled with a new grace period until July 2021, thereby extending the contract period until 2031 and adding a financial obligation related to the interest rate hedge ratio.

A hedging derivatives contract was executed in relation to this loan to manage the variable interest rate risk (28-day THIE rate). Under this scheme, the interest rate was set at 7.5950% plus a surcharge of 143 basis points.

As a result of the third amendatory agreement, the table of payments of the contracted derivative financial instrument was modified throughout the period of the derivative financial instrument to adapt it to the rescheduled payments agreed in that third amendatory agreement. The derivative financial instrument matures in November 2026. The initial notional value of the SWAP was \$3,000,000, thereby hedging the entire outstanding credit balance as of the date on which the derivative was contracted.



This passive derivative financial instrument had a fair value of \$17,527, \$214,675 and \$73,650 as of December 31, 2021, 2020 and 2019, respectively.

- (viii) This loan is guaranteed through a guarantee trust with rights of reversion to which the 14 real properties were transferred, of which 10 real properties are recorded in investment properties and 4 real properties are recorded in property and equipment, with a total commercial value of \$2,565,390, together with a securities pledge for the CBFIs referred to by Notes 6 and 13. Gigante Grupo Inmobiliario, S.A. de C.V., Office Depot de México, S.A. de C.V. and Restaurantes Toks, S.A. de C.V. (subsidiaries of Grupo Gigante, S.A.B. de C.V.) act as guarantors

The contract documenting this loan establishes financial ratios and restrictions, as well as the causes for early maturity as the main limitations, as follows:

- a) Limitations: 1) incurring additional debt, 2) attaching liens, 3) corporate consolidations, mergers and divisions, 4) disposal of assets, 5) sale of assets outside the normal course of business, 6) limitations applicable to the execution of leases, 7) changes in the nature of the business, 8) the payment of dividends or distributions to the borrower's stockholders, 9) dissolution and liquidation, 10) debt forgiveness, 11) acquisition of fixed assets outside the normal course of business, and 12) capital investments outside the normal course of business.
- b) Financial Ratios and Restrictions: 1) leverage ratio, and 2) interest rate hedge ratio, 3) minimum stockholders' equity y 4) minimum appraisal percentage guarantees, and
- c) Causes for early maturity: 1) a default involving the principal or interest payment; 2) a debt cross-default; 3) noncompliance related to affirmative or negative covenants; 4) the delivery of significantly false or erroneous information, 5) noncompliance involving the payment of tax obligations, 6) sentences and distrains, 7) a change of control, and 8) insolvency. Most of the causes for early maturity consider remediation periods and materiality amounts.

On December 3, 2021, Grupo Gigante, S.A.B. de C.V. contracted a derivative financial instrument known as a "SWAP", which replaced the "SWAP" previously in effect, thereby eliminating the risks related to the variable credit interest rate, setting a variable credit interest rate (28-day TIIE rate) based on a tiered interest rate, according to the following: (a) from November 15, 2022 through November 15, 2023, 7.96%; (b) from November 15, 2023 through November 15, 2024, 8.36%; (c) from November 15, 2024 through November 18, 2025, 8.76%, and (c) from November 18, 2025 through July 14, 2026, 9.10%. The initial notional value of the SWAP was \$3,900,000, thereby hedging the entire outstanding credit balance as of the date on which the derivative was contracted.

This passive derivative financial instrument had a fair value of \$63,468, \$296,043 and \$158,763 as of December 31, 2021, 2020 and 2019, respectively

- (ix) This loan is guaranteed through a guarantee trust with rights of reversion to which the 15 real properties were transferred, with a commercial value of \$1,107,203. Grupo Gigante, S.A.B. de C.V. and Grupo Toks, S.A. de C.V. (subsidiary of Grupo Gigante, S.A.B. de C.V.) act as guarantors

The contract documenting this loan establishes financial ratios and restrictions, as well as the causes for early maturity as the main limitations, as follows:

- a) Limitations: 1) incurring additional debt, 2) attaching liens, 3) corporate consolidations, mergers and divisions, 4) disposal of assets, 5) sale of assets outside the normal course of business, 6) limitations applicable to the execution of leases recorded as liabilities on the balance sheet; 7) changes in the nature of the business, 8) the payment of dividends or distributions to stockholders, 9) dissolution and liquidation, 10) debt forgiveness, 11) acquisition of fixed assets outside the normal course of business, and 12) capital investments outside the normal course of business.



- b) Financial Ratios and Restrictions: 1) leverage ratio, and 2) interest rate hedge ratio, and 3) minimum appraisal percentage guarantees, and
- c) Causes for early maturity: 1) a default involving the principal or interest payment; 2) a debt cross-default; 3) noncompliance related to affirmative or negative covenants; 4) the delivery of significantly false or erroneous information, 5) noncompliance involving the payment of tax obligations, 6) sentences and distrains, 7) a change of control y 8) insolvency. Most of the causes for early maturity consider remediation periods and materiality amounts.

In order to manage the risk derived from the variable credit interest rate (28-day TIIE rate), on August 13, 2021, a derivative financial instrument was contracted, which established a tiered interest rate during the credit period, according to the following: (a) from July 15, 2021 through July 15, 2022, 6.75%; (b) from July 15, 2022 through July 17, 2023, 7.25%, (c) from July 17, 2023 through July 15, 2024, 7.75%, and (d) from July 15, 2024 through October 14, 2025, 10.6%. The initial notional value of the SWAP was \$1,100,000, thereby hedging the entire outstanding credit balance as of the date on which the derivative was contracted.

This derivative financial instrument had a passive fair value of \$10,612, \$80,298 and \$46,261 as of December 31, 2021, 2020 and 2019, respectively.

- (x) This loan was guaranteed by a mortgage on a single investment property, a pledge composed by the lease collection rights of that real property, as well at the joint and several liability of Controinmuebles, S.A. de C.V. (subsidiary of Grupo Gigante, S.A.B. de C.V.) acting as guarantor. As of December 31, 2021, the fair value of the investment property is \$1,940,816.

The contract documenting this loan establishes financial ratios and restrictions, as well as the causes for early maturity as the main limitations, as follows:

- a) Limitations: 1) capital investments, 2) incurring additional liabilities, 3) attaching liens to assets with a value equal to or exceeding 5% of the borrower's fixed assets and in excess of \$2,000,000 in the case of the joint obligor; 4) mergers and divisions, 5) granting loans or credits outside the normal course of business, 6) transferring assets for a value equal to or exceeding 5% of the fixed assets of the borrower and joint obligor, respectively, 7) changes in the nature of the business, and 8) the payment of dividends.
- b) Financial Ratios and Restrictions: 1) the debt service hedging ratio, the measurement of which will start as of the close of the fourth quarter of 2022, 2) minimum stockholders' equity, and 3) the minimum appraisal percentage guarantee, and
- c) Causes for early maturity: 1) a default involving the principal or interest payment; 2) a debt cross-default; 3) noncompliance related to affirmative or negative covenants; 4) the delivery of significantly false or erroneous information, 5) noncompliance involving the payment of tax obligations, 6) sentences and distrains, 7) the reduction of the value of the guarantee or the failure to maintain the required insurance, 8) labor conflicts, and 9) a change of control. Most of the causes for early maturity consider remediation periods and materiality amounts.

On May 13, 2020, an amendatory agreement was executed whereby, among other matters, the parties agreed to accrue unpaid ordinary interest accrued as of May 13, 2020, together with the ordinary interest accrued under the terms of the credit contract, in four interest periods following the execution of the amendatory agreement, while also establishing September 13, 2020 as the new date for the payment of this ordinary interest.

On September 14, 2020, a second amendatory agreement was executed whereby, among other matters, the amount of \$35,047 related to the ordinary interest accrued at April 13 and August 13, 2020 was capitalized.



On July 20, 2021, a third amendatory agreement to the credit contract was executed whereby, among other matters, the maturity date was changed to July 2031, while the interest rate and monthly payments were also amended.

- (xi) On July 14, 2021, this loan was restricted and consolidated with the credit identified in the preceding point (viii)
- (xii) On March 23, 2021, this credit was settled ahead of time.

This loan is guaranteed by a guarantee trust with rights of reversion and a pledge agreement consisting of 100% of the shares representing the common stock of Gigante Grupo Inmobiliario, S.A. de C.V., together with certain nonstrategic real property assets.

The settlement of this credit released the shares representing the common stock of Gigante Grupo Inmobiliario, S.A. de C.V., whereby these real property assets remained as the guarantee granted for the credit referred to in the preceding point (viii)

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, 2021, 2020 and 2019 no revolving credit lines were contracted in pesos.

As of December 31, 2021, 2020 and 2019, no revolving credit lines were contracted in US dollars.

As of December 31, 2021, letters of credit were contracted in thousands of US dollars for \$4,790, of which \$1,306 were drawdown. 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.

	2021	2020	2019
Balance as of January 1	\$ 12,241,873	\$ 10,745,739	\$ 10,517,633
Proceeds from borrowings net of issuance costs	2,795,456	1,991,010	1,287,000
Capitalization to interest principal payable ⁽ⁱ⁾	-	35,048	-
Repayments of borrowings	(3,988,459)	(583,780)	(1,075,896)
Amortization of issuance costs	<u>254,661</u>	<u>53,856</u>	<u>17,002</u>
Balance as of December 31	<u>\$ 11,303,531</u>	<u>\$ 12,241,873</u>	<u>\$ 10,745,739</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

- a. Defined contribution plans - Under Mexican law, the Entity is required to make payments equivalent to 2% of its workers' daily integrated salary to a defined contribution plan that is part of the retirement savings system. The related expense during 2021, 2020 and 2019 was \$49,779, \$57,698 and \$58,252 respectively.
- b. Defined benefit plans - The Entity has defined benefits pension plans, which include a voluntary retirement plan and a lump-sum payment plan required by the Mexican Labor law (seniority premiums). In the voluntary retirement plan eligible employees who retire voluntarily are entitled to receive a lump-sum payment determined based on their years of service and salary. Seniority premium, according to article 162 of the Mexican Labor law, consists of a lump-sum payment equivalent 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.
- c. 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, 2021, the liability related to this plan was 2020, and 2019 was \$106,128, \$33,909 and \$32,472 respectively.
- d. Amounts recognized in comprehensive income in respect of these defined benefit plans are as follows:

	2021	2020	2019
Service cost:			
Current service cost	\$ 19,825	\$ 38,927	\$ 12,132
Past service cost and curtailment gains	(7,328)	(36,494)	6,062
Net interest expense	<u>15,178</u>	<u>15,244</u>	<u>9,268</u>
	27,675	17,677	27,462
Components of defined benefit costs recognized in other comprehensive income - Net actuarial gains	<u>7,955</u>	<u>58,382</u>	<u>5,313</u>
Total	<u>\$ 35,630</u>	<u>\$ 76,059</u>	<u>\$ 32,775</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:

	2021	2020	2019
Present value of defined benefit obligation	\$ 337,335	\$ 306,805	\$ 230,065
Fair value of plan assets	<u>(102,433)</u>	<u>(103,942)</u>	<u>(112,171)</u>
Net liability arising from defined benefit obligation	234,902	202,863	117,894
Other long term benefits -	<u>-</u>	<u>33,909</u>	<u>32,472</u>
Total liability arising from defined benefit obligation	<u>\$ 234,902</u>	<u>\$ 236,772</u>	<u>\$ 150,366</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 except as mentioned in Note 20.

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:

	2021	2020	2019
Cash and cash equivalents – Note 5	\$ (3,082,559)	\$ (2,424,653)	\$ (1,686,783)
Financial instruments / Development capital certificates (CKD) – Note 6	(324,465)	(351,643)	(426,608)
Long term restricted cash – Note 17	(77,397)	(116,405)	(85,291)
Real Estate Trust Stock Certificates - Note 6	(1,141,892)	-	-
Derivative financial instruments - Note 20	86,208	608,781	252,506
Liability from derivative financial instrument (PUT option) at fair value through profit or loss. (See Note 18 and 25)	-	183,888	166,284
Long-term debt – Note 20	<u>11,303,531</u>	<u>12,241,873</u>	<u>10,745,739</u>
Net debt	<u>6,763,426</u>	<u>10,141,841</u>	<u>8,965,847</u>
Lease liabilities – Note 19	<u>4,627,943</u>	<u>4,954,788</u>	<u>5,403,542</u>
Subtotal –Net Debt with lease	<u>11,391,369</u>	<u>15,096,629</u>	<u>14,369,389</u>
Stockholders' equity	<u>\$ 22,333,155</u>	<u>\$ 20,531,229</u>	<u>\$ 22,564,672</u>
Net debt to equity ratio	<u>30%</u>	<u>49%</u>	<u>40%</u>
Net debt ratio with lease and capital	<u>51%</u>	<u>74%</u>	<u>64%</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:

	2021	2020	2019
i. Cash and cash equivalents	\$ 3,082,559	\$ 2,424,653	\$ 1,686,783
ii. Held for trading financial instruments	77,397	116,405	85,291
iii. Financial instruments / Development capital certificates (CKD)	324,465	351,643	426,608
iv. Real Estate Trust Stock Certificates	1,141,892	-	-
v. Accounts receivable - Net	1,613,859	1,348,461	1,572,604
vi. Trade accounts payable	3,902,695	4,123,831	4,773,714
vii. Advances payments received from customers	53,381	72,456	36,030
viii. Lease liabilities	4,627,943	4,954,788	5,403,542
ix. Long-term debt at amortized cost	11,303,531	12,241,873	10,745,739
x. Derivative financial instruments	(86,208)	(608,781)	(252,506)
xi. Liability from derivative financial instrument (PUT option) at fair value through profit or loss. (See Note 18 and 25)	-	(183,888)	(166,284)

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 this Note. 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 9%, 8%, and 7% for the year ended December 31, 2021, 2020 and 2019, respectively, of total purchases of the Entity's inventories were imported by approximately 80,179, 63,555, and 76,508 (thousands of US dollars) for the years ended December 31, 2021, 2020 and 2019, respectively.

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

	2021	2020	2019
<i>Thousands of U.S. dollars:</i>			
Monetary assets	5,793	4,537	2,838
Monetary liabilities	<u>8,938</u>	<u>6,741</u>	<u>15,393</u>
Net liability position	<u>(3,145)</u>	<u>(2,204)</u>	<u>(12,555)</u>
Equivalent in thousands of Mexican pesos	<u>\$ (64,522)</u>	<u>\$ (43,937)</u>	<u>\$ (236,947)</u>

The exchange rates as of the date of issuance of these consolidated financial statements were as follows:

	2021	2020	2019	March 28, 2022
U.S. dollar	<u>\$ 20.5157</u>	<u>\$ 19.9352</u>	<u>\$ 18.8727</u>	<u>\$ 19.9577</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.



	2021	2020	2019
Net position in thousands of U.S. dollar	(3,145)	(2,204)	(12,555)
Estimated exchanges rates:	<u>21.5415</u> <u>19.4899</u>	<u>20.9320</u> <u>18.9384</u>	<u>19.8163</u> <u>17.9291</u>
Sensitivity + / -	<u>5%</u>	<u>5%</u>	<u>5%</u>
Change in total comprehensive income for the year + / -	<u>\$ 3,226</u>	<u>\$ 2,197</u>	<u>\$ 11,847</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, 2021, 2020 and 2019 would decrease/increase by \$ 22,074, \$5,074, and \$508 respectively. This is mainly attributable to the Entity's exposure to interest rates on its variable rate borrowings.

As of December 31, 2021, derivative financial instruments that limit the interest rate risk by converting it to a fixed rate cover all of the variable rate bank loans held by the Entity. (See Note 20)

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 for \$1,613,859, \$1,348,461 and \$1,572,604 as of December 31, 2021, 2020 and 2019, respectively. As of December 31 2021, 2020 and 2019, the allowance for doubtful accounts receivable includes accounts that have been identified as potentially not recoverable.



No one single customer 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 maturities analysis table of financial liabilities as of December 31, 2021 is as follows:

	Less than 1 year	More than 1 year and less than 5 years	More than 5 years
Trade accounts payable	\$ 3,902,695	\$ -	\$ -
Advances received from customers	53,381	-	-
Other accounts payable	711,795	-	-
Long-term debt	765,407	7,751,846	2,786,278
Interest to accrue	1,030,539	4,019,729	1,880,585
Lease Liabilities	1,112,574	3,130,231	2,309,706

The maturities analysis table of financial liabilities as of December 31, 2020 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	1,269,640	3,603,314	2,826,034



The maturities analysis table of financial liabilities as of December 31, 2019 is as follows:

	Less than 1 year	More than 1 year and less than 5 years	More than 5 years
Trade accounts payable	\$ 4,773,714	\$ -	\$ -
Advances received from customers	36,030	-	-
Other accounts payable	805,467	-	-
Long-term debt	446,205	9,591,173	708,361
Interest to accrue	957,116	2,564,120	88,182
Lease Liabilities	1,306,065	4,142,755	3,494,768

The weighted average interest rate on the long-term debt as of December 31, 2021, 2020 and 2019 was 9.41%, 8.74% and 9.17% respectively. As of December 31, 2021, 2020 and 2019, some bank loans at a variable rate that the Entity had were covered with derivative financial instruments that limited the interest rate risk by converting it to a fixed rate. Such derivative financial instruments are settled in accordance with the maturities agreed upon in each of them. (See Note 20).

1. ***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 2021	Fair value hierarchy	Valuation techniques and key inputs
Development capital certificates (CKD)	\$ 324,465	Level 1	Quoted bid prices in an active market
Real Estate Trust Stock Certificates – Note 6	1,141,892	Level 1	Quoted bid prices in an active market
Derivative financial instruments	(86,208)	Level 2	Discounted cash flow



Assets/ liabilities	Fair value as of 2020	Fair value hierarchy	Valuation techniques and key inputs
Development capital certificates (CKD)	\$ 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
Development capital certificates (CKD)	\$ 426,608	Level 1	Quoted bid prices in an active market
Derivative financial instruments	(418,790)	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.

2021				
		Carrying amount	Fair value	
Financial liabilities held at amortized cost:				
Long-term debt		<u>\$ 11,303,531</u>	<u>\$ 11,156,010</u>	
	Level 1	Level 2	Total	Valuation techniques and significant inputs
Financial liabilities held at amortized cost:				
Long-term debt	<u>\$ -</u>	<u>\$ 11,156,010</u>	<u>\$ 11,156,010</u>	Discounted cash flows using market rates
2020				
		Carrying amount	Fair value	
Financial liabilities held at amortized cost:				
Long-term debt		<u>\$ 12,241,873</u>	<u>\$ 13,115,956</u>	
2019				
		Carrying amount	Fair value	
Financial liabilities held at amortized cost:				
Long-term debt		<u>\$ 10,745,739</u>	<u>\$ 11,024,542</u>	



23. Stockholders' equity

- a. Common stock as of December 31, 2021, 2020 and 2019 consists of the following:

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

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.

- b. As of December 31, 2021, 2020 and 2019, 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, 2021, 2020 and 2019, was \$28.90, \$25.80 and \$35.41 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, 2021, 2020 and 2019, 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:

	2021	2020	2019
Contributed capital account	\$ 15,335,304	\$ 14,285,332	\$ 13,849,086
Net consolidated tax income account (CUFIN) after 2014	1,457,671	537,973	521,381
CUFIN before 2014	<u>16,088,184</u>	<u>14,691,016</u>	<u>14,387,177</u>
Total	<u>\$ 32,881,159</u>	<u>\$ 29,514,321</u>	<u>\$ 28,757,644</u>



24. Other comprehensive income

Foreign currency translation reserve controlling interest

	2021	2020	2019
Balance at beginning of year	\$ 384,746	\$ 284,512	\$ 455,280
Actuarial loss - net of tax	(7,955)	(58,382)	(5,313)
Exchange differences on translating foreign operations	<u>(153,361)</u>	<u>158,616</u>	<u>(165,455)</u>
Balance end of year	<u>\$ 223,430</u>	<u>\$ 384,746</u>	<u>\$ 284,512</u>

25. Non-controlling interests

	2021	2020	2019
Balance at beginning of year	\$ 363,341	\$ 287,470	\$ 259,570
Profit allocated to non-controlling interest	112,418	66,488	28,287
Dividends collected	(138,853)	(8,001)	(8,460)
Put option reversal for Grupo Prisa (a)	293,030	-	-
Exchange differences arising on translating the foreign operations	<u>(88,076)</u>	<u>17,384</u>	<u>8,073</u>
Balance at end of year	<u>\$ 541,860</u>	<u>\$ 363,341</u>	<u>\$ 287,470</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. As a result of the expired period to exercise the PUT option that was not exercised. This item did not require cash flows.

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:

	2021	2020	2019
Purchase of inventory - other related parties	\$ 35,458	\$ 13,858	\$ 30,874
Rental expense - shareholders	94,801	112,239	113,779
Rental income - other related parties	58,569	53,482	45,266
Sales of inventory - other related parties	7,958	7,925	17,234
Consulting services received - other related parties	96,217	98,253	113,796
Consulting services provided - other related parties	167,050	170,765	117,339
Sales of assets classified as held for sale	684,641	-	-



	2021	2020	2019
Charitable contributions - other related parties	1,028	88	12,283
Other income	8,074	14,894	18,381
Other expenses	2,157	5,427	2,909

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

- b. As of December 31, 2021, 2020 and 2019, the Entity has accounts receivable due from related parties for \$155,528, \$77,764 and \$204,028. As of December 31, 2021, 2020 and 2019, there are accounts payable to related parties for \$5,264, \$213 and \$4,765 respectively.
- c. Employee benefits granted to key management were as follows:

	2021	2020	2019
Short-term benefits	\$ 171,285	\$ 214,074	\$ 196,692
Other long-term benefits	72,219	-	35,658
Termination benefits	2,847	14,328	22,889
Post employee benefits	1,130	1,071	978

27. Cost of sales and operating expenses

- a. Cost of sales is as follow:

	2021	2020	2019
Cost of merchandise sold	\$ 16,393,808	\$ 15,661,868	\$ 18,791,711
Employee benefits	482,618	443,202	537,397
Rental expense	64,637	65,649	80,354
Electricity, water, gas and other utilities	166,180	123,849	108,105
Depreciation and amortization	189,958	224,434	209,579
Right-of-use asset depreciation	69,251	81,424	38,842
Total cost of sales	<u>\$ 17,366,452</u>	<u>\$ 16,600,426</u>	<u>\$ 19,765,988</u>

- b. Operating expenses are as follows:

	2021	2020	2019
Employee benefits	\$ 3,859,036	\$ 4,111,033	\$ 4,458,890
Rental expense	139,069	167,781	109,360
Insurance	72,308	80,271	76,256
Electricity, water, gas and other utilities	448,918	437,641	541,506
Maintenance	628,807	510,489	578,922
Marketing	325,506	318,274	397,773
Depreciation and amortization	741,556	796,884	607,424
Right-of-use asset depreciation	775,888	720,862	840,882
Other operating expenses	2,180,562	2,431,282	2,266,264
Total operating expenses	<u>\$ 9,171,650</u>	<u>\$ 9,574,517</u>	<u>\$ 9,877,277</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:

	2021
Not more than 1 year	\$ 1,114,008
More than 1 year and not more than 5 years	1,397,314
More than 5 years	<u>803,606</u>
Total	<u>\$ 3,314,928</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.

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., and 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:

	2021	2020	2019
ISR expense (benefit):			
Current	\$ 1,114,770	\$ 532,449	\$ 751,203
Deferred	<u>(502,332)</u>	<u>(483,167)</u>	<u>(61,031)</u>
	<u>\$ 612,438</u>	<u>\$ 49,282</u>	<u>\$ 690,172</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 2021, 2020 and 2019 was a liability / (asset) of \$3,409, \$25,021 and \$2,277 respectively.

The current income tax recognized in profit or loss at year ended December 31, 2021 and 2020, includes a provision delivered from IFRIC 23.

- b. The effective ISR rate for fiscal 2021, 2020 and 2019 differ from the statutory rate as follow:

	2021 %	2020 %	2019 %
Statutory rate	30	30	30
Not deductible items	4	(7)	5
Effects of tax inflation	(6)	5	(3)
Share of profit of joint ventures and associates	(7)	7	(4)
Effect of changes in future tax loss carry forwards and others	<u>3</u>	<u>(38)</u>	<u>24</u>
Effective rate	<u>24</u>	<u>(3)</u>	<u>52</u>

- c. The main items originating deferred taxes are:

	2021	2020	2019
Deferred ISR assets (liabilities):			
Property and equipment and investment property	\$ (1,685,137)	\$ (2,011,286)	\$ (2,159,218)
Inventories	3,463	3,277	(11,841)
Accrued expenses and provisions	29,647	105,073	180,932
Prepaid expenses and advances from customers	(24,659)	(34,849)	(73,178)
Intangible assets and others	<u>386,033</u>	<u>161,432</u>	<u>31,803</u>
	(1,290,653)	(1,776,353)	(2,031,502)
Effect of tax loss carry forwards	<u>382,113</u>	<u>366,492</u>	<u>119,704</u>
Total deferred tax liability – Net	<u>\$ (908,540)</u>	<u>\$ (1,409,861)</u>	<u>\$ (1,911,798)</u>

For the year ended December 31, 2021, a net amount of \$130,000 was recognized as part of the benefit effect of amortization of tax losses, which corresponds to the reversal of the previously unrecognized tax loss reserve.



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

	2021	2020	2019
Deferred tax asset	\$ 1,389,316	\$ 982,778	\$ 484,915
Deferred tax liability	<u>(2,297,856)</u>	<u>(2,392,639)</u>	<u>(2,396,713)</u>
Total deferred tax liability			
– Net	<u>\$ (908,540)</u>	<u>\$ (1,409,861)</u>	<u>\$ (1,911,798)</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 maturity of such recoverable tax losses as of December 31, 2021 are as follows:

Year of maturity	Tax Losses to be amortized
2022	\$ 5,954
2023	135,729
2024	88,163
2025	37,086
2026	123,160
2027	258,897
2028 onwards	3,328,679
Without maturity	<u>48,847</u>
Total Tax Losses	4,026,515
Losses not activated	<u>(2,752,806)</u>
Tax losses to be amortized activated	<u>\$ 1,273,709</u>

In the determination of the deferred tax liability as of December 31, 2021, 2020 and 2019, a total of \$825,842, \$955,519 and \$610,383 respectively, related tax losses carry forwards were excluded since Entity's management believes that it is not probable that related future economic benefits will be realized.

As of December 31, 2020, Entity's tax losses carryforwards related to its operations in Colombia amounted for \$557,471 dated from 2016 which can be recovered in the following 12 years; however, the related deferred income tax asset has not been recognized given that Entity's 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, the unrecognized tax loss carryforwards in Colombia as of December 31, 2021, 2020 and 2019, are \$167,241, \$185,817 and \$184,480 respectively.

- e. Tax consolidation

ISR liability as of December 31, 2021 related to the tax deconsolidation that will be paid in the following years:

Year	
2022 ⁽ⁱ⁾	\$ 56,180
2023	<u>56,180</u>
	<u>\$ 112,360</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:

	2021 Mexican pesos per share	2020 Mexican pesos per share	2019 Mexican pesos per share
Basic and diluted earnings per share:	<u>1.80</u>	<u>(2.22)</u>	<u>0.60</u>

a. *Basic and diluted earnings per share*

For the years ended December 31, 2021, 2020 and 2019, 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:

	2021	2020	2019
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	\$ <u>1,817,923</u>	\$ <u>(2,026,904)</u>	\$ <u>600,850</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, 2021, 2020 and 2019, 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, 2021			
	Profit	Weighted average number of shares	Mexican pesos per share
Basic and diluted earnings per share	\$ <u>1,817,923</u>	<u>994,227,328</u>	<u>1.83</u>
Basic and diluted loss per ordinary share from discontinued operations	\$ <u>(33,200)</u>	<u>994,227,328</u>	<u>(0.03)</u>
As of December 31, 2020			
	Profit	Weighted average number of shares	Mexican pesos per share
Basic and diluted earnings per share	\$ <u>(2,026,904)</u>	<u>994,227,328</u>	<u>(2.04)</u>
Basic and diluted loss per ordinary share from discontinued operations	\$ <u>(182,644)</u>	<u>994,227,328</u>	<u>(0.18)</u>



	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

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. The variable lease payments made during 2021, 2020 and 2019 are disclosed at Note 19 “Expense relating to variable lease payments”.

In addition, certain operating lease agreements entered into by the Entity as lessor gives tenants renewal options to extend the lease terms for up to ten 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		
	2021	2020	2019
Retail	\$ 18,121,905	\$ 17,487,924	\$ 21,811,985
Prisa distribution	4,359,972	4,183,725	3,903,243
Restaurants	4,511,149	3,025,656	5,005,897
Real Estate	1,850,213	1,699,821	1,735,684
Corporate	-	-	-
Other	(24,677)	(120,893)	(11,182)
	<u>\$ 28,818,562</u>	<u>\$ 26,276,233</u>	<u>\$ 32,445,627</u>
	Profit by segment		
	2021	2020	2019
Retail	\$ 922,749	\$ 204,600	\$ 1,284,188
Prisa distribution	267,651	191,435	39,293
Restaurants	227,181	(905,067)	601,542
Real Estate	2,078,180	449,081	1,243,558
Corporate	(442,781)	(272,272)	(332,999)
Other	138,860	(71,461)	103,420
Profit (loss) by segment	<u>\$ 3,191,840</u>	<u>\$ (403,684)</u>	<u>\$ 2,939,002</u>
Interest expense	\$ 1,775,790	\$ 1,680,522	\$ 1,549,737
Interest income	(98,533)	(124,195)	(190,175)
(Gain) Exchange loss – Net	(7,512)	(11,120)	(416)
(Gain) loss on revaluation of financial instruments	(417,917)	419,757	443,467
Share of profit of joint venture and associates	<u>(602,767)</u>	<u>(457,514)</u>	<u>(182,920)</u>
Profit for the year from continuing operations before income taxes	<u>\$ 2,542,779</u>	<u>\$ (1,911,134)</u>	<u>\$ 1,319,309</u>

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

	Inter-segment revenues		
	2021	2020	2019
Retail	\$ 26,502	\$ 37,557	\$ 70,268
Restaurants	2,308	4,216	37,209
Real Estate	282,499	193,406	289,628
Corporate	492,609	345,891	472,503

Intercompany balances are not included.



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		
	2021	2020	2019
Retail	\$ 15,558,632	\$ 15,819,820	\$ 16,365,176
Prisa distribution	1,816,162	2,239,669	2,350,423
Restaurants	7,261,027	6,962,779	7,371,600
Real Estate	22,074,431	20,762,861	20,868,094
Corporate	1,250,443	1,530,782	1,035,377
Other	329,022	364,771	838,955
Total assets	<u>\$ 48,289,717</u>	<u>\$ 47,680,682</u>	<u>\$ 48,829,625</u>
	Bank loans		
	2021	2020	2019
Retail	\$ 2,325,630	\$ 2,405,429	\$ 2,556,258
Restaurants	1,100,000	1,098,177	1,097,919
Real Estate	3,968,888	2,862,015	2,911,162
Corporate	3,900,000	5,876,252	4,180,400
Total bank loans	<u>\$ 11,294,518</u>	<u>\$ 12,241,873</u>	<u>\$ 10,745,739</u>

c. **Other segment information**

	Depreciation and amortization		
	2021	2020	2019
Retail	\$ 1,125,500	\$ 1,163,266	\$ 1,156,693
Prisa distribution	30,616	31,042	37,098
Restaurants	557,287	559,730	406,450
Real Estate	24,777	25,271	24,012
Corporate	12,039	10,503	10,260
Other	26,434	33,792	62,214
Total	<u>\$ 1,776,653</u>	<u>\$ 1,823,604</u>	<u>\$ 1,696,727</u>
	Additions to long-term assets		
	2021	2020	2019
Retail	\$ 255,530	\$ 303,478	\$ 822,914
Prisa distribution	18,107	6,207	34,742
Restaurants	219,399	368,090	347,601
Real Estate	196,447	392,936	1,049,227
Corporate	-	-	-
Other	45,096	3,552	10,985
Total	<u>\$ 734,579</u>	<u>\$ 1,074,263</u>	<u>\$ 2,265,469</u>



d. **Geographical information**

The Entity operates in four principal geographical areas, Mexico, Central America, Colombia (until September 2020) and Chile. The Entity's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from external customers		
	2021	2020	2019
Mexico	\$ 22,641,215	\$ 19,970,910	\$ 26,123,379
Chile	4,359,972	4,183,725	3,903,244
Central America	1,817,375	1,745,216	1,711,273
Colombia	-	376,382	707,731
Total	<u>\$ 28,818,562</u>	<u>\$ 26,276,233</u>	<u>\$ 32,445,627</u>

	Non-current assets		
	2021	2020	2019
Mexico	\$ 34,254,502	\$ 33,431,163	\$ 35,118,760
Chile	749,808	408,436	765,476
Central America	727,752	728,017	797,262
Colombia	-	-	124,861
Total	<u>\$ 35,732,062</u>	<u>\$ 34,567,616</u>	<u>\$ 36,806,359</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. was recognized under loss from discontinued operations in the comprehensive statement of income.

As of December 31, 2021, a loss of \$33,200 was recognized, generated by the derecognition of assets that had been classified as held for sale as of December 31, 2020.



As of December 31, 2020, a loss of \$182,644 was recognized, generated by the decrease in the value of the investment held on the shares of Ofix Suministros y Logística, S.A.S., which were 100% donated.

34. Authorization to issue the Consolidated Financial Statements

On March 28, 2022, 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. The consolidated financial statements for the year ended December 31, 2020 and 2019, were approved by the ordinary shareholders' meeting on April 29, 2021 and April 30, 2020, respectively.

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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.

