laComer

STRATEGY that generates results

2018 INTEGRATED ANNUAL REPORT

CONTENT

OVERVIEW

GEOGRAPHIC distribution

Our stores have an attractive and innovative image to offer our customers a pleasant in-store shopping experience.

TOTAL

65 supermarkets

272,738 square meters

Metropolitan
38 Stores
126,777 m²

Central
17 Stores
93,123 m²

West
7 Stores
32,716 m²

Northwest
3 Stores
20,122 m²

2 DISTRIBUTION CENTERS

CEDIS West
Guadalajara
1,770 m²

CEDIS Vallejo
16,000 m²

380
business premises

OUTSTANDING figures

	2018	2017	Var.
Net revenues	19,119	16,554	15.5%
Gross income	5,041	4,249	18.6%
Gross margin	26.4%	25.7%	
Operating income	1,047	777	34.9%
Operating margin	5.5%	4.7%	
EBITDA	1,753	1,379	27.1%
EBITDA margin	9.2%	8.3%	
Net income	1,089	782	39.3%
Net margin	5.7%	4.7%	

SAME STORE SALES

Millions of Mexican pesos
* National Association of Supermarkets and Department Stores.

OUR formats

Our largest-format supermarket, with product departments organized into perishables, dry goods and general merchandise. These stores also have specialty sections like coffee shops and fresh juices.

30 Stores 195,361 m² **35** Thousand SKUs

laComer

fresko LA COMER

Fresko supermarkets focus on selling high-quality perishables, dry goods and a housewares section. The stores have specialized coffee shops and fresh juice departments as well.

11 Stores 33,051 m² **25** Thousand SKUs

Gourmet supermarket with specialized areas for in-store consumption –a tapas bar (*Pintxos*) and raw bar (*Bar do Mar*)– in a unique atmosphere, wine tastings and exclusive seasonal products. City Market offers premium, gourmet and organic products in all its departments.

11 Stores 34,023 m² **25** Thousand SKUs

city market LA COMER

A small-format supermarket ideal for quick shopping trips to stock up on perishables and dry goods.

13 Stores 10,303 m² **15** Thousand SKUs

sumesa

* All our stores have specialized pharmacy, tortilla and bakery departments. Some of our stores may be located in shopping centers.

BASIC principles

In all our daily activities, our philosophy is grounded in a series of principles that guide our actions with our several stakeholders.

Mexico

That all our activities contribute to its progress. We are continuously seeking ways to have a positive impact on the social, environmental and economic development of our country.

Our Customers

To provide the best service and good-quality merchandise at the best price. Our reason for being is serving our customers by maintaining an optimum ratio between price, quality, care and supply. We are aware we play a role in society, which is to represent our shoppers in the market. Because we understand their needs, we are uniquely capable to bring them the right products and services at the right time and place and in the best way possible.

Our Associates

To offer them the compensation and benefits they expect, in an environment of cordiality, harmony and development. We seek to provide our people an opportunity to advance themselves, meaning not just improving their technical training but supporting everything that contributes to their development.

Our Suppliers

We offer and expect a relationship based on reciprocity, respect and honesty, so that our customers can receive the best benefits. We strive to be an honest and respectful client to our suppliers.

Our Shareholders

To provide them with a satisfactory return, growth and security in their investment. To generate real profits in keeping with the policies, goals and strategies developed by the Board of Directors.

We strive to contribute to the social, environmental and economic development

STRATEGY that generates results

VALUE proposition

We aim to offer our customers the best shopping experience in the market; from our beginning of operations, we have maintained a differentiation strategy that entails providing higher quality, a pleasant environment, a great variety of products, agility in customer service and personalized service.

Under our value proposition, we have included several components in products and services to meet our customers' needs and desires that until now, we believe were not fully served.

In addition to having an outstanding and innovative environment, our stores offer a wide variety of high-quality products and brands, guaranteeing an exceptional experience in the shopping process. Each store presents a unique design to make the purchase a very pleasant experience, providing diverse services such as coffee shop, tortillería or even areas to take a snack, generating in our customers a state of rest and relaxation.

We provide an unparalleled quality of service that is related to our stores' image through the presence of trained personnel in each area and personalized attention, thus achieving the goal of making the purchase very efficient.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We offer an extensive number of products, and we pay special attention to our perishables' quality. Our fruits and vegetables go beyond fresh and colorful, they are carefully selected from the very best of each season. Regarding fish and seafood, the key is trust; their freshness ensures flavor and health. We select the best products so that they reach our customers with all the richness, taste and properties.

We guarantee the highest quality in each piece of meat, intervening in the entire production process. Our bakery is up to the highest demands. Master bakers, expert in the artisanal tradition, produce daily the most delicious mixture of ingredients to offer an assortment of different types of breads. In several of our formats, our pastry chefs prepare exquisite cakes and offer an unbeatable array of desserts. These are just some examples of the variety and quality that we offer in this type of products.

In addition to offering essential products at very competitive prices in our groceries line, we have collections of premium, gourmet and imported products, as well as products with special properties, such as gluten-free, sugar-free, etc. We have the largest assortment of olive oils, for all tastes.

We offer our customers the best shopping experience in the market

Furthermore, we offer prepared food, either to take home or eat in situ. Some of our stores have rest spots designed to enjoy the moment, a haven where customers can take a break from shopping, providing as always, a pleasant, sophisticated and different experience.

An essential part of our value proposition is the effort that our employees make in all their activities. We put special emphasis on training them adequately so that they can offer personalized attention, careful and cordial, providing the best service to each and every one of our customers.

Every day we strive to surprise our customers, offering first and foremost quality and service in each department, but also something that makes them spend a pleasant moment and feel special.

8 DECENT WORK AND ECONOMIC GROWTH

17 PARTNERSHIPS FOR THE GOALS

OUR STRATEGY'S results

Sales for the year increased by 15.5%, with an 8.2% growth in same-store sales; therefore, we know these results were the outcome of an effective differentiation strategy.

[15.5% Increase in sales for the year]

All our formats increased their sales, but City Market and Fresko stood out as our most differentiated formats. In the case of City Market, it offers a sophisticated environment and high-quality service, a vast selection of gourmet, imported and organic products, as well as specialized departments. Our Fresko format has been exceptionally well accepted by our customers; it has a great assortment of high-quality perishable products, emphasizing their freshness. During this year, we also paid special attention to our Sumesa format, improving the product mix, and obtaining very good results in sales and traffic increases. Since the beginning of the company's operation, we have strived to satisfy our customers' needs. Thus, our La Comer format continues to offer the widest variety of products; besides perishables and groceries, it provides general lines and basic items for the home, achieving great acceptance by our customers.

Due to our differentiation strategy, during the year we achieved outstanding results

As a result, 2018 same-store sales were above those presented by the National Association of Supermarkets and Department Stores (ANTAD).

Due to our high interaction and great relationship with all our suppliers, we have made alliances that allow us to optimize costs to provide the best alternative for our customers. During this year, our suppliers offered us the same level of support and collaboration they have given us since the beginning of operations.

To maintain these positive results, we will continue to improve every day our relationship with suppliers, as we consider them strategic allies in our mission.

GROWTH

During 2018, we reopened a La Comer store in Mexico City that had been closed since last year due to a complete remodeling; in addition, we opened four new stores. We opened two stores in the City Market format, one in the State of Mexico and another in the city of Cuernavaca, Morelos, thus reaching new locations with this format. We opened a Fresko store in Los Cabos, Baja California Sur, to reinforce our presence in the north of the country and opened a La Comer store in the city of Puerto Vallarta, in the state of Jalisco, strengthening locations where we already had a presence.

INDUSTRY, INNOVATION AND INFRASTRUCTURE

WE REOPENED laComer INSURGENTES

During this year, we were very pleased to announce the reopening of one of Mexico City's most iconic stores.

This great project initiated with the store's demolition, which was inaugurated for the first time in 1962, at that moment, the Group's first self-service store. The store was created to provide a complete and effective service to customers, it began to offer in a single place a great variety of merchandise, such as perishables, groceries, general lines, fabrics and some services that complemented the visit.

Currently, it has a very wide and comfortable sales area, in which an extensive variety of articles are offered. Its spacious covered parking lot provides comfort to its customers. Additionally, La Comer Insurgentes has a shopping mall with different stores that allows its customers to have an experience that solves different needs in the same destination.

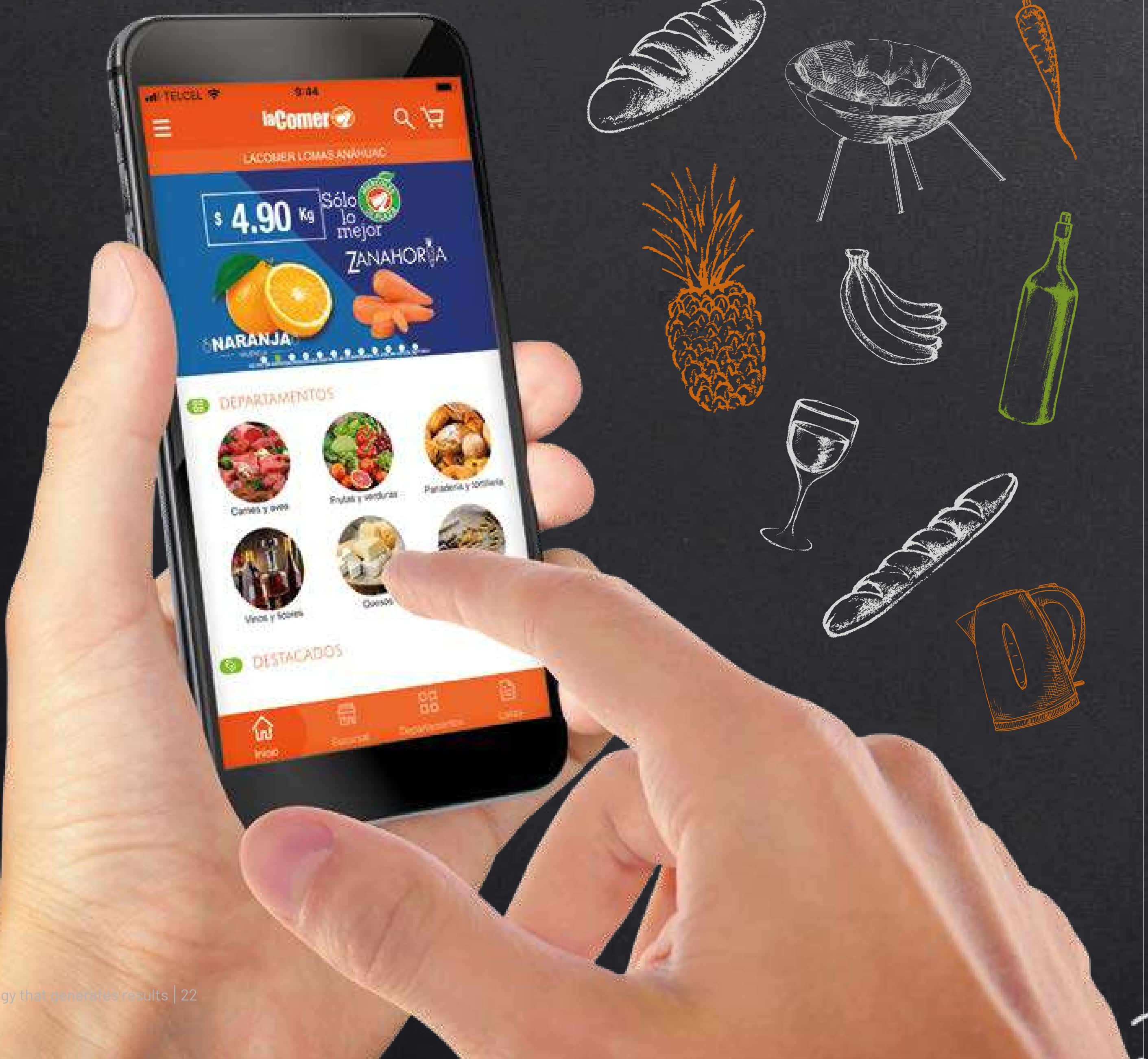
La Comer Insurgentes was remodeled with the most innovative concepts in design and floor plan that, together with a selection of differentiated products in its several departments, allows us to offer a unique shopping experience.

During 2018, we did not meet the objective of opening the stores approved at the beginning of the year, as some negotiations to continue their development were delayed due to situations beyond our control.

We are taking the necessary measures to amend these setbacks in the coming years and continue opening stores in different formats to consolidate our presence in key cities that cover certain economic and demographic conditions, according to our company's differentiation strategy. It is important to continue our growth with strategic openings of new stores that generate positive results, placing them in different regions of the country and, thus, replicating the unique shopping experience, where quality, attention and service continue to be part of our essence.

laComer e-commerce

TÚ EN LO TUYO Y
LA COMER EN TU CASA
ENTREGAMOS EN TU DOMICILIO



We have many years of experience in home delivery, and we have paid special attention to our delivery service "La Comer en Tu Casa" (La Comer at your Home). We know how important, effective and useful it can be for our customers to have a home delivery service that provides the same quality and shopping experience that characterizes our physical stores.

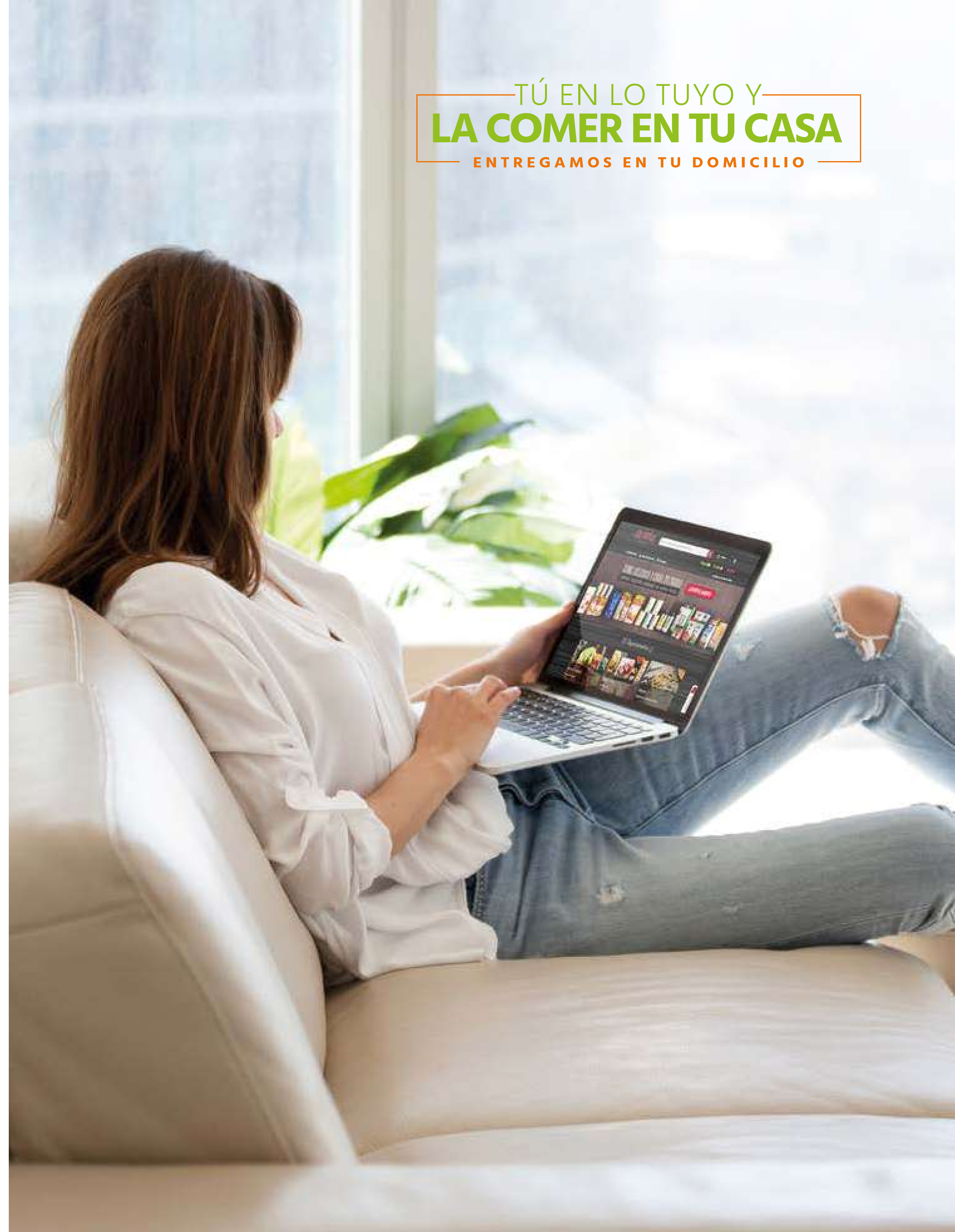
Our history with home delivery began many years ago with a call center, which customers called to place their order. Through this call center, we acquired the necessary experience to perfect a quality service. From the beginning of the company, we created a management area in charge of this business segment, since we know that it is an innovative and current way of offering our products and services.

Although our traditional business has been based on a behavior where the customer usually shops in person, we have adapted to the new market trends. We believe it is important to offer our customers the possibility of making their purchases electronically through our delivery service, extending the same quality products and shopping experience that we provide in each of our branches.

During the year, we focused on developing the e-commerce strategy and improving our delivery service by enhancing and renewing our digital channels, such as the online store and the mobile app, as well as our logistics and distribution platform. We have upgraded our business platform "La Comer en tu Casa" to make it more friendly and ensure a complete, accurate and timely delivery. Our customers easily find the services in our applications in a platform with a very friendly digital concept, where internal systems have been integrated to improve the presentation of products, inventories, prices, promotions and offers. Furthermore, this system is supported with collection and merchandise delivery programs that adapt to our customers' high expectations for this service.

To maintain our differentiation and continue offering an enjoyable shopping experience, we are aware of how important each step of this process is; from a friendly app, easy to use and intuitive, an order that is up to the customer's requirements and an adequate delivery time. During the year we have done our best so that each step delivers positive results. Currently, our service "La Comer en tu Casa" represents 1.25% of the company's total sales and we expect significant increases in the coming years.

Our app is created to digitally enter the branch closest to the address, where all the products in stock can be seen. We carefully select and handle all the products to guarantee their quality, and that once delivered, our customers are completely satisfied with them. Likewise, we take special care of the promised delivery times with efficient and adequate transports so that the experience is extremely satisfactory.



TÚ EN LO TUYO Y LA COMER EN TU CASA

ENTREGAMOS EN TU DOMICILIO

CORPORATE governance

Board of DIRECTORS' COMPOSITION

The bylaws of La Comer establish that the Board of Directors is responsible for the Company's management and direction. The Board is comprised by 10 proprietary directors (of which three are independent) and six alternate directors. All were appointed and ratified at the General Ordinary Shareholders' Meeting held on April 10, 2018.

In accordance with the provisions of the Securities Market Law, 30% of the Board's members are independent. To discharge its responsibilities appropriately, the Board relies on three Committees that operate as intermediate bodies: Audit Committee, Corporate Practices Committee and Executive Committee. The Board of Directors has the legal representation of the Company and enjoys the broadest power and authority to perform all operations inherent to the corporate purpose, except those expressly entrusted to the General Shareholders' Meeting. Additionally, it has the functions, duties and powers established in the Securities Market Law in force in the country and any other legal provision applicable to the case.

During fiscal year 2018, the Board of Directors met on five occasions.

The Board of Directors complies with the market's best practices

Board of Directors

Position	Proprietary Directors	
Honorary Chairman	Guillermo González Nova	
Chairman	Carlos González Zabalegui	1
Director	Alejandro González Zabalegui	1
Director	Luís Felipe González Zabalegui	1
Director	Pablo José González Guerra	1
Director	Antonino Benito González Guerra	1
Director	Santiago García García	2
Director	Joaquín Solís Rivera	2
Independent Director	José Calvillo Golzarri	3
Independent Director	José Ignacio Llano Gutiérrez	3
Independent Director	Alberto G. Saavedra Olavarrieta	3

Alternate Directors	
Gustavo González Fernández	1
Rodrigo Alvarez González	1
Sebastián González Oertel	1
Jose Antonio Alverde González	1
Nicolas González Oertel	1
Alfonso Castro Díaz	3

Planning Committee
Guillermo González Nova
Carlos González Zabalegui
Alejandro González Zabalegui
Luís Felipe González Zabalegui
Antonino Benito González Guerra
Pablo José González Guerra

Audit Committee

Chairman	José Calvillo Golzarri	3
Member	Alberto G. Saavedra Olavarrieta	3
Member	José Ignacio Llano Gutiérrez	3

Corporate Practices Committee

Chairman	Alberto G. Saavedra Olavarrieta	3
Member	José Calvillo Golzarri	3
Member	José Ignacio Llano Gutiérrez	3

Company Secretary

Rodolfo García Gómez de Parada

1 Proprietary Director
2 Related Director
3 Independent Director

INTERNAL CONTROL BODIES

To discharge its responsibilities appropriately, the Board of Directors relies on the support of the Audit Committee and Corporate Practices Committee, in accordance with articles 25 and 42 of the Mexican Securities Market Law. These Committees are comprised by three independent board members each, appointed by the Board of Directors and ratified by the Shareholders' Meeting.

Currently, the chairman of the Audit committee is Mr. José Calvillo Golzarri, who is a financial expert. Among the duties of the Audit Committee are providing an opinion to the Board of Directors on the policies and criteria used in preparing and publishing financial information; verifying that there are the necessary mechanisms in place that offer reasonable assurance that the company is in compliance with the various legal provisions governing it; reviewing, analyzing and evaluating transactions with related parties and confirming the appropriate adherence to our Code of Ethics, which is a behavior manual whose purpose is to set the main guidelines that every related party must abide by, in keeping with La Comer's philosophy and culture.

The chairman of the Corporate Practices Committee is Mr. Alberto G. Saavedra Olavarrieta, who has expertise in these matters. The duties of the Corporate Practices Committee include reviewing and approving compensation plans for senior management, evaluating the performance of key executives, and reviewing the Group's organizational structure.

All the members of the Audit and Corporate Practices Committees are independent directors. The Audit Committee met on eight occasions during the year and the Corporate Practices Committee met six times. Their responsibilities and obligations are duly established in the specific bylaws that were developed for each one, which were prepared in strict adherence to the provisions of the Securities Market Law.

The Company continues to adopt the Best Corporate Governance Practices and Principles, which help define the Board of Directors' functions, such as:

1 Separation of the roles of Chief Executive Officer and Chairman of the Board, granting the Board the ability to provide an independent opinion on several corporate matters.

2 Any situation of conflicts of interest was communicated to the Chairman and directors of the Board, thus, they abstained from participating in the corresponding deliberations.

3 The directors of the Board devoted the necessary time and attention, attending at least 70% of the meetings that were convened during the year.

4 The proprietary directors and, as the case may be, their respective alternates kept each other informed about all matters dealt with at the Board of Directors' meetings they attended.

Message from the CHAIRMAN of the BOARD

REPORT ON TRANSACTIONS AND ACTIVITIES INVOLVING THE BOARD OF DIRECTORS DURING FISCAL YEAR 2018

Mexico City, March 14, 2019

To the General Shareholders' Meeting
of La Comer, S.A.B. de C.V.

PRESENT

Dear shareholders,
Pursuant to article 28, section IV point e) of the Securities Market Law, you are hereby informed that during the period from January 1st to December 31, 2018, the Board of Directors met in a number of plenary sessions in which it exercised the authority vested in it by Clause Twenty-Two of the corporate bylaws of La Comer, S.A.B. de C.V., in addition to the activities of the various Committees that it incorporates. The matters addressed in these meetings are recorded in minutes that have been drafted and approved by board members, regarding meetings held on the following dates:

January 23, 2018
February 20, 2018
April 24, 2018
July 24, 2018
October 23, 2018

I am pleased to present to you the annual report of the company's situation, and to review the most important events of the year.

2018 was a year of outstanding results for the company. On the operating side, we were able to maintain sales increase levels above those reported by the National Association of Supermarkets and Department Stores (ANTAD), demonstrating, thus, the success of our differentiation strategy. We know that the emphasis we have placed in all our formats, offering a pleasant environment to shop, a careful service, products of the best quality, as well as several events and products to surprise our customers, allowed us to achieve a high growth in sales this year.

I would like to take this opportunity to thank all our employees for this third consecutive year of growth in the company. We are very satisfied with the outstanding work that each of them has done. Thanks to them, we have achieved the company's positive results we have reached since the beginning of operations in 2016.

In the first months of the year, the La Comer Insurgentes store, one of the most iconic stores in Mexico City, was reopened after one year of total remodeling. This store was the Group's first self-service store; it opened its doors for the first time in 1962, offering a large number of articles in one place. I am pleased to inform that the performance this store had during the year was better than what we were originally expecting.

A year of outstanding results

In addition, we opened four new stores, thus increasing or establishing our presence with new formats in different cities of the country. At the beginning of the year, we decided to close a store located north of the metropolitan area of Mexico City, since its location did not correspond to the company's new differentiation strategy.

Our campaigns "Temporada Naranja", which offers special promotions during the summer and "Miércoles de Plaza" where we offer the best fruits and vegetables, were very successful as they continue to have great acceptance among our customers.

During this year and facing the digital transformation that the self-service sector is experiencing, we decided to continue perfecting our "La Comer en tu Casa" home delivery service. We implemented improvements to our platform, dedicating enough time and resources to make it more user friendly and maintain our offer of a pleasant shopping experience through this channel.

As regards our business focus, we continue to pay special attention to maintaining La Comer's vision of positioning ourselves as a different self-service company, offering the best shopping experience in the market based on quality in the broadest sense, customer care and service.

Within corporate governance practices, we have active committees and we have developed processes that aim to ensure benefits for all involved, always respecting the rights and interests of our different stakeholders.

Our social responsibility and sustainability practices are a fundamental part of our essence as a company. They are reflected in our principles and are established in internal policies.

In 2018, we supported several nonprofit organizations with the distribution of their products, made several donations to charitable institutions, supported foundations for rural development and participated through our "Tienda Rosa" campaign, to raise funds for the battle against breast cancer, among other social responsibility activities. Likewise, we have focused on making more efficient use of natural, economic and social resources, in accordance with our commitment to sustainability.

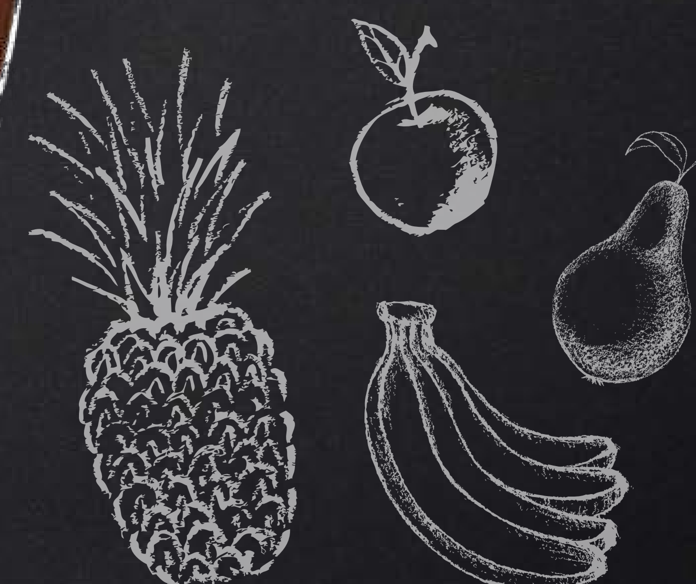
I would like to especially thank our customers, who favor us with their preference; our more than 10,800 employees, who every day make it possible for us to fulfill our mission as a company; our suppliers, who work as commercial and strategic allies and our shareholders, who place their trust in our hands.

Finally, I would like to reiterate our commitment to our different stakeholders, to whom we are in debt as a company; our daily work is grounded in promoting their progress, as we have established in our basic principles.

Carlos González Zabalegui

Chairman of the Board of Directors of La Comer, S.A.B. de C.V.

SUSTAINABLE company



STAKEHOLDERS

Customers

We strive to serve in the best way the more than 64 million customers that visited us during 2018, offering in our stores an exceptional and innovative environment, a wide variety of high-quality products and brands, ensuring a unique shopping experience.

During 2018, we reinforced our contact points with our customers, which were defined from the Group's beginning of operations. This is in line with our vision regarding customer relations, which should be characterized by superior quality service and attention, in the broadest sense of the word, revealing a clear differentiation.

We have paid special attention to the communication strategy, since the contact points with customers create an important interaction in order to offer them a high-quality service, as our differentiation strategy requires.

One of the main contact points is our call center (01-800 377-7333), where we receive and address the most frequent comments and/or complaints. We have a protocol in place for dealing with critical situations, either because of their complexity or urgency. This call center also offers the "La Comer en tu Casa" service for home delivery of merchandise.

Contact points with customers create an important communication to provide a high-quality service

We received 162,284 calls and/or emails to our call center; approximately 5% of them for complaints, 45% for customer service and comments and the remaining 50% to request "La Comer en tu Casa" delivery.

We upgraded our digital platform to strengthen the home delivery service without losing our in-store contact points and information. As a result, customers can now access our home delivery service on a much more user-friendly e-commerce platform, supported by merchandise pickup and delivery programs that exceed our customers' highest expectations.

Our social media presence was also stronger last year, with a substantial growth in the number of followers on Facebook, Twitter, Instagram and YouTube. On all these platforms, we post important information about our retail programs and attract feedback and suggestions from customers on various topics relating to the services and products we offer.

During 2018, our websites received a total of 6,687,213 visits (+64.2% vs 2017); while the "La Comer en tu Casa" website had 9,304,326 visits (four times more than in 2017), making a grand total of 15,991,539 visitors. This figure is more than 2.5 times what was recorded the previous year, demonstrating that we have the right approach to e-commerce and the strengthening of our digital communication strategy, which is very important for this company's target market.

In line with this strategy, we continued strengthening the digital platform for our brochures; in 2017 we were the first to use this platform. During 2018, our digital brochures were read by a record amount of 3,685,198 customers.

Our "Monedero Naranja" (Orange Loyalty Card) remains the cornerstone of our relationship with customers. We know that shoppers with a "Monedero Naranja" customer loyalty card are the most faithful to our stores and formats. With them we remain in constant email contact, sending them promotions and personalized information based on their shopping habits.

TÚ EN LO TUYO Y
LA COMER EN TU CASA
ENTREGAMOS EN TU DOMICILIO

9,304,326
visits in 2018

Social media followers

Facebook	392,115
Twitter	26,446
Instagram	+10,000

The loyalty card provides us demographic data on our customers, strengthening our relationship with them. During the year, we reinforced loyalty programs: the "stamp" programs to acquire high-value products at reduced prices and the "point" program, which customers can redeem in our stores or in other products or services in the Payback alliance.

At the close of 2018, more than 2.1 million "Monedero Naranja" cards had been distributed; close to 50% of them to regular shoppers in our stores and 32% considered "loyal customers." For these customers, we maintained a promotional offer of highly valuable merchandise at prices well below the real cost, as a thank-you for their loyalty. During the year we offered Titán suitcases, Blomus kitchenware and finally, cookware from the renowned brand WMF, giving Mexican families access to merchandise of superior quality and value well below their cost.

As regards to the protection of our customers' data, during 2018 we fortified the platforms, procedures and measures that had been previously created to guarantee their protection and confidentiality, particularly in connection with our "Monedero Naranja Payback" loyalty program. As always, we complied with all provisions of the Federal Law for the Protection of Personal Data Held by Private Parties.

Our privacy notice can be found at:
https://vasalsuperoalacomer.com/comer/aviso-de-privacidad

Our summer promotional campaign: "Temporada Naranja" (Orange Season) had very favorable results in the year. At least 30 events were conducted per product category during 2018. Subsequent studies with customers and non-customers proved that the concept is valuable and relevant for them.

The three promotional pillars of La Comer are: "Miércoles de Plaza", " Temporada Naranja" and the different promotions we offer through stamps in the "Monedero Naranja", in addition to several discounts.

During 2018, "Miércoles de Plaza" (Wednesday weekly campaign) maintained its advertising support for at least 51 weeks of the year. The above and a suitable mix of variety,

in perishables, together with an adequate price, resulted in a very positive growth for this promotion, which is a fundamental part for the Company's annual sales growth of 15.5%.

In addition, to pamper and indulge our customers in a special way, we offered an exclusive promotion, just like every year. This year we delighted with the "Cést la Vie" promotion. More than 3,500 articles were offered, of which 2,300 were brought especially from France's different regions for the event, covering over 90 categories. These products included wines and spirits, beers, biscuits, fine canned food, chocolates, pasta, hams, cheeses, soaps, fragrances, beauty items, clothing accessories and others that represent the great tradition of French gastronomy, beauty and dress.

A genuine Tour en France

5 GENDER EQUALITY | 8 DECENT WORK AND ECONOMIC GROWTH | 10 REDUCED INEQUALITIES

Employees

Thanks to the effort and commitment of our more than 18,873 employees, the company has successfully achieved its differentiation strategy.

The strength of La Comer is its people. It is through our employees' success that the Group continues to grow and obtain outstanding results. Since our inception, we have implemented a series of initiatives to help ensure that all the staff achieves real growth opportunities, creating a strong culture based on values and taking care of our people as a priority. Our core values shape the foundation of all aspects in each of our operations.

We are focused on ensuring that our people can participate in the business' future and in seeking new opportunities for their growth and development. All our employees are valued and recognized, which has helped to increase their motivation and productivity, has reduced absenteeism and their efforts have been rewarded through the benefits offered by the company.

We strive for our employees' well-being and quality of life through programs that promote a life and work balance, professional, cultural and economic development and health care. In addition, we encourage safe behaviors in our work environments through ongoing campaigns and training.

At La Comer we value the diverse experiences, perspectives and backgrounds of our people and aim to create an open and inclusive work environment for all employees. We are committed to fostering a variety of approaches to overcome challenges, solve problems, make decisions and seize opportunities.

EMPLOYEES

5,046
Women

5,827
Men

AGE RANGE

2,815
< 25 years

2,569
25-30 years

1,856
30-40 years

2,137
40-50 years

1,496
> 50 years

TRAINING AND DEVELOPMENT

We are convinced that training is a well-compensated investment in our employees. During 2018, we made the following efforts to ensure proper employee training:

- 4,985 newly hired employees received training designed to ensure compliance with policies regarding customer service, accident prevention and operating procedures, investing a total of 457,216 training hours.
- 1,490 department heads took specialization courses in administrative processes, display practices and professional skills, investing a total of 66,480 training hours.
- 35 employees are part of the training programs for managers and assistant managers, developing management skills and reinforcing operating procedures with all the company's expert areas, investing a total of 7,140 training hours.
- 12 assistant managers attended the Leaders in Development program at ICAMI Center for Management Training, investing 276 training hours and ensuring that our managers and assistant managers:
  - Develop their management skills.
  - Gain a global perception of the company and the processes and activities that significantly contribute to value generation.
  - Acquire the capacity to analyze problems and opportunities to make effective, timely decisions.
  - Achieve a harmonious balance and synergy between work and family.

This company is committed to excelling: we have created a strategy that enables our employees to continuously improve the knowledge, skills and attitudes needed to achieve the established goals, from induction courses and Operating Initiation to strategic programs from the private institute.

The training system is based on four fundamental principles:

Retailing
Dominion over products' features and their relationship with customer care and service quality.

Operating
Identifying the processes for products to enter, be stored and sold in each store.

Administrative
Proper handling of the tools that enable planning, organizing and controlling merchandise.

Human
Development of attitudes and skills that enable employees to develop appropriate relationships with their subordinates, colleagues, superiors and the company itself.

All company employees receive continuous on-the-job training, which ensures an excellent shopping experience in our stores. Furthermore, employees in City Market stores receive specialized training in the products, so they can offer an excellent service in each department.

HEALTH, SAFETY AND HYGIENE

Our internal work guidelines are based on the regulations of the Ministry of Labor and Social Planning and comply with the Civil Protection Law. In accordance with the Program Development Guidelines, during 2018 we implemented internal Civil Protection initiatives in each store, in order to take the necessary preventive actions to mitigate risk and assist in emergencies, so that all our establishments can safeguard the physical integrity of their employees, visitors, suppliers and any others who might visit the premises. These guidelines are established by the Safety Department and the active participation of every person.

As part of occupational health, we carry out training and counseling for employees in order to avoid accidents and illnesses related to the workplace.

Additionally, the company promotes talks and workshops with several health topics to inform and instruct our employees. For example, we actively participate with the breast cancer program. Furthermore, this year we focused on diabetes disease, its causes and consequences, and performed many forums to raise awareness and encourage prevention.

EQUAL OPPORTUNITIES

The company's workforce is comprised by people of different ages, beliefs, nationalities, professions and different abilities. From the moment of vacancies' publications on recruitment pages we do not make gender distinctions. We are committed to offering equal employment opportunities consistent with each person's capacities, in accordance with labor laws and regulations and fair labor practices.

The Corporate Audit area is responsible for supervising compliance with our equal opportunities policy, which is included in the company's Code of Ethics.

EMPLOYMENT AND QUALITY OF LIFE

At the company we play an active role in improving our employees' quality of working life by recognizing the human side of work, respecting their rights and offering adequate working conditions. We maintain internal communication mechanisms to facilitate information exchange at all levels.

We have a policy that determines the respect for our employees' right to vacations and holidays, workdays and schedules, as well as to provide the appropriate working conditions for all of them. Moreover, we try to minimize employee turnover and create a suitable working environment, improve quality of life, combat absenteeism and promote a sense of belonging, while preserving physical and mental health through preventive measures.

At laComer we strive to improve our employees quality of life

In addition to the benefits required by law, we grant our employees the following benefits:

- Transport help.
- Discount on purchases (bonus).
- Saving fund.
- Savings bank.
- Life and disability insurance.
- Major medical expenses insurance.
- Voluntary retirement fund.
- Annual bonus.
- 10% discount on purchase, three times a year.
- Paid leaves.
- Personal car insurance.

We maintain our internal newsletter called *Esencia*, an institutional publication that addresses key matters for the company. Its contents include achievements, cultural and sports activities, news, etc., promoting the integration of the company's personnel, image and values. Simultaneously, the magazine allows all employees to be informed and fosters a sense of belonging. In addition, we have an internal website that allows us to offer services and information to our staff.

[9 Unions / 20% of our employees are union members]

We are still part of the *Éntrale* program; 48 employees with different abilities work at La Comer. Since the beginning, they have been a fundamental piece of our workforce. Besides, we have ongoing inclusion campaigns.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Suppliers and Logistics

Within our value chain, one of our greatest strengths has been the excellent relations we maintain with our suppliers. They have been a key factor in achieving the company's outstanding results; because of this great bond, positive conditions have been achieved for both parties.

+1,800 suppliers
97% domestic

We maintain communications with our suppliers through our website Provecomer.com, which allows us to meet requirements, information about invoices, procedures, transactions, forums and complaints.

During 2018, we improved operating, administrative, and transportation management processes, which affected several aspects in a positive manner:

- Better service to stores (order vs supply, improving delivery time).
- Increase in productivity (of operating personnel and transport).
- Decrease in expenses, which implied greater profitability.
- Increase in our installed capacity. Currently, it has enough capacity to service between 90-95 branches.

To improve the aforementioned points, we will continue carrying out comprehensive reengineering processes.

Furthermore, we have developed practices for distribution in terms of facilities, equipment and cutting-edge systems that allow us to be efficient and competent. We have processes supported by computer platforms that provide accurate and timely information and allow the coordinated execution of all participants (commercial department-supplier-distribution centers-stores) in the supply chain process end-to-end. Likewise, our operating processes of receipt, merchandise sorting and order preparation incorporate state-of-the-art practices and technology, such as picking with voice terminals, RFID and systematized control. The shipment and transport of merchandise process is supported by an internally developed system that allows a "Guaranteed Delivery" to stores, i.e., it monitors the critical aspects during loading, route and merchandise delivery (merchandise, times, temperature, etc.) so that the stores carry out a "Blind Receipt".

Currently, our logistics network is comprised by two distribution centers. The first is located in Mexico City. The other regional distribution center is located in the city of Guadalajara; both have multi-temperature installation. During 2018, 76% of the products we offer were distributed to our stores from these centers.

Excellent relations with suppliers

SOCIAL responsibility

We strive to contribute to social development from communities to the consumer, thus, we are in contact with several institutions to help with farmers' training and education in different regions of the country.

Fundación Mexicana para el Desarrollo Rural, A.C.

Through the Fundación Mexicana para el Desarrollo Rural, A.C., we aim to contribute to the comprehensive development of low-income rural families who live in corn-producing communities through educational projects to improve their quality of life. This program seeks to boost crops' productivity with applicable methodologies to influence the social transformation of the rural areas. To continue supporting the "Educampo" program, we donated $2,800,000 pesos.

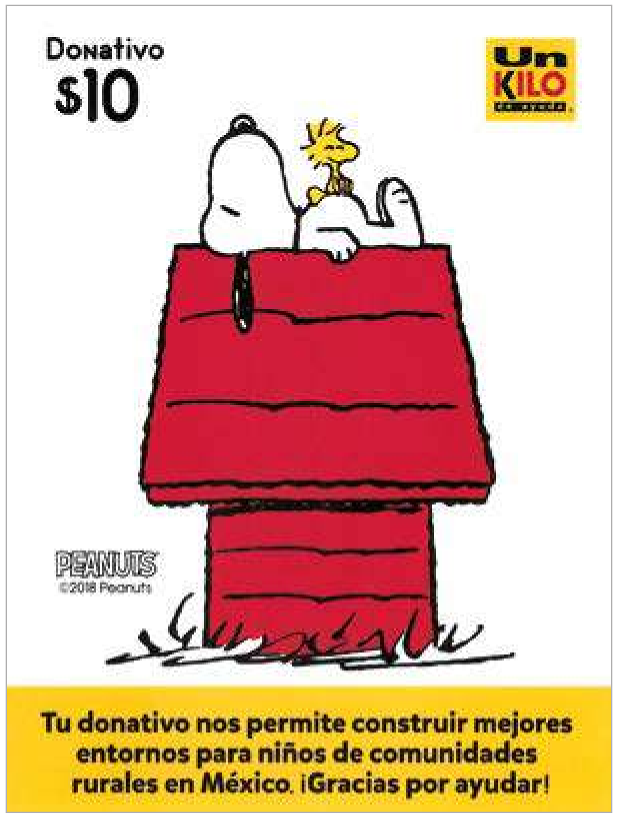
We are pleased to announce that during the year, La Comer received a special recognition for its participation in the "Educampo Chiapas" program.

$2,800,000
pesos donated

Un KILO de ayuda

During 2018, La Comer supported the NGO Un Kilo de Ayuda by selling an Institutional Card and new products to guarantee the permanence and attention of 60 boys and girls, as well as their first caregivers, through our Comprehensive Model for Early Childhood Development, providing them with Physical, Neurological and Psycho-affective and Community Development programs.

60 boys and girls supported



As every year, during October our stores are decorated in pink in order to raise awareness about the importance of breast cancer prevention and detection. In line with this goal, La Comer literally becomes "the pink store," with the slogan "help and help yourself." We offered over 9,000 pink-edition products from suppliers who directly donated a percentage of the sale's proceeds to a movement that fights cancer.

Moreover, with support from Breast Cancer Foundation, we made around 38 visits to stores in several cities, performing 50 free mammograms per store; in some cases, resulting in valuable early detection of some breast cancers.

Finally, in our Pharmacy area, 452 medicines from our "Farmacom" brand participated in this campaign; as a result, we were able to donate more than one million pesos to the Breast Cancer Foundation.

+7,021 items in the Pink Store

50 free mammograms per store

+1 million pesos donated to the Breast Cancer Foundation

We aim to raise awareness and prevent breast cancer

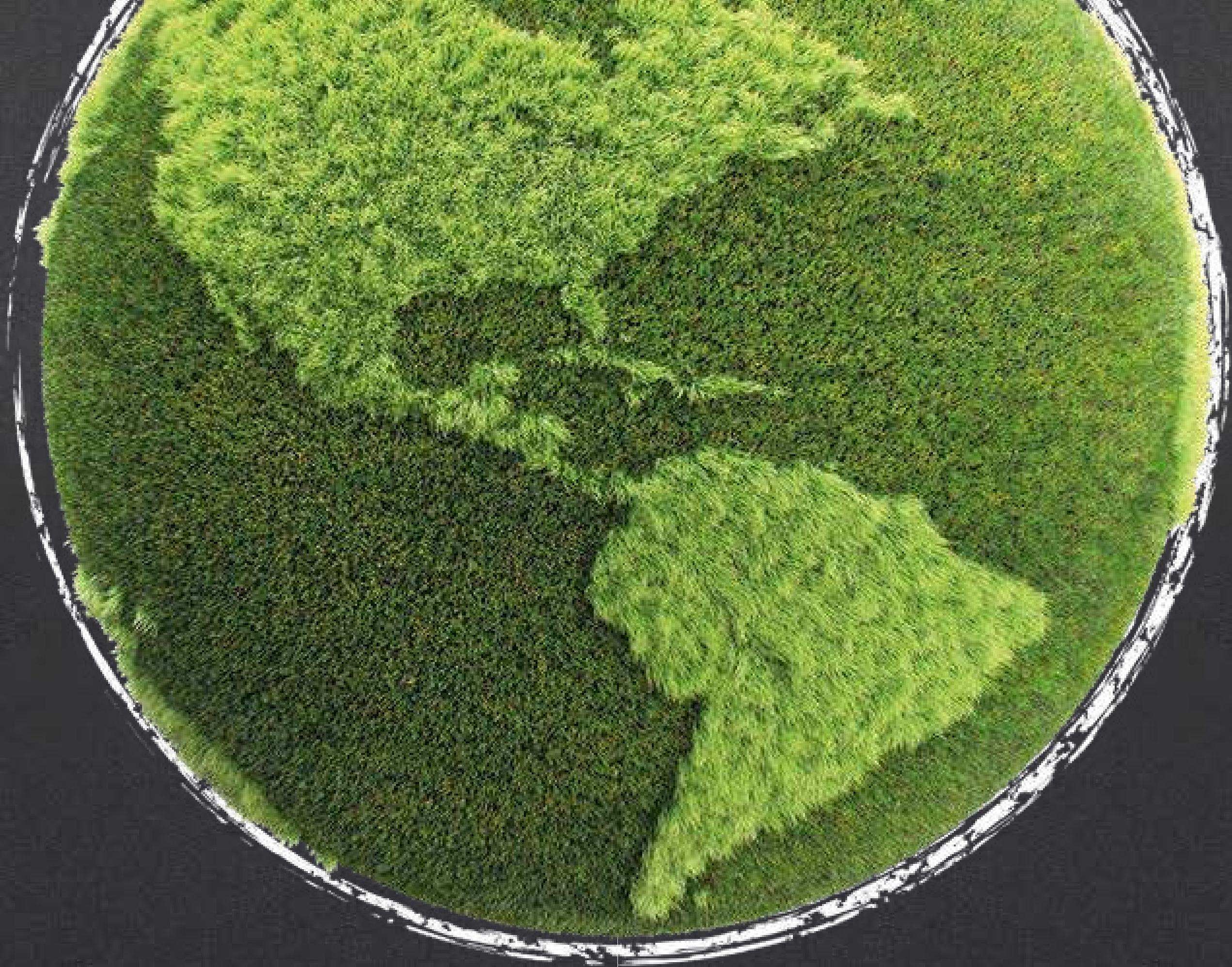
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

ENVIRONMENTAL protection

Being sustainable is a daily effort. Within the company we have fostered an awareness culture for the efficient and rational management of resources, so that it is possible to improve the planet's well-being without compromising quality and customer service.

Since we are a service company, our activities do not have a high impact on the environment; however, we have carried out actions, policy changes and involved all participants, both employees and customers, to be more responsible with the use of resources. The importance of our employees' attitude and awareness level has resulted in certain economic savings, by recycling or reducing raw materials.

Given that there is a market tendency to prefer brands committed to the environment, we offer organic products in our stores. In addition, we verify that our suppliers have official sustainability certifications.



PLASTIC BAGS

During the year we endeavored to encourage in our customers the habit of responsibly using plastic bags. On one hand, we use special plastic bags manufactured through a process where oxo-biodegradable additives are used in the shopping and roll bags that we have in stores, so they are completely recyclable. In some of our stores, plastic bags have been replaced by more environmentally friendly materials. In 2018, we registered the consumption of 211 million bags. We have a strategy for reusing plastic bags; we place cardboard containers at the sales points' exits so our customers can deposit their plastic bags and they can be reused. On average, 2,405 bags are collected per month in very good conditions.

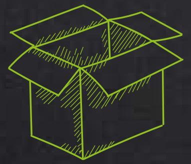
In addition, we are attempting to comply with the Regulation of Environmental Protection and Climate Change established by the Government of the state of Queretaro, whereas of April 1, 2018, disposable plastic bags' supply to consumers is restricted and only the use of a biodegradable bag is permitted.

In all our branches we offer reusable bags at very low prices to encourage our customers to use them and thus, reduce the use of disposable plastic bags.

2,405
plastic bags collected per month

PAPER COLLECTION

The collection of cardboard and polyethylene waste is done by the company Biopappel. Through a structured sustainability model, it allows its participation in favor of the serious global warming problem, achieving that paper is reused and thus, ending the need for forest destruction. In 2018, we collected more than 3,932 tons of cardboard and 292 thousand kilos of polyethylene.



3,932
tons of cardboard collected

WATER

Our general campaign of savings and efficiencies has allowed us to optimize water consumption. 11 of our stores have their own water treatment plant to eliminate contaminants and reuse it. We have identified an area for improvement by implementing rainwater collection systems and treatment plants; we have the opportunity to not only optimize water consumption, but to set its cost per cubic meter, so that collection of rain and used water subjected to treatment can be utilized (for example, in bathrooms, floors, gardening and maintenance). Our water consumption during 2018 was 474,626 million cubic meters, higher by 15.2% against 2017.

11 stores with water treatment plants

We continue with permanent campaigns for water and energy savings

Water consumption

	Consumption m^3		2018 vs 2017	
Stores	2018	2017	m^3	%
Same	462,537	404,170	58,367	14.4
Closed	2,445	7,463	-5,018	-67.2
New	9,645	288	9,357	3248.8
TOTAL	474,626	411,920	62,705	15.2

ELECTRIC ENERGY

We are careful about controlling the power we consume, since a disproportionate use of electricity is damaging to the environment. Our electricity consumption during 2018 was approximately of 88 million kilowatts-hour, higher than the 86 million kilowatts-hour consumed in 2017.

During the year, La Comer signed a contract with Naturgy: Fuerza y Energía Bii Hioxo, S.A. de C.V. for the supply of wind power to 17 stores. Additionally, the company signed a contract with Alfa Cogeneración de Altamira, S.A. de C.V. to use clean electricity from combined cycle generation in 31 stores. With these contracts, we aim to reduce our impact on fossil fuel use, and make more efficient these stores' operating costs, setting the foundations for similar future projects.

Electricity consumption (kWh)

USE OF CHEMICAL PRODUCTS

At La Comer, we have a strong social and environmental commitment. Therefore, we support the conservation of the world around us and strive to care for and preserve the environment. Part of this effort is to use

environmentally friendly cleaning products in the perishables and dining areas of our stores.

The use of this type of products is particularly valuable for our employees and customers. This way, biodegradable products are part of our day-to-day work life.

To supplement this commitment, we work with pest control companies that have earned the Bayer Distinction, which helps reduce their environmental impact by using chemical products in all branches that have been cleared by the WHO, CICOPLAFEST, COFEPRIS, EPA, FCA and USDA.

WASTE MANAGEMENT

The company has the goal of responsibly managing waste produced in its stores. Most waste is classified to facilitate its reuse and reduce trash. The separation is carried out inside the stores with waste containers for organic, inorganic, cardboard, plastic, burnt oil, tallow and bone. In the company we are aware that recycling is beneficial, but it is more important to reduce the use of materials such as plastics, as these materials are one of the main causes of pollution on the planet.

We promote an awareness culture for resources' efficient and rational management

RECOVERY OF BURNED OILS AND OTHER ORGANIC FATS

We aim to recover as much organic waste as possible, minimizing their damage to the environment and allowing their reincorporation into the environmental cycle. Working together with certain service providers, as in previous years, we were able to collect oil in all our branches. This program's objective is to collect the burnt oil generated in the Food, Fish, Deli and Bakery departments. The burned oil is stored in 20-liter jugs and 200-liter containers with lid and ring. Once the collection is done, the product is subjected to a heating process and then decanted to be sent in pipes to the energy, soap and animal feed industries. Additionally, in most of our stores we have collected the tallow and bone generated in the Meat department for its later use in the animal feed industry. During the year, we recovered $70,959 pesos for the sale of burned oil, 67% more than in 2017.

REFRIGERANTS

During 2018, we maintained our refrigeration equipment upgrade program to introduce high-tech refrigerators with more environmentally friendly systems and lower use of both electricity and refrigerants in our stores. Currently, 28% of our stores have this type of refrigeration.

FINANCIAL information

REPORT FROM OUR CHIEF EXECUTIVE OFFICER

Mexico City, March 14, 2019.

To the Board of Directors of
La Comer, S.A.B. de C.V.
PRESENT

Dear Members of the Board of Directors:
Pursuant to Articles 44 section XI of the Securities Market Act and 172 of the General Business Corporations Act, I hereby submit to your approval this report on the performance and activities of La Comer, S.A.B. de C.V. during the fiscal year ended December 31, 2018. This report includes an explanation of relevant events during the year, highlights the most notable actions of the period and refers to the most important current projects and main policies followed by the management team I lead.

In 2018, Gross Domestic Product (GDP) for Mexico stood 2.0% and annual inflation was 4.83%. During the year, there was a high volatility financial environment and a high level of inflation, due to the uncertainty of the presidential elections that took place in the country. Domestic consumption showed a slight deceleration, especially towards the end of the year, with respect to 2017 and 2016. The retailing industry, based on data from the National Association of Supermarkets and Department Stores (ANTAD) reported a 5.0% increase in same store sales for 2018 compared to 5.5% in 2017. The firmness of the labor market, high levels of confidence and the flow of remittances supported consumption during 2018.

During this year the company presented an increase in same store sales of 8.2%, being a figure higher than that reported by ANTAD. This has been the result of a successful strategy of differentiation. We have worked tenaciously to execute this strategy of differentiation, offering the best shopping experience in the market based on: quality, attention and service. From the beginning, we seek through the change of image to offer in all our stores a pleasant atmosphere, an excellent service, a wide assortment of products and an unbeatable quality, to offer our customers a unique shopping experience. We also perform necessary strategies to surprise and please our client, to increase loyalty and frequency of visits. Our trained employees are able to offer an excellent service, thus providing specialized advice to the client so that their purchase is made in a more effective way. We have maintained a very good supply of basic products, Premium, imported products and novelties with an excellent quality and a clear differentiation.

We were very pleased to announce the reopening of La Comer Insurgentes store during 2018 after a year of total closure due to remodeling. We also opened four stores during 2018: a La Comer store in the city of Puerto Vallarta, a Fresko store in the state of Baja California Sur and two City Markets, one in the city of Cuernavaca and another in the State of México, both being new locations for this format. We closed a store in the State of Mexico for not complying with the current strategy of the company. For the openings and remodeling we invest more than $ 1,851 million pesos (mp).

In terms of operating results for 2018, total sales reached $ 19,119 million pesos, with an increase of 15.5% in sales compared to 2017. Same store sales increased by 8.2% in the year. Important factors that helped the positive increase in sales, was the execution of our campaign "Orange Season", carried out in the summer months, as well as our "Miércoles de Plaza" campaign. Both campaigns were developed with great success. To pamper our clients, we carried out the special promotion "Cést la Vie" to offer more than 3 thousand articles from France, of which 2,000 were presented for the first time in Mexico. In this way, we consider that the company's value strategy allows to clearly differentiate from the rest of the participants, giving greater benefits to all of our clients and attracting their attention to us.

The result of a successful differentiation strategy

Our gross profit margin was 26.4%. On the one hand we received great support and collaboration from our suppliers from the beginning of our company's operations and also had efficiencies in the costs of storage and distribution of products during the year. Some operating expenses that increased during the year were electricity, where we are already taking necessary measures; expenses related to our e-commerce page "La Comer en tu Casa", to improve the platform and the service; and pre-operative expenses being necessary for the success of new projects. This year a unique positive effect of $ 230 million pesos was presented in the Other income and expenses item, from the sale of a property located in the city of Puebla. The operating cash flow margin for the year as a percentage of sales was 9.2%, generating an annual flow of $ 1,753 million pesos.

The cash flow reached at the end of 2018, the amount of $ 2,602 million pesos and the Majority Stockholders' equity was $ 22,003 million pesos in the year.

During 2018, we continued with various Social Responsibility and Sustainability practices. We made several donations in cash and products to non-profit and charitable institutions and we had social assistance programs as, "Un kilo de Ayuda" and "Tienda Rosa" campaign to help women with cancer. Donations were made to various institutions and also, in the year we received an important recognition for the help given to the Mexican Foundation for Rural Development.

On the matter of sustainability, we introduced a number of actions and measures in our stores to use resources more friendly to the environment. For example, we launched various water and electrical energy saving programs during the year, and took measures to collect waste, paper and cardboard for recycling or reuse, among other actions.

With this progress, the company's positioning and differentiation, we are on strong footing to continue on the path of consolidation and growth. In coming years we hope to continue opening more stores in order to replicate the shopping experience we offer.

Finally, I submit for your consideration the Consolidated Financial Statements of La Comer, S.A.B. de C.V., which are attached to this report. They have been prepared by the Management and Finance Department and authorized the Audit Committee of this same Board of Directors. Upon your approval they can then be presented to company shareholders in the General Annual Meeting.

Sincerely,

Santiago García García
Chief Executive Officer of
La Comer, S.A.B. de C.V.

OPINION OF THE BOARD

REGARDING THE CEO´S REPORT, CORRESPONDING TO 2018

Mexico City, March 14, 2019

Board of La Comer, S.A.B. de C.V.

Dear shareholders:

In compliance with Article 28, section IV, subsection c) of the Ley del Mercado de Valores and Clause Twenty Second of the bylaws of La Comer, S.A.B. de C.V. (the "Company"), witnneseth that the Board decided to give its opinion on this date, in which it APPROVES the CEO´s Report and the financial statements of the Company for the fiscal year that ended on December 31, 2018, so that, together with the external auditor´s report, may be presented to the Shareholders´ Ordinary General Meeting to be held on April 9, 2019.

To reach the above conclusion, the counselors relied, among other elements, on the favorable opinion of the external auditor, as well as the comments of the Audit Committee, which is part of the Board. The Audit Committee states that the accounting and information policies and principles followed by the Company, are adequate and sufficient, and have been applied consistently during the elaboration of the information presented by the CEO.

Due to the above, the Board´s opinion is that the information presented by the CEO regarding the fiscal year of 2018, reasonably reflects the financial situation of the Company and its subsidiaries, as well as the results of its operations.

Carlos González Zabalegui
President of the Board of Directors
of La Comer, S.A.B. De C.V.

REPORT OF THE BOARD

UNDER TERMS OF ARTICLE 172, SECTION B) OF THE LEY GENERAL DE SOCIEDADES MERCANTILES

Mexico City, March 14, 2019

To the General Shareholders´ Meeting of
La Comer, S.A.B. de C.V.
PRESENT

Dear shareholders:

Under the terms of the Article 28, section IV, subsection e) of the Ley del Mercado de Valores, this report describes the main accounting and information principles and criteria followed during preparation of the financial information of La Comer, S.A.B. de C.V. (The "Company") for the fiscal year that ended on December 31, 2018, as indicated in Article 172, section b) of the Ley General de Sociedades Mercantiles.

The consolidated financial statements of the Company have been prepared based on the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and their interpretations (IFRS IC). In compliance with the modifications to the Reglas para Compañías Públicas y Otros Participantes del Mercado de Valores Mexicano, issued on January 27, 2009, by the CNBV, the Company is obliged to prepare its financial statements using as accounting framework the IFRS issued by the IASB, and its interpretations.

The consolidated financial statements have been prepared based on historical cost, except for cash equivalents and assets corresponding to employees´ benefits, which are valued at fair value.

The elaboration of the consolidated financial statements in accordance with the IFRS, requires the use of certain critical accounting estimates. The areas that present a higher grade of judgment or complexity, or the areas in which the assumptions and estimations are significant for the consolidated financial statements are: The determination of the provision of Income Tax and the estimation of the recoverable value of non-monetary assets.

ON GOING BUSINESS

The Company operates primarily with the cash flow obtained from the sales operations in stores, as well as from some credit operations with vendors. Management has a reasonable expectation that the Company has the sufficient resources to continue operating as on going business in the foreseen future. The Company uses the on going business platform to prepare its consolidated financial statements.

Below are the main accounting policies applied when preparing the consolidated financial statements, which have been consistently applied during the whole fiscal year, unless otherwise stated.

~~GOING CONCERN~~

~~The Company operates mainly with the cash flow stemming from store sales and from certain supplier loans. Management has reasonable expectations that the Company will secure the resources necessary to continue operating as a going concern in the foreseeable future. Consequently, the consolidated financial statements were prepared on a going concern basis.~~

~~Following is a summary of the most significant accounting policies used in preparing the consolidated financial statements, which have been applied consistently in the year presented, unless otherwise specified.~~

2.1 Consolidation

a. Subsidiaries

Subsidiaries are entities over which the Company exercises control. The Company controls an entity when the Company is exposed to, or is entitled to, variable yields arising from its dealings with the entity and is capable of bringing its power to bear on the entity in such a way as to affect the amount of said yields. The Company also evaluates the existence of control

in cases where less than 50% of the voting shares are held, but where the Company decides on important operations. The subsidiaries consolidate as from the date on which control is transferred to the Company, and cease to consolidate when that control is lost.

The Company uses the purchasing method to record business acquisitions.

Balances and unrealized profits arising from transactions between companies of the Group are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the transferred asset. When required, amounts reported by the subsidiaries are adjusted to meet the Group's accounting policies.

Uncontrolled interests in income and in the capital of subsidiaries are shown separately in the consolidated statement of income, in the statement of comprehensive income, in the statement of changes in stockholders' equity and in the statement of financial position, respectively.

Consolidation includes the financial statements of all the subsidiaries of the Group.

~~*b. Método de participación*~~

~~Bajo el método de participación las inversiones se reconocen inicialmente al costo y se ajustan posteriormente para reconocer la participación en los resultados posteriores a la adquisición, así como los movimientos en los otros resultados integrales. Los dividendos recibidos o por cobrar de asociadas y negocios conjuntos se reconocen como una reducción en el valor en libros de la inversión.~~

2.2 Reporting by segment

Information per segment is shown consistent with the internal reports provided to the Board of Directors, which is the body responsible for making operating decisions, authorizing capital investments and evaluating operating segment returns. For the period ended on Monday, December 31, 2018 and 2017, the Company operated a single business segment, which includes self-service stores, corporate operations and the real estate business. Resources are assigned to the segments, based on each segment's importance within the entity's operations and the strategies and returns established by Management.

2.3 Foreign currency transactions

a. The functional and the recording currencies

The items included in each of the subsidiaries' financial statements are stated in the currency of the primary economic environment in which the entity operates (the functional currency). The currency for presentation of the Company's consolidated financial statements is the Mexican peso, which is the functional currency of the Company and all its subsidiaries and is used for compliance with its legal, tax and stock exchange obligations.

b. Transactions and balances

Transactions in foreign currencies are converted to the functional currency at the rates of exchange prevailing on the dates of the transactions. Exchange gains and losses from fluctuations in the exchange rates, whether for settlement of those transactions or from conversion of monetary assets and liabilities stated in a foreign currency at the closing exchange rates for the year are recognized in the statement of income. They are deferred in capital if they pertain to the coverage of ratable cash flows and net ratable coverage of investments in an operation conducted abroad.

Exchange gains and losses associated with loans, cash and cash equivalents are shown in the statement of income under "Financial costs and income".

2.4 Cash and cash equivalents

In the consolidated statement of income, cash and cash equivalents include available cash, deposits in checking accounts, bank deposits in foreign currency and short-term investments in highly liquid securities, easily converted to cash, maturing at terms of three months or less and subject to immaterial risks of changes in value and bank overdrafts. Bank overdrafts are shown under current liabilities in the statement of financial position. Cash is shown at nominal value and cash equivalents are valued at fair value. Fluctuations in value are applied to income for the period.

Cash equivalents consist mainly of on-demand or very short-term investments, as well as investments in highly liquid government securities maturing in the short term. Bank deposits include vouchers for bank cards not yet deposited to the company's bank accounts by the banks. Those vouchers are usually recovered in no more than one day.

2.5 Accounts receivable from customers

Accounts receivable from customers are initially recognized at fair value and subsequently stated at amortized cost, using the effective interest rate method, less the impairment reserve. (See Note 10 for further information on the recording of accounts receivable from Company customers and Note 6b for a description of the Company's impairment policies. The Company's accounts receivable include accounts receivable from: i) companies issuing grocery coupons; ii) payments for commercial and promotional space leased to third parties; and iii) other accounts receivable, all short term.

2.6 Financial assets

2.6.1 Classification

Beginning on January 1, 2018, the Company has classified its financial assets in the following categories.

- Those measured subsequently at fair value (either via comprehensive income or income)

- ~~aquellos que se miden a costo amortizado~~

The classification depends on the business model of the entity used to handle its financial assets and the contractual features of cash flows.

For assets measured at fair value, profits and losses are recorded in income and other comprehensive income. For investments in capital instruments not held for trading, this will depend on whether the Company made an irrevocable decision at the time of initial recognition to record the investment at fair value via OCI.

2.6.2 Recognition and disposal

Regular purchases and sales of financial assets are recognized at the transaction date, which is the date on which the Company commits to purchase or sell the asset. Financial assets are no longer recognized when the rights to receive cash flows from investments expire or are transferred and the Company has transferred all the risks and benefits arising from ownership.

2.6.3 Measurement

At the time of initial recognition, financial assets are measured at fair value plus, in the case of a financial asset not at fair value via income (VR-income), transaction costs directly attributable to the acquisition of the financial asset. The transaction costs of financial assets at fair value through income are recorded in income.

DEBT INSTRUMENTS

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow features of the asset. There are three measurement categories which the Company uses to classify its debt instruments:

- Assets held for the collection of contractual cash flows when said cash flows represent merely the payment of principal and interest are measured at amortized cost. Income arising from those financial assets are included in financial income by the effective interest rate method. Any profit or loss arising from the disposal of accounts is recorded directly in income and shown under other income/losses together with exchange gains and losses. Impairment losses are shown as a separate item in the statement of income.

- Assets held for the collection of contractual cash flows and for the sale of financial assets, when cash flows from assets represent only the payment of principal and interest, are measured at fair value through other comprehensive income (VR-OCI). Movements in book value are recorded through OCI, except for recognition of impairment profits or losses, interest income and profits or losses arising from exchange rates, which are recorded in income. At the time a financial asset is disposed of, the accrued profit or loss previously recorded in OCI is reclassified from capital to income and recorded in other income/(losses). Income arising from those financial assets is included in financial income by the effective interest rate method. Exchange profits and losses are shown under other income and (losses) and impairment expenses are shown as a separate item in the statement of income.

- Assets that fail to comply with criteria for amortized cost or VR-OCI are measured at fair value via income. Any profit or loss arising from a debt instrument that is subsequently measured at fair value via income is recorded in income and shown in net terms in other income/(expenses) in the period in which it arises.

2.6.4 Impairment

The Company's principal source of income is the sale of products in its stores, payment for which is made at the time of purchase in cash or via coupons or credit cards. The company's accounts receivable consist mainly of amounts to be collected from companies issuing grocery coupons as well as lease payments to be collected from subletting commercial locales and promotional space to third parties. The Company has experienced no difficulties in collecting on coupons. However, the same cannot be said for lease payments on sublet locales.

Up to December 31, 2017, the Company recorded an impairment provision for accounts receivable and other financial assets when they became overdue and the balance of that provision was increased based on an individual analysis of each account and of the results of the evaluation of the behavior of the portfolio and business ups and downs. Increases in that provision are recorded under expenses in the statement of income. The estimation for impairment has been sufficient to absorb the respective losses.

Since January 1, 2018, the Company has prospectively evaluated expected credit losses associated with its debt instruments at amortized cost and VR-ORI. The impairment methodology applied depends on whether a significant increase in credit risk has arisen. For accounts receivable, the Company applies the simplified method allowed by IFRS 9, which requires losses expected over the lifetime of the instrument to be recorded as from initial recognition of accounts receivable.

2.7 Other accounts and documents receivable:

The Company classifies unsupported travel expenses and other similar items as accounts receivable. If collection rights or recovery of these amounts is not realized within 12 months as from the year-end closing, they are classified as short term; otherwise, they are shown as long term.

2.8 Derivative financial instruments

The Company engages in no operations with derivative financial instruments.

2.9 Inventories

Inventory of merchandise is determined by the retail method. Under that method, inventory is segregated into types of merchandise with similar features, then valued at the sales price. That value is used to determine inventory at the net discount cost, by applying specific cost factors to each department. Cost factors represent the average cost of each department based on initial inventory and purchases for the period. The percentage applied considers the portion of inventory marked down below its original sales price. The methodology used by the Company in applying the retail method is consistent for all periods presented. Inventory valued in this manner approximates cost and does not exceed net realization value. Inventory is shown at the lesser of cost and net realization value. Net realization value is the sales price estimated in the normal course of operations, less costs estimated for making the sale.

CCF physical inventory counts are taken monthly for perishable items and biyearly for nonperishable items; inventory records are adjusted for the results of the physical inventory count.

Inventories at the distribution centers are evaluated by the average inventory method, as they involve no costing factors.

2.10 Advance payments

Pre-paid expenses represent disbursements made by the Company, in which the benefits and risks inherent to the goods to be acquired or in the services to be received have not yet been transferred. Advance payments are recorded at cost and are shown in the statement of financial position as current assets when due in 12 months or less, and as noncurrent when due in more than 12 months as from the date of the statement of financial position. Once the goods and/or services have been received, they must be recorded as assets or expenses in the statement of income for the period. When advance payments lose their capacity to generate future economic benefits, the amount considered to be unrecoverable is recognized in the statement of income for the period in which this occurs. The principal items include insurance premiums, advertising and property tax (see Note 12).

2.11 Property, furniture and equipment and leasehold improvements - Net

Land is valued at cost minus any impairment losses. All other components of property, furniture and equipment and leasehold improvements are recognized at cost, less accumulated depreciation and any impairment losses. Cost includes expenses directly attributable to the acquisition of these assets and all expenses related to placing assets at the site and in the condition necessary for them to operate as expected by Management (see Note 14). For ratable assets, the cost includes the cost of loans capitalized in accordance with Company policies. At December 31, 2018 and 2017, there were no costs for capitalizable loans for this item.

Expansion, remodeling and improvement costs representing an increase in capacity and thus an extension of the useful life of the items in question are also capitalized. Maintenance and repair expenses are charged to income for the period in which they are incurred. The book value of replaced assets is canceled when assets are replaced, and the effect is recognized in the statement of income.

Works in process represent stores under construction and include investments and costs directly attributable to startup of operations. When stores are ready to start up operations, they are switched to the property, furniture and equipment and leasehold improvements caption and the calculation of depreciation begins.

Land is not depreciated. Depreciation is calculated by the straight-line method in order to distribute the cost at residual value over the remaining useful lives, as follows:

Buildings and construction:

Foundation	57 years
Structure	57 years
Roofing	24 years
Masonry and finishes	55 years
Plumbing/sanitary, electric and sprinkler systems	36 years
Machinery and equipment	10 years
Office equipment	10 years
Electronic equipment	3.3 years
Leasehold improvements	10 years or the leasing period, whichever is less

The Company assigns the amount initially recognized for a component of property, furniture and equipment in its different significant components and depreciates each of those components separately.

When necessary, the residual values and useful lives of the Company's assets are reviewed and adjusted at the date of each statement of financial position.

The book value of an asset is written off at recovery value if the book value of the asset exceeds its estimated recovery value.

Profits and losses from the sale of assets are determined on the basis of the difference between the income from the transaction and the book value of the assets. They are included in the statement of income as "Other income and expenses", respectively.

2.12 Investment properties - Net

The Company owns malls that house its own stores, as well as commercial space it leases to third parties. The Company's own stores are recorded in the statement of financial position as property, furniture and equipment and commercial locales are recorded as investment properties.

Investment properties are real property (land and buildings) held to produce economic benefits in the form of lease payments or to appreciate, and are initially valued at cost, including transaction costs. After initial recognition, investment properties continue to be valued at cost, less any accumulated depreciation and impairment losses.

Expansion, remodeling and improvement costs representing an increase in the capacity of items and thus an extension in their useful lives are also capitalized. Maintenance and repair expenses are charged to income for the period in which they are incurred. The book value of replaced assets is canceled when assets are replaced, and the effect is recognized in the statement of income.

Depreciation of investment properties is calculated by the straight-line method in order to distribute the cost at residual value over the remaining useful lives, as follows:

Buildings and construction:

Foundation	57 years
Structure	57 years
Roofing	24 years
Masonry and finishes	55 years
Plumbing/sanitary, electric and sprinkler systems	36 years

2.13 Borrowing costs

The cost of general and/or specific loans directly attributable to the acquisition, construction or production of ratable assets requiring a substantial period (generally over 12 months) before they are ready for use or sale is included as part of the value of those assets in that period until such time as they go into use.

Income arising from the temporary investment of specific loans not yet used in ratable assets reduce the cost of loans eligible for capitalization.

All other borrowing costs are recognized in the statement of income in the period in which they were incurred.

In the period ended on Monday, December 31, 2018 in 2017, no loan costs were capitalized, and there were no ratable assets in those periods.

2.14 Intangible assets - net

An intangible asset is recorded if, and only if a) the future economic benefits attributed to it flow into the entity and b) the cost of the asset can be reliably measured.

Licenses acquired for the use of programs, software and other systems are capitalized at the value of the costs incurred for acquisition and preparation for use. Maintenance expenses are recorded as expenses when incurred. Licenses acquired for the use of programs recorded as intangible assets are amortized during the course of their estimated useful lives, but not exceeding 3.3 years.

The assignment of the rights to use and operate self-service stores is recorded at historical cost. The rights to use and operate self-service stores are amortized on the basis of the term specified in the leasing contract, i.e., from five to 10 years. Those assets are shown in the statement of financial position as current assets when due in 12 months or less, and as noncurrent when due in more than 12 months as from the date of the statement of financial position. Once the rights accrue, those amounts are recorded as an expense in the statement of income for the period. When advance payments lose their capacity to generate future economic benefits, the amount considered to be unrecoverable is recognized in the statement of income for the period in which this occurs.

Individually acquired brand names are recognized at historical cost. Brand names acquired via a business acquisition are recognized at fair value at the acquisition date.

The Company records the rights to the Comercial Mexicana brand name as an indefinite-life intangible asset, as it considers that those rights are very unlikely to cease generating cash income for the Company in future accounting periods. Rights to brand names are not amortized. The Company runs impairment tests to determine whether the value of the rights to brand names will be recovered with the future cash flows expected by the Company.

The useful life of the rights to the Comercial Mexicana brand name is indefinite, and is recorded at cost minus any accrued impairment losses. No impairment was determined at December 31, 2018 and 2017 of the brand name rights.

2.15 Impairment of non-financial assets

Assets with an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets subject to amortization or depreciation are tested for impairment when events or changes in circumstances indicate that the book value might not be recoverable. Impairment losses are the amount by which the book value of assets exceeds the recovery value.

The recovery value of assets is the greater of the fair value of the asset (less costs incurred for its sale) and its value in use. For impairment testing purposes, assets are grouped at the lowest levels at which they generate identifiable cash flows (cash-generating units). The Company has qualified each store as a separate cash-generating unit for the purpose of impairment testing. Non-financial assets subject to write-offs due to impairment are valued at each reporting date to identify possible reversals of said impairment.

The Company runs impairment tests on non-monetary assets once a year or when there are indications of impairment. Non-monetary assets include the following captions of the statement of financial position: intangible assets, property, plant and equipment, investment property and other noncurrent assets. At December 31, 2018 and 2017, there were no signs of impairment in noncurrent assets subject to depreciation and amortization, and in the case of indefinite-lived assets, the Company's annual impairment tests showed no signs of impairment.

2.16 Suppliers and other accounts payable

These balances represent unpaid liabilities for goods and services provided/rendered to the Company prior to the year-end. The amounts in question are not guaranteed. Suppliers and other accounts payable are shown as current liabilities, unless the amount is not payable within the 12 months following the reporting period. Accounts payable are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method. At December 31, 2018 and 2017, the accounts payable balance is composed principally of sundry creditors and deferred income, the latter arising from loyalty programs established by the Company.

Accounts payable are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest-rate method.

2.17 Provisions

Provisions are recognized when the Company has a present or assumed legal obligation resulting from past events that is likely to require the use of cash flows to settle the obligation and the amount in question can be reliably estimated.

Provisions are recognized at the present value of Management's best estimation of the disbursements expected to be required to cancel the obligation, using a pretax discount rate that reflects current market conditions with respect to the value of money and the specific risks of said obligation. The increase in the provision due to the passing of time is recognized as interest expense.

2.18 Income tax incurred and deferred

The income tax expense comprises tax incurred and deferred. The tax is recognized in the statement of income, except when it relates to items recognized under other comprehensive income or directly in stockholders' equity. In that case, tax is also recognized under other comprehensive income or directly under stockholders' equity, respectively.

Taxes on income payable consist of income tax (based on the tax profits for each year), which is recorded in income for the period in which it is incurred.

The charge for income tax incurred is calculated on the basis of tax laws in effect on the date of the statement of financial position or on laws whose approval process has been substantially concluded. Management periodically evaluates the position taken in tax returns with respect to matters in which applicable tax regulation is subject to interpretation.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts shown in the consolidated financial statements that are expected to materialize in the future. However, deferred taxes on income arising from initial recognition of an asset or a liability in a transaction that does not qualify as a business combination, which at the time of the transaction does not affect the book or tax profit or loss, are not recorded.

The deferred tax asset is only recognized to the extent future tax benefits are likely to arise against which temporary liability differences can be used.

The deferred tax liability arises from temporary tax differences stemming from investments in subsidiaries, except for the deferred tax liability when reversal of the temporary difference is controlled by the Company and the temporary difference is unlikely to reverse in the near future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities intending to settle the balances on a net basis. At December 31, 2018 and 2017, the Company showed no offset deferred tax.

Accessories on the payment of federal taxes are shown as provisions.

2.19 Employee Benefits

Employee benefits, including benefit plans, are as follows:

SHORT-TERM OBLIGATIONS

Direct benefits (wages and salaries, overtime, vacations, holidays and days off with pay, etc.) expected to be entirely paid within the 12 months following the end of the year in which the employees render the respective services are recorded in relation to the service rendered by the employees up to the end of the period and are measured on the basis of the amounts expected to be paid when the liabilities are covered. Liabilities are shown as current obligations for employee benefits in the statement of financial position. In the terms of legal and contractual provisions, paid absences cannot be accrued.

LONG-TERM BENEFITS

The Company operates a number of retirement plans, including defined benefits and defined contributions, as well as retirement medical plans.

a. Retirement benefits and seniority premium

The Company's subsidiaries recognize the obligation to provide seniority premium defined benefits and two subsidiaries operate defined contribution retirement plans, one of which recognizes the obligation for retirement health defined benefits for a particular group of participants. A defined benefit pension plan is a plan that determines the benefits to be provided to an employee upon retirement, including health retirement plans, which usually depend on a number of factors, such as age, years of service and compensation. Plan costs are determined for defined contribution plans, but the benefit level for employees retiring with the accumulated amount has not been determined.

The liability or asset recognized in the statement of financial position for defined benefit plans is the present value of the obligation for defined benefits at the date of the statement of financial position, less the fair value of plan assets.

Obligations for defined benefits are calculated annually by independent actuaries via the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows at interest rates for government bonds denominated in the currency in which the benefits will be paid, whose maturity terms approximate the terms for the related pension obligation. The basic assumptions for determination of employee benefits are mentioned in Note 20. Actuarial profits and losses arising from adjustments based on experience and changes in actuarial assumptions are charged or credited to stockholders' equity under other comprehensive-income in the period in which they arise. Past service costs are recorded directly in the statement of income.

b. Employees' statutory profit sharing (ESPS) and bonuses

The Company recognizes a liability and an expense for bonuses and ESPS, the latter calculated as per current tax provisions. The Company recognizes a provision when contractually obligated to do so or when a past practice generates an assumed obligation.

c. Benefits paid to personnel in accordance with labor laws

This type of benefit is paid and recognized in the statement of income upon termination of employment prior to the retirement date or when employees resign in exchange for said benefits. The Company records indemnities on the first of the following dates: a) when the Company is unable to withdraw the offer of those benefits and b) when the Company recognizes restructuring costs within the scope of IAS 37 "Provisions", which implies the payment of termination benefits. In the case of an offer made to encourage resignation, termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted at present value.

2.20 Capital stock

Company shares placed on the Mexican Stock Exchange are classified as capital stock.

Incremental costs directly attributable to the issuance of new shares or options are shown in stockholders' equity as a deduction of the amount received, net of tax.

In accordance with the provisions of article 56 of the Securities Market Law and Title Six of the Sole Circular for Issuers, which establishes that Company shares placed on the Mexican Stock Exchange may be acquired under certain rules, the Company carries out the procedure for the purchase or sale of Company shares placed on the Mexican Stock Exchange from the repurchase fund.

The purchase of own shares issued by the Company that operate under the repurchase reserve are recorded as a reduction in the Company's stockholders' equity until such time as those shares are canceled or issued once again. When those shares are reissued, the consideration received is recorded in the Company's stockholders' equity.

2.21 Revenue recognition

The Company operates a chain of self-service stores (the retail industry).

a. Sale of merchandise

Revenue from the sale of consumer goods at self-service stores is recorded when the Company sells the product to a customer.

Payment for the transaction is made immediately when the customer purchases the merchandise, which is delivered to the customer at the store.

Customer discounts and returns are shown after subtracting the respective income. Merchandise sales are settled by customers using debit and credit cards, cash and coupons. It is Company policy to allow a number of its products to be returned after they have been sold. However, experience has shown that returned items are immaterial as compared to overall sales, which is why the company creates no reserve in that regard. Because the level of returned merchandise sold has remained invariably low over the years, there is unlikely to be a significant change in accrued income recorded.

b. Smart cards

The Company operates a loyalty program whereby customers accumulate points for purchases made, which entitles them to a discount on future purchases. At the time the sale is made, liability is recorded for points accumulated. Income is recorded when the points are redeemed or expire, depending on Company policy.

The Company offers promotions, some of which involve benefits granted to customers in the form of smart cards, the value of which is referred to a percentage of the selling price. Smart cards may be used by customers to settle future purchases made at Company stores or at other stores, based on an agreement signed with the administrator of the program. Amounts contained in smart cards are subtracted from income.

When points are redeemed at the branches, income is recorded, and if redeemed at other points of sale, the amount payable to the program administrator is recorded.

Company experience has demonstrated that smart cards showing no movement over a period of six months are unlikely to be redeemed; the respective agreement specifies 12 months with no movement before the points can be canceled. Therefore, this type of smart card is canceled, with a credit to sales.

c. Coupons for merchandise

Income from coupons issued by the Company, which can be exchanged for merchandise at its stores, are recognized as a deferred credit at the time the Company delivers the coupons to the customer, and is recognized as income in the statement of income when those coupons are exchanged for merchandise at the stores.

d. Commissions

Commission income on collections for services rendered by the Company at its stores and other commissions are recorded as income as they are incurred. When the Company acts as an agent in the sale of goods or services, only the profit for the commission is recorded under income.

e. The components of financing

The Company expects to have no contracts under which the period from the date of transfer of the goods or services committed to the customer and payment made by the customer exceeds one year. Consequently, the Company makes no adjustment to transaction prices (the value of money) over time.

2.22 Leases

Leasing is classified as capital leasing when the terms of the lease transfer all risks and benefits inherent in the property to the lessee. At the outset of the financial leasing term, the Company records, in the statement of financial position, an asset and a liability in the same amount equivalent to the fair value of the leased item, or the present value of minimum lease payments, when that figure is the lesser of the two, determined at the outset of the leasing period. All other leases are classified as operating leases. At December 31, 2018 and 2017, the Company has only operating leases.

2.22.1 The lessor

Leasing income arises mainly from the Company's investment property and is recognized by the straight-line method over the term of the lease. The Company has no assets leased under capital leasing plans.

2.22.2 The lessee

Operating lease payments are charged to income by the straight-line method, over the term of the lease. Variable lease payments are recorded as an expense in the period in which they are incurred.

2.23 Basic and diluted earnings

The basic profit per common share is calculated by dividing the controlling interest by the weighted average of common, outstanding shares in the year. At December 31, 2018 and 2017, the weighted average of shares was 1,086,000,000 units.

Earnings per diluted share are determined by adjusting the controlling interest and ordinary shares, assuming that the entity's commitments to issue or exchange own shares will be realized. At December 31, 2018 and 2017, basic earnings are the same as diluted earnings due to the fact that there are no transactions that could potentially dilute earnings.

2.24 Supplier rebates

The Company receives rebates from suppliers as reimbursement of discounts granted to customers. Supplier reimbursements of discounts offered to customers on merchandise sold are negotiated and documented by the procurement area and are credited to cost of sales in the period in which they are received.

The Company also receives contributions from its suppliers as a reimbursement of costs incurred by the Company. Those amounts are recorded as a reduction of the respective costs and expenses.

2.25 Dividends

Dividends paid to the Company's shareholders are recognized as a liability in the Company's consolidated financial statements in the period in which the dividends are approved by Company shareholders.

2.26 Transactions under common control

A combination of businesses between entities or businesses under common control is a business combination in which all the combined entities or businesses are controlled by a single party or parties (SIC), both prior to and following the business combination, and said control is not temporary. In that type of transaction, the consolidated financial statements of the new company show the prior book figures of the original entity.

2.27 Business combinations or the acquisition of assets

An entity determines whether a transaction is a business combination by applying the definition of IFRS 3 "Business combinations" (IFRS 3), which requires the assets acquired and the liabilities assumed to constitute a business, provided the following three elements are in place - 1) production materials: all economic resources produced or capable of being produced via the application of one or more processes; 2) process: any system, regulation, protocol, convention or rule which, applied to a production material or materials produces or is capable of producing products; and 3) product: the result of applying processes to production materials that provide or are capable of providing returns in the form of dividends, lower costs or other economic benefits directly to the investors or other owners, members or participants. When assets acquired do not constitute a business, the entity must account for the transaction as an asset acquisition and distribute the cost of the transaction between individually identifiable assets and liabilities based on their relative fair value at the date of the acquisition. That transaction gives rise to no goodwill. (See Note 13) and if costs are incurred during the acquisition process, they are recorded as part of the asset.

2.28 Interest income

Interest income is recorded by the effective interest method. Interest expense is also recorded by the effective interest method.

2.29 Cancellation of financial liabilities

LThe Company cancels financial liabilities if, and only if, the related obligations expire or are met or canceled.

In relation to this report, among the documents that have been distributed to the Shareholders attending the Assembly, you will find a copy of the opinion subscribed by the external auditor with respect to the financial situation of the Company and its financial performance and cash flows for the fiscal year ended on December 31, 2018, in which it is indicated in addition to what is wrote here, that the accounting policies and criteria followed by the Company are adequate and sufficient, comply with IFRS and have been applied consistently.

Carlos González Zabalegui

President of the Board of Directors
of La Comer, S.A.B. De C.V.

AUDIT COMMITTEE ANNUAL REPORT

Mexico City, March 13, 2019

Board of Directors of
La Comer, S.A.B. de C.V.

In agreement with Article 43, Fraction II of the Ley del Mercado de Valores (from now on "LMV"), and to Article 28, Fraction IV, subsection (a) of the same law, the Auditing Committee must do an annual report of their activities, as well as present it to the Board. If the Board approves the report, it will be presented to the Shareholders' Meeting.

For these purposes, through this document, we inform of the activities done by the Audit Committee of La Comer, S.A.B. de C.V. ("La Comer") during the period ended on December 31, 2018, which accounts with 65 supermarket stores, focused mostly on middle and high class sectors, and are located in the metropolitan area of Mexico City and the Central area of the country.

It is important to mention that the members of the Audit Committee are Mr. José Calvillo Golzarri as President, Mr. José Ignacio Llano Gutiérrez and Mr. Alberto Saavedra as vocals. During the business year 2018, the Audit Committee met during 8 ordinary sessions, held on February 20, March 9, April 20, June 22, July 20, September 14, October 19 and November 30. During these sessions, the Committee analyzed the following issues: (I) the process of revealing financial information of the Issuer. (II) internal audit; (III) changes of policies and application of new IFRS principles or new regulations of the CNBV; (IV) investment expenditure (CAPEX) and (V) external audit.

The Committee members attended the sessions, and as considered convenient, also attended Rogelio Garza Garza, Administration and Finance Director ; Raúl del Signo Guembe, Human Resources Director; Carlos Ramos Yañez, Logistic and Distribution Centers Director; Antonio González Sánchez, Corporate Auditing Sub Director; Gustavo Monroy Martínez, Internal Auditing Sub Director; as well as the representatives of the External Auditors PricewaterhouseCoopers (PwC). A Minute from each session was registered and their recommendations and resolutions were presented to the Board systematically. Sessions were duly summoned, and all installation formalities included in the bylaws of the Audit Committee were met with.

Within the activities developed by the Audit Committee, the following points stand out:

1. From the First to the Third quarter of 2018 and accumulated consolidated financial statements of La Comer and its Subsidiaries were reviewed, as well as the guidelines of the report to the Mexican Stock Exchange, duly attached to International Financial Reporting Standards ("IFRs").
2. The consolidated financial statements for fiscal year 2017 were reviewed, as well as the guidelines of the report to the Mexican Stock Exchange duly attached to the International Financial Reporting Standards ("IFRs").
3. The reports with quarterly figures of 2018 of Related Parties of La Comer were presented. Additionally, the updating of the Policy of Related Parties which defines the mechanisms for an adequate disclosure and control of the transactions carried out and to serve as a guide. for their identification, approval and disclosure to the Board of Directors, was presented.
4. The Sales Same Stores (SSS) report was displayed quarterly and cumulative for the different formats of La Comer.
5. The Capex of 11 new and remodeled stores was presented as of December 2018 for an amount of $ 1,265 million. Follow-up was made to delays of store openings and pre-operational expenses.
6. The relevant operations were reviewed together with the administration and external auditors, such as the acquisition of the company AMIS, which was considered as investment property, the partial sale of the property from Puebla to Inverglez.
7. . The implications and effects on the financial statements were reviewed by the adoption of the new IFRS 15 and 9 accounting standards
8. The Circular Unica de Auditores Externos (CUAE) was presented, which integrates the new responsibilities for the Audit Committee; among which stand out:
   - Requirements that the external auditor must meet to be hired, along with a series of tasks that the Audit Committee must perform to recommend its contracting to the Board of Directors.
   - Contemplates communications that must be sent by the external auditor to the Audit Committee during different stages of the audit.
   - Evaluate the work and results of the external auditor.
   - Obligations to follow up on the external auditor's recommendations related to internal control and independence.
   - Verify that internal controls have been established and maintained regarding the disclosure of relevant information.

   The circular was applicable as of August 1, 2018.
9. It was evaluated that the PwC firm fulfilled the necessary requirements of professional quality, training, independence and diligence required to dictate the Financial Statements of La Comer in accordance with the CUAE. It was presented to the Board of Directors to be hired as external auditors and the fees for the year. Additionally, the External Audit program was reviewed and approved. The Notice of the designation of PwC was verified as the office of external auditors of the basic financial statements.
10. PwC recommendations for internal control were followed up at the end of the 2017 audit.
11. The 2017 Risk Assessment and the Annual Internal Audit Plan for 2018 were presented, based on the Risk Map with the company's approach.

12. The main findings of the audits carried out by the internal auditor in its Annual Plan were presented and the actions carried out by the administration were followed up based on its remediation plan.

13. Detailed information on incidents to the Code of Ethics of the Company during the year was presented at each meeting, as well as statistics, special cases and actions taken.

14. The plan for administrative control was presented in order to strengthen the controls of the administration and custody of the same, as a result of the samples to physical audits of fixed assets carried out in some stores. The total annual audits plan was presented.

15. The price for the flexible, actuarial and wellness benefits contest was presented, detailing the services offered, deciding to continue with Lockton, derived from the extensive knowledge it has of the company.

16. A review was requested of the information technology services, on income and expense processes, registration and integrity of the databases. The results will be presented in 2019.

Additionally, the consolidated financial statements for fiscal year 2018 were reviewed, as well as the guidelines of the report to the Mexican Stock Exchange duly attached to the International Financial Reporting Standards ("IFRs") for presentation to shareholders.

Last, Article 42, Section II, subsection e) of the LMV, requires that the Audit Committee issues an opinion on the Financial Statements of La Comer, as of December 31, 2018.

In the opinion of the members of this Committee, we advise that the information presented by the CEO, reflects in a reasonable way the financial situation of La Comer as of December 31, 2018, and the results of its operations during the same periods.

The above opinion is based on the following elements:

- ElThe Financial Opinion of External Auditors PwC.

- The fact that the accounting and information policies and criteria followed by La Comer during the period that ended on December 31, 2018, were adequate and sufficient. These policies and criteria have been consistently applied in the information presented by the CEO.

Based on the above, the Committee recommends the Board to approve both the audited financial statements of La Comer as of December 31, 2018, and the CEO´s report.

For the elaboration of this report, La Comer executives were heard and there was no difference of opinion between them.

Sincerely,

José Calvillo Golzarri
Chairman of the Audit Committee

CORPORATE PRACTICES COMMITTEE REPORT

Mexico City, Tuesday, February 19, 2019

H. Board of Directors of
La Comer, S.A.B. de C.V.
PRESENT

In agreement with Article 43, Fraction II of the Ley del Mercado de Valores (from now on "LMV"), and to Article 28, Fraction IV, subsection (a) of the same law, the President of the Company Practices Committee must elaborate an annual report of their activities, as well as present it to the Board. If the Board approves the report, it will be presented to the Shareholders´ Meeting. For these purposes, through this document, we inform you of the activities done by the Corporate Practices Committee of La Comer, S.A.B. de C.V. ("The Company" or "the Issuer") during the reporting period that ended on December 31, 2018.

It is important to mention that the members of the Corporate Practices Committee are Mr. José Ignacio Llano Gutiérrez, Mr. José Calvillo Golzarri, and yours truly. During the business year , the Committee met during six ordinary sessions, held on February 20, April 20, July 20, October 19, November 29, 2018 and on February 19, 2019.

A meeting minute from each session was registered and signed by all the assistants, and all the summons and legal installation requirements were met. This to comply with the bylaws of the Corporate Practices Committee, which was approved by the Board in a timely manner. Mr. Raúl del Signo Guembe, Human Resources Director of La Comer, assisted to several sessions of this Committee, as required, among other executives.

Notwithstanding the activities done by the Committee during 2018, which are described below, it´s appropriate to point out the member of this Committee attended, among others, the following issues:

- Revise and approve the compensation plans of directors, ensuring the validity and currency of the criteria, common practices, history and other elements that helped comply with this activity.
- Revise and approve the performance evaluation of high level executives based on results done by December 31, 2017, as well as their performance bonuses and EBITDA bonuses (Earnings before Interests, Taxes, Depreciation and Amortization).
- The Committee revised and recommended approval by the Board of the budget that was prepared for the years of 2018 and 2019.
- The compensation for high level directors was reviewed carefully, and it was agreed that modification proposals be made by the Executive President, whom presented them to this Committee, who, once analyzed and approved, presented them to the Board.
- Revised chart flows and structures of different departments of the group, validating responsibilities and duties of each department and the succession plan was updated.
- Evaluated the performance of the Committee, in agreement with the evaluation format designed for this purpose.
- The Committee, along with the Audit Committee, reviewed the operations between related parties done during 2018. For these purposes, it was verified that existing operations were in competitive market conditions, so there were no significant issues to report.

To elaborate this report, we have listen to important directors of the Company, without there being a difference of opinion between them. Also, when we considered appropriate, we requested the opinion of independent experts.

Yours truly,

Alberto Saavedra Olavarrieta
President of the Corporate Practices Committee of La Comer.

LA COMER, S. A. B. DE C. V., AND SUBSIDIARIES

CONSOLIDATED FINANCIAL statements

DECEMBER 31, 2018 AND 2017

REPORT OF INDEPENDENT AUDITORS TRANSLATED FROM SPANISH

FALTAN CARTAS EN INGLES

Informe de los Auditores Independientes

A los accionistas y consejeros de
La Comer, S. A. B. de C. V.

Opinión

Hemos auditado los estados financieros consolidados de La Comer, S. A. B. de C. V., y subsidiarias (La Comer o la Compañía), que comprenden el estado de situación financiera consolidado al 31 de diciembre de 2018 y los estados consolidados de resultado integral, de cambios en el capital contable y de flujos de efectivo correspondientes al ejercicio terminado en esa fecha, así como las notas explicativas a los estados financieros consolidados que incluyen un resumen de las políticas contables significativas.

En nuestra opinión, los estados financieros consolidados adjuntos presentan razonablemente, en todos los aspectos materiales, la situación financiera consolidada de la Compañía al 31 de diciembre de 2018 y su desempeño financiero y sus flujos de efectivo correspondientes al ejercicio terminado en esa fecha, de conformidad con las Normas Internacionales de Información Financiera emitidas por el International Accounting Standards Board (NIIF).

Fundamento de la opinión

Hemos llevado a cabo nuestra auditoría de conformidad con las Normas Internacionales de Auditoría (NIA). Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección "Responsabilidades de los Auditores en relación con la Auditoría de los Estados Financieros Consolidados" de este informe. Somos independientes de la Compañía de conformidad con el Código de Ética Profesional del Instituto Mexicano de Contadores Públicos, A. C., junto con los requerimientos de ética que son aplicables a nuestras auditorías de estados financieros consolidados en México, y hemos cumplido con las demás responsabilidades éticas de conformidad con esos requerimientos y dicho Código. Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para sustentar nuestra opinión.

Cuestiones clave de la auditoría

Las cuestiones clave de la auditoría son cuestiones que, según nuestro juicio profesional, han sido las de mayor importancia en nuestra auditoría de los estados financieros consolidados del ejercicio actual. Estas cuestiones han sido consideradas en el contexto de nuestra auditoría de los estados financieros consolidados en su conjunto y al formarnos nuestra opinión sobre éstos, por lo tanto, no expresamos una opinión por separado sobre estas cuestiones.

PricewaterhouseCoopers, S. C. Mariano Escobedo 573, Colonia Rincón del Bosque, C. P. 11580, Ciudad de México
T: (55) 5263 6000, www.pwc.com/mx

Cuestión clave de auditoría	Cómo nuestra auditoría abordó la cuestión
Proyección de los flujos futuros de efectivo que determinan el valor recuperable de los activos no monetarios y la recuperabilidad del impuesto sobre la renta diferido activo neto Como se menciona en la Nota 1 a los estados financieros consolidados, los planes de crecimiento y expansión de la Compañía requieren inversiones en propiedades, mobiliario, equipo, mejoras a locales y propiedades de inversión para la apertura y remodelación de sus puntos de venta. En adición a dichas inversiones, la Compañía tiene activos intangibles y otros activos no circulantes que en conjunto integran sus activos no monetarios, los cuales se reconocen a su costo menos sus estimaciones por depreciación o amortización acumulada y en su caso, de pérdida por deterioro. Como se menciona en la Nota 2.15 a los estados financieros consolidados, la Compañía realiza pruebas anuales de deterioro sobre los activos no monetarios con vida indefinida, y sobre los activos no circulantes sujetos a depreciación o amortización, cuando hay indicios de deterioro. Estas pruebas se basan en el valor recuperable de dichos activos determinado a través de los flujos de efectivo futuros proyectados. Asimismo, se tiene reconocido un impuesto sobre la renta diferido activo originado principalmente por el efecto de las pérdidas fiscales pendientes de amortizar, por las que la Administración realiza pruebas sobre su recuperabilidad basada en los flujos de efectivo futuros proyectados. Nos hemos enfocado en estos rubros en nuestra auditoría debido principalmente a: 1) la importancia del valor en libros de los activos no monetarios de la Compañía ($19.8 mil millones al 31 de diciembre de 2018) y del impuesto sobre la renta diferido activo neto ($77.5 millones al 31 de diciembre de 2018); 2) la importancia de las inversiones realizadas por la Compañía en la apertura y remodelación de sus puntos de venta; y 3) porque se involucran juicios significativos para determinar el valor recuperable de los	En el caso de los activos no monetarios, llevamos a cabo los siguientes procedimientos: a. Evaluamos el análisis de la Compañía para identificar indicadores de deterioro. b. Comparamos los supuestos clave de la tasa de crecimiento de las ventas utilizada para la elaboración de las proyecciones de flujos de efectivo, con las tendencias históricas de crecimiento de la Compañía y de la industria, además del efecto de los planes de expansión de la Compañía. c. Cotejamos las inversiones en activos para la apertura y remodelación de tiendas, considerados en las proyecciones, con los presupuestos respectivos aprobados por la Administración. d. Comparamos las proyecciones de los flujos de efectivo con los presupuestos aprobados por el Consejo de Administración de la Compañía. e. Comparamos los resultados reales del año actual con los del plan de negocios realizado por la Administración en años anteriores, para identificar si algún supuesto incluido en el cálculo de las proyecciones de flujos futuros de efectivo, pudiera considerarse muy optimista. f. Nuestro equipo de expertos en valuación evaluó la metodología y la tasa de descuento usada en el cálculo de las proyecciones de flujos futuros de efectivo para determinar el valor recuperable de los activos no monetarios. Esta tasa fue comparada con una tasa de mercado estimada considerando el nivel de apalancamiento

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FALTA TRADUCCIÓN

FALTAN CARTAS EN INGLES

activos no monetarios y el activo neto por impuesto sobre la renta diferido, como son la estimación del crecimiento futuro del negocio, la tasa de descuento aplicada a las proyecciones de flujos futuros de efectivo, así como los resultados fiscales futuros de la Compañía.

En particular, concentramos nuestros esfuerzos de auditoría en la revisión de las proyecciones de flujos futuros de efectivo que incluye el crecimiento de las ventas y las inversiones en activos, la tasa de descuento usada para determinar la estimación del valor recuperable de los activos no monetarios, y la recuperabilidad del impuesto sobre la renta diferido activo neto.

de la Compañía, la expectativa de apalancamiento en el corto y mediano plazo, y el nivel óptimo de la industria.

g. Comparamos los valores recuperables determinados para los activos intangibles, propiedades, mobiliario, equipo, mejoras a locales, propiedades de inversión y otros activos no circulantes, con los valores contables de los activos no circulantes.

En el caso de la recuperabilidad del activo neto por impuesto sobre la renta diferido, llevamos a cabo los siguientes procedimientos sobre la proyección de su recuperabilidad en función a los resultados fiscales futuros:

a. Observamos que los ingresos acumulables y los gastos deducibles incluidos en las proyecciones fueran consistentes con los incluidos en los cálculos fiscales del año y que los criterios de acumulación y deducción fiscales fueran consistentes con las leyes fiscales vigentes.

b. Comparamos las proyecciones de ingresos y gastos contables referidas previamente con las usadas para efectos fiscales.

Adicionalmente:

c. Cotejamos las pérdidas fiscales vigentes contra las declaraciones fiscales de los años en que se originaron.

d. Comparamos que las pérdidas fiscales estuvieran vigentes de acuerdo al plazo establecido en la ley para su amortización.

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Información adicional

La Administración de la Compañía es responsable de la información adicional presentada. Esta información adicional comprende el Reporte Anual presentado a la Comisión Nacional Bancaria y de Valores (CNBV) y el Informe Anual presentado a los accionistas, pero no incluye los estados financieros consolidados ni este informe de los auditores independientes, los cuales se emitirán después de la fecha de este informe.

Esta información adicional no está cubierta por esta opinión sobre los estados financieros consolidados y no expresaremos ninguna opinión de auditoría sobre la misma.

Sin embargo, en relación con nuestra auditoría de los estados financieros consolidados de la Compañía, nuestra responsabilidad es leer esta información adicional cuando se encuentre disponible y evaluar si dicha información es materialmente inconsistente con los estados financieros consolidados o nuestro conocimiento adquirido a través de nuestra auditoría, o aparenta contener un error material por otras circunstancias.

Cuando leamos la información adicional que aún no hemos recibido, debemos emitir la declaratoria sobre el Reporte Anual requerida por la CNBV y si detectamos que existe un error material en la misma, debemos comunicarlo a los responsables del gobierno de la Compañía y en dicho informe, de corresponder.

Responsabilidades de la Administración y de los responsables del Gobierno de la Compañía en relación con los estados financieros consolidados

La Administración de la Compañía y subsidiarias es responsable de la preparación y presentación razonable de los estados financieros consolidados, de conformidad con las NIIF, y del control interno que consideró necesario para permitir la preparación de estados financieros consolidados libres de errores materiales, ya sea por fraude o error.

Al preparar los estados financieros consolidados, la Administración es responsable de evaluar la capacidad de la Compañía para continuar como negocio en marcha; revelando, en su caso, las cuestiones relativas a negocio en marcha y utilizando la base contable de negocio en marcha, excepto si la Administración tiene la intención de liquidar la Compañía o de cesar operaciones, o bien no exista otra alternativa más realista que hacerlo.

Los responsables del gobierno de la Compañía son responsables de la supervisión del proceso de reporte financiero de la Compañía.

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FALTAN CARTAS EN INGLES

Responsabilidades de los auditores en relación con la auditoría de los estados financieros consolidados

Nuestros objetivos son obtener una seguridad razonable de que los estados financieros consolidados en su conjunto están libres de errores materiales, ya sea por fraude o error, y emitir un informe de auditoría que contenga nuestra opinión. Seguridad razonable es un alto nivel de seguridad, pero no garantiza que una auditoría realizada de conformidad con las NIA siempre detecte un error material, cuando éste exista. Los errores pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influirán en las decisiones económicas que los usuarios toman basándose en los estados financieros consolidados.

Durante la realización de una auditoría de conformidad con las NIA, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional. También:

- Identificamos y evaluamos los riesgos de error material en los estados financieros consolidados, ya sea por fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos, y obtenemos evidencia de auditoría suficiente y adecuada para sustentar nuestra opinión. El riesgo de no detectar un error material debido de un fraude es más elevado que uno que resulte de un error no intencional, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionalmente erróneas o la elusión de los controles internos.

- Obtenemos un entendimiento del control interno relevante para la auditoría, con el fin de diseñar procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la efectividad del control interno de la Compañía.

- Evaluamos si las políticas contables aplicadas son adecuadas y la razonabilidad de las estimaciones contables y de las revelaciones relativas presentadas por la Administración.

- Evaluamos si es adecuado que la Administración utilice la base contable de negocio en marcha para preparar los estados financieros consolidados, y si, basados en la evidencia de auditoría obtenida, existe incertidumbre material con base en hechos o condiciones que puedan generar dudas significativas sobre la capacidad de la Compañía para continuar como negocio en marcha. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en los estados financieros consolidados o, si dichas revelaciones son inadecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, hechos o condiciones futuros pueden ser causa de que la Compañía deje de ser un negocio en marcha.

- Evaluamos en su conjunto, la presentación, la estructura y el contenido de los estados financieros consolidados, incluyendo las revelaciones relativas incluidas en las notas, y si los estados financieros consolidados presentan razonablemente las transacciones y hechos subyacentes.

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- Obtenemos evidencia de auditoría suficiente y adecuada en relación con la información financiera de las entidades o actividades de negocio que conforman el grupo económico para expresar una opinión sobre los estados financieros consolidados. Somos responsables de la dirección, supervisión y realización de la auditoría de los estados financieros consolidados. Somos los únicos responsables de nuestra opinión de auditoría.

Comunicamos a los responsables del gobierno de la Compañía, entre otras cuestiones, el alcance y el momento de realización de la auditoría y los hallazgos significativos de la auditoría, así como, cualquier deficiencia significativa de control interno que identificamos en el trascurso de nuestra auditoría.

También, proporcionamos a los responsables del gobierno de la Compañía una declaración manifestando que hemos cumplido los requerimientos de ética aplicables sobre independencia y les comunicamos todas las relaciones y demás cuestiones que razonablemente pudieran influir en nuestra independencia, y en su caso, las correspondientes salvaguardas aplicadas.

Entre las cuestiones comunicadas a los responsables del gobierno de la Compañía, determinamos las que han sido de mayor importancia en la auditoría de los estados financieros consolidados del ejercicio actual y que son, en consecuencia, las cuestiones clave de auditoría. Describimos esas cuestiones en nuestro informe de auditoría salvo que las disposiciones legales o reglamentarias prohíban revelarlas públicamente o, en circunstancias extremadamente raras, determinemos que una cuestión no se debería comunicar en nuestro informe porque cabe razonablemente esperar que las consecuencias adversas de hacerlo superarían los beneficios de interés público.

El nombre del socio a cargo de la auditoría se informa a continuación.

PricewaterhouseCoopers, S. C.

José Luis Guzmán

C.P.C. José Luis Guzmán Ortiz
Socio de Auditoría

Ciudad de México, 13 de marzo de 2019

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LA COMER, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2018 and 2017

Thousands of pesos

Assets	Note	December 31, 2018	December 31, 2017
CURRENT ASSETS:			
Cash and cash equivalents	2.4 and 9	$ 2,601,863	$ 2,545,243
Customers and other accounts receivable net of the estimation for impairment	2.5.1 and 10	119,900	161,522
Recoverable and creditable tax recoverable and creditable tax	2.7 and 10	690,141	546,019
Related parties	2.7 and 21	–	282
Inventories	2.9 and 11	2,671,821	2,376,227
Advance payments	2.10 and 12	23,873	21,393
Defined-life intangible assets and others - Net	2.14 and 16	122,099	126,446
Total current assets		6,229,697	5,777,132
NON-CURRENT ASSETS:			
Defined-life intangible assets and others - Net	2.14 and 16	639,763	764,305
Investment property - Net	2.12 and 13	629,175	752,048
Property, furniture, equipment, and leasehold improvements - Net	2.11 and 14	12,129,705	10,863,196
Defined-life intangible assets - Net	2.14 and 15	6,277,998	6,277,998
Deferred income tax asset	2.18 and 25	129,907	149,827
Total assets		$ 26,036,245	$ 24,584,506

Liabilities and Stockholders' Equity	Note	December 31, 2018	December 31, 2017
CURRENT LIABILITIES:			
Suppliers and supplier financing program	2.16 and 17	$ 2,939,808	$ 2,721,979
Related parties	2.16 and 21	58,610	44,335
Provisions	2.17 and 19	73,636	74,744
Provision for employee benefits	2.17 and 19	173,677	131,380
Other accounts payable	2.16 and 18	494,233	509,835
Income tax	25	29,411	16,205
Other taxes payable	2.16	132,375	161,521
Total current liabilities		3,901,750	3,659,999
NON-CURRENT LIABILITIES:			
Deferred income tax liability	2.18 and 25	52,368	9,390
Employee benefits	2.19 and 20	79,524	77,911
Total noncurrent liabilities		131,892	87,301
Total liabilities		4,033,642	3,747,300
STOCKHOLDERS' EQUITY:			
Capital stock	2.20 and 26	1,966,662	1,966,662
Net premium on placement of shares	26	206,436	193,896
Capital reserve	26	1,749,909	1,699,644
Retained earnings	26	18,079,596	16,977,004
Total stockholders' equity		22,002,603	20,837,206
Total liabilities and stockholders' equity		$ 26,036,245	$ 24,584,506

The accompanying notes are in integral part of these consolidated financial statements.

LA COMER, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (by expense function)

For the years ended on December 31, 2018 and 2017

Thousands of pesos

	Note	Year ended on December 31 2018	2017* Reformulated
Operating income:			
Net sales of merchandise	2.21.a. b. and c.	$ 18,789,512	$ 16,265,951
Leasing income	2.22	307,480	262,764
Other income	2.21 d. and e.	22,115	25,612
Total income		19,119,107	16,554,327
Cost of sales	2.24 and 22	14,077,943	12,304,786
Gross profit		5,041,164	4,249,541
Selling expenses	22	3,535,326	2,990,457
Administrative expenses	22	710,631	671,770
		4,245,957	3,662,227
Other expenses	23	(12,607)	(70,627)
Other income	23	264,852	260,055
		252,245	189,428
Operating income		1,047,452	776,742
Financial expenses	24	(141,123)	(106,156)
Financial income	2.28 and 24	281,384	224,557
		140,261	118,401
Pretax profit		1,187,713	895,143
Taxes on income	25	98,442	112,943
Consolidated net income		$ 1,089,271	$ 782,200

	Note	Year ended on December 31 2018	2017* Reformulated
Other comprehensive income items not to be subsequently reclassified to the statement of income			
Remeasurement of labor liabilities - Net of deferred income tax	25	$ 2,512	$ 2,093
Consolidated comprehensive income		$ 1,091,783	$ 784,293
Basic and diluted earnings per unit:	2.23		
Per net profit		$ 1.00	$ 0.72

* See Note 6 to the consolidated financial statements

The accompanying notes are in integral part of these consolidated financial statements.

LA COMER, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended on December 31, 2018 and 2017
(Notes 2.20 and 26)
Thousands of pesos

	Capital stock	Net premium on placement of shares	Capital reserves	Retained earnings	Total stockholders' equity
Balances at January 1, 2017	$ 1,966,662	$ 193,896	$ 1,544,201	$ 16,402,110	$ 20,106,869
Comprehensive income:					
Net profit	–	–	–	782,200	782,200
Remeasurement of labor liabilities- Net	–	–	–	2,093	2,093
Total comprehensive income	–	–	–	784,293	784,293
Transactions with stockholders:					
Repurchase of shares (Note 2.20)			(53,956)	–	(53,956)
Increase in capital reserves (Note 26)	–	–	209,399	(209,399)	–
Total transactions with stockholders	–	–	155,443	(209,399)	(53,956)
Balances at December 31, 2017	1,966,662	193,896	1,699,644	16,977,004	20,837,206
Comprehensive income:					
Net profit	–	–	–	1,089,271	1,089,271
Remeasurement of labor liabilities- Net	–	–	–	2,512	2,512
Total comprehensive income				1,091,783	1,091,783
Transactions with stockholders:					
Appreciation in the market value of shares (Note 2.20)	–	12,540	(12,540)	–	–
Repurchase of shares (Note 2.20)	–		62,805	10,809	73,614
Total transactions with stockholders	–	12,540	50,265	10,809	73,614
Balances at December 31, 2018	$ 1,966,662	$ 206,436	$ 1,749,909	$ 18,079,596	$ 22,002,603

The accompanying notes are in integral part of these consolidated financial statements.

LA COMER, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended on December 31, 2018 and 2017
Thousands of pesos

	Note	Year ended on December 31 2018	2017
Operating activities			
Income before taxes		$ 1,187,713	$ 895,143
Adjustment for items not implying cash flows:			
Depreciation and amortization included in costs and expenses	12,13, 14,15 and 16	705,315	602,500
Income from sale of property, machinery and equipment and investment properties	23	(199,034)	(163,927)
Net cost of labor obligations for the period	20	12,085	14,819
Interest receivable	24	(140,863)	(161,224)
Interest payable	24	5,662	4,227
		1,570,878	1,191,538
Increase (decrease) in:			
Customers		(12,512)	4,182
Inventories		(295,594)	(293,942)
Creditable tax		(144,122)	(212,217)
Accounts receivable		54,416	(50,460)
Prepayments and other payments		(7,203)	(2,340)
(Increase) decrease in:			
Suppliers		217,829	505,220
Other liabilities		(14,758)	(119,226)
Taxes on income paid		(22,336)	(13,662)
Net cash flows from operating activities		1,346,598	1,009,093

LA COMER, S. A. B. DE C. V. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended on December 31, 2018 and 2017

Thousands of pesos

	Note	Year ended on December 31 2018	2017
Investment activities			
Interest collected	24	140,863	161,224
Acquisition of property, furniture and equipment and investment properties - net of cash		(1,851,557)	(2,114,767)
Collections on the sale of property and equipment and investment properties		352,764	322,513
Net cash flows from investment activities		(1,357,930)	(1,631,030)
Financing activities			
Repurchase of shares	26	73,614	(53,956)
Interest paid	24	(5,662)	(4,227)
Net cash flows from financing activities		67,952	(58,183)
Increase (decrease) in cash and cash equivalents		56,620	(680,120)
Cash and cash equivalents at beginning of year		2,545,243	3,225,363
Cash and cash equivalents at end of year		$ 2,601,863	$ 2,545,243

The accompanying notes are in integral part of these consolidated financial statements.

LA COMER, S. A. B. DE C. V. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2018 and 2017

Thousands of pesos, except for amounts per unit and other amounts mentioned

NOTE 1 – GENERAL INFORMATION:

The nature of the Company

La Comer, S. A. B. de C. V. (La Comer, the ultimate holder) [jointly with its subsidiaries, the Company] arose from the spinoff of Controladora Comercial Mexicana, S. A. B. de C. V. (CCM), for which the deadline for becoming legally effective was January 4, 2016, and was listed on the Mexican Stock Exchange (MSE) as a publicly traded stock company as from that same date. La Comer is a holding company which principally invests in companies involved in the purchase, sale and distribution of groceries, perishable items and merchandise in general with an indefinite shelf life.

The Company's domicile and main place of business is Insurgentes Sur 1517 Avenue, Módulo 2, Col. San José Insurgentes, 03900, Benito Juárez, Ciudad de México.

At December 31, 2018 and 2017, La Comer is the controlling company of the following subsidiaries:

Subsidiaries	Line of business	Percentage of interest (%)
Comercial City Fresko, S. de R. L. de C. V. (CCF) [a]	A chain of self- service stores	99.99
Real estate subsidiaries [b]	A group of companies whose properties house several of its stores	99.99

a. CCF

CCF is a chain of retailers operating self- service stores in Mexico under four different names: La Comer, City Market, Fresko and Sumesa. They offer a wide range of products such as groceries, gourmet items, perishable goods, pharmaceuticals and general merchandise. At Monday, December 31, 2018 and 2017, the Company operates 65 and 61 stores, respectively. It also leases commercial space to third parties. The Company has drawn up a plan for the growth and expansion of its points of sale (openings and remodelings), for which purpose it invests in property, furnishings, equipment, leasehold improvements and investment property. (See Notes 13, 14 and 15)

b. Real estate subsidiaries

The real estate subsidiaries own some of the buildings housing several of the Company stores, including Hipertiendas Metropolitanas, S. de R. L. de C. V. and Arrendacomer, S. A. de C. V.

NOTE 2 – BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and the respective interpretations (IFRS IC). The amendments to the Rules for Public Companies and Other Participants in the Mexican Securities Market issued by the National Banking and Securities Commission on January 27, 2009 require the Company to prepare its financial statements as per the accounting regulations contained in IFRS, issued by the IASB and the respective interpretations.

The consolidated financial statements have been prepared on the historical cost basis, except for cash equivalents and plan assets corresponding to employee benefits, which are measured at fair value.

Preparation of the financial statements in accordance with IFRS requires the use of certain critical accounting estimations. The areas involving a greater degree of judgment or complexity and those with assumptions and estimations that are significant for the financial statements are described in Note 4.

Going concern

The Company operates mainly with the cash flow stemming from store sales and from certain supplier loans. Management has reasonable expectations that the Company will secure the resources necessary to continue operating as a going concern in the foreseeable future. Consequently, the consolidated financial statements were prepared on a going- concern basis.

Following is a summary of the most significant accounting policies used in preparing the consolidated financial statements, which have been applied consistently in the year presented, unless otherwise specified.

2.1 Consolidation

Subsidiaries

Subsidiaries are entities over which the Company exercises control. The Company controls an entity when the Company is exposed to, or is entitled to, variable yields arising from its dealings with the entity and is capable of bringing its power to bear on the entity in such a way as to affect the amount of said yields. The Company also evaluates the existence of control in cases where less than 50% of the voting shares are held, but where the Company decides on important operations. The subsidiaries consolidate as from the date on which control is transferred to the Company, and cease to consolidate when that control is lost.

The Company uses the purchasing method to record business acquisitions.

Balances and unrealized profits arising from transactions between companies of the Group are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the transferred asset. When required, amounts reported by the subsidiaries are adjusted to meet the Group's accounting policies.

Uncontrolled interests in income and in the capital of subsidiaries are shown separately in the consolidated statement of income, in the statement of comprehensive income, in the statement of changes in stockholders' equity and in the statement of financial position, respectively.

Consolidation includes the financial statements of all the subsidiaries of the Group. (See Note 1.)

2.2 Reporting by segment

Information per segment is shown consistent with the internal reports provided to the Board of Directors, which is the body responsible for making operating decisions, authorizing capital investments and evaluating operating segment returns. For the period ended on Monday, December 31, 2018 and 2017, the Company operated a single business segment, which includes self- service stores, corporate operations and the real estate business. Resources are assigned to the segments, based on each segment's importance within the entity's operations and the strategies and returns established by Management. (See Note 29).

2.3 Foreign currency transactions

a. The functional and the recording currencies

The items included in each of the subsidiaries' financial statements are stated in the currency of the primary economic environment in which the entity operates (the functional currency). The currency for presentation of the Company's consolidated financial statements is the Mexican peso, which is the functional currency of the Company and all its subsidiaries and is used for compliance with its legal, tax and stock exchange obligations.

b. Transactions and balances

Transactions in foreign currencies are converted to the functional currency at the rates of exchange prevailing on the dates of the transactions. Exchange gains and losses from fluctuations in the exchange rates, whether for settlement of those transactions or from conversion of monetary assets and liabilities stated in a foreign currency at the closing exchange rates for the year are recognized in the statement of income. They are deferred in capital if they pertain to the coverage of ratable cash flows and net ratable coverage of investments in an operation conducted abroad.

Exchange gains and losses associated with loans, cash and cash equivalents are shown in the statement of income under "Financial costs and income".

2.4 Cash and cash equivalents

In the consolidated statement of income, cash and cash equivalents include available cash, deposits in checking accounts, bank deposits in foreign currency and short- term investments in highly liquid securities, easily converted to cash, maturing at terms of three months or less and subject to immaterial risks of changes in value and bank overdrafts. Bank overdrafts are shown under current liabilities in the statement of financial position. Cash is shown at nominal value and cash equivalents are valued at fair value. Fluctuations in value are applied to income for the period.

Cash equivalents consist mainly of on- demand or very short- term investments, as well as investments in highly liquid government securities maturing in the short term. Bank deposits include vouchers for bank cards not yet deposited to the company's bank accounts by the banks. Those vouchers are usually recovered in no more than one day. (See Note 9).

2.5 Accounts receivable from customers

Accounts receivable from customers are initially recognized at fair value and subsequently stated at amortized cost, using the effective interest rate method, less the impairment reserve. (See Note 10 for further information on the recording of accounts receivable from Company customers and Note 6b for a description of the Company's impairment policies. The Company's accounts receivable include accounts receivable from: i) companies issuing grocery coupons; ii) payments for commercial and promotional space leased to third parties; and iii) other accounts receivable, all short term.

2.6 Financial assets

2.6.1 Classification

Beginning on January 1, 2018, the Company has classified its financial assets in the following categories (see Note 23).

- Those measured subsequently at fair value (either via comprehensive income or income), and
- Those that are measured at amortized cost

The classification depends on the business model of the entity used to handle its financial assets and the contractual features of cash flows.

For assets measured at fair value, profits and losses are recorded in income and other comprehensive income. For investments in capital instruments not held for trading, this will depend on whether the Company made an irrevocable decision at the time of initial recognition to record the investment at fair value via OCI.

2.6.2 Recognition and disposal

Regular purchases and sales of financial assets are recognized at the transaction date, which is the date on which the Company commits to purchase or sell the asset. Financial assets are no longer recognized when the rights to receive cash flows from investments expire or are transferred and the Company has transferred all the risks and benefits arising from ownership.

2.6.3 Measurement

At the time of initial recognition, financial assets are measured at fair value plus, in the case of a financial asset not at fair value via income (VR- income), transaction costs directly attributable to the acquisition of the financial asset. The transaction costs of financial assets at fair value through income are recorded in income.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow features of the asset. There are three measurement categories which the Company uses to classify its debt instruments:

- Assets held for the collection of contractual cash flows when said cash flows represent merely the payment of principal and interest are measured at amortized cost. Income arising from those financial assets are included in financial income by the effective interest rate method. Any profit or loss arising from the disposal of accounts is recorded directly in income and shown under other income/losses together with exchange gains and losses. Impairment losses are shown as a separate item in the statement of income.

- Assets held for the collection of contractual cash flows and for the sale of financial assets, when cash flows from assets represent only the payment of principal and interest, are measured at fair value through other comprehensive income (VR- OCI). Movements in book value are recorded through OCI, except for recognition of impairment profits or losses, interest income and profits or losses arising from exchange rates, which are recorded in income. At the time a financial asset is disposed of, the accrued profit or loss previously recorded in OCI is reclassified from capital to income and recorded in other income/(losses). Income arising from those financial assets is included in financial income by the effective interest rate method. Exchange profits and losses are shown under other income and (losses) and impairment expenses are shown as a separate item in the statement of income.

- Assets that fail to comply with criteria for amortized cost or VR- OCI are measured at fair value via income. Any profit or loss arising from a debt instrument that is subsequently measured at fair value via income is recorded in income and shown in net terms in other income/(expenses) in the period in which it arises.

2.6.4 Impairment

The Company's principal source of income is the sale of products in its stores, payment for which is made at the time of purchase in cash or via coupons or credit cards. The company's accounts receivable consist mainly of amounts to be collected from companies issuing grocery coupons as well as lease payments to be collected from subletting commercial locales and promotional space to third parties. The Company has experienced no difficulties in collecting on coupons. However, the same cannot be said for lease payments on sublet locales.

Up to December 31, 2017, the Company recorded an impairment provision for accounts receivable and other financial assets when they became overdue and the balance of that provision was increased based on an individual analysis of each account and of the results of the evaluation of the behavior of the portfolio and business ups and downs. Increases in that provision are recorded under expenses in the statement of income. The estimation for impairment has been sufficient to absorb the respective losses.

Since January 1, 2018, the Company has prospectively evaluated expected credit losses associated with its debt instruments at amortized cost and VR- ORI. The impairment methodology applied depends on whether a significant increase in credit risk has arisen. For accounts receivable, the Company applies the simplified method allowed by IFRS 9, which requires losses expected over the lifetime of the instrument to be recorded as from initial recognition of accounts receivable. At December 31, 2018 and 2017, that estimation was $3,901 and $9,745, respectively.

2.7 Other accounts and documents receivable:

The Company classifies unsupported travel expenses and other similar items as accounts receivable. If collection rights or recovery of these amounts is not realized within 12 months as from the year- end closing, they are classified as short term; otherwise, they are shown as long term.

2.8 Derivative financial instruments

The Company engages in no operations with derivative financial instruments.

2.9 Inventories

Inventory of merchandise is determined by the retail method. Under that method, inventory is segregated into types of merchandise with similar features, then valued at the sales price. That value is used to determine inventory at the net discount cost, by applying specific cost factors to each department. Cost factors represent the average cost of each department based on initial inventory and purchases for the period. The percentage applied considers the portion of inventory marked down below its original sales price. The methodology used by the Company in applying the retail method is consistent for all periods presented. Inventory valued in this manner approximates cost and does not exceed net realization value. Inventory is shown at the lesser of cost and net realization value. Net realization value is the sales price estimated in the normal course of operations, less costs estimated for making the sale.

CCF physical inventory counts are taken monthly for perishable items and biyearly for nonperishable items; inventory records are adjusted for the results of the physical inventory count.

Inventories at the distribution centers are evaluated by the average inventory method, as they involve no costing factors.

2.10 Advance payments

Pre- paid expenses represent disbursements made by the Company, in which the benefits and risks inherent to the goods to be acquired or in the services to be received have not yet been transferred. Advance payments are recorded at cost and are shown in the statement of financial position as current assets when due in 12 months or less, and as noncurrent when due in more than 12 months as from the date of the statement of financial position. Once the goods and/or services have been received, they must be recorded as assets or expenses in the statement of income for the period. When advance payments lose their capacity to generate future economic benefits, the amount considered to be unrecoverable is recognized in the statement of income for the period in which this occurs. The principal items include insurance premiums, advertising and property tax (see Note 12).

2.11 Property, furniture and equipment and leasehold improvements – Net

Land is valued at cost minus any impairment losses. All other components of property, furniture and equipment and leasehold improvements are recognized at cost, less accumulated depreciation and any impairment losses. Cost includes expenses directly attributable to the acquisition of these assets and all expenses related to placing assets at the site and in the condition necessary for them to operate as expected by Management (see Note 14). For ratable assets, the cost includes the cost of loans capitalized in accordance with Company policies. At December 31, 2018 and 2017, there were no costs for capitalizable loans for this item.

Expansion, remodeling and improvement costs representing an increase in capacity and thus an extension of the useful life of the items in question are also capitalized. Maintenance and repair expenses are charged to income for the period in which they are incurred. The book value of replaced assets is canceled when assets are replaced, and the effect is recognized in the statement of income (see Note 23).

Works in process represent stores under construction and include investments and costs directly attributable to startup of operations. When stores are ready to start up operations, they are switched to the property, furniture and equipment and leasehold improvements caption and the calculation of depreciation begins.

Land is not depreciated. Depreciation is calculated by the straight- line method in order to distribute the cost at residual value over the remaining useful lives, as follows:

Buildings and construction:

Foundation	57 years
Structure	57 years
Roofing	24 years
Masonry and finishes	55 years
Plumbing/sanitary, electric and sprinkler systems	36 years
Machinery and equipment	10 years
Office equipment	10 years
Electronic equipment	3.3 years
Leasehold improvements	10 years or the leasing period, whichever is less

The Company assigns the amount initially recognized for a component of property, furniture and equipment in its different significant components and depreciates each of those components separately.

When necessary, the residual values and useful lives of the Company's assets are reviewed and adjusted at the date of each statement of financial position.

The book value of an asset is written off at recovery value if the book value of the asset exceeds its estimated recovery value (Note 2.6).

Profits and losses from the sale of assets are determined on the basis of the difference between the income from the transaction and the book value of the assets. They are included in the statement of income as "Other income and expenses", respectively. (See Note 23.)

2.12 Investment properties – Net

The Company owns malls that house its own stores, as well as commercial space it leases to third parties. The Company's own stores are recorded in the statement of financial position as property, furniture and equipment (see Note 14) and commercial locales are recorded as investment properties (see Note 13).

Investment properties are real property (land and buildings) held to produce economic benefits in the form of lease payments or to appreciate, and are initially valued at cost, including transaction costs. After initial recognition, investment properties continue to be valued at cost, less any accumulated depreciation and impairment losses.

Expansion, remodeling and improvement costs representing an increase in the capacity of items and thus an extension in their useful lives are also capitalized. Maintenance and repair expenses are charged to income for the period in which they are incurred. The book value of replaced assets is canceled when assets are replaced, and the effect is recognized in the statement of income (see Note 23).

Depreciation of investment properties is calculated by the straight- line method in order to distribute the cost at residual value over the remaining useful lives, as follows:

Buildings and construction:

Foundation	57 years
Structure	57 years
Roofing	24 years
Masonry and finishes	55 years
Plumbing/sanitary, electric and sprinkler systems	36 years

2.13 Borrowing costs

The cost of general and/or specific loans directly attributable to the acquisition, construction or production of ratable assets requiring a substantial period (generally over 12 months) before they are ready for use or sale is included as part of the value of those assets in that period until such time as they go into use.

Income arising from the temporary investment of specific loans not yet used in ratable assets reduce the cost of loans eligible for capitalization.

All other borrowing costs are recognized in the statement of income in the period in which they were incurred.

In the period ended on Monday, December 31, 2018 in 2017, no loan costs were capitalized, and there were no ratable assets in those periods.

2.14 Intangible assets – net

An intangible asset is recorded if, and only if a) the future economic benefits attributed to it flow into the entity and b) the cost of the asset can be reliably measured.

Licenses acquired for the use of programs, software and other systems are capitalized at the value of the costs incurred for acquisition and preparation for use. Maintenance expenses are recorded as expenses when incurred. Licenses acquired for the use of programs recorded as intangible assets are amortized during the course of their estimated useful lives, but not exceeding 3.3 years.

The assignment of the rights to use and operate self- service stores is recorded at historical cost. The rights to use and operate self- service stores are amortized on the basis of the term specified in the leasing contract, i.e., from five to 10 years. Those assets are shown in the statement of financial position as current assets when due in 12 months or less, and as noncurrent when due in more than 12 months as from the date of the statement of financial position. Once the rights accrue, those amounts are recorded as an expense in the statement of income for the period. When advance payments lose their capacity to generate future economic benefits, the amount considered to be unrecoverable is recognized in the statement of income for the period in which this occurs. (See Note 15.)

Individually acquired brand names are recognized at historical cost. Brand names acquired via a business acquisition are recognized at fair value at the acquisition date.

The Company records the rights to the Comercial Mexicana brand name as an indefinite- life intangible asset, as it considers that those rights are very unlikely to cease generating cash income for the Company in future accounting periods. Rights to brand names are not amortized. The Company runs impairment tests to determine whether the value of the rights to brand names will be recovered with the future cash flows expected by the Company.

The useful life of the rights to the Comercial Mexicana brand name is indefinite, and is recorded at cost minus any accrued impairment losses (see Note 16). No impairment was determined at December 31, 2018 and 2017 of the brand name rights.

2.15 Impairment of non- financial assets

Assets with an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets subject to amortization or depreciation are tested for impairment when events or changes in circumstances indicate that the book value might not be recoverable. Impairment losses are the amount by which the book value of assets exceeds the recovery value.

The recovery value of assets is the greater of the fair value of the asset (less costs incurred for its sale) and its value in use. For impairment testing purposes, assets are grouped at the lowest levels at which they generate identifiable cash flows (cash- generating units). The Company has qualified each store as a separate cash- generating unit for the purpose of impairment testing. Non- financial assets subject to write- offs due to impairment are valued at each reporting date to identify possible reversals of said impairment.

The Company runs impairment tests on non- monetary assets once a year or when there are indications of impairment. Non- monetary assets include the following captions of the statement of financial position: intangible assets, property, plant and equipment, investment property and other noncurrent assets. At December 31, 2018 and 2017, there were no signs of impairment in noncurrent assets subject to depreciation and amortization, and in the case of indefinite- lived assets, the Company's annual impairment tests showed no signs of impairment.

2.16 Suppliers and other accounts payable

These balances represent unpaid liabilities for goods and services provided/rendered to the Company prior to the year- end. The amounts in question are not guaranteed. Suppliers and other accounts payable are shown as current liabilities, unless the amount is not payable within the 12 months following the reporting period. Accounts payable are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method. At December 31, 2018 and 2017, the accounts payable balance is composed principally of sundry creditors and deferred income, the latter arising from loyalty programs established by the Company. (See Note 2.21.)

Accounts payable are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest- rate method.

2.17 Provisions

Provisions are recognized when the Company has a present or assumed legal obligation resulting from past events that is likely to require the use of cash flows to settle the obligation and the amount in question can be reliably estimated.

Provisions are recognized at the present value of Management's best estimation of the disbursements expected to be required to cancel the obligation, using a pretax discount rate that reflects current market conditions with respect to the value of money and the specific risks of said obligation. The increase in the provision due to the passing of time is recognized as interest expense. (See Note 19).

2.18 Income tax incurred and deferred

The income tax expense comprises tax incurred and deferred. The tax is recognized in the statement of income, except when it relates to items recognized under other comprehensive income or directly in stockholders' equity. In that case, tax is also recognized under other comprehensive income or directly under stockholders' equity, respectively.

Taxes on income payable consist of income tax (based on the tax profits for each year), which is recorded in income for the period in which it is incurred.

The charge for income tax incurred is calculated on the basis of tax laws in effect on the date of the statement of financial position or on laws whose approval process has been substantially concluded. Management periodically evaluates the position taken in tax returns with respect to matters in which applicable tax regulation is subject to interpretation.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts shown in the consolidated financial statements that are expected to materialize in the future. However, deferred taxes on income arising from initial recognition of an asset or a liability in a transaction that does not qualify as a business combination, which at the time of the transaction does not affect the book or tax profit or loss, are not recorded. (See Note 13.)

Deferred income tax is determined at the tax rates and per the laws in effect at the date of the statement of financial position, which are expected to be applicable when the deferred income tax asset is realized or the deferred income tax liability is settled. The income tax rate for 2018 and 2017 is 30%.

The deferred tax asset is only recognized to the extent future tax benefits are likely to arise against which temporary liability differences can be used.

The deferred tax liability arises from temporary tax differences stemming from investments in subsidiaries, except for the deferred tax liability when reversal of the temporary difference is controlled by the Company and the temporary difference is unlikely to reverse in the near future. (See Note 25.)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities intending to settle the balances on a net basis. At December 31, 2018 and 2017, the Company showed no offset deferred tax.

Accessories on the payment of federal taxes are shown as provisions.

2.19 Employee Benefits

Employee benefits, including benefit plans, are as follows:

Short- term obligations

Direct benefits (wages and salaries, overtime, vacations, holidays and days off with pay, etc.) expected to be entirely paid within the 12 months following the end of the year in which the employees render the respective services are recorded in relation to the service rendered by the employees up to the end of the period and are measured on the basis of the amounts expected to be paid when the liabilities are covered. Liabilities are shown as current obligations for employee benefits in the statement of financial position. In the terms of legal and contractual provisions, paid absences cannot be accrued.

Long- term benefits

The Company operates a number of retirement plans, including defined benefits and defined contributions, as well as retirement medical plans.

a. Retirement benefits and seniority premium

The Company's subsidiaries recognize the obligation to provide seniority premium defined benefits and two subsidiaries operate defined contribution retirement plans, one of which recognizes the obligation for retirement health defined benefits for a particular group of participants. A defined benefit pension plan is a plan that determines the benefits to be provided to an employee upon retirement, including health retirement plans, which usually depend on a number of factors, such as age, years of service and compensation. Plan costs are determined for defined contribution plans, but the benefit level for employees retiring with the accumulated amount has not been determined.

The liability or asset recognized in the statement of financial position for defined benefit plans is the present value of the obligation for defined benefits at the date of the statement of financial position, less the fair value of plan assets.

Obligations for defined benefits are calculated annually by independent actuaries via the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows at interest rates for government bonds denominated in the currency in which the benefits will be paid, whose maturity terms approximate the terms for the related pension obligation. The basic assumptions for determination of employee benefits are mentioned in Note 20. Actuarial profits and losses arising from adjustments based on experience and changes in actuarial assumptions are charged or credited to stockholders' equity under other comprehensive- income in the period in which they arise. Past service costs are recorded directly in the statement of income.

b. Employees' statutory profit sharing (ESPS) and bonuses

The Company recognizes a liability and an expense for bonuses and ESPS, the latter calculated as per current tax provisions. The Company recognizes a provision when contractually obligated to do so or when a past practice generates an assumed obligation.

c. Benefits paid to personnel in accordance with labor laws

This type of benefit is paid and recognized in the statement of income upon termination of employment prior to the retirement date or when employees resign in exchange for said benefits. The Company records indemnities on the first of the following dates: a) when the Company is unable to withdraw the offer of those benefits and b) when the Company recognizes restructuring costs within the scope of IAS 37 "Provisions", which implies the payment of termination benefits. In the case of an offer made to encourage resignation, termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted at present value.

2.20 Capital stock

Company shares placed on the Mexican Stock Exchange are classified as capital stock. (See Note 26.)

Incremental costs directly attributable to the issuance of new shares or options are shown in stockholders' equity as a deduction of the amount received, net of tax.

In accordance with the provisions of article 56 of the Securities Market Law and Title Six of the Sole Circular for Issuers, which establishes that Company shares placed on the Mexican Stock Exchange may be acquired under certain rules, the Company carries out the procedure for the purchase or sale of Company shares placed on the Mexican Stock Exchange from the repurchase fund.

The purchase of own shares issued by the Company that operate under the repurchase reserve are recorded as a reduction in the Company's stockholders' equity until such time as those shares are canceled or issued once again. When those shares are reissued, the consideration received is recorded in the Company's stockholders' equity.

2.21 Revenue recognition

The Company operates a chain of self- service stores (the retail industry).

a. Sale of merchandise

Revenue from the sale of consumer goods at self- service stores is recorded when the Company sells the product to a customer. Payment for the transaction is made immediately when the customer purchases the merchandise, which is delivered to the customer at the store.

Customer discounts and returns are shown after subtracting the respective income. Merchandise sales are settled by customers using debit and credit cards, cash and coupons. It is Company policy to allow a number of its products to be returned after they have been sold. However, experience has shown that returned items are immaterial as compared to overall sales, which is why the company creates no reserve in that regard. Because the level of returned merchandise sold has remained invariably low over the years, there is unlikely to be a significant change in accrued income recorded.

At December 31, 2018 and 2017, income from the sale of merchandise is as follows:

		2018		2017
The metropolitan area	$	12,033,077	$	10,868,144
The downtown area		4,466,175		3,759,084
The Western area		1,342,953		734,930
The Northwestern area		947,307		903,793
Ending balance at December 31	$	18,789,512	$	16,265,951

b. Smart cards

The Company operates a loyalty program whereby customers accumulate points for purchases made, which entitles them to a discount on future purchases. At the time the sale is made, liability is recorded for points accumulated. Income is recorded when the points are redeemed or expire, depending on Company policy.

The Company offers promotions, some of which involve benefits granted to customers in the form of smart cards, the value of which is referred to a percentage of the selling price. Smart cards may be used by customers to settle future purchases made at Company stores or at other stores, based on an agreement signed with the administrator of the program. Amounts contained in smart cards are subtracted from income.

When points are redeemed at the branches, income is recorded, and if redeemed at other points of sale, the amount payable to the program administrator is recorded.

Company experience has demonstrated that smart cards showing no movement over a period of six months are unlikely to be redeemed; the respective agreement specifies 12 months with no movement before the points can be canceled. Therefore, this type of smart card is canceled, with a credit to sales.

At December 31, 2018 and 2017, the value of smart cards issued in connection with promotions pending redemption but expected by the Company to materialize are recorded at fair value and shown as deferred income. The balance is $39,476 and $31,559, respectively, and is included under other accounts payable in the statement of financial position.

		2018		2017
Beginning balance at January 1	$	31,559	$	26,166
Issued		56,400		55,173
Redeemed		(48,483)		(49,780)
Ending balance at December 31	$	39,476	$	31,559

c. Coupons for merchandise

Income from coupons issued by the Company, which can be exchanged for merchandise at its stores, are recognized as a deferred credit at the time the Company delivers the coupons to the customer, and is recognized as income in the statement of income when those coupons are exchanged for merchandise at the stores. At December 31, 2018 and 2017, the unredeemed balance totals $19,002 and $13,722, respectively.

d. Commissions

Commission income on collections for services rendered by the Company at its stores and other commissions are recorded as income as they are incurred. When the Company acts as an agent in the sale of goods or services, only the profit for the commission is recorded under income.

e. The components of financing

The Company expects to have no contracts under which the period from the date of transfer of the goods or services committed to the customer and payment made by the customer exceeds one year. Consequently, the Company makes no adjustment to transaction prices (the value of money) over time.

2.22 Leases

Leasing is classified as capital leasing when the terms of the lease transfer all risks and benefits inherent in the property to the lessee. At the outset of the financial leasing term, the Company records, in the statement of financial position, an asset and a liability in the same amount equivalent to the fair value of the leased item, or the present value of minimum lease payments, when that figure is the lesser of the two, determined at the outset of the leasing period. All other leases are classified as operating leases. At December 31, 2018 and 2017, the Company has only operating leases.

2.22.1 The lessor

Leasing income arises mainly from the Company's investment property and is recognized by the straight- line method over the term of the lease. The Company has no assets leased under capital leasing plans.

2.22.2 The lessee

Operating lease payments are charged to income by the straight- line method, over the term of the lease. Variable lease payments are recorded as an expense in the period in which they are incurred. (See Note 28.)

2.23 Basic and diluted earnings

The basic profit per common share is calculated by dividing the controlling interest by the weighted average of common, outstanding shares in the year. At December 31, 2018 and 2017, the weighted average of shares was 1,086,000,000 units.

Earnings per diluted share are determined by adjusting the controlling interest and ordinary shares, assuming that the entity's commitments to issue or exchange own shares will be realized. At December 31, 2018 and 2017, basic earnings are the same as diluted earnings due to the fact that there are no transactions that could potentially dilute earnings.

2.24 Supplier rebates

The Company receives rebates from suppliers as reimbursement of discounts granted to customers. Supplier reimbursements of discounts offered to customers on merchandise sold are negotiated and documented by the procurement area and are credited to cost of sales in the period in which they are received.

The Company also receives contributions from its suppliers as a reimbursement of costs incurred by the Company. Those amounts are recorded as a reduction of the respective costs and expenses.

2.25 Dividends

Dividends paid to the Company's shareholders are recognized as a liability in the Company's consolidated financial statements in the period in which the dividends are approved by Company shareholders.

2.26 Transactions under common control

A combination of businesses between entities or businesses under common control is a business combination in which all the combined entities or businesses are controlled by a single party or parties (SIC), both prior to and following the business combination, and said control is not temporary. In that type of transaction, the consolidated financial statements of the new company show the prior book figures of the original entity.

2.27 Business combinations or the acquisition of assets

An entity determines whether a transaction is a business combination by applying the definition of IFRS 3 "Business combinations" (IFRS 3), which requires the assets acquired and the liabilities assumed to constitute a business, provided the following three elements are in place – 1) production materials: all economic resources produced or capable of being produced via the application of one or more processes; 2) process: any system, regulation, protocol, convention or rule which, applied to a production material or materials produces or is capable of producing products; and 3) product: the result of applying processes to production materials that provide or are capable of providing returns in the form of dividends, lower costs or other economic benefits directly to the investors or other owners, members or participants. When assets acquired do not constitute a business, the entity must account for the transaction as an asset acquisition and distribute the cost of the transaction between individually identifiable assets and liabilities based on their relative fair value at the date of the acquisition. That transaction gives rise to no goodwill. (See Note 13) and if costs are incurred during the acquisition process, they are recorded as part of the asset.

2.28 Interest income

Interest income is recorded by the effective interest method. Interest expense is also recorded by the effective interest method.

2.29 Cancellation of financial liabilities

The Company cancels financial liabilities if, and only if, the related obligations expire or are met or canceled.

NOTE 3 – RISK MANAGEMENT:

The Company's activities expose it to a variety of financial risks: a) market risk (including i) currency risk, ii) price risk, iii) interest rate risk, b) credit risk and c) liquidity risk. The company's risk management strives to minimize the impact of adverse effects on the commercial operation.

Risk management is handled by the Central Treasury Department as per policies established by the Company. The Central treasury identifies, evaluates and hedges financial risk in close cooperation with its operating units. The Company draws up written principles for risk management in general, as well as written policies covering specific areas such as exchange risk, interest rate risk, credit risk and investment of liquidity surpluses.

a. Market risk

i. Exchange rate risk

The Company is exposed to risks stemming from movements in the Mexican peso exchange rate vis- à- vis the dollar, principally due to letters of credit contracted in dollars. The exchange risk arises from assets and liabilities in foreign- currency.

The acquisition of imported merchandise paid for in currencies other than the Mexican peso are not considered to give rise to an exchange risk, as the Company considers that exchange fluctuations can be offset in the sales price of products. Those imports our secured with letters of credit. At December 31, 2018 and 2017, the letters of credit balance is Dls.942 y €390, which is the equivalent of $27,293 and Dls.846 and €33, which is equivalent to $17,420, respectively, for which the most recent expiration date was February 2019.

Based on an analysis of the situation in the current exchange market in Mexico, the Company has determined that a 10% increase or reduction in the parity of the peso against the dollar and the euro, with all other factors remaining constant, would result in a loss (profit) of approximately $33,323 and $10,278 in 2018 and 2017, respectively, in relation to the monetary position in dollars, which is ($713) and $2 in 2018 and 2017, respectively, in relation to the monetary position in euros. The sensitivity analysis includes only monetary items in foreign currency not yet settled at the December 2018 and 2017 closing.

The company has the following foreign currency monetary assets and liabilities:

	December 31,			
		2018		2017
Thousands of US dollars				
Monetary assets	US$	18,069	US$	6,381
Monetary liabilities		(171)		(308)
Net long position	US$	17,898	US$	6,073
Equivalents in pesos	$	351,730	$	119,413

	December 31,			
		2018		2017
Thousands of euros:				
Monetary assets	€	128	€	34
Monetary liabilities		(55)		-
Net long position	€	73	(€	34)
Equivalent in pesos	$	1,654	$	803

The peso/dollar exchange rates in effect at the date of the consolidated financial statements were as follows:

			December 31,			
		March 13 2019		2018		2017
Dollar	$	19.3049	$	19.6512	$	19.6629
Euro	$	21.8366	$	22.5308	$	23.5482

ii. Price risk

It is Company policy to invest cash surpluses in on demand or very short term instruments, which makes the market price risk irrelevant. At December 31, 2018 and 2017, all cash surpluses were in on- demand investments.

The price risk for merchandise comprising Company inventory is not considered to be significant, as the Company believes it is capable of offsetting fluctuations in product sales prices.

iii. Interest rate risk

The Company's interest rate risk arises from its long- term loans. At December 31, 2018 and 2017, the Company has contracted no debt, which means there is no interest rate risk.

Financing contracted at variable rates expose the Company to interest rate cash flow risks, which are partially mitigated by cash in on demand or variable rate investments.

The Company is exposed to a risk related to the TIIE rate and to the leasing of vehicles. At December 31, 2018 and 2017, the unpaid balance on those agreements totaled $32,374 and $30,779, respectively. Based on an analysis of the current situation of interest rates in Mexico, the Company has determined that a 10% increase or reduction in the TIIE rate would require an additional (lower) cash flow of $3,661 due to higher interest.

b. Credit risk:

The credit risk arises from cash and cash equivalents, as well as from deposits in financial entities, credit exposure arising from accounts receivable from financial entities for the use of credit cards for the purchase of merchandise, from entities issuing grocery coupons and from accounts receivable from lessees. Accounts receivable from financial entities for the use of credit cards and from entities issuing grocery coupons are short- term (less than 15 days). Due to the fact that Company sales are made to the general public, there is no risk concentration on any particular customer or group of customers. Cash surpluses are invested in financial entities with a high credit rating, and in short- term bank or government instruments.

The Company has a diversified real estate property base distributed throughout 12 states in Mexico in 36 cities of different sizes; it also owns 10 commercial centers. A Committee comprised of most Board members is responsible for authorizing the purchase of land and buildings proposed by the Company's real estate area. Real estate operations constitute a significant source of income via the leasing of approximately 2,000 commercial spaces located in 10 company- owned malls.

The Company has no risk concentration in accounts receivable from lessees, as it has a diversified base and periodically evaluates lessee payment capacity, especially prior to renewing lease agreements. It is Company policy to collect one or two monthly lease payments as security prior to a lessee occupying any commercial space. The historical occupancy rate of the Company's commercial space is above 92% and the lease uncollectibility rate has historically remained favorable, thus the credit risk related to lease agreements is considered low.

The Company has adequately insured its assets against fire, earthquake and other natural disasters. All insurance has been contracted with leading companies in the insurance market.

c. Liquidity risk

Cash flow forecasts are drawn up at the consolidated level by the Company's finance department. The Treasury Department monitors liquidity requirements to ensure that there is sufficient cash on hand for the Company to comply with all its financial commitments. The months with the highest level of Company operations and consequently with the highest accumulation of cash are June, July, August and the last quarter of the year. Cash flow forecasts consider the Company's financing plans, compliance with financial restrictions, and compliance with the objectives of internal financial metrics.

Cash surpluses exceeding working capital requirements are handled by the Treasury Department, which invests them in financial entities with high credit ratings, and selects instruments with appropriate expiration dates or sufficient liquidity to allow the Company sufficient margin based on the aforementioned cash flow forecasts.

The Company finances its operations through a combination of: 1) reinvesting a significant portion of its profits; 2) loans from suppliers, and 3) financing denominated in pesos. At December 31, 2018 and 2017, the Company has lines of immediately available credit at financial entities for financing suppliers totaling approximately $1,428,000 and $1,354,000, respectively, of which, $183,444 and $207,272, respectively, have been drawn down.

The following table shows the contractual maturities of the Company's financial liabilities by expiration dates. The table was prepared on the basis of undiscounted cash flow from the first date on which payment could come due. The table includes cash flows corresponding to both principal and interest.

December 31, 2018	Less than three months	From three months to one year	Total
Related parties	$ 58,610	$ –	$ 58,610
Other accounts payable	494,233	–	494,233
Suppliers	2,600,605	339,203	2,939,808
	$ 3,153,448	$ 339,203	$ 3,492,651

December 31, 2017	Less than three months	From three months to one year	Total
Related parties	$ 44,335	$ –	$ 44,335
Other accounts payable	509,835	–	509,835
Suppliers	2,366,319	355,660	2,721,979
	$ 2,920,489	$ 355,660	$ 3,276,149

d. Capital management

The purpose of managing the company's capital is to safeguard its ability to continue in operation as a going concern in order to provide returns for the stockholders, and to ensure the best possible capital structure in order to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust dividends paid to stockholders, repurchase its own shares at the MSE, return capital to the stockholders, issue new shares or sell assets to bring down its debt.

The Company monitors capital on the basis of the operating leverage index, which is a common practice in the business. This index is determined as net debt divided by the EBITDA (operating income plus depreciation and amortization) generated over the most- recent twelve- month period.

At December 31, 2018 and 2017, said index was (1.48) and (1.85), respectively. Net debt is determined as total financing (both short and long term) less cash and cash equivalents.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS:

Estimates and assumptions are reviewed on a regular basis and are based on historical experience and other factors, including expectation of future events considered reasonable in the circumstances.

Critical accounting estimates and assumptions

Company management must make judgments, estimates and assumptions concerning future events. The resulting accounting estimates are rarely the same as actual results. Estimates and assumptions with a high risk of resulting in a significant adjustment in the book value of assets and liabilities within the following tax period are as follows:

a. Determination of income tax

Professional judgment is required to determine the income tax provision. There are certain transactions and calculations for which the determination of definitive tax can be uncertain (see Note 25), and which therefore require certain significant Management criteria when determining the income tax provision. The Company records a liability for tax matters based on estimations of whether additional tax payments may be required. When the final result of these situations differs from the amounts initially recorded, the differences impact the current or deferred income tax asset and/or liability in the period in which said difference is determined. At December 31, 2018 and 2017, there are no uncertain tax positions.

b. Estimation of the recoverable value of nonmonetary assets

The Company reviews the recoverable value of nonmonetary assets at the end of each period. That evaluation is conducted via impairment tests applied annually, or when indications of impairment arise. The determination of the recoverable value of nonmonetary assets involves significant judgments, such as the estimation of future business results and the discount rate applied to projections. Company management considers that the projections used to determine that recoverable value reasonably reflect the economic conditions prevailing in the Company's operating environment.

NOTE 5 – STANDARDS, INTERPRETATIONS AND ADJUSTMENTS TO STANDARDS PUBLISHED AND IN EFFECT:

The company has applied the following standards and modifications for the first time for the annual reporting period beginning on January 1, 2018:

- IFRS 9 – Financial Instruments
- IFRS 15 – Income from contracts with clients
- Transfers to investment properties – Modifications to IAS 40

The Company modified its accounting policies and made the necessary retrospective adjustments, which were applied following adoption of IFRS 15 as explained in Note 6. Application of most of the other modifications had no impact on the figures recorded in preceding periods and are not expected to significantly affect current or future periods.

New standards, amendments and interpretations effective for periods beginning on or after January 1, 2018.

IFRS 15 "Revenue from contracts with customers"

Effective as from January 1, 2018. The IASB has issued a new rule for revenue recognition. IFRS 15 will replace IAS 18, which covers contracts for goods and services and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of an item or service is transferred to a customer. Therefore, the notion of control replaces the existing notion of risks and rewards. A five- step process must be applied before income can be recognized, i.e., identifying contracts with the respective customers; identifying the separate yield obligation; determining the transaction price in the contract; assigning the transaction price of each yield obligation; and recognizing income when each yield obligation is met.

The key change to the current practice is: any distinguishable product or service package must be recorded separately, and any discount or price mark- down in the contract must be assigned to its specific element separately. Income may be recorded earlier than required by the current rules if the consideration varies for any reason (incentives, reductions, yield charges, royalties, success results, etc.). Minimum amounts must be recorded if not at risk of reversal (is established in IFRS 15). The point at which income can be recorded may vary. A portion of the income currently recorded at one point in time upon conclusion of a contract may have to be recorded throughout the term of the contract and vice versa.

The methods established for adoption of IFRS 15 are as follows:

- The retrospective method. Requires application of IFRS 15 to each reporting period, i.e., restating prior periods in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors".

- The modified retrospective method. Requires application of IFRS 15 only at the date of adoption and no adjustments need be made to prior reporting periods. Under that method, entities must recognize the accrued effect of first- time application of IFRS 15 as an adjustment to the retained earnings opening balance (or any other component of capital, as the case may be) in the period of first- time application. Comparative periods reported need not be adjusted.

IFRS 9 "Financial instruments and amendments associated with other standards".

IFRS 9 replaces the classification and measurement models of IAS 39 "Financial instruments: Measurement and Recognition" with a single model, which initially involves two classification categories, i.e., amortized cost and fair value. Debt assets are classified on the basis of the entity's business model for managing financial assets and the features of financial asset contractual cash flows. A debt instrument is measured at amortized cost if: a) the purpose of the business model is to maintain the financial asset for generating contractual cash flows, and b) the instrument's contractual cash flows merely represent payment of principal and interest. All other debt and equity instruments, including investments in complex debt and equity instruments, must be recognized at fair value.

In June 2014, the IASB made further changes to classification and measurement rules and introduced a new impairment model. The changes introduce a third measurement category (fair value through OCI) for certain financial assets that qualify as capital instruments and a new model of expected loan losses involving a three- stage approach whereby financial assets go through the three phases as their credit quality changes. A stage specifies how an entity measures impairment losses and applies the effective interest rate method. A simplified focus is permitted for financial assets with no significant financial component (such as accounts receivable). (See

Note 8.) During initial recognition, entities record losses on day one equal to expected credit losses over 12 months (or the lifetime of expected credit losses from accounts receivable), unless assets are considered to be impaired as concerns credit.

New standards, amendments and interpretations effective for periods beginning on or after January 1, 2019.

A number of new standards and interpretations have been published which are not effective for reporting periods at December 31, 2018, and have not been applied in advance by the Company. Following is an explanation of the Company's evaluation of the impact of these new standards and interpretations:

IFRS 16 "Leases"

Nature of the change

IFRS 16 was published in January 2016. The result will be that almost all lease agreements will be recognized in the statement of financial position, as the difference between financial leasing and operating leasing has been eliminated. Under the new standard, the right to use the leased goods is recorded in assets, and the contractual obligation to make lease payments is recorded in liabilities. The only exceptions are variable- term or short- term leases and leases involving insignificant lease payments.

Impact

The Company has put together a team which has reviewed all leasing agreements in the light of the new accounting guidelines for leases contained in IFRS 16. The standard will principally affect accounting for the Company's operating leases, i.e., contracts for property housing some of the Company's stores and transportation equipment. The Company estimates that the total liability based on the new standard is higher by approximately 20%, due to the non-cancelable minimum operating lease commitments for property disclosed in Note 28 to the financial statements. All other Company operating leases are short- term or for insignificant amounts.

Because the Company's operations as lessor are not significant, it does not expect a significant impact on the financial statements. However, certain additional disclosures will be required beginning next year.

Date of adoption by the Company

The Company will apply the standard as from the date of compulsory adoption, i.e., January 1, 2019. The Company intends to apply the simplified transition approach and will not restate the comparative amounts for the year prior to application of the standard. Right- of- use assets for property leasing will be measured in the transition as if the new rules had always been applied. All other right- of- use assets will be measured at the amount of the leasing liability in adoption of the new rules (adjusted for any leasing expenses accumulated or paid in advance).

IFRIC 23 "Uncertainty concerning income tax treatment"

The IASB issued IFRIC 23 "Uncertainty concerning income tax treatment" on June 7, 2017. The Interpretation explains application of recognition and measurement requirements in IAS 12 " Income tax" when there is uncertainty concerning income tax treatment. This guidance became effective on January 1, 2019. Advance application is allowed.

The interpretation is applied to the determination of the tax profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty concerning the treatment of income tax in the terms of IAS 12. The IFRIC considers that an entity must assume that the tax authority with the right to examine any figures reported to it may examine those figures and attain full knowledge of all relevant information when doing so. It must also consider whether the respective authority is likely to agree to each tax treatment or group of tax treatments used or to be used when calculating income tax.

If the entity concludes that a particular tax treatment is likely to be accepted, it must determine the tax profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates in a manner consistent with the tax treatment used in preparing its tax return. If the entity concludes that a particular tax treatment is unlikely to be accepted, the entity must use the most likely figure or the expected value of the tax treatment when determining the tax profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates. The Company expects no particular impact from including this standard, since it has no tax positions who determination has involved uncertainty.

We have no knowledge of any other rules that have not yet gone into effect and could have a significant impact on the entity in current and future reporting periods and transactions in the foreseeable future.

NOTE 6 – CHANGES IN ACCOUNTING POLICIES:

This note explains the impact of adopting IFRS 15 Financial Instruments and IFRS 15 Income from contracts with customers on the company's financial statements.

IFRS 15 – Income from contracts with customers

The Company has adopted IFRS 15 Income from contracts with customers as from January 1, 2018, which gave rise to changes in accounting policies and required adjustments to the figures contained in the financial statements. As provided in the transitional provisions of IFRS 15, the Company has adopted the new rules retrospectively and has restated figures for 2017. In summary, given the companies line of business, the types of income it receives underwent no significant changes under IFRS 15 accounting rules (since its principal income complies with the 5 conditions for punctual recognition of income).

There were therefore no adjustments or reclassifications required for the statement of financial position, although certain reclassifications have been made to the figures contained in the statement of comprehensive income at the date of initial application (January 1, 2018) and at the outset of the first period presented (January 1, 2017). See the following table for reclassifications:

Reformulated Consolidated Statements of Comprehensive Income – (by expense function)

		Year Ended on December 31, 2017 IAS 18		Reclassifications		Year ended December 31, 2017 IFRS 15
Operating income:						
Net sales of merchandise	$	16,291,024	($	25,073) [2]	$	16,265,951
Leasing income		313,917		(51,153) [1]		262,764
Other income		30,538		(4,926) [4]		25,612
Total income		16,635,479		(81,152)		16,554,327
Cost of sales		12,422,865		(118,079) [1,2,3,4,5]		12,304,786
Gross profit		4,212,614		36,927		4,249,541
Selling expenses		2,987,265		3,192 [4]		2,990,457
Administrative expenses		639,828		31,942 [5]		671,770
		3,627,093		35,134		3,662,227
Other expenses		(70,627)		–		(70,627)
Other income		256,602		3,453 [4]		260,055
		185,975		3,453		189,428
Operating income		771,496		5,246		776,742
Financial expenses		(106,346)		190 [4]		(106,156)
Financial income		229,993		(5,436) [3]		224,557
		123,647		(5,246)		118,401
Income before taxes		895,143		–		895,143
Taxes on income		112,943		–		112,943
Consolidated net income	$	782,200	$	–	$	782,200
Other comprehensive income items not to be subsequently reclassified to the statement of income						
Remeasurement of labor liabilities – Net of deferred income tax	$	2,093	$	–	$	2,093
Consolidated net income	$	784,293	$	–	$	784,293
Basic and diluted earnings per unit:						
Per net income	$	0.72	$	–	$	0.72

Reclassifications required by adoption of IFRS 15 are listed below. They consist of sales reclassifications to items such as cost of sales, operating expenses and comprehensive financing income.

(1) Charges to suppliers for the use of islands within its stores whose performance obligation is closely linked to the cost of acquiring merchandise, not as a different performance obligation under the new IFRS 15, must be shown under cost of sales.

(2) Returns of temporarily imported inventories are shown under sales of merchandise and cost of sales. However, under IFRS 15, those returns of imported merchandise are eliminated from cost of sales of merchandise and from cost of sales.

(3) Commissions charged for financial factoring, because this involves performance obligations separate from the purchase of merchandise, that is to say, there is no direct obligation in the initial contract entered into with the supplier specifying that the payment must be subject to a supplier discount, which means that under IFRS 15, it must be shown under cost of sales, because under IAS 18, presentation under comprehensive financing income was correct.

(4) Income from home delivery service and other store services, as this involves performance obligations identifiable within the merchandise sales process, which is part of the operation, under IFRS 15, they must therefore be shown as income from the sale of merchandise.

(5) Due to the performance obligations, income for the use of suppliers webpages is closely linked to the cost of suppliers, not as a separate performance obligation. Under the new IFRS 15, it must be shown under cost of sales.

At January 1, 2017, no changes have been made as a result of applying IFRS 15, since, as mentioned in the preceding paragraphs, the changes arising from the new standard refer to reclassifications made in different captions of the statement of comprehensive income with no effects on 2016 net income, which would be included under retained earnings in the comparative financial statements at December 31, 2017.

Likewise, as mentioned, the Company's principal income is recorded at the time of sale, which means that all contracts (the agreement involving the purchase and the sale at the point- of- sale) are concluded at that time and there are no contracts that must be transferred from one year to another. Consequently, for practical purposes, the company deals with completed contracts.

b. IFRS 9 "Financial instruments"

IFRS 9 replaces the provisions of International Accounting Standards (IAS) 39, which deals with recognition, classification and measurement of financial assets and financial liabilities, the disposal of financial instruments, the impairment of financial assets and accounting for coverage.

Management is evaluating the new standard and one of the factors it considers to be of the highest importance is determination of the estimation for doubtful accounts, which will now be determined on the basis of expected losses rather than losses incurred, as is currently the case. The new accounting rules for derivatives and accounting for coverage will have no effect, as the Company holds no instruments subject to the accounting treatment. Neither are there any effects from valuation, classification and presentation of financial instruments (debt and capital), as the Company has no debts or loans.

As a result of the changes in the Company's accounting policies, beginning on January 1, 2018, the Company calculates the estimation for losses from doubtful accounts as per the new impairment rules established in IFRS 9 for financial instruments, that is to say, expected losses.

As concerns the 2017 period, the estimation for impairment under the new mechanics as compared to the previous method for determining losses incurred gave rise to very similar results, as the Company's accounts receivable are basically owed by entities using grocery coupons as a means of payment for the sale of inventory and locale leases whose historical recovery behavior has been satisfactory, which is why IFRS 9 was adopted without restating comparative information for the 2017 period, as the impact of the change is not material.

Impairment of financial assets

The Company holds a type of financial assets subject to the new IFRS expected credit loss model, i.e., accounts receivable from grocery coupon entities using grocery coupons as a means for payment for the sale of inventory and leases and other accounts receivable. The Company found it necessary to review its impairment methodology in the terms of IFRS 9 for this type of asset, and as mentioned, the impact of the change on the impairment methodology was insignificant.

Although cash and accounts receivable are also subject to IFRS 9 impairment requirements, the impairment loss determined is immaterial.

Accounts receivable and contract assets

The Company applies the simplified approach contained in IFRS 9 for measuring expected credit losses, which makes use of a provision for expected loss over the lifetime of the instrument for all accounts receivable and contract assets.

NOTE 7 – CATEGORIES OF FINANCIAL INSTRUMENTS:

The Company classifies its financial assets and liabilities as follows:

December 31, 2018	Financial assets at amortized cost	Assets at fair value with changes in income*	Total
Financial assets:			
Cash	$ 618,554		$ 618,554
Cash equivalents	1,983,309		1,983,309
Customers and other accounts receivable- Net	119,900		119,900

December 31, 2018	Liabilities at amortized cost	Liabilities at fair value with changes in income*	Total
Financial liabilities:			
Suppliers and program for supplier financing	$ 2,939,808		$ 2,939,808
Related parties	58,610		58,610
Other accounts payable	494,233		494,233

December 31, 2017	Loans and accounts receivable	Assets at fair value via income*	Total
Financial assets:			
Cash	$ 479,115		$ 479,115
Cash equivalents	2,066,128		2,066,128
Customers and other accounts receivable- Net	161,522		161,522
Related parties	282		282

December 31, 2017	Other financial liabilities at amortized cost	Liabilities at fair value with changes in income*	Total
Financial liabilities:			
Suppliers and supplier financing program	$ 2,721,979		$ 2,721,979
Related parties	44,335		44,335
Other accounts payable	509,835		509,835

* Fair value of cash equivalents is determined on the basis of market quotes.

The financial instruments recorded at fair value in the statement of financial position are classified on the basis of the manner in which fair value is determined.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Information other than quoted prices included in level 1 that can be confirmed for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices) (level 2).
- Information on the asset or liability not based on data that can be confirmed in active markets (i.e., unobservable information) (level 3).

There were no changes in valuation techniques during the period.

a. Level 1 financial instruments

The fair value of financial instruments quoted in active markets is based on market price quotations at the date of the statement of financial position. A market is considered to be active when quoted prices are easily and frequently accessible via an agent, industrial group, quotation service or regulatory agency and those prices represent actual and frequent transactions at market value. The market value used for the company's financial assets is the bid price. Instruments listed in level I include cash equivalents (federal government debt).

December 31, 2018	Book value	Level I
Cash equivalents	1,983,309	1,983,309

December 31, 2017	Book value	Level I
Cash equivalents	2,066,128	2,066,128

b. Level 2 financial instruments

The fair value of financial instruments not traded in an active market is determined via valuation techniques. Those valuation techniques maximize the use of observable market data when available, and little trust is placed in the entity's specific estimations. If all significant data required to measure a financial instrument at fair value are observable, the instrument is classified as Level 2. If one or more relevant variables is/are not based on observable market information, the instrument is classified as Level 3.

c. Level 3 financial instruments

Level 3 – fair value derived from valuation techniques that include indicators for assets or liabilities not based on observable market information. In the years ended December 31, 2018 and 2017, there were no transfers between levels 1 and 2.

At December 31, 2018 and 2017, the fair value of financial assets and financial liabilities recognized at amortized cost approximate their book value, as they are very short term.

The fair value of the following financial assets and liabilities approximate their book value:

- Trade and other accounts receivable
- Cash and cash equivalents (excluding bank overdrafts).
- Suppliers (includes financial factoring lines) and other accounts payable
- Related parties

NOTE 8 – CREDIT QUALITY OF FINANCIAL INSTRUMENTS:

The credit quality of financial assets that are neither past- due or impaired is evaluated high with respect to external risk ratings, when available, or are based on historical information on counterparty default indexes.

	December 31, 2018	December 31, 2017
Bank deposits AAA	$ 603,225	$ 465,771
AAA rated investments	1,983,309	2,066,128
	$ 2,586,534	$ 2,531,899

	December 31, 2018	December 31, 2017
Accounts receivable with external risk ratings:		
American Express Bank (México) AMEX mxA- 1 cards	$ 83,108	$ 85,162
Santander Débito – PROSA	23,982	–
Banorte Tarjeta La Comer	340	–
	$ 107,430	$ 85,162
Accounts receivable with no external risk ratings:		
From 3rd parties	$ 74,396	$ 55,045
For leases	7,894	14,733
From related partiess	–	282
	$ 82,290	$ 70,060

Accounts receivable from third parties include balances with entities issuing grocery coupons for which there are no risk ratings.

The average term for recovery of accounts receivable from the leasing of commercial locales and promotional space to third parties is three months at December 31, 2018 and 2017.

There has been no compliance as concerns accounts receivable from related parties; all have been recovered.

Following are movements of the estimation for impairment of loans and accounts receivable for the period ended on December 31, 2018 and 2017:

		2018		2017
Beginning balance at January 1	$	9,745	$	13,557
Applications		(5,844)		(3,812)
Ending balance at December 31	$	3,901	$	9,745

NOTE 9 – CASH AND CASH EQUIVALENTS:

The balance of cash and cash equivalents at Monday, December 31, 2018 and 2017 is as follows:

		December 31,		
		2018		2017
Cash	$	15,329	$	13,344
Bank deposits		603,225		465,771
Investments payable on demand		1,983,309		2,066,128
Total cash and cash equivalents	$	2,601,863	$	2,545,243

On- demand investments are shown as cash equivalents if they mature in three months or less as from the date of acquisition and are reimbursable in the very short- term. Cash and temporary investments are held at recognized financial entities and the Company has historically experienced no losses due to credit risk concentration.

NOTE 10 – CUSTOMERS AND OTHER ACCOUNTS RECEIVABLE AND CREDITABLE AND RECOVERABLE TAX:

		December 31,		
		2018		2017
Customers (net of estimation)	$	82,290	$	69,778
Sundry debtors (net of estimation)		19,945		72,942
Advances for expenses		17,665		18,802
	$	119,900	$	161,522

		December 31,		
		2018		2017
Creditable and recoverable taxes				
Value- added tax	$	531,094	$	406,370
Excise tax		120,780		106,789
Tax withheld by the tax authorities		38,267		32,860
	$	690,141	$	546,019

At December 31, 2018 and 2017, there are no significant overdue accounts receivable.

NOTE 11 – INVENTORIES:

		December 31		
		2018		2017
Merchandise held for sale	$	2,671,821	$	2,376,227

Cost of sales pertaining to inventory write- offs at December 31, 2018 and 2017 amount to $122,298 y $80,455. At December 31, 2018 and 2017, the value of inventory recorded in the statement of income totaled $13,689,835 and $11,957,207, respectively.

NOTE 12.- PREPAYMENTS:

		December 31		
		2018		2017
Prepayments				
Seniority premiums	$	15,704	$	13,688
Other prepayments		8,169		7,705
	$	23,873	$	21,393

At December 31, 2017, the Company amortized the entire remaining balance of leases paid in advance, and recorded $23,538 under selling expenses.

NOTE 13 – INVESTMENT PROPERTIES:

		Land		Buildings and construction		Total
January 1, 2017						
Starting balance	$	337,830	$	148,543	$	486,373
Acquisitions		52,440		223,029		275,469
Transfers		27,196		63,967		91,163
Disposals		(49,156)		(47,859)		(97,015)
Depreciation		–		(3,942)		(3,942)
Ending balance	$	368,310	$	383,738	$	752,048
At December 31, 2017						
Cost	$	368,310	$	449,525	$	817,835
Accumulated depreciation		–		(65,787)		(65,787)
Ending balance	$	368,310	$	383,738	$	752,048

		Land		Buildings and construction		Total
At Monday, January 01, 2018						
Starting balance	$	368,310	$	383,738	$	752,048
Acquisitions		–		–		–
Transfers		–		(70)		(70)
Disposals		(55,459)		(64,050)		(119,509)
Depreciation		–		(3,294)		(3,294)
Ending balance	$	312,851	$	316,324	$	629,175
December 31, 2018						
Cost	$	312,851	$	364,959	$	677,810
Accumulated depreciation		–		(48,635)		(48,635)
Ending balance	$	312,851	$	316,324	$	629,175

Investment properties are valued at cost, less any accumulated depreciation and impairment losses. At December 31, 2017, the fair value of investment properties was similar to their book value given that as a result of preparations for conducting the transaction mentioned in Note 1 to the financial statements, one of the Company's subsidiaries acquired investment properties at market value. At December 31, 2018, the fair value of investment properties is $986,795. The fair value of those assets, classified as level III, has been determined in accordance with the method for discounting expected future flows arising from same, at the rate of the Company is cost of capital. If the interest rate varies by one point above or one point below, all other variables remaining constant, the fair value of the investment properties will be $43,060 less and $47,477 more, respectively. The level 2 fair value of those assets is determined by the method for comparing the production or replacement prices of a similar property by applying construction market values in effect at the date of the appraisal, based on the features of the property, as affected by depreciation attributable to factors such as age, condition, obsolescence, functionality, etc..

Depreciation of investment properties is recorded in selling expenses, and totaled $3,294 and $3,942, respectively, at December 31, 2018 2017. No losses were recorded due to impairment of the recoverable value. At December 31, 2018 and 2017, there are no restrictions on the use of said investment properties.

In June 2017, the Company acquired 100% of the shares of Agrupación Mexicana de Inmuebles, S. A. de C. V. (AMIS), whose principal assets consist of a piece of land and a building. From an IFRS 3 evaluation, the Company concluded that said share acquisition did not qualify as a business acquisition (see Note 2.27) but rather as an asset acquisition, and has therefore recorded those assets under investment properties, which, based on the IAS 20 exception, generate no temporary differences for recognition of deferred tax (see Note 2.18). The value of assets acquired in the AMIS purchase is $52,440 per unit of land and $221,140 per building, which is recorded in the financial statements net of cash paid and is the price paid in the transaction.

In December 2017, the Company sold to its related party Inverglez S. de R. L. de C. V., (Inverglez) two of nine sections of the investment property "Plaza Comercial Solesta (Solesta)", adjoining the City Market Solesta store in the state of Puebla, which will continue to be owned by the Company. At December 31, 2017, Company management considers that the remaining sections will be sold in 2018 and subsequent periods based on the decision and agreement between Company management and Inverglez for the disposal of those assets.

The effect of selling those two sections to Inverglez is described below:

		Amount
Sales price of the two sections	$	300,722
Book value of the two sections belonging to Solesta		(105,198)
Profit from the disposal of the two sections belonging to Solesta (see Note 23)	$	195,524

The remaining seven Solesta sections were reclassified from property, furniture and equipment and leasehold improvements to investment properties, as follows:

		December 31 2017
Land	$	55,459
Building		64,049
Total	$	119,508

In September 2018, the Company sold the remaining 7 sections to Inverglez. Therefore, at December 31, 2018, the Company holds no investment property in Solesta.

The effect of selling those seven sections to Inverglez is described below:

		Amount
Sales price of the remain sections	$	349,488
Book value of the seven sections belonging to Solesta		(119,508)
Income from disposal of the remaining Solesta sections (See Note 23)	$	229,980

NOTE 14 – PROPERTY, FURNITURE AND EQUIPMENT AND LEASEHOLD IMPROVEMENTS – NET:

Property, furniture and equipment and leasehold improvements are expressed as follows:

	Land	Buildings	Furniture and equipment	Leasehold improvements	Electronic equipment	Office equipment	Work in process and others*	Total
At December 31, 2017								
Opening balance	$ 3,650,779	$ 3,120,316	$ 1,849,661	$ 316,931	$ 224,030	$ 27,365	$ 433,282	$ 9,622,364
Acquisitions	310,995	242,053	604,664	182,543	146,518	14,821	367,260	1,868,854
Disposals	(17,125)	(22,146)	(40,502)	(7,238)	(1,094)	(180)		(88,285)
Transfers	(47,196)	(43,967)	–	–	–	–	–	(91,163)
Depreciation		(67,120)	(236,255)	(19,661)	(121,487)	(4,051)		(448,574)
Ending balance	$ 3,897,453	$ 3,229,136	$ 2,177,568	$ 472,575	$ 247,967	$ 37,955	$ 800,542	$ 10,863,196

	Land	Buildings	Furniture and equipment	Leasehold improvements	Electronic equipment	Office equipment	Work in process and others*	Total
At December 31, 2017								
Cost	$ 3,897,453	$ 3,650,527	$ 2,678,541	$ 496,932	$ 479,674	$ 44,847	$ 800,542	$ 12,048,516
Accumulated depreciation		(421,391)	(500,973)	(24,357)	(231,707)	(6,892)		(1,185,320)
Ending balance	$ 3,897,453	$ 3,229,136	$ 2,177,568	$ 472,575	$ 247,967	$ 37,955	$ 800,542	$ 10,863,196

	Land	Buildings	Furniture and equipment	Leasehold improvements	Electronic equipment	Office equipment	Work in process and others*	Total
At December 31, 2018								
Opening balance	$ 3,897,453	$ 3,229,136	$ 2,177,568	$ 472,575	$ 247,967	$ 37,955	$ 800,542	$ 10,863,196
Acquisitions	131,090	289,947	569,448	639,403	113,299	6,061	117,545	1,866,793
Disposals	(461)	–	(12,909)	(9,629)	(537)	(227)	–	(23,763)
Transfers	22,915	(23,572)	(176)	727	–	176	–	70
Depreciation	–	(77,873)	(309,503)	(38,727)	(145,826)	(4,662)	–	(576,591)
Ending balance	$ 4,050,997	$ 3,417,638	$ 2,424,428	$ 1,064,349	$ 214,903	$ 39,303	$ 918,087	$ 12,129,705

	Land	Buildings	Furniture and equipment	Leasehold improvements	Electronic equipment	Office equipment	Work in process and others*	Total
At December 31, 2018								
Cost	$ 4,050,997	$ 3,931,899	$ 3,229,327	$ 1,127,406	$ 590,012	$ 50,809	$ 918,087	$ 13,898,537
Accumulated depreciation		(514,261)	(804,899)	(63,057)	(375,109)	(11,506)	–	(1,768,832)
Ending balance	$ 4,050,997	$ 3,417,638	$ 2,424,428	$ 1,064,349	$ 214,903	$ 39,303	$ 918,087	$ 12,129,705

* Others includes advances for the acquisition of equipment and improvements to locales under construction for $358,658 and $263,964, respectively, at December 31, 2018 and 2017, which, when finished, will be reclassified to the specific caption to which they belong.

Property, furniture, and equipment and Leasehold improvements are recorded at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation for the period was recorded under selling expenses, administrative expenses and cost of sales and amounted to $524,503, $34,598 and $17,490 and $405,698, and $26,901 and $15,975, respectively, at December 31, 2018 and 2017.

The balance of work in progress at December 31, 2018 and 2017 corresponds to sundry projects in which the Company is building certain stores and remodeling others.

NOTE 15 – INTANGIBLE ASSETS – NET:

	Brand rights December 31			
		2018		2017
Starting balance	$	6,277,998	$	6,277,998
Effect for the period		–		–
Ending balance	$	6,277,998	$	6,277,998

At December 22, 2014, CCM sold to CCF (the Company's most significant subsidiary) its rights to the "Comercial Mexicana" denominative and mixed brand names (the Brand Names) registered in its name at the Mexican Institute of Industrial Property. The rights to the distinctive "Comercial Mexicana" brand names are a fully identifiable asset generating present and future economic benefits, as current business structures applied by the Company in the self- service market in Mexico are operated under different "Comercial Mexicana" brand names, which are recognized by the public and generate direct economic benefits that allow the Company to operate as a going concern. (See Note 2.14.)

CCF properties hold brand names that are recognized and positioned in the market, such as: "City Market" y "Fresko",. Likewise, CCF also owns campaigns such as "Miércoles de Plaza" and brand names of specific products such as "Golden Hills" and "Farmacom". The 281 brand names owned by the Company are for variable terms, some expiring in the period from 2015 to 2024. When they expire, administrative procedures must be conducted with the authorities so that they may continue to operate.

The Company runs impairment tests on intangible assets once a year or when there are indications of impairment. At December 31, 2018 and 2017, there was no impairment to be recorded.

The Company determined an indefinite useful life based on an analysis of the following factors:

- The store names currently owned by the Company operate via the use of Brand Names, and Company management has reasonable expectations as to the continuity of that arrangement in the future. The Brand Names have operated in the Mexican retail market for many years, managed by different management teams, and have been consolidated in the Mexican market into a top quality brand more than 50 years old, that has become a household name in Mexico.

- The self- service store retail sector in which the Brand Names operate Is a very stable market with very low risk of obsolescence, mainly due to the consumer products sold at the stores, i.e., perishables, general merchandise, etc. No significant changes are expected in demand, because although new brand names come on the market, the purchasing behavior of basic consumer items (perishables, fruit and vegetables, groceries, etc.) remains constant.

- The competition for the Brand Names in the market is fully identified. The self- service retail market in Mexico is occupied by large chains of stores offering products to different public sectors, and Comercial Mexicana has its own space within that market, as it is focused on a very specific consumer sector via its premium formats, which have been successfully positioned among consumers.

- The steps that need to be taken by the Company in order to ensure that its Brand Names continue to be a profitable asset are basically its strategic plan for business continuity (the capacity to keep up and increase consumption at its stores), which to a great extent depends on factors such as the quality of the products sold in those stores, the quality of the service provided to consumers, competitive product prices, investments in remodeling to keep the stores on the cutting edge, periodic maintenance of store interiors and exteriors, periodic training of the labor force and value relations with business partners, among others, which generally contribute to ensuring that the Company continues to occupy its position within the Mexican retail sector.

- The rights to the Brand Names are owned by the Company which means it exercises complete control over them.

- The lifetime of the Brand Names depends largely on proper management of the business by the Company, and therefore on its capacity to remain in operation as a going concern.

Impairment testing of brand names

The Company conducts annual tests to determine whether the value of the rights to the Brand Names have experienced any impairment. At December 31, 2018 and 2017, the Company conducted the respective impairment tests, which showed that no impairment adjustments were required.

The recoverable value of the Cash Generating Units (CGU) is based on calculations of their value in use. The value in use of the CGUs is determined via after- tax discounted future cash flow projections, based on historical results and expectations concerning future market development contained in the business plan. Management uses certain estimates to determine value in use (Note 2.5).

Impairment tests were conducted on the basis of the following assumptions, whose variables are consistent for 2018 and 2017:

	Value
After- tax discount rate	11.5%
Average medium- range EITDA margin	9.2%
Medium- term rate for growth in sales used to calculate expected future results	12.1%
Residual value	10x EBITDA most recent year
Cash flow projection period	15 years

If the discount rates in the year ended on December 31, 2018 were three percentage points higher/lower, there would be no need to recognize an impairment provision.

If projected EBITDA flows were 3% higher/lower, there would be no need to recognize an impairment provision

If performance of the business or its future cash- generation perspectives suffer a significant setback, the Company will be required to record impairment in the value of its brand names, which would impact its financial statements.

NOTE 16 – DEFINED- LIFE INTANGIBLE ASSETS AND OTHERS:

December 31, 2018		Assignment of rights to use and operation of self- service stores		Others		Total
Starting balance	$	885,005	$	5,746	$	890,751
Investments		-		10,680		10,680
Disposals		(8,253)				(8,253)
Amortization		(125,430)		(5,886)		(131,316)
		751,322		10,540		761,862
Less short- term		(122,099)		-		(122,099)
Long- term ending balance	$	629,223	$	10,540	$	639,763
Cost	$	1,197,901	$	17,316	$	1,215,217
Accumulated amortization		(446,579)		(6,776)		(453,355)
Ending balance	$	751,322	$	10,540	$	761,862

December 31, 2017		Assignment of rights to use self- service stores		Other		Total
Starting balance	$	1,011,451	$	5,346	$	1,016,797
Investments		-		1,290		1,290
Amortization		(126,446)		(890)		(127,336)
		885,005		5,746		890,751
Less short term		(126,446)		-		(126,446)
Ending long- term balance	$	758,559	$	5,746	$	764,305
Cost	$	1,197,901	$	6,636	$	1,204,537
Accumulated amortization		(312,896)		(890)		(313,786)
Ending balance	$	885,005	$	5,746	$	890,751

At December 31, 2018 and 2017, the balance of the assignment of rights to use and operate the self- service stores of some of the branches acquired by the Company's in prior periods is $751,322 y $885,005, respectively. The useful lives of the rights to use and operate self- service stores are determined on the basis of the terms specified in the leasing contracts, i.e., from five to 10 years. Amortization of that intangible asset is calculated by the straight- line method so as to distribute the cost at residual value over the estimated useful lives, which averaged 10 years.

Amortization of $122,660 and $2,770 for the period was recorded in selling expenses and cost of sales at December 31, 2018 and $123,676 and $2,770 in selling expenses and cost of sales at December 31, 2017, respectively.

Other noncurrent assets consist of lease payment deposits locals rented by the Company as well as software licenses.

NOTE 17 – SUPPLIERS AND SUPPLIER FINANCING PROGRAM:

The bulk of the suppliers balance is in Mexican pesos. However, at December 31, 2018, there are balances of Dls.4 and euros €55. A portion of the foreign currency balance owed to suppliers is paid by means of letters of credit. This balance at December 31, 2018 and 2017 is 942 and €390, and Dls.846 and €33, respectively.

The Company has established the following supplier financing programs, whereby they may discount their documents at the financial entities mentioned below: The balance payable arising from these programs is recorded under the suppliers account in the statement of financial position.

Línea de crédito Banca Mifel S. A., Institución de Banca Múltiple, Grupo Financiero Mifel, S. A. de C. V.
In the second quarter of 2015, one of the Company's subsidiaries signed a supplier- factoring agreement of up to $350,000 with Banca Mifel. At Monday, December 31, 2018 and 2017, the Company's suppliers have used $152,913 and $143,266 of the line, respectively. The unused portion for 2018 and 2017 is $197,087 and $206,734, respectively.

Arrendadora y Factor Banorte, S. A. de C. V.
In 2018 and 2017, the Company signed a supplier- factoring agreement of up to $150,000 and $120,000, respectively. At December 31, 2018, Company suppliers have used none of the balance of this line of credit, while at December 31, 2017, the balance used was $64,005. The unused portion for 2018 and 2017 is $150,000 and $55,995, respectively.

NOTE 18 – OTHER ACCOUNTS PAYABLE:

The other accounts payable balance at December 31, 2018 and 2017 is as follows:

	December 31, 2018	2017
Sundry creditors	$ 113,989	$ 110,260
Deferred income due to loyalty programs	66,929	52,294
Guarantee deposits received	32,565	30,133
Other accounts payable	280,750	317,148
Total other accounts payable	$ 494,233	$ 509,835

NOTE 19 – PROVISIONS:

	Contingencies	Employee bonuses	Store maintenance	Land tax	Total
At January 1, 2018	$ 69,425	$ 131,380	$ 5,319	$ –	$ 206,124
Charged to income	–	373,146	1,206	4,166	378,518
Used in the year	(1,099)	(330,849)	(1,215)	(4,166)	(337,329)
At December 31, 2018	$ 68,326	$ 173,677	$ 5,310	$ –	$ 247,313

	Contingencies	Employee bonuses	Store maintenance	Land tax	Total
At January 1, 2017	$ 69,576	$ 94,600	$ 5,323	$ 659	$ 170,158
Charged to income	1,935	231,723	1,327	–	234,985
Used in the year	(2,086)	(194,943)	(1,331)	(659)	(199,019)
At December 31, 2017	$ 69,425	$ 131,380	$ 5,319	$ –	$ 206,124

The provision for bonuses is paid within the first three months following the year- end closing.

At December 31, 2018 and 2017, the provision stands at $68,326 and $69,425, respectively, calculated to cover possible adverse results of labor and administrative contingencies and official reviews.

NOTE 20 – EMPLOYEE BENEFITS:

The value of obligations for defined benefits at December 31, 2018 and 2017 was $79,524 and $77,911, respectively, as shown below:

	December 31 2018	2017
a. Retirement benefits	($ 7,974)	($ 6,337)
b. Seniority premiums	47,155	48,800
c. Retirement health policy	40,343 *	35,448
Employee benefits	$ 79,524	$ 77,911

* The Company has established an additional retirement plan providing a health retirement benefit for a certain group of employees, which gives rise to an additional liability.

The net cost for the period (NCP) for the years ended Monday, December 31, 2018 and 2017 is as follows:

	December 31 2018	2017
Retirement benefits	($ 494)	($ 301)
Seniority premium	7,254	8,896
Retirement health policy	5,325	6,224
	$ 12,085	$ 14,819

a. Retirement benefits

The economic hypotheses used in nominal and real terms were as follows:

	2018 Nominal	2018 Real	2017 Nominal	2017 Real
Discount rate	9.5%	5.29%	7.80%	4.15%
Inflation rate	4.0%	NA	3.50%	N/A
Rate of salary increases	5.56%	1.5%	5.05%	1.50%
Tasa de incremento del sector salud	15.0%	10.58%	15.00%	11.11%

The CNP is comprised as follows:

	December 31 2018	2017
Cost of services for the year	($ 494)	($ 301)
CNP of retirement benefits	($ 494)	($ 301)

The amount shown as a (liability) asset in the consolidated statement of financial position is comprised as follows:

	December 31 2018	2017
Obligations for defined benefits	$ 19,630	$ 24,682
Fair value of plan assets	(27,604)	(31,019)
Liability in the statement of financial position	($ 7,974)	($ 6,337)

Defined benefit obligation movements were as follows:

	2018	2017
Starting balance at January	$ 24,682	$ 30,478
Financial cost	1,709	2,169
Actuarial profits	(1,473)	(2,416)
Benefits paid	(5,288)	(5,549)
Ending balance at December 31	$ 19,630	$ 24,682

Movements in net projected liabilities were as follows:

	2018	2017
Starting balance at January	$ 6,337	$ 3,866
Provision for the year	494	301
Actuarial profits	1,143	2,170
Ending balance at December 31	$ 7,974	$ 6,337

Movements in plan assets were as follows:

	2018	2017
Starting balance at January	$ 31,019	$ 34,344
Financial yields on assets	2,204	2,471
Actuarial profits	(331)	(247)
Benefits paid	(5,288)	(5,549)
Ending balance at December 31	$ 27,604	$ 31,019

The main categories of plan assets at the year- end closing are:

	Fair value of plan assets at December 31 2018	2017
Debt instruments	$ 21,156	$ 21,525
Capital instruments	6,448	9,494
	$ 27,604	$ 31,019

b. Seniority premiums:

The economic hypotheses used in nominal and real terms were as follows:

	December 31, 2018 Nominal	Real	December 31, 2017 Nominal	Real
Discount rate	9.5%	5.29%	7.80%	4.15%
Inflation rate	4.00%	NA	3.50%	N/A
Rate of salary increases	5.14%	1.10%	4.64%	1.10%

The CNP is comprised as follows:

	December 31, 2018	2017
Cost of services for the period	$ 6,350	$ 5,499
Financial cost- Net	3,670	3,267
Labor cost resulting from reduction	(3,815)	-
Labor cost due to past service	1,049	130
CNP of seniority premiums	$ 7,254	$ 8,896

The amount shown as a liability in the consolidated statements of financial position is comprised as follows:

	December 31, 2018	2017
Obligations for defined benefits	$ 50,078	$ 48,804
Fair value of plan assets	(2,923)	(4)
Liability in the statement of financial position	($ 47,155)	($ 48,800)

Movements in net projected liabilities were as follows:

	2018	2017
Starting balance at January	$ 48,800	$ 43,756
Provision for the year	7,254	8,896
Benefits paid and charged to net liabilities	(492)	(3,928)
Actuarial losses	1,370	76
Assignment of resources	(7,037)	-
Ending balance at December 31	$ 47,155	$ 48,800

Defined benefit obligation movements were as follows:

	2018	2017
Starting balance at January	$ 48,804	$ 44,124
Labor cost of service	1,049	130
Labor cost	6,350	5,499
Financial cost	3,670	3,291
Actuarial profits and losses	(1,224)	(280)
Actuarial profits and losses due to severance pay	(3,815)	-
Benefits paid	(4,756)	(3,960)
Ending balance at December 31	$ 50,078	$ 48,804

Movements in plan assets were as follows:

	2018	2017
Starting balance at January	($ 4)	($ 368)
Financial yields on assets	-	(25)
Actuarial profits and losses	(145)	356
Benefits paid	4,263	33
Assignment of resources	(7,037)	-
Ending balance at December 31	($ 2,923)	($ 4)

The main categories of plan assets at the year- end closing are:

	Fair value of plan assets at December 31 2018	2017
Debt instruments	($ 2,240)	($ 3)
Capital instruments	(683)	(1)
	($ 2,923)	($ 4)

c. The Retirement Health Policy

The cost of the retirement health provision is comprised as follows:

	December 31 2018	2017
Retirement health plan	5,325	6,224
Retirement health plan cost	5,325	6,224

The reserve for the retirement health defined contribution liability was as follows:

		2018		2017
Starting balance at January	$	35,448	$	29,346
Retirement health plan		5,325		6,224
Effect of plan recognition		–		–
Benefits paid		(430)		(122)
Ending balance at December 31	$	40,343	$	35,448

Plans in Mexico generally expose the Company to actuarial risks, such as investment risk, interest rate risk, longevity risk and salary risk, as shown below:

Investment risk – The expected rate of return for investment funds is equivalent to the discount rate, which is calculated on the basis of a discount rate determined with reference to long- term government bonds. If the return on assets is below that rate, that gives rise to a plan deficit. The plan currently has a majority investment in debt instruments.

Interest rate risk – A reduction in the interest rate increases plan liabilities. Rate volatility depends exclusively on the economic environment.

Longevity risk – The present value of the defined benefit obligation is calculated on the basis of the best estimation for mortality of plan participants. An increase in life expectancy of the plan participants increases the liability.

Salary risk – The present value of the defined benefit obligation is calculated on the basis of participants' future salaries. Therefore, any increase in participant salary expectations increases plan liabilities.

NOTE 21 – RELATED PARTIES:

The main balances held with related parties at December 31, 2018 and 2017 are shown below:

Receivable from affiliates		December 31, 2018		2017
Recolectapel, S. A. de C. V.	$	–	$	187
Bed Bath & Beyond, S. de R. L. de C. V.		–		79
Other related parties		–		16
Total	$	–	$	282

Payable to affiliates:		December 31, 2018		2017
VCT & D&G de México, S. A. de C. V. [a]	$	16,514	$	13,873
Mercantil Cuautitlán, S. A. de C. V. [a]		11,477		11,859
Constructora Tiloxtoc, S.A de C. V. [c]		6,989		–
INMOBISER, S. de R.L de C. V. [b]		5,427		–
Distribuidora de Productos Pha, S.A. de C.V. [a]		3,750		1,988
Alimentos del Campo y Ganadería, S. A. de C. V. [a]		3,584		4,947
Importadora y Distribuidora Ucero, S. A. de C. V. [a]		2,960		4,311
Otras partes relacionadas		1,934		1,518
Palma y Regalos, S. A. de C. V. [a]		1,591		–
Manufacturas y Confecciones Agapsa, S. A. de C. V. [a]		1,400		1,783
Unimold, S. A. de C. V. [a]		1,071		587
Operadora de Servicios Tirsa, S. de R.L. de C.V. [a]		634		1,829
Operadora OMX, S. A. de C. V. [a]		511		896
Seamless Global Solutions, S. A. de C. V. [a]		474		330
Nova Distex, S. A. de C. V. [a]		294		408
ALO Innovations, S. A. de C. V. [a]		–		6
	$	58,610	$	44,335

During the year ended December 31, 2018 and 2017, the following operations were conducted with related parties as if the compensation agreed on those operations were equivalent to that used in similar operations with independent third parties.

At December 31, 2018 and 2017, balances with related parties result from the following transactions:

	December 31,	
	2018	2017
Disbursements:		
Civil works [c]	$ 379,529	$ 286,935
Purchase of merchandise [a]	273,875	265,360
Services [b]	98,970	69,278
Flyers [d]	13,045	10,138
Others	4,131	1,029
Total	$ 769,550	$ 632,740
Income:		
Sale of investment property *	$ 349,488	$ 300,722
Rents [e]	39,777	55,379
Services	2,826	1,143
Total	$ 392,091	$ 357,244

a. Corresponds to purchases of different merchandise such as clothing, groceries, household items and general products for sale to the public through the stores, made principally to Mercantil Cuautitlán, S. A. de C. V., VCT & DG de México, S. A de C. V., COSTCO de México, S.A. de C.V. and Alimentos del Campo y Ganadería, S. A. de C. V.

b. Corresponds to executive services provided to one of the affiliates of the group.

c. Corresponds to payments for construction services for some of the new stores opened during the year. Those services were provided by Metálica y Tecnología Estructural BIM, S.A. de C.V., Constructora Jaguarundy, S.A. de C.V., and Constructora Tiloxtoc, S. A. de C. V.

d. Corresponds to the purchase of flyers and other printed material, principally from Centro Gráfico Industrial, S. A. de C. V., for distribution to customers at the stores.

e. Income received from the lease of locales, principally from Operadora OMX, S. A. de C. V., Bed Bath and Beyond, S de R. L de C. V., Inverglez S de R. L. de C. V. and Tintorerías Gofer, S. A. de C. V.

* (See Note 13).

Remuneration of key management personnel:

Total direct short- term benefits provided to key management personnel or relevant directors totaled $140 million and $124 million at December 31, 2018 and 2017, respectively (see Note 2.19).

NOTE 22 – COSTS AND EXPENSES CLASSIFIED BY TYPE:

The cost of sales and administration and selling expenses are comprised as shown below:

	December 31	
	2018	2017
Cost of sales	$ 14,077,943	$ 12,304,786
Employee compensation and benefits	1,838,636	1,615,782
Depreciation and amortization	685,055	583,755
Administrative services	452,070	372,108
Leases and maintenance	307,869	263,081
Other*	962,327	827,501
Total	$ 18,323,900	$ 15,967,013

* Includes cleaning, packaging, containers, labels, insurance and bonding premiums, property tax and other minor items.

Following is a breakdown of personnel compensation and benefits:

	December 31,	
	2018	2017
Salaries and bonuses	$ 1,641,966	$ 1,435,028
Other remunerations	196,670	180,754
	$ 1,838,636	$ 1,615,782

Other remunerations include mainly employer Social Security dues and major medical expenses.

NOTE 23 – OTHER INCOME AND OTHER EXPENSES:

	December 31, 2018		2017
Other income			
Income from the sale of property, furniture and equipment and improvements	$ 230,521	$	204,351
Recovery from prior periods	17,447		36,671
Refund of restated favorable tax	4,491		3,480
Other	12,393		15,553
Total other income	$ 264,852	$	260,055
Other expenses			
Disposal of property, furniture and equipment and improvements	$ 13,903	$	34,307
Losses from accidents	7,596		12,346
Expenses for branch closings	12,910		-
Donations	10,880		11,823
Other recovery of expenses	(34,212)		(7,332)
Other	1,530		19,483
Total other expenses	$ 12,607	$	70,627

NOTE 24 – FINANCIAL EXPENSES AND INCOME:

	December 31, 2018		2017
Financial expenses			
Interest payable	$ 5,662	$	4,227
Exchange loss	135,461		101,929
	$ 141,123	$	106,156
Financial income			
Interest receivable	$ 140,863	$	161,224
Exchange gain	140,521		63,333
	$ 281,384	$	224,557

NOTE 25 – CURRENT AND DEFERRED TAXES ON INCOME:

Income tax

The Company and its subsidiaries determined a tax profit of $142,936 and $103,808 in December 2018 and 2017, respectively. The tax result differs from the book result mainly due to items accrued over time and deducted differently for book and tax purposes, to recognition of the effects of inflation for tax purposes and to items only affecting the book or tax result.

The Income Tax Law establishes that income tax applicable in 2018 and 2017 and subsequent periods is 30% of taxable profit.

The income tax provision is analyzed as follows:

	December 31 2018		2017
Income tax incurred	$ 35,544	$	22,612
Deferred income tax	62,898		90,331
	$ 98,442	$	112,943

At December 31, 2018 and 2017, the principal temporary differences on which deferred income tax was recorded are shown net in the statement of financial position for comparison purposes, and are analyzed as follows:

Breakdown of deferred income tax

	December 31 2018		2017
Deferred income tax asset			
Liability and other provisions	$ 180,688	$	175,128
Property, furniture and equipment and leasehold improvements and investment properties	101,863		28,335
Unamortized tax losses	629,939		490,592
	$ 912,490	$	694,055
Deferred income tax liability			
Property, furniture and equipment and leasehold improvements	($ 14,827)	($	35,465)
Intangible assets	(820,124)		(518,153)
	($ 834,951)	($	553,618)

Net movements of deferred tax assets and liabilities during the year are explained as follows:

Deferred tax asset:	Property, improvements, furniture and equipment and investment properties	Liability provisions and others	Tax losses	Total
At January 1, 2017	$ 49,889	$ 188,033	$ 267,303	$ 505,225
Effect on the statement of income	(21,554)	(12,905)	223,289	188,830
At December 31, 2017	$ 28,335	$ 175,128	$ 490,592	$ 694,055
Effect on the statement of income	73,528	5,560	139,347	218,435
At December 31, 2018	$ 101,863	$ 180,688	$ 629,939	$ 912,490

Deferred tax liability	Property furniture and equipment and leasehold improvements	Intangible assets	Total
At January 01, 2017	($ 45,073)	($ 229,384)	($ 274,457)
Effect on the statement of income	9,608	(288,769)	(279,161)
At December 31, 2017	($ 35,465)	($ 518,153)	($ 553,618)
Effect on the statement of income	20,638	(301,971)	(281,333)
At December 31, 2018	($ 14,827)	($ 820,124)	($ 834,951)

Deferred tax due to the existence of profits not yet distributed to the subsidiaries has not been recorded because the Company is in a position to control the point at which temporary differences associated with investments are reversed or said profits are not subject to income tax, as they arise from the CUFIN.

The deferred income tax charge related to components of other comprehensive income is as follows:

	December 31, 2018	2017
After- tax employee benefits	($ 1,109)	$ 1,112

Following is a reconciliation of the rate incurred and the effective consolidated income tax rate:

	Year ended on December 31 2018	2017
Income before income tax	$ 1,187,712	$ 895,143
Incurred income tax rate	30%	30%
Income tax at the statutory rate	356,314	268,543
Plus (less) effect on income tax of the following items:		
Annual adjustment for inflation	8,734	9,037
Non- taxable income	(10,031)	(3,540)
Restatement of brands and assignment of rights	(75,769)	(81,932)
Restatement of fixed assets and tax losses	(175,317)	(33,443)
Other items	(5,489)	(45,722)
	(257,872)	(155,600)
Income tax recorded in income	$ 98,442	$ 112,943
Effective income tax rate	8%	13%

Unamortized tax losses

Tax losses whose right to be amortized against future profits spire as shown below:

Date		Amount
2022	$	36,249
2023		22,289
2024		432
2025		126,552
2026		799,782
2027		755,284
2028		356,209
Total	$	2,096,797

NOTE 26 – STOCKHOLDERS' EQUITY:

The capital stock is composed of shares with no par value, of which Series B are ordinary and have voting rights and Series C are neutral, with no voting rights. Shares are grouped into units, which can be of the UB type (made up of four Series B shares), or the UBC type (made up of three Series B shares and one Series C share).

At December 31, 2018, the following shares have been subscribed and paid in. 1,086,000,000 units, of which in 2018 and 2017, 605,457,398 and 626,775,944 are type UB and 480,542,602 and 459,224,056 are UBC, respectively. Those units are quoted on the MSE.

Nominal subscribed and paid in capital stock total $1,086,000represented by 1,086,000,000 UB and UBC units.

The paid nominal capital stock for $1,086,000 is composed of cash contributions of $94,938, capitalized profits of $806,644 and $184,418 corresponding to the capitalization of the effects of restatement.

At December 31, 2018 and 2017, the majority stockholders have placed their investment in a trust managed by Scotia-Bank Inverlat S.A., which includes 605,404,798 UB units representing 55.7% of the capital stock and 62.7% of voting rights, respectively.

Capital reserves

Capital reserves are comprised as follows:

	December 31,			
		2018		2017
Legal reserve	$	217,200	$	217,200
Reserve for repurchase of units		1,532,709		1,482,444
	$	1,749,909	$	1,699,644

At December 31, 2018 and 2017, the Company holds a reserve for the repurchase of shares of $1,532,709 and $1,482,444, respectively. That reserve varies depending on Company purchases and sales in the stock market. At December 31, 2018 and 2017, the Company has an accumulated balance of 8,334,565 units, and sold units worth 3,790,825 and 225,252, with 4,543,740 and 8,109,313 units in treasury at December 31, 2018 and 2017, respectively.

Net income for the period is subject to the legal provision requiring at least 5% of income for each year to be set aside to increase the legal reserve until it is equal to one fifth of the capital stock. At December 31, 2018 and 2017, the Company had covered the portion of the legal reserve required by the tax provisions.

Dividends are free from income tax if paid out from the After Tax Earnings Account (CUFIN). Dividends in excess of that account are subject to 42.86% tax if paid in 2019. Tax is payable by the Company and may be credited against income tax for the current period or for the following two periods. Dividends paid from previously taxed income are subject to no tax withholding or additional tax payment. At December 31, 2018 and 2017, the CUFIN totaled approximately $ 3,898,643 and $3,590,616, respectively.

As of 2014, the Income Tax Law establishes an additional 10% tax on earnings generated as from 2014 from dividends paid to parties resident abroad and to Mexican individuals.

The Income Tax Law provides a tax incentive to individuals resident in Mexico subject to the additional 10% tax on dividends or profits distributed.

The incentive is applicable provided said dividends or profits are generated in 2014, are reinvested in the entity generating the profits and consist of a tax debt equivalent to the amount arrived at by applying the percentage for the year in which the dividends are paid (see below):

Year of distribution of the dividend or profit	Percentage of application to the dividends or profits distributed (%)
2017	1%
2018	2%
2019 onwards	5%

Tax assessed can be credited only against the additional 10% income tax required to be withheld and paid by the entity, provided the requirements established in the Income Tax Law are complied with.

Entities distributing dividends or profits on shares placed among the general investing public must advise stock brokerage firms, credit institutions, investment operators, the parties distributing the shares of investment entities or any other securities market intermediaries of the period corresponding to the profits on which dividends are being paid, so that said intermediaries can withhold the respective tax. At December 31, 2018 and 2017, no dividends had been declared.

In the event of a capital reduction, any excess of stockholders' equity over capital contributions, the latter restated in accordance with the provisions of the Income Tax Law, is accorded the same tax treatment as dividends. At December 31, 2018 and 2017, the balance of this caption was $1,777,361 and $1,695,470, respectively.

NOTE 27 – COMMITMENTS AND CONTINGENCIES:

i. The Company is involved in lawsuits and claims arising from the regular course of its operations, as well as in certain legal processes having to do with tax matters: At December 31, 2018 and 2017, there were no material open tax processes. The Company's legal advisors are of the opinion that no other tax- related legal processes will be having a significant effect, either individually or in the aggregate, on the financial position or results of operations.

ii. The Company continues to comply with the safety and hygiene measures established in the agreement between the Asociación Nacional de Tiendas de Autoservicio y Departamentales, A. C. (Antad) and the Labor Department. Therefore, no provision has been recorded for those contingencies at December 31, 2018 and 2017.

NOTE 28 – LEASES:

a. The Lessee

The Company has signed leasing agreements in Mexican pesos for certain stores, office space, warehouses and distribution centers. Certain contracts require the fixed portion of these payments to be revised annually. Certain contracts also specify variable lease payments based on store sales. Upon expiration, those contracts are expected to be renewed or replaced in the normal course of operations.

The expense for operating leases for the year ended on December 31, 2018 and 2017 was as follows:

	2018		2017	
Minimum rent	$	142,209	$	99,491
Variable rent		45,119		49,171
	$	187,328	$	148,662

Minimum commitments for uncancelable operating leases at Monday, December 31, 2018 are as follows:

For the year ending on December 31,	Amount	
2019	$	115,374
2020		97,719
2021		93,212
2022		90,787
2023 and subsequent years		274,284
	$	671,376

b. The Lessor

Operating leases are related to the leasing of commercial space. Leases are for a period of one year, at the end of which, terms are renegotiated. Agreements do not establish the option to buy the leased space at the expiration date.

NOTE 29 – SEGMENT REPORTING:

Information per segment is reported on the basis of the information used by the top management in making strategic and operating decisions. An operating segment is defined as a component of an entity on which there is separate financial information which is evaluated on a regular basis.

IFRS 8 requires disclosure of assets and liabilities pertaining to one segment, if measurement is regularly provided to the decision- making body; however, with respect to the Company, the Operations Committee evaluates only the performance of the operating segments based on an analysis of income and operating profit, but not of each segment's assets and liabilities.

Income reported by the Company represents the income generated by external customers, as no inter- segment sales are conducted. The Company identifies and reports the following business segment:

La Comer Group
This includes self- service store operations, corporate operations, and others.

Because the Company specializes in retail sales of merchandise to the general public, it has no main customers that would concentrate a significant percentage of total sales, and does not rely on a particular product that would represent 5% of consolidated sales.

In addition, the Company operates with a broad base of different size vendors, and therefore does not rely on any particular vendor as concerns the products it sells.

Taxes and financing costs are handled at the Group level rather than within each of the segments reported. As a result, said information is not shown distributed in each of the segments reported. Operating profit and flows generated are the key performance indicators considered by Company management, which are reported every time the Board of Directors meets.

Geographic information
All Company income arising from third parties is realized in Mexico, which makes it unnecessary to disclose information by geographic segment.

NOTE 30 – AUTHORIZATION OF ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS:

The accompanying consolidated financial statements and the notes thereto were authorized by the Company's Office of Administration and Finance on March 13, 2019 and by the Board of Directors on March 14, 2019, and are still subject to approval at a stockholders' meeting.

SHAREHOLDER information

ANNUAL MEETING

The General Ordinary Shareholders' Annual Meeting of La Comer, S.A.B. de C.V. was held on April 9, 2019 at 11:00 AM, at the Uxmal room of the Club de Empresarios Bosques, located at Bosque de los Ciruelos 278, Bosque de las Lomas, Mexico City, Zip Code 11700.

REGISTERED SHARES

The shares representing the capital stock of La Comer, S.A.B. de C.V. are listed on the Mexican Stock Exchange (BMV) under the ticker symbol LACOMER.

CORPORATE INFORMATION

For additional financial information on the Company or on the resolutions approved in the General Ordinary Shareholders' Meeting, please contact Rogelio Garza or Yolotl Palacios; Finance Department of La Comer, S.A.B. de C.V., located at Avenida Revolución 780 Módulo 2, San Juan, 03730, México City. Phone number: (52) 55 5270 9038.

cotiza en Bolsa Mexicana
LACOMER

Independent Auditors
PriceWaterhouseCoopers,
S.C. Mariano Escobedo 573
Rincón del Bosque
011580 Mexico City

laComer
www.lacomer.com.mx
www.lacomerfinanzas.com.mx

laComer