A better value PROPOSAL

2019 Annual Report

laComer

CONTENT

Our FORMATS

laComer

32 STORES 209,182 sqm

35 THOUSAND SKUS

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.

city market LA COMER

12 STORES 38,967 sqm

25 THOUSAND SKUS

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

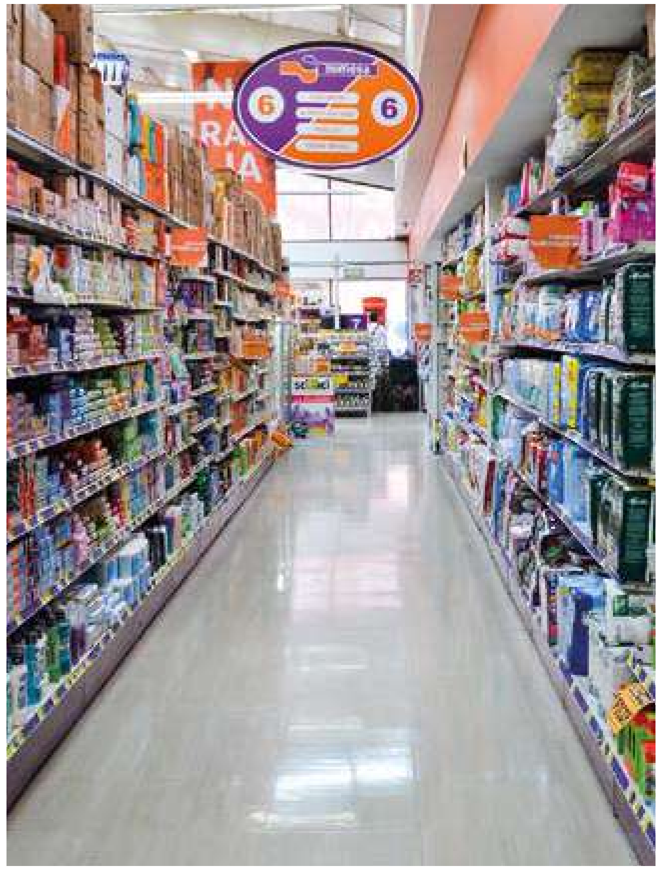
fresko LA COMER

14 STORES 42,328 sqm

25 THOUSAND SKUS

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.

sumesa



13 STORES 10,303 sqm

15 THOUSAND SKUS

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

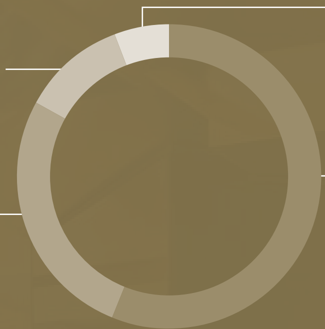
* All our stores have specialized pharmacy, tortilla and bakery departments.
Some of our stores may be located in shopping centers.

Outstanding FIGURES

71 supermarkets

300,780 sqm

GEOGRAPHIC FOOTPRINT



2019 FINANCIAL HIGHLIGHTS

	2019	2018	Var.
Net revenues	21,591	19,119	12.9%
Gross income	5,893	5,038	17.0%
Gross margin	27.3%	26.4%	
Operating income	1,117		
Operating margin	5.2%		
EBITDA	1,978		
EBITDA margin	9.2%		
Operating flow[1]	1,783		
Operating flow margin	8.3%		
Net income	1,036		
Net margin	4.8%		

SAME-STORE SALES

Millions of Mexican pesos

[1] Operating flow refers to EBITDA without flow for rent payments. EBITDA without IFRS 16.

[2] National Association of Supermarkets and Department Stores.

378 Commercial premises

2 Distribution centers

CEDIS VALLEJO
16,000 sqm

CEDIS WEST
Guadalajara
1,770 sqm

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.

BUSINESS
Model and Strategy

Our mission is to be the supermarket chain with the highest satisfaction rates for customers with demanding tastes and expectations, offering the very best shopping experience in the market with competitive prices.

A Better Value Proposal

From the beginning of operations, at La Comer we have focused our strategy on offering our customers a comprehensive value proposition; besides competitive prices in our products, we provide an outstanding quality of perishables, a unique service, a great variety of products that surpass our customers' needs, and a pleasant and comfortable environment and service, which generals an exceptional shopping experience through strategies aimed for their satisfaction.

To reinforce this strategy, La Comer offers high-quality perishable products, a wide variety of imported and organic gourmet products; unique and attractive environments within its stores and departments, as well as an agile service and personalized attention. Likewise, we surprise our clients, providing, in addition to attention and innovation, the experience of a pleasant moment that makes them feel special.

In addition to essential products at very competitive prices, we offer gourmet collections, i.e., products from different parts of the world that can only be found in our stores;

kosher and organic products that satisfy even the customer with the highest demands. Our fruits and vegetables go beyond fresh and tasteful, they are carefully selected from the very best of each season. Regarding animal products, we select the best products so that they reach our customers with all their properties and benefits.

Our stores have an innovative atmosphere. Within them, we offer specialized departments where we concentrate and prepare products of the highest quality. We developed the drinks and food tasting concept, generating an environment of trust, relaxation and leisure for our customers while they shop. In 2019, in addition to our traditional islands of Pintxos, Gelateria and Bar do Mar, we inaugurated Il Grissini in the new City Market Monterrey, a new tasting island that offers excellent Italian food, as well as an original section dedicated to tea tasting, called Tea for Two.

All our employees are trained to provide a personalized and friendly service. Furthermore, they are thoroughly prepared to advise our customers so their shopping experience is successful and pleasant. Our clients can consult our chefs, baristas, sommeliers and managers in all different departments within our stores.

We strive to make each day better and more pleasant, creating efficient experiences, so we provide an added value. During this year we began offering the self-payment service in our stores; this system allows our customers to pay for their products without the presence of a cashier.

Since La Comer's foundation, we have focused our strategy towards profitability in the long-term. In 2019, once more we created value for our shareholders and contributed to the economic development of the regions where we operate through employment creation, local supplier procurement and collaboration on social programs.

GROWTH

During 2019, we successfully inaugurated six new stores.

- The first City Market in the North region, in Monterrey.
- Two La Comer stores in Puebla and Queretaro cities.
- Three Fresko stores, one in Guadalajara and two in new regions: in Southern Mexico City and in Avandaro, Valle de Bravo.

We opened new Fresko stores in regions with significant presence and great success, such as Guadalajara city.

Through these openings, inhabitants of several regions will be able to enjoy our different formats, each one with a renovated image. Our stores offer high-quality perishables and a differentiated mix of grocery products; general lines, technology, appliances, household products and winery. Moreover, they have an indoor cafeteria and small on-site tasting areas that make shopping a pleasant moment.

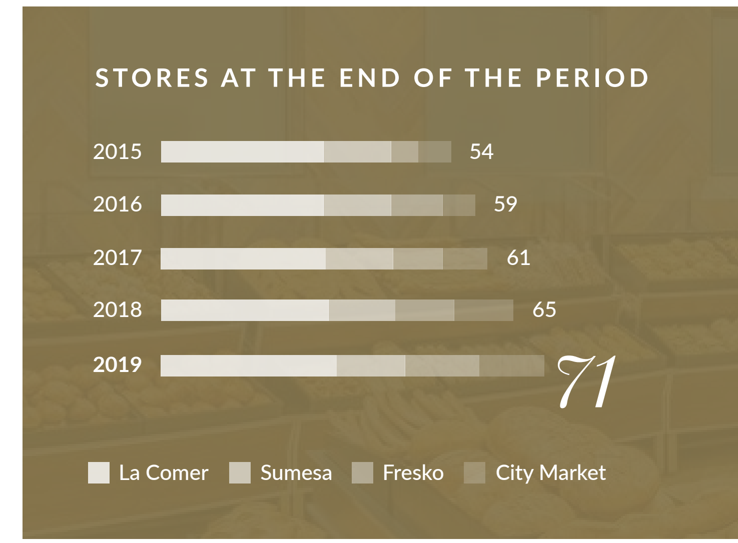
6 new stores

The new City Market Monterrey is one of the best stores in the country.

In addition to being the largest store, it has new features such as the Beer World space, which offers more than 300 labels based on barley, rice, hops, wheat or malts –both from Nuevo Leon and several parts of the world–. Within the assortment, customers may find different types: Lager, Porter, Stout, Lambic, Steam, Rauchbier, Steambier and Schwarzbier, among others. Furthermore, in this store we opened the first tea room, Tea for Two, with over 250 varieties for the delight of tea lovers.

Another novelty of the City Market in Monterrey is the Italian bar Il Grissini, a space to taste different Italian dishes that supplements on-site consumption experiences, among which are also: Bar do Mar, which offers more than 35 dishes from the sea in several styles cooked by qualified chefs, who prepare fusion cuisine creations to provide a unique flavor mix; and Pintxos, a kitchen with Mediterranean influence that has a dynamic menu with over 65 dishes.

We remain confident in the Company and, in the coming years, we will continue opening stores in different formats to increase our presence in key cities and new locations. It is important to maintain growth with strategic openings in formats that generate the best results, locating them in several regions of the country and, thus, replicating a unique shopping experience, where quality, attention and service continue to be part of our essence.



laComer EN TU CASA

The main goals of La Comer en tu Casa are to bring the digital world within our customers' reach and to adapt to new communication channels.

We have many years of experience in home delivery, and every day we pay special attention to our delivery service **"La Comer en Tu Casa"** (La Comer at your Home), an e-commerce platform that allows customers to shop quickly and safely from the comfort of their homes, offices or smartphones. We know how important and useful it can be for our customers to have a home delivery service that provides the same added value and shopping experience that characterizes our stores.

Although the concept of our business has been based on a different purchasing behavior, where the customer usually shops in the store, we have adapted to a market with "always connected" customers; i.e., the tendency to use new communication channels that are increasingly demanding. Consequently, the goal of **"La Comer en tu Casa"** is to bring to the digital channel the same quality of service that our clients recognize in traditional business.

Currently, it is essential to offer our customers more channels to shop; if our customers want to receive their products at their homes or pick them up at the stores, the results must be satisfactory, whether they order from our website, home number or app.

During 2019, we continuously improved both the online store and La Comer, Fresko and City Market mobile apps, where our customers can find products in a simple manner. Furthermore, we have integrated internal systems to improve inventory availability, prices, promotions, among others. In addition, we concentrate efforts to adapt merchandise pickup and delivery programs to exceed customers' high expectations.

We are aware of how important a smooth-running process is; from a friendly app, easy to use and intuitive, to a complete order that is up to the customer's requirements and an adequate delivery time. Currently, **"La Comer en tu Casa"** represents 2% of the company's total sales. We continue reinforcing our practices to provide more and better delivery solutions, along with the perfect condition of orders and the products' selection process.

A significant improvement we made during the year was our communication with existing and potential customers through digital media, such as newsletters –email messages– and social media. Through these channels, we were able to notify our customers about relevant campaigns, from special offers and unique opportunities, like our Temporada Naranja campaign's promotions, to exclusive events like the "Olá, Olé. A journey through Spain and Portugal" campaign. Therefore, we emphasize the difference between shopping through **"La Comer en tu Casa"** and simply just shopping online.

MESSAGE
from the Chairman of the Board

REPORT ON TRANSACTIONS AND ACTIVITIES INVOLVING THE BOARD OF DIRECTORS DURING FISCAL YEAR 2019

Mexico City, March 30, 2020

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, 2019, the Board of Directors met in a number of plenary sessions in which it exercised the authority vested in it by Clause Twenty-Second 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 approved by board members, regarding meetings held on the following dates:

January 22, 2019
February 19, 2019
April 29, 2019
July 23, 2019
October 22, 2019

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

2019 was a year of outstanding results for La Comer in all its formats, nonetheless the economic deceleration in the country. On the operating side, we were able to maintain sales increases 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 special offers and products to surprise our customers, aims to always provide a better value proposition.

All our achievements have been thanks to the outstanding work of our employees. Their efforts have been key to achieve our company's positive results since the beginning of operation in 2016. I would like to take this opportunity to thank the amazing team for this fourth consecutive year of growth in the company.

With unique formats, La Comer has excelled in the operation of stores to provide its customers with an excellent shopping experience. During this year, we opened six new stores, increasing and/or establishing our presence with new formats in different cities in the country. Therefore, in 2019, we opened the first store in the northern region, where the company had no presence. In March we inaugurated the first City Market in Monterrey city, which we consider is one of the best stores in the country.

In addition to the City Market, we opened two La Comer stores in Puebla and Queretaro, and three more stores in the Fresko format, two located in new sites. Thus, in 2019, shareholder value was once more created and we contributed to the economic development of the regions where we operate by creating jobs, purchasing from local suppliers and collaborating in social programs. We continue to believe in Mexico and will maintain growth with new stores' strategic openings, which generate sound results by locating them in several regions of the country.

Our campaigns "Temporada Naranja", which offers special promotions during the summer and "Miércoles der 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 continued 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 remain committed to a differentiation in all our operations, thus promoting creativity and innovation, which provide an added value that contributes to our customers' satisfaction. This year, we continue to pay special attention to maintaining the company's vision, offering a superior value proposition and 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 defining principles and are established in internal policies.

In 2019, we supported several nonprofit organizations with the distribution of their products, made donations to charitable institutions, supported foundations for rural development and participated to raise funds for the battle against breast cancer through our "Tienda Rosa" campaign, 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 12,000 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 with 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
La Comer, S.A.B. de C.V.

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 11 proprietary (of which three are independent) and six alternate directors. All were appointed and ratified at the General Ordinary Shareholders' Meeting held on April 9, 2019.

In accordance with the provisions of the Securities Market Law, 27% of the Board's members are independent. Moreover, the Board relies on a secretary, who is designed and ratified by this body's members or by the General Shareholders' Meeting.

To discharge its responsibilities appropriately, the Board relies on three Committees that operate as intermediate bodies: Audit Committee, Corporate Practices Committee and Planning Committee. The Board of Directors has the Company's legal representation 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 2019, the Board of Directors met on five occasions.

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.

The Audit and the Corporate Practices Committees met on eight and five occasions during the year, respectively. 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 and the Sole Circular of External Auditors (CUAE).

INTERMEDIATE BODIES OF CONTROL

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; evaluating external auditors' performance 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.

All the members of the Audit and Corporate Practices Committees are independent directors.

The Company continues to adopt the best Corporate Governance practices and principles, which help define the Board of Directors' functions, such as:

a) Ensure a responsible announcement and communication of information, as well as transparency in management.
b) Provide certainty and trust to shareholders, investors and third parties interested in the honest and responsible management of the company's business.
c) Make sure the intermediate bodies report to the Board of Directors about their activities, at least once every quarter.
d) Directors of the Board devoted the necessary time and attention, attending at least 80% of the meetings that were convened during the year.

Board of DIRECTORS

POSITION	PROPRIETARY DIRECTORS	
Honorary Chairman	Guillermo González Nova	1
Chairman	Carlos González Zabalegui	1
Director and Vice-president	Alejandro González Zabalegui	1
Director	Luis 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
Santiago Alverde González	1
Nicolás González Oertel	1
Alfonso Castro Díaz	3

PLANNING COMMITTEE	
Guillermo González Nova	1
Carlos González Zabalegui	1
Alejandro González Zabalegui	1
Luis Felipe González Zabalegui	1
Antonino Benito González Guerra	1
Pablo José González Guerra	1

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

STAKEHOLDERS

Customers

In 2019, we received over 68 million customers in our stores. We are certain that their loyalty is a consequence of the quality and differentiation which characterize us in the market.

Our stores offer an exceptional and innovative environment and a wide variety of high-quality products and brands, thus, ensuring a unique shopping experience.

During 2019, we reinforced our contact points with customers, which were defined when the company started operations. In compliance with our vision, we have developed excellent customer relations, which should be characterized by superior quality service and attention, revealing a clear differentiation.

We have paid special attention to the communication strategy, since the contact points with customers create a commitment that guarantees a high-quality service, as our differentiation strategy requires.

One of the main contact points is our call center (01-800 3777333), 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.

68 million customers in 2019

We received
258,061
calls and/or emails (*lacomer@callcentermexico.com.mx*) to our call center

Approximately, 5% of them were for complaints, 53% for customer service and comments and the remaining 42% to request "La Comer en tu Casa" delivery.

We upgraded our digital platform to strengthen the e-commerce business or home delivery service. As a result, for the second consecutive year, customers can now access our home delivery service on a much more user-friendly digital platform, extensively supported by merchandise pickup and delivery programs that exceed our customers' highest expectations.

Our social media have become increasingly stronger, 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 several topics relating to the services and products we offer.

During 2019, our websites received more than 12 million visits; 89% were from the "La Comer en tu Casa" website. A conversion rate has originated of visitors to the site into real buyers, which is one of the most relevant in our market in Mexico. This confirms that the digital strategy that was redefined during 2019 is generating the expected results, as well as our approach to e-commerce.

12 million visits to our websites

In 2019, our "Monedero Naranja" (Orange Loyalty Card) redefined its strategy; based on data from customer interactions, we relaunched the program. The new strategy is based on a profound assessment of customs and preferences, which showed a growing tendency of customers visiting our stores and receiving benefit sin them; hence, we decided on an inner loyalty program, created and carried out by La Comer.

This provides us demographic data on our customers, without the need to share them with third parties, strengthening our relationship with them. The stamp programs to acquire high-value products at reduced prices were, beyond any doubt, the backbone of our new and improved "Monedero Naranja."

443,540

Monedero cards distributed in 52 days; which proves the strength that "Monedero Naranja" has achieved in the years it has existed.

As regards to the protection of our customers' data, 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" 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

We strengthened our summer promotional campaign "Temporada Naranja" (Orange Season), and for the very first time, we carried out a national advertising campaign to increase the reach of our concept and special offers. Due to this remarkable support, it had very favorable results in the season. At least 30 events were conducted for several product categories or lines. Subsequent studies with customers and non-customers proved that the concept increased its brand awareness, penetration and overall interest.

On the other hand, "Miércoles de Plaza" (Wednesday weekly campaign) maintained its advertising support for at least 50 weeks of the year. The above and a suitable mix of variety, freshness and quality 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 results.

The three promotional pillars of La Comer "Miércoles de Plaza", "Temporada Naranja" and "Monedero Naranja", enhanced the company's outstanding results during 2019.

In order to reinforce our differentiation, we offered the exclusive event promotion, denominated "Olá, Olé. A journey through Spain and Portugal." More than 2,500 articles were offered, which were brought especially from different regions in these countries for the event, covering over 100 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 gastronomy, beauty and dress of the Iberian Peninsula.

+2,500

articles for "Olá, Olé. A journey through Spain and Portugal"

Suppliers and Logistics

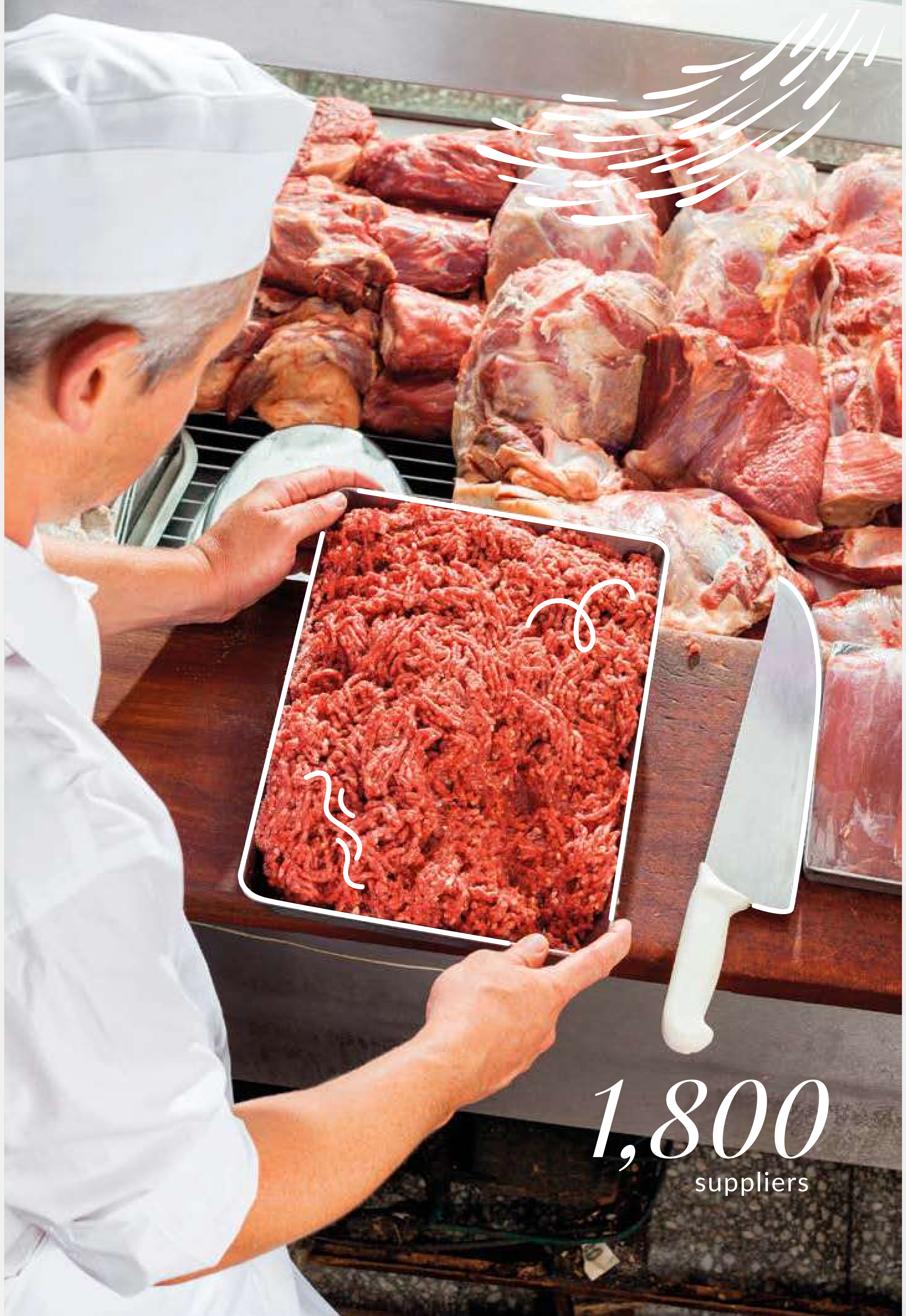
We consider our centralized supply chain as one of our significant strengths, due to flexible and reliable distribution processes, always subject to continuous improvement and backed by state-of-the-art digital technology that integrate us efficiently and timely together with our group of 1,800 suppliers and their more than 35,000 SKUs. They are an array that comprises a multiplicity of characteristics: size –from SMEs to multifunctional product categories, such as fresh –fruit, vegetables, meats' variety, fish and seafood, dairy and cheese, delicatessen, among others– and frozen, which require a careful cold chain and hygiene certifications–, groceries, personal care, pharmaceuticals, household and sports equipment, textiles, furniture, electronics, and national and imported wines.

Currently, our logistics network is comprised by two distribution centers. The first is located in Mexico City and the second one in the city of Guadalajara; both have multi-temperature installation. During 2019, 76% of the products we offer were distributed to our stores from these centers.

This has allowed us to achieve excellent business relationships, since the factors of greatest interest to both parties; that is, the centralized receipt in distribution centers (CEDIS), supply to stores, inventories and the management of accounts payable, are reliable and stable.

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

During 2019, we incorporated 323 modifications to our computing system, Logistics Management System, improving receipt, assortment, shipping and inventory processes. Thus, we reached outstanding operating and efficiency results:



a) Better service to stores –order vs supply– and delivery time improvements.

b) Increase in productivity of operating personnel and transport.

c) Greater profitability due to a decrease in expenses.

d) Increase in our installed capacity; currently, it has enough capacity to service between 90-95 branches.

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

We have developed practices for distribution in facilities, equipment and cutting-edge systems that allow us to be efficient and competent. Furthermore, we have processes supported by computer platforms that provide accurate and timely information and allow the coordinated execution of all participants (commercial department, suppliers and distribution centers in 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.

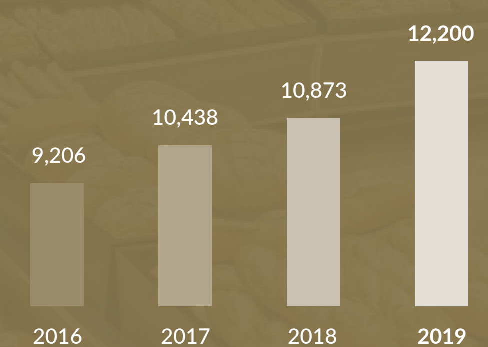
The shipment and transport of merchandise process is supported by an internally developed system that allows a "Guaranteed Delivery" to stores, i.e., it monitors the critical aspects during loading, route and merchandise delivery –times, temperature, etc.– so that the stores carry out a "Blind Receipt."

Employees

Thanks to the effort and commitment of our more than 12,000 employees, who are a fundamental part for our strategy's execution, the company has achieved positive results in the last years.

We strive for our employees' wellbeing and quality of life through programs that foster a life and work balance, as well as professional, cultural, economic development and health care. Furthermore, we encourage safe behaviors in our work environments through continuous campaigns and training.

NUMBER OF EMPLOYEES



+12,000
employees

TRAINING AND DEVELOPMENT

The training system is based on four fundamental principles:

1. **Commercial.** Dominion over products' features and their relationship with customer care and service quality.
2. **Operating.** Identifying the processes for products to enter, be stored, displayed and sold in each store.
3. **Administrative.** Proper handling of the tools that enable planning, organizing and controlling merchandise.
4. **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 training, which ensures an excellent shopping experience in our stores. Furthermore, we impart specialized training about the products' knowledge, so they can offer an excellent service in each department and proved an added value in every moment of the experience.

During 2019, we made the following efforts to ensure proper employee training:

6,061

newly hired employees received training, investing a total of **753,320 training hours.**

- 899 department heads took specialization courses in administrative processes, display practices and professional skills, investing a total of 72,245 training hours.
- 50 employees are part of the training programs for managers and assistant managers, investing a total of 16,000 training hours.
- 18 assistant managers attended the Leaders in Development program at ICAMI Center for Management Training from the IPADE, investing 6,336 training hours.
- 71 employees from corporate areas attended a program for creativity and innovations, investing 1,136 training hours.

Our company is committed to excelling; therefore, we have created a strategy that enables our employees to sustainably 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.

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 Comprehensive Risk Management and Civil Protection Law. In accordance with the Program Development Guidelines, in 2019 we executed internal Civil Protection initiatives in each store, in order to establish 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 defined by the Safety Department and the active participation of every person.

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

During 2019, we reinforced our initiatives through internal Civil Protection programs in all our stores to encourage a prevention culture and mitigation of possible accidents.

Additionally, La Comer 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 diverse ages, beliefs, nationalities, professions and different abilities. From the moment we publish vacancies 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 Audit Committee is responsible for supervising compliance with our equal opportunities policy, which is included in the company's Code of Ethics.

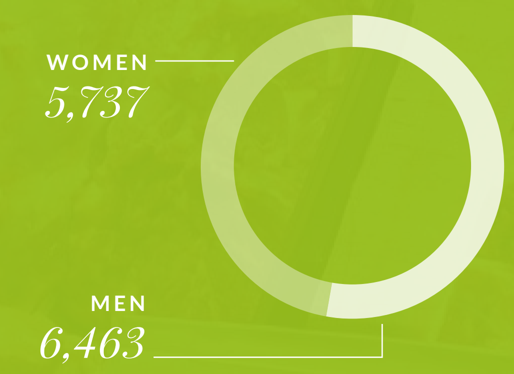
EMPLOYMENT AND QUALITY OF LIFE

At La Comer, 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.

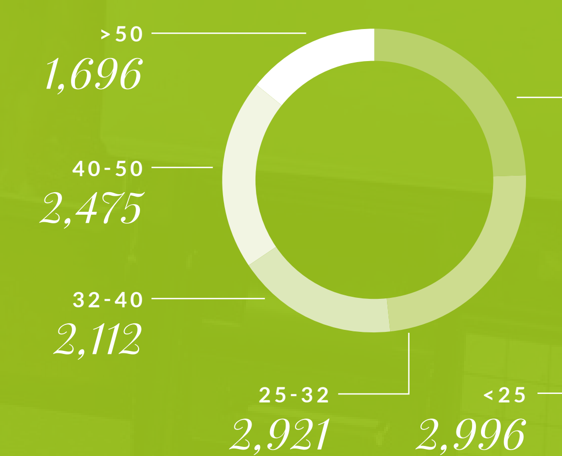
We have a policy that determines the respect for our employees' right to vacations and holidays, workdays and schedules, as well as to provide the appropriate working conditions for all of them. Moreover, we try to minimize employee turnover and create a suitable working environment, improve quality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

We maintain our internal magazine called *Nuestra Esencia*, an institutional publication that addresses key matters for the company. Its contents include achievements, cultural and sports activities, news, among others, 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.

EMPLOYEES BY GENDER



EMPLOYEES BY AGE RANGE



Our employees' outstanding work has been fundamental to achieve positive results.

We are still part of the *Éntrale* program (http://entrale.org.mx), through which we employ people with different abilities. Since the beginning, they have been a fundamental piece of our workforce; thus, we attempt to have ongoing inclusion campaigns.

HUMAN RIGHTS

All our operations meet the requirements of the Universal Declaration of Human Rights, recognizing people's dignity, respecting their freedom and privacy in compliance with applicable regulations.

We do not make any distinctions for reasons of race, age, gender, marital status, religion, political affiliation, nationality, physical condition, sexual orientation, among others.

Our employees are treated with dignity and paid fairly and equitably. The company has occupational health and safety projects, and workplaces have suitable conditions to carry out their functions efficiently and safely.

We are aware of the importance of maintaining an environment of high values and principles, where proper behavior is reflected by our investors, directors, managers, suppliers, contractors and employees. Consequently, we have established a confidential whistleblowing system in order to offer our stakeholders an adequate and secure communication channel, so that they can personally or anonymously report any irregular act or violation of the guidelines contained in the Code of Ethics and/or applicable regulations, both internal and external, without fear of retaliation. The Audit Committee is in charge of reviewing and evaluating each complaint to have strict control and carry out follow-ups.

The whistleblowing system is available to all our stakeholders 24/7 through the following channels:

- Internal communication system: www.intracomer.com.mx or www.provecomer.com.mx
- Phone number: 55 52709990
- Email: auditor@lacomer.com.mx

SOCIAL *Responsibility*

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.

$3 million

pesos donated to the *Educampo* program

Likewise, La Comer donated $2 million pesos to the Mexican Center for Philanthropy (CEMEFI), to increase corporate social responsibility and practices that contribute to the resolution of critical public problems in the country.

During 2019, Un Kilo de Ayuda guaranteed the permanence and attention of 89 boys and girls with La Comer's support, through Institutional Cards, among other products. In addition, we delivered $254,000 pesos from sales of their products in our stores.

Through a beautiful initiative started by our employees from different stores and some customers, 78 children from the foster homes *Nuestros pequeños hermanos, Fundación Casa de las Mercedes* and Fundación Emmanuel were sponsored. In a very emotional event, the children of each foster home went to the stores to spend a delightful moment with organized activities; employees played with them and gave them gifts, Three Kings cake and hot cocoa.

Once again, La Comer, with the support of the Breast Cancer Foundation (FUCAM), joined the campaign to fight this disease, providing free mammograms and offering participating products. Simultaneously, mammography studies were carried out through mobile units in 43 stores throughout Mexico, where we performed 2,200 free tests –approximately 50 mammograms per store– which contributed to the detection of some breast cancers.

43 stores with mammography mobile units

2,200 free mammography tests

50 mammograms per store

+7,000 items in the Pink Store

During October, our stores are decorated in pink in order to raise awareness about the importance of breast cancer prevention. In one of our sales floor's aisles, named the "Pink Aisle", we offered over 7,000 products from suppliers who directly donated a percentage of the sale's proceeds to a movement that fights cancer.

Environmental PROTECTION

Being sustainable is a daily effort. Within the company, we have adopted 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 and their reuse. The importance of our employees' attitude and awareness level has resulted in certain economic savings, by recycling or reducing raw materials, such as waste that has value.

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

PLASTIC BAGS

During the year 2019, we encouraged in our customers and employees the habit of using plastic bags responsibly. Additionally, we have subscribed to the work strategies of some states and municipalities that have implemented the "No use of plastic bags". In July, the Municipality of Naucalpan, in the State of Mexico, joined the campaign and four of our stores participated. Later on, in August and September, four more branches were integrated in Baja California Sur and Valle de Bravo. As of January 1, 2020, 56 company stores will implement this strategic plan, aiming to reduce the consumption of plastic bags and protect the environment.

In 2019, we registered the use of 190 million bags, 15% less than in 2018. We maintain the plastic bags' collection program through cardboard containers at the sales points' exits; on average, 840 bags are collected per month to be reused.

During 2019's second semester, we promoted the use reusable bags among our customers, offering a wide variety at low prices in order to encourage their use and reduce disposable plastic bags' consumption.

-15% plastic bags used vs 2018

CARDBOARD AND POLYETHYLENE COLLECTION

By a simple action like recycling, we generate important benefits to the environment; thus, over the last years, at La Comer we have significantly increased our collection figures due to the employees' efforts to properly separate waste. In 2019, we collected more than 4,750 tons of cardboard and 330 tons of polyethylene; therefore, we must keep reinforcing our internal recycling initiatives.

4,750 tons

of cardboard collected

RESOURCES' EFFICIENT USE CAMPAIGNS

We maintain our permanent campaigns aimed at saving water and electric energy, where we invite employees to reflect on our behaviors by distributing postcards via email and our wall newspaper.

We have focused our attention so that many of our suppliers have official sustainability certifications.

WASTE MANAGEMENT

La Comer has the goal of promoting a responsible generation, management and separation of waste in all our stores. Part of the program consists of waste separation, a practice that helps reduce its volume and avoid sources of pest attraction.

The separation is carried out using waste containers for organic, inorganic, cardboard, plastic, burned oil, tallow and bone. The use of signs that identify the temporary storage places of each one helps employees to classify them more easily and individually, avoiding their contamination for subsequent recycling.

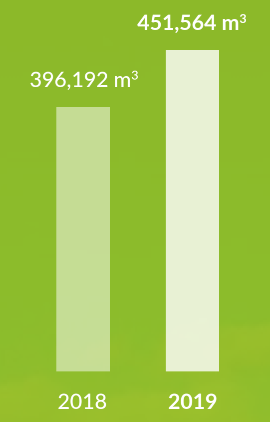
RECOVERY OF BURNED OILS

Oil is different from other liquids due to its inability to dissolve in water. This is one of the reasons why its inadequate disposal has significant environmental impacts; therefore, its recycling is a key effort we must undertake. At La Comer, collecting residual oil from food preparation is an internal guideline that aims to prevent these residues from reaching the drainage and oceans. Currently, we have suppliers specialized in oil reuse through alternative systems. During the year we recovered 13,556 liters.

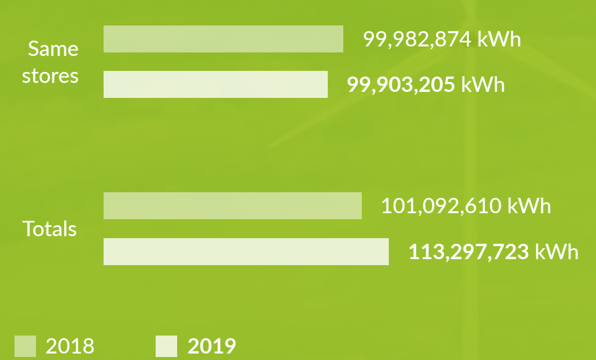
13,556 liters

of burned oil recovered

WATER CONSUMPTION



ENERGY CONSUMPTION



WATER

Our comprehensive campaign of savings and efficiencies has allowed us to optimize water consumption. 20 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 rain and used water collection that is subjected to treatment can be utilized (for example, in bathrooms, floors, gardening and maintenance). Our water consumption during 2019 was 451,564 cubic meters, an increase of 13.98% against 2018.

451,564 m^3

2019 consumption
+13.98% vs 2018

ELECTRIC ENERGY

We control the power we consume, since a disproportionate use of electricity is damaging to the environment. Our electricity consumption during 2019 was approximately 113.3 million kilowatts-hour, higher than the 101.1 million kilowatts-hour consumed in 2018; this increase was due to the consumption in new stores.

113,297,723

kilowatts-hour 2019 consumption

2019 ENERGY STRATEGY

La Comer signed contracts with Naturgy: Fuerza y Energía Bii Hioxo, S.A. de C.V., for the supply of wind power and with Alfa Cogeneración de Altamira, S.A. de C.V., to use clean electricity from combined cycle generation. Through these two alternatives, currently the company uses clean energy en 27 stores; next year we expect to increase this energy's use. With the use of wind power and electricity from combined cycle, 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.

SUSTAINABLE PACKAGING INITIATIVES

As part of the Company's efforts, we have begun to offer environmentally friendly packaging, aiming to replace plastic with PET. We have the goal of implementing a circular economy, in which the purchased packaging has at least a percentage of recycled material and that the same packaging is 100% recyclable.

During 2019 we strived to execute assessment and tests to make changes to the packaging of the products we offer. As a result, we will be replacing Styrofoam –a highly polluting and difficult material to break down– with more environmentally friendly materials.

We aim to implement a circular economy, in which the purchased packaging is 100% recyclable.

Financial INFORMATION

REPORT
from our Chief Executive Officer

Mexico City, March 30, 2020

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

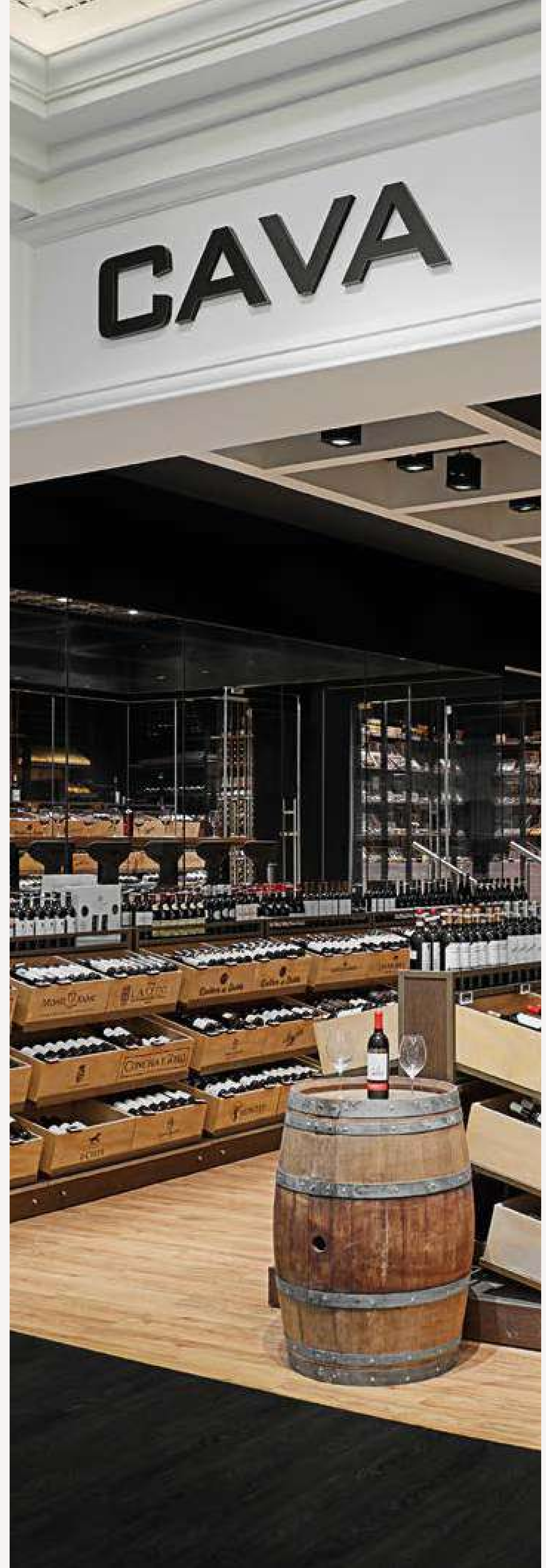
Dear members of the Board of Directors:
Pursuant to Articles 44 section XI of the Securities Market Act and 172 of the General Business Corporations Act, I hereby submit to your approval this report on the performance and activities of La Comer, S.A.B. de C.V. during the fiscal year ended December 31, 2019. 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.

2019 was characterized by being a year of low economic and employment growth, but stability in within the main economic variables such as inflation and interest rates. As regard our sector, a significant increase in both physical and digital form competition. In this background, our strategy focused to continue improving and offering our clients a more complete value proposition; not just offering a competitive price on our products, but also generating an unmatched shopping experience, through quality, service, product assortment and a nice environment where to shop.

By the end of 2019, the Gross Domestic Product (GDP) of Mexico presented a decrease in real terms of 0.1% and an annual inflation of 2.83%. Internal consumption in the country showed a slowdown compared to previous years. Consumption in the national sector of sales to retail and based on data from the National Association of Self-Service and Departmental Stores (ANTAD), presented a nominal increase in same store sales of 2.4% for 2019. The labor market grew at very low levels inferior to those presented in past years, but did not suffer contractions; wages in real terms grew more than in last years; consumer confidence levels remained at reasonable levels and remittance flows continued to grow. All these factors helped counteract economic uncertainty and supported consumption during the year.

In 2019 we achieved great results derived from confidence and the hard work of all of us who are part of this company. The atmosphere of optimism and trust to achieve even better results allowed us to accomplish a considerable increase in sales despite the uncertainty of the national economy and strong competition that characterized this period.

During this year the company presented an increase in same store sales of 6.5%. For the third consecutive year, La Comer presents a growth in sales superior to reported by ANTAD. This has been the effect of a successful strategy that is generating a better proposal of value. We have mainly worked on maintaining a differentiation strategy offering the best experience of purchase in the market based on: quality, attention and service. Since the beginning, by changing our image we seek to offer in all units a pleasant environment, excellent service, a wide assortment of products and an unbeatable quality, in order to offer



our customers a unique shopping experience. In addition, we carry out necessary tactics to surprise and please our client, to increase their loyalty and frequency on their visits. Our employees have the necessary training to be able to offer an excellent service, thus providing specialized advice to the client so that their shopping is made in a more effective way. We have maintained an unsurpassed supply of products basic, premium, imported products and novelties with excellent quality and clear differentiation.

Regarding growth, we were very pleased to announce during the year the opening of six stores in various formats: two La Comer stores in cities Puebla and Querétaro, a City Market in the city of Monterrey being a new location for our company, and three stores in the Fresko format in the cities from Guadalajara, Mexico City and in the town of Avándaro, State of Mexico. CAPEX investment in 2019 amounted to approximately $ 1,917 million pesos, amount destined mainly to carry out the store openings and remodelings.

In terms of 2019 operating results, totals sales reached $ 21,591 million pesos, with a 12.9% increase in sales compared to 2018. Same store sales had an increase of 6.5% in the year. Important factors that helped with positive sales, was the execution of our Orange Season campaign, carried out in the months of summer, as well as our "Miércoles de Plaza" campaign, both carried out with great success. To pamper our clients, we carry out the special promotion "Olá Olé a trip to Spain and Portugal" to offer products from the Iberian Peninsula, which were presented for the first time in Mexico. In this way, always offering value added in all our operations, departments and areas that has allowed us to clearly differentiate ourselves from the rest of the participants, granting greater benefits to all our clients and attracting their attention to us.

Our gross profit margin was 27.3% because since the start of operations of our company, we have received great support and collaboration from our suppliers, also during the year, we have achieved efficiencies in storage and distribution costs.

Some operating expenses that increased during the year were: electricity, although we already counted at the end of 2019 with the consumption of clean energy in some stores, waiting for this process to start giving results positive, and in addition help the environment; expenses related to our e-commerce platform "La Comer en tu Casa", to improve it and for the service; and pre-operating expenses necessary to increase the chances of success of new projects.

The operating cash flow margin for the year as percentage of sales was 9.2%, considering the effect of IFRS 16, and generating an annual cash flow of $ 1,978 million pesos. Cash reached at the end of the year 2019, the amount of $ 2,391millions of pesos. Regarding the stockholders' equity of the company, this had an increase of 4.6%,mainly due to the increase in accumulated profits of the company

During the year, 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.

Regarding sustainability, in our stores various actions and measures were developed for the use of resources in an environmentally friendly way. In the State of Mexico and in other states of the Mexican Republic, plastic bags were no longer used. In addition, during the year there were water saving and energy consumption campaigns. We started with the use of clean energy in several of our stores. Measures were taken to collect waste products, paper and cardboard for recycling or reuse, among other actions.

With this progress, the company's positioning and differentiation 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., as of December 31, 2019, 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
La Comer, S.A.B. de C.V.

OPINION
of the Board of Directors

REGARDING THE CEO'S REPORT, CORRESPONDING TO 2019

Mexico City, March 30, 2020

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

Dear shareholders,
In compliance with Article 28, section IV, subsection c) of the Securities Market Act and clause twenty second of the bylaws of La Comer, S.A.B. de C.V. (the "Company"), we witness that the Board decided to give its opinion on this date, in which it APPROVES the CEO's Report and the Company's financial statements for the fiscal year that ended on December 31, 2019, so that, together with the external auditor's report, may be presented to the General Shareholders' Ordinary Meeting to be held on April 29, 2020.

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 2019 fiscal year, reasonably reflects the financial situation of the Company and its subsidiaries, as well as the results of its operations.

Carlos González Zabalegui
CHAIRMAN OF THE BOARD OF DIRECTORS
La Comer, S.A.B. de C.V.

REPORT
by the Board of Directors

UNDER TERMS OF ARTICLE 172, SECTION B) OF THE GENERAL BUSINESS CORPORATIONS ACT

Mexico City, March 30, 2020

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

Dear shareholders:
Under the terms of the Article 28, section IV, subsection e) of the Securities Market Act, 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, 2019, as indicated in Article 172, section b) of the General Business Corporations Act.

The Company's consolidated financial statements have been prepared based on the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and its interpretations (IFRS IC). In compliance with the modifications to the Regulations for Public Companies and Other Participants from the Mexican Securities Market, issued on January 27, 2009, by the National Banking and Securities Commission (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 described in Note 4.

This is the first set of the Company's annual financial statements which apply the IFRS 16 Leases Standard. Modifications in significant accounting policies are described in Note 5.

Ongoing Business
The Company operates primarily with the cash flow obtained from the sales operations in stores, as well as from some credit operations with suppliers. Management has reasonable expectations that the Company has the sufficient resources to continue operating as ongoing business in the foreseen future. The Company uses the ongoing 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.

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 are consolidated from the date on which control is transferred to the Company, and cease to de consolidated when that control is lost.

The Company uses the purchasing method to record business acquisitions.

Transactions eliminated from consolidation
Intercompany transactions, 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 Group's subsidiaries.

Control loss
When the Company loses control over a subsidiary, it retires the assets and liabilities of the subsidiary, any related non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. If the Company retains any interest in the former subsidiary, it will be appraised at its fair value on the date that control is lost.

2.2 Reporting by segment
Information per segment is shown consistently with the internal reports provided to the Chief Operating Decision Maker, the Board of Directors, which is the body responsible

for making operating decisions, authorizing capital investments and evaluating operating segment returns. For the periods ended on December 31, 2019 and 2018, 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 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 exchange rates prevailing on the dates of the transactions. Exchange gains and losses from fluctuations in 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 income statement. 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 income statement under "Financial costs and income".

2.4 Cash and cash equivalents

In the consolidated income statement, 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. These 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. 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)

- Those measured at amortized cost

The classification depends on the Company's business model 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, that 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 (FV-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.

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:

- Amortized cost: 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 income statement.

- FV-OCI: 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. When 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/(losses) and impairment expenses are shown as a separate item in the income statement.

- FV-income: Assets that fail to comply with criteria for amortized cost or FV-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/(losses) in the period in which it arises.

Financial assets - Assessment of whether contractual cash flows are only payments of principal and interest

For purposes of this evaluation, 'principal' is defined as the fair value of the financial asset at the time of initial recognition. 'Interest' is defined as the consideration for the time value of money for the credit risk associated with the primary amount outstanding during a specific period of time and for other basic loan risks and costs (for example, liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are only payments of principal and interest, the Company considers the contractual terms of the instrument. This includes evaluating whether a financial asset contains a contractual condition that could change the schedule or amount of contractual cash flows in a way that would not fulfill this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or schedule of cash flows;

- terms that could adjust the contractual coupon, including variable rate characteristics;

- prepayment and extension characteristics; and

- terms that limit the Company's right to cash flows from specific assets (for example, non-recourse characteristics).

The cash flows that the Company receives for the financial assets that it maintains, usually accounts receivable, clients and related parties, are made up of payments of principal and interest. Through the analyzes carried out, no characteristics have been identified in these financial assets that lead to contravening this fact.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss. A financial liability is classified at fair value through profit or loss if it is classified as held for trading, is a derivative or is designated as such at initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in income. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange translation gains and losses are recognized in the income statement. Any gain or loss on derecognition is also recognized in the income statement.

Suppliers and other accounts payable

Supplier balances and other accounts payable represent liabilities for goods and services rendered to the Company before the end of the fiscal year that have not been paid. The amounts in question are not guaranteed. Suppliers and other accounts payable are presented as current liabilities, unless the amount is not payable within 12 months after the reporting period. They are initially recognized at fair value and are subsequently valued at amortized cost using the effective interest rate method. As of December 31, 2019 and 2018, the accounts payable balance is composed mainly of several creditors and deferred income, the latter generated by the loyalty programs that the Company has established.

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

2.6.4 Impairment of financial assets

The Company's main income source is the sale of products in its stores; their payment is made at the purchase moment 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.

Since January 1, 2018, the Company has prospectively evaluated expected credit losses associated with its debt instruments at amortized cost and FV-OCI. 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 instrument's lifetime to be recorded since the initial recognition of accounts receivable. As of December 31, 2019 and 2018, such estimation amounted to $2,167 and $3,901, respectively.

2.7 Other accounts and documents receivable

The Company classifies unsupported travel expenses and other similar items, such as debtors or recoverable taxes, as other accounts receivable. If collection rights or recovery of these amounts is not realized within 12 months 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

Merchandise inventory is determined by the retail method. Under this 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.

Comercial City Fresko S. de R.L. de C.V. (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.

The Company records the necessary estimates to recognize decreases in the value of its inventories due to losses and other causes that indicate that the use or realization of the items that are part of the inventory will be lower than the registered value.

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

2.10 Advance payments

Advance payments 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, or as noncurrent when due in more than 12 months 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 income statement for the period. When advance payments lose their capacity to generate future economic benefits, the amount considered to be unrecoverable is recognized in the income statement for the period in which this occurs. The main items include insurance premiums, system licenses and maintenance, among others.

2.11 Property, furniture and equipment and locales' improvements - Net

Land is valued at cost minus any impairment losses. All other components of property, furniture and equipment and locales' 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 assets' location at the site and in the necessary conditions for them to operate as expected by Management. For ratable assets, the cost includes the cost of loans capitalized in accordance with Company policies. At December 31, 2019 and 2018, 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, which are also capitalized. Maintenance and repair expenses are charged to the income statement for the period in which they are incurred. The book value of replaced assets is canceled when they are replaced, and the effect is recognized in the income statement.

Works in process represent stores and malls under construction and include investments and expenses directly attributable to startup of operations. When stores are ready to start operations, they are switched to the property, furniture and equipment and locales' improvements concept 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	50 years
Store equipment	10 years
Furniture and equipment	10 years
Office equipment	10 years
Electronic equipment	3.3 years
Locales' improvements	20 years or the leasing period, whichever is less

La Compañía asigna el importe inicialmente reconocido 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 assets' sale 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 income statement 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 estate property (land and buildings) held to produce economic benefits in the form of lease payments or to obtain their value increase, 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 property and thus, an extension in their useful lives are also capitalized. Maintenance and repair expenses are charged to the income statement 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 income statement as "Other income and expenses."

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

Buildings	50 years
Store equipment	10 years

2.13 Loan 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 during that period and until the time they are ready to 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 income statement in the period in which they were incurred.

In the period ended on December 31, 2019 and 2018, no loan costs were capitalized since there were no ratable assets in these 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 their 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, without exceeding 3.3 years.

The assignment of 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. These 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 from the date of the statement of financial position. Once the rights accrue, these amounts are recorded as an expense in the income statement for the period. When other assets lose their capacity to generate future economic benefits, the amount considered to be unrecoverable is recognized in the income statement 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 recognizes the rights to the acquired brands 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. Every period, 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 of the acquired brand names is indefinite, and is recorded at cost minus any accrued impairment losses. No impairment was determined at December 31, 2019 and 2018 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. On the other hand, 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 assets' recovery value is the greater of the asset's fair value 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 all its stores as a cash-generating unit for the purpose of impairment testing of indefinite life assets. 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 concepts of the statement of financial position: intangible assets, property, plant and equipment, investment property and other noncurrent assets. At December 31, 2019 and 2018, there were no signs of impairment in noncurrent assets subject to depreciation and amortization, and in the case of indefinite-life assets, the Company's annual impairment tests showed no signs of impairment.

2.16 Provisions

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.

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.

Employees' bonuses and compensation. Bonus for executives according to the year's results, as well as the employees' profit-sharing calculation for the year.

Store maintenance. For the services provided, which have not been registered for payment.

Property taxes. For the payments made where the authorities have not issued the supporting documentation, and for the differences that may exist in the property tax opinions.

2.17 Income tax incurred and deferred

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future tax profits will be available against those which can be used. Future tax profits are determined based on the reversal of the corresponding temporary differences. If the amount of the taxable temporary differences is insufficient to recognize a deferred tax asset, then the future tax earnings adjusted for the reversals of the taxable temporary differences are considered, based on the business plans of the Company's individual subsidiaries. Deferred tax assets are reviewed on each filing date and are reduced when it is no longer probable that the corresponding tax benefit will be attained; these reductions are reversed when the probability of future tax profits improves.

At the end of each reporting period, an entity will reassess unrecognized deferred tax assets and record an asset of this nature, previously unrecognized, as long as future taxable profits are likely to allow recovery of the tax asset deferred.

The measurement of deferred taxes will reflect the tax consequences that would result from the way in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

The income tax expense comprises tax incurred and deferred. This tax is recognized in the income statement, 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, which is recorded in the income for the period in which it is incurred.

The charge for income tax incurred is calculated based on 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 income tax arising from initial recognition of an asset or liability in a transaction that does not qualify as a business combination is not recorded, if at the time of the transaction, it does not affect the accounting or tax profit or loss.

Deferred income tax is determined using the tax rates and laws in effect at the date of the statement of financial position or whose approval process has been substantially concluded, which are expected to be applicable when the deferred income tax asset is attained or the deferred income tax liability is settled. The income tax rate for 2019 and 2018 is 30%.

The deferred income tax asset is only recognized to the extent that future tax benefits are likely to arise against those 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 this difference is unlikely to be reversed 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 tax authority on either the same taxable entity or different taxable entities intending to settle the balances on a net basis. As of December 31, 2019 and 2018, the Company showed no offset deferred tax.

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

2.18 Employee Benefits

Employee benefits granted by the Company, including benefit plans, are described below.

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 service are recorded in relation to the service rendered by the employees up to the end of the period and are measured based on 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 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 one 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. 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 current 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 using the projected unit credit method. The current value of the defined benefit obligation is determined by discounting the estimated future cash flows 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 income statement.

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 income statement upon employment termination, 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:

(i) when the Company is unable to withdraw the offer of those benefits.

(ii) 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 one year after the statement of financial position are discounted at present value.

2.19 Capital stock

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

Likewise, in accordance with the provisions of article 56 of the Securities Market Act 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 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.

Share capital

i. Common shares

Incremental costs directly attributable to the issuance of ordinary shares are shown as an equity deduction.

ii. Preference shares
The Company's redeemable preferred shares are classified as financial liabilities since they carry non-discretionary dividends and are redeemable in cash by the holders. Non-discretionary dividends are recognized as an interest expense on income when accrued. Non-redeemable preferred shares are classified as equity because they entail discretionary dividends and do not contain an obligation to deliver cash or other financial assets; in addition, they do not require settlement of a variable amount of the Company's equity instruments. Discretionary dividends are recognized as equity distributions when they are approved by the Company's shareholders.

2.20 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 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. Since the level of returned merchandise over sales has remained invariably low over the years, it is unlikely a significant change occurs in accrued income recorded.

At December 31, 2019 and 2018, income from merchandise sales is as follows:

	2019	2018
Metropolitan area	$13,225,480	12,033,077
Central Area	5,094,476	4,466,175
Western area	1,683,773	1,342,953
Northern area	1,256,925	947,307
Final balance at December 31	$21,260,654	18,789,512

(thousands of pesos)

b. Income from leasing
The income from rents arises mainly from the Company's investment properties and is recognized using the straight-line method during the lease term. The Company has no assets leased through financial leasing schemes.

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

The Company offers special offers, some of which involve benefits granted to customers in the form of smart cards; their value 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 program's administrator. Amounts contained in smart cards are subtracted from income.

When points are redeemed at the branches, income is recorded, and if redeemed at other businesses, 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; thus, the agreement with the program administrator 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.

Up to May 31, 2019, there was a collaboration contract with the loyalty program Payback; as of December 31, Payback redeemable points amount to $16,388, which will expire in 2022. Since November, 2019, they loyalty program is directly operated by the Company.

At December 31, 2019 and 2018, the value of smart cards issued for special offers pending redemption and that the Company estimates to materialize, are recognized at fair value and shown as deferred income, the balance of which amounts to $50,551 and $39,476, respectively, is included in the concept of other accounts payable in the statement of financial position.

	2019	2018
Initial balance at January 1st	$39,476	31,559
Granted	78,085	56,400
Redeemed	(67,010)	(48,483)
Final balance at December 31	$50,551	39,476

(thousands of pesos)

d. 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 are recognized as income in the income statement when those coupons are exchanged for merchandise at the stores.as of December 31, 2019 and 2018, the pending redeemable amount is $25,324 thousand pesos and $19,002 thousand pesos, respectively.

e. Commissions on collections for services
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.

f. Parking lots
Parking lot income is recognized under other income at the moment the services are provided.

g. Financing components
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 does not adjust any transaction prices to money value over time.

2.21 Leases
The Company has applied IFRS 16 using the modified retrospective approach and, consequently, comparative information has not been restated and continues to be reported in accordance with IAS 17 and IFRIC 4.

Policy applicable from January 1, 2019
At a contract's beginning, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for a compensation. To assess whether a contract carries the right to control the use of an identified asset, the Company uses the definition of a lease included in IFRS 16. This policy applies to contracts entered into on or after January 1, 2019.

i. As lessee
At the beginning or at the time of modification of a contract that contains a lease component, the Company distributes the consideration in the contract to each lease component based on their relative independent prices. However, in the case of property leases, the Company has chosen not to separate non-lease components and to account for lease components and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability as of the lease commencement date. The right-of-use asset is initially measured at cost, which includes the initial amount of the lease liability adjusted for the lease payments made before or from the commencement date, plus any initial direct costs incurred and an estimate of the costs to incur by dismantling and disposing of the underlying asset or the location in which it is located, less leasing incentives received.

Subsequently, the right-of-use asset is depreciated using the straight-line method from the start of operation of the branch and until the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company at the end of the term of the lease or that the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property and equipment. In addition, the right-of-use asset is periodically reduced for impairment losses, if any, and is adjusted for certain new measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid on the initial date, discounted using the interest rate implicit in the lease or, if that rate could not be easily determined, the incremental rate for Company loans. Generally, the Company uses its incremental loan rate as the discount rate. The Company determines its incremental loan rate by obtaining interest rates from several external financing sources and makes certain adjustments to reflect the terms of the lease and the type of leased asset.

Lease payments included in the measurement of the lease liability include the following:

- Fixed payments, including essentially fixed payments.
- Amounts the lessee expects to pay as residual value guarantees.
- The price of a purchase option if the Company is reasonably certain to exercise that option, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalty payments derived from early termination of the lease, unless the Company is reasonably certain not to terminate the lease early.

The lease liability is measured at amortized cost using the effective interest method. A new measurement is made when: (i) there is a change in future lease payments as a result of a change in an index or rate, (ii) there is a change in the Company's estimate of the amount expected to be paid under a residual value guarantee, (iii) the Company changes its evaluation of whether or not to exercise a purchase, expansion or termination option, or (iv) if there is an essentially fixed lease payment that has been modified.

When a new measurement of the lease liability is made in this manner, the corresponding adjustment is made to the recorded amount of the right-of-use asset, or is recorded in profit or loss if the amount of the right-of-use asset has been reduced to zero.

Short-term leases and low-value asset leases
The Company has chosen not to recognize right-of-use assets and lease liabilities for low-value asset leases and short-term leases, including the Information Technology (IT) team. The Company recognizes the lease payments associated with these leases as an expense on a linear basis during the lease term.

ii. As lessor
At the beginning or at the time of a contract's modification that contains a lease component, the Company distributes the consideration in the contract to each lease component based on their independent relative prices.

When the Company acts as lessor, at the lease's beginning, it determines whether it is a financial or an operating lease.

To classify each lease, the Company makes a general assessment on whether or not the lease transfers substantially all the risks and rewards inherent in ownership of the underlying asset. If this is the case, the lease is a finance lease; if not, it is an operating lease. As part of this evaluation, the Company considers certain indicators, such as whether the lease covers most of the asset's economic life.

When the Company is an intermediate lessor, it accounts separately for its participation in the main lease and the sublease. It evaluates the lease classification of a sublease by reference to the right-of-use asset arising from the main lease, and not by reference to the underlying asset. If the main lease is a short-term lease to which the Company applies the exemption described above, it classifies the sublease as an operating lease.

If an agreement contains lease and non-lease components, the Company applies IFRS 15 to distribute the consideration in the contract.

The Company recognizes the lease payments received under operating leases as income on a linear basis during the lease term as part of 'other income'. Usually, the accounting policies applicable to the Company as lessor in the comparative period did not differ from IFRS 16, except with respect to the classification of the sublease carried out during the current reporting period, which resulted in a classification financial leasing.

Policy applicable before January 1, 2019
For contracts entered into prior to January 1, 2019, the Company determined whether the agreement was or contained a lease based on an assessment of whether:

- Compliance with the agreement depended on the use of a specific asset or assets.
- The agreement had entailed a right to use the asset.

An agreement entailed the right to use the asset if one of the following conditions was met:

- The buyer (lessor) had the ability or the right to operate the asset by obtaining or controlling a more than insignificant amount of the asset.
- The buyer (lessor) had the ability or the right to control physical access to the asset by obtaining or controlling a more than insignificant amount of the asset.
- The facts and circumstances indicated that it was a remote possibility that other parties obtained a more than insignificant amount of the asset, and the price per unit was not fixed per product unit nor was it equal to the current market price per product unit.

i. As lessee
In the comparative period, as a lessee, the Company classified as finance leases those leases that transferred substantially all the risks and advantages related to ownership.

When this was the case, leased assets were initially measured at an amount equal to the lower value between the fair value and the present value of the minimum payments for the lease. The minimum lease payments were payments that the lessee had to make during the lease term, excluding any contingent rent. After initial recognition, assets were accounted for in accordance with the accounting policy applicable to the corresponding asset. Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in income on a straight-line basis over the lease's term. The lease incentives received were recognized as an integral part of the total lease expense during the term thereof.

ii. As lessor
When the Company acts as lessor, it determines at the beginning of the lease whether each lease is a finance or an operating lease. To classify each lease, the Company makes a general assessment on whether or not the lease transfers substantially all of the risks and rewards inherent in ownership of the underlying asset. If this is the case, the lease is a finance lease; if not, it is an operating lease. As part of this evaluation, the Company considers certain indicators, such as whether the lease covers most of the asset's economic life.

2.22 Basic and diluted earnings
The basic profit per common share is calculated by dividing the controlling interest by the weighted average of ordinary, outstanding shares in the year. At December 31, 2019 and 2018, 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 Company's commitments to issue or exchange own shares will be realized. At December 31, 2019 and 2018, basic earnings are the same as diluted earnings due to the fact that there are no transactions that could potentially dilute earnings.

2.23 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. These amounts are recorded as a reduction of the respective costs and expenses.

2.24 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. The Company has not dictated dividends since its constitution.

2.25 Business combinations or asset acquisition

An entity determines whether a transaction is a business combination by applying the definition of IFRS 3 "Business combinations" (IFRS 3), which requires the acquired assets 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 acquired assets 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. This transaction will not result in goodwill and if costs are incurred during the acquisition process, they are recorded as part of the asset.

2.26 Interest income

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

2.27 Cancellation of financial liabilities

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

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 regarding the Company's financial situation and its financial performance and cash flows for the fiscal year ended on December 31, 2019, in which it is indicated, in addition to what is specified 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
CHAIRMAN OF THE BOARD OF DIRECTORS
La Comer, S.A.B. de C.V.

REPORT *from the Audit Committee*

Mexico City, March 30, 2020

Board of Directors
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 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.

The Committee, in the development of our work, we observe the regulations contained in the Market Law Securities (LMV), in the General Applicable Provisions to Securities Issuers and Other Market Participants, in the Internal Regulations of the Mexican Stock Exchange, the recommendations of the Code of Principles and Best Corporate Governance Practices, as well as in the Annual Program of topics to be discussed.

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 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. During the period informed, the Committee reportedly met in 7 ordinary sessions and one extraordinary session, in order to review the proposals of External Audit services and issue its recommendation. In each session a Minute was held with their respective agreements, the sessions were duly called and all installation formalities were completed provided for in the statutes of the Audit Committee. At meetings were attended by the designated advisers and the guests that the Committee considered important to involve.

In its sessions, the Committee analyzed topics related to:

(I) Financial disclosure process of the Issuer
Internal Audit, Internal Control and Government
(II) Corporate,
Policy changes and new application IFRS principles
(III) or new regulations the CNBV,
(IV) Investment (CAPEX) and External audit.

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

1. From the First to the Third quarter of 2019 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 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").

3. The reports with quarterly figures of 2019 of Related Parties of La Comer were presented.

4. We analyze the Internal Control Evaluation Report performed by PwC external auditor of the company, for the audit of the 2018 financial year. Awareness was taken of areas for improvement and monitoring its implementation.

5. The Sales Same Stores (SSS) report was displayed quarterly and cumulative for the different formats of La Comer.

6. The periodic progress of the Capex was presented, indicating new and remodeled stores.

7. The effects of IFRS 16 on the State were presented of Financial Situation.

8. The company's Annual Fiscal Plan 2019 and recent legislative changes were exposed and their implication for the company.

9. It was agreed to prepare the tax report for the financial year 2018 by the external firm PwC, and it is recommended to continue to have this report.

10. PwC recommendations were followed up of internal control of the 2018 audit, as well as its implementation in the Company's processes.

11. The external firm PwC presented the Report on overhaul of technology systems in support of audit of Financial Statements 2018, reporting possible risks and areas of opportunity.

12. In accordance with the internal processes of the company best practices, every 3 years a new tender for external auditors is made. Service proposals were presented and quotes for the External Audit corresponding to the year 2019, regarding financial audit services, tax opinions and transfer prices, recommending the change of External Auditors from 2019, choosing as the new External Auditor KPMG Cárdenas Dosal S.C.

    - The KPMG firm was evaluated for compliance with the necessary requirements of professional quality, training, independence and diligence to rule The Financial Statements of La Comer de according to CUAE. It was presented to the Council of Administration to be hired as external auditors and the fees for the exercise.

    - Further Audit program was reviewed and approved, after evaluating that the firm complied with the necessary professional quality requirements, training, independence and diligence required to issue the Financial Statements of the Company according to CUAE.

13. The results of the physical taking of inventories of fixed assets in stores were presented.

14. The total number of shares sold and the total of shares that are in Treasury were indicated.

15. The 2018 Risk Assessment and the Plan Annual internal audits plan for 2019 were presented, based on Risk Map with the focus of the society.

16. The main findings of the audits were reviewed made by the internal auditor in his Annual Plan and followed up on the actions carried out by the Administration based on its remediation plan.

17. Detailed information on incidents to the Company's Code of Ethics during exercise were presented, as well as statistics, special cases and actions exercised.

18. The objective, the main functions and the members of the Ethics Committee, approving their implementation in the company were informed.

19. The new projects that the Company on technology, as well as detail of application structure and security in the company databases and the main E-Commerce projects for 2020 were presented.

20. The Chief Financial Officer was requested that any relevant operation based on the established materiality by the external audit firm, such as purchase of companies, land, mergers and associations of companies or changes in the corporate structure, must be reported to the Audit Committee.

21. In the course of the external audit, the KPMG office, inform the Audit Committee of the amount of materiality determined was requested.

22. Additionally, the consolidated financial statements for fiscal year 2019 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, 2019.

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:

- The Financial Opinion of External Auditors KPMG.

- The fact that the accounting and information policies and criteria followed by La Comer during the period that ended on December 31, 2019, 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, 2019, 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
La Comer, S.A.B. de C.V.

REPORT
from the Corporate Practices Committee

Mexico City, Tuesday, February 24, 2020

H. Board of Directors
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, 2019.

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 18, April 23, July 18, October 18, November 28, 2019 and on February 21, 2020.

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 2019, 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, 2018, 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 2019 and 2020.
- 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 2019. 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
CHAIRMAN OF THE CORPORATE PRACTICES COMMITTEE
La Comer, S.A.B. de C.V.

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

CONSOLIDATED *Financial Statements*

For the year ended 31 December 2019
(With comparative figures as of 31 December 2018)
(With the Independent Auditors' report Thereon)
(Translation from Spanish Language Original)

KPMG

KPMG Cárdenas Dosal, S.C.
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Teléfono: +01 (55) 5246 8300
kpmg.com.mx

Independent auditors' report

(Translation from Spanish Language Original)

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

(Thousands of Pesos)

Opinion

We have audited the consolidated financial statements of La Comer, S. A. B. de C. V. and subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of La Comer, S. A. B. de C. V. and subsidiaries as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(Continued)

Aguascalientes, Ags.
Cancún, Q. Roo.
Ciudad de México
Ciudad Juárez, Chih.
Culiacán, Sin.
Chihuahua, Chih.
Guadalajara, Jal.
Hermosillo, Son.
León, Gto.
Mérida, Yuc.
Mexicali, B.C.
Monterrey, N.L.
Puebla, Pue.
Querétaro, Qro.
Reynosa, Tamps.
Saltillo, Coah.
San Luis Potosí, S.L.P.
Tijuana, B.C.

KPMG

Impairment assessment of non-current assets with a defined useful life and intangible assets with an indefinite life

See notes 12, 13, 14 and 15 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We considered the impairment test of non-current assets with finite useful lives of $14,655,634 and intangible assets with indefinite useful lives of $6,277,998, representing 72% of the Group's assets at 31 December 2019, as a key audit matter due to the complexity of the calculation, the inherent uncertainty around forecasting and discounting future cash flows and significant judgments required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the Cash Generating Unit (CGU) is based on the higher of the value in use and the fair value less costs of disposal or net selling price. These models use several key assumptions, including estimates of sales growth, gross margins, operating costs, long-term value growth rates as well as the discount rate estimation.	Our audit procedures in this area included, among others: a) Involving our own valuation specialists to assist in evaluating the appropriateness of the methodology and the discount rates applied as determined by the Group. b) Comparing the net selling price as at 31 December 2019 with the carrying amount. c) Comparing the cash flow projections with the budgets approved by the Group's Management Committee and evaluating the appropriateness of the assumptions applied to key inputs such as sales growth, gross margins, operating costs, and long-term value growth rates, which included comparing these inputs with externally derived data as well as our assessment based on our knowledge of the client and the industry. d) Evaluating the adequacy of the financial statements' disclosures, including disclosures of key assumptions and judgments.

(Continued)

Recoverability of deferred tax assets related to tax losses	
See note 24 to the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Group has recorded deferred income tax assets of $ 762,446 as at 31 December 2019 related to unused tax losses. There is inherent uncertainty in estimating future taxable profits, which determines the extent to which deferred tax assets can be recognized or not. The period over which the deferred tax assets are expected to be recovered may be in the long term. In order to assess the recoverability of deferred tax assets, the Group considers the projections of future taxable earnings used in the annual impairment test of non-current assets. Therefore, we have considered the recoverability of deferred income tax assets to be a key audit matter.	Our audit procedures in this area included, among others: a) Assessing the accuracy of forecasted future taxable profits by evaluating historical forecasting accuracy and comparing the assumptions used in the fiscal projections with those used in long-term business plans prepared by the Group and forecasts used for annual impairment testing purposes. b) Involving our own tax specialists to assist in evaluating the appropriateness of relevant tax assumptions, the reversal period of temporary differences and the expiration of tax losses for both the determination of the current tax and the deferred taxes, based on our knowledge of the Group's operations. c) Evaluating whether the taxable income items and authorized deductions are consistent with what is stipulated by Income Tax law. d) Reconciling tax losses and expiry dates to tax statements and ensured that the tax losses had not expired based on the terms stipulated in the Income Tax law. e) We also assessed whether the Group's disclosures are appropriate regarding the deferred tax assets and the estimation uncertainty included in the deferred tax calculation.

(Continued)

Emphasis of a Matter

During 2019, the accounting changes disclosed in note 5 to the accompanying consolidated financial statements were made using the modified retrospective method. As a result of the foregoing, the consolidated financial statements as at 31 December 2018 are not comparable. Our opinion has not been modified in relation to this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 31 December 2019, which must be submitted to the National Banking and Securities Commission and to the Mexican Stock Exchange (the "Annual Report"), but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is estimated to be made available to us after the date of this auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If when we read the Annual Report, we conclude that there is a material misstatement therein, we are required to communicate the mater to those charged with governance.

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

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

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

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

Auditors' Responsibilities in the Audit of the Consolidated Financial Statements

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

(Continued)

KPMG

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

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

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

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

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

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

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

(Continued)

KPMG

Other matters

The Group's consolidated financial statements for the year ended 31 December 2018 were audited by other auditors, who issued an unqualified opinion on those financial statements on 13 March 2019.

KPMG Cárdenas Dosal, S. C.

C.P.C. José Manuel González Garnica

Mexico City, 30 March 2020.

CONSOLIDATED
Statement of financial position

For the year ended on 31 December 2019

(With comparative figures as of 31 December 2018)

(thousands of pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English–speaking readers.

Assets	Note	2019	2018
Current assets			
Cash and cash equivalents	8	$ 2,391,412	2,601,863
Trade and other receivables, net	9	107,176	119,900
Current tax assets	9	642,803	690,141
Related parties	20	51	–
Inventories, net	10	3,259,909	2,671,821
Prepayments	11	91,217	23,873
Intangible assets with finite useful lives and others, net	15	112,307	122,099
Total current assets		6,604,875	6,229,697
Intangible assets with finite useful lives	15	531,098	639,763
Investment property, net	12	627,122	629,175
Property, plant and equipment and leasehold improvements, net	13	13,385,307	12,129,705
Intangible assets with indefinite useful lives, net	14	6,277,998	6,277,998
Deferred tax assets	24	149,197	129,907
Right–of–use assets	27	1,327,678	–
Total assets		$ 28,903,275	26,036,245

See accompanying notes to the consolidated financial statements

Liabilities and equity	Note	2019	2018
Current liabilities			
Trade payables and financing programs to suppliers	16	$ 3,228,019	2,939,808
Related parties	20	64,412	58,610
Provisions	18	72,964	73,636
Provision for employee benefits	18	181,146	173,677
Other payables	17	513,356	494,233
Current income tax liabilities	24	18,476	29,411
Other tax liabilities		223,208	132,375
Short–term lease liabilities	27	58,937	–
Total current liabilities		4,360,518	3,901,750
Deferred tax liabilities	24	121,237	52,368
Employee benefits	19	121,883	79,524
Long–term lease liabilities	27	1,282,602	–
Total non–current liabilities		1,525,722	131,892
Total liabilities		5,886,240	4,033,642
Equity			
Capital stock	25	1,966,662	1,966,662
Net premium on paid–in capital	25	206,505	206,436
Reserves	25	1,717,371	1,749,909
Retained earnings	25	19,147,027	18,078,196
Other comprehensive income	24	(20,530)	1,400
Total equity		23,017,035	22,002,603
Commitments and contingent liabilities	26		
Subsequent events	29		
Total liabilities and equity		$ 28,903,275	26,036,245

CONSOLIDATED

Statememts of comprehensive income

Year ended 31 December 2019

(With comparative figures as of 31 December 2018)

(thousands of pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English–speaking readers.

	Note		2019	2018
Operating income:				
Net sales of goods	2.20 a	$	21,260,654	18,789,512
Leasing income	2.21, 2.20 f		300,501	307,480
Other revenue	2.20 e, g		30,242	22,115
Total revenue			21,591,397	19,119,107
Cost of goods sold	21		15,698,400	14,081,237
Gross profit			5,892,997	5,037,870
Selling expenses	21		4,053,703	3,532,032
Administration expenses	21		777,779	710,631
			4,831,482	4,242,663
Other expenses	22		(21,356)	(12,607)
Other income	22		77,184	264,852
			55,828	252,245
Operating income			1,117,343	1,047,452
Financing costs:				
Financial expenses	23		(183,716)	(141,123)
Financial income	23		193,377	281,384
Net financing costs			9,661	140,261
Income before income taxes and other comprehensive income			1,127,004	1,187,713
Income taxes	24		90,882	98,442
Consolidated Income			1,036,122	1,089,271
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of empoyee benefits, net of deferred tax	24		(21,930)	2,512
Other comprehensive income for the period, net of tax			(21,930)	2,512
Consolidated comprehensive income		$	1,014,192	1,091,783
Basic and diluted earnings per share:	2.22		0.95	1.00

See accompanying notes to the consolidated financial statements

CONSOLIDATED

Statements of Changes in Stockholders' Equity

Year ended 31 December 2019

(With comparative figures as of 31 December 2018)

(thousands of pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English–speaking readers.

	Note	Capital Stock	Net premium on paid–in capital	Reserves	Retained earnings	Other comprehensive income	Total stockholders' equity
Balances at 1 January 2018		$ 1,966,662	193,896	1,699,644	16,978,116	(1,112)	20,837,206
Comprehensive income for the period:							
Profit for the period		–	–	–	1,089,271	–	1,089,271
Remeasurement of empoyee benefits, net of deferred tax		–	–	–	–	2,512	2,512
Total comprehensive income for the period		–	–	–	1,089,271	2,512	1,091,783
Transactions with shareholders:							
Capital gains from the sale of shares		–	12,540	(12,540)	–	–	–
Shares acquired		–	–	62,805	10,809	–	73,614
Total transactions with shareholders		–	12,540	50,265	10,809	–	73,614
Balances at 31 December 2018	25	1,966,662	206,436	1,749,909	18,078,196	1,400	22,002,603
Comprehensive income for the period:							
Profit for the period		–	–	–	1,036,122	–	1,036,122
Remeasurement of empoyee benefits, net of deferred tax	24	–	–	–	–	(21,930)	
(21,930)							
Total comprehensive income for the period		–	–	–	1,036,122	(21,930)	1,014,192
Transactions with shareholders:							
Capital gains from the sale of shares		–	69	(69)	–	–	–
Shares (sold) acquired	25	–	–	(32,469)	32,709	–	240
Total transactions with shareholders		–	69	(32,538)	32,709	–	240
Balances at 31 December 2019		**$ 1,966,662**	**206,505**	**1,717,371**	**19,147,027**	**(20,530)**	**23,017,035**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED

Statement of cash flows

Year ended 31 December 2019

(With comparative figures as of 31 December 2018)

(thousands of pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English–speaking readers.

		2019	2018
Cash flows from operating activities:			
Consolidated income	$	1,036,122	1,089,271
Income taxes		90,882	98,442
Income before income taxes		1,127,004	1,187,713
Adjustments for:			
Depreciation of property, plant and equipment and leasehold improvements		630,336	576,591
Depreciation of right–of–use assets		106,241	–
Amortization of intangible assets with finite useful lives		122,099	125,430
Depreciation of investment property		2,053	3,294
Loss on sale of property, plant and equipment		27,337	30,946
(Gain) on sale of investment property		–	(229,980)
Employee benefits net cost		19,711	12,085
Interest income		(153,235)	(140,863)
Items related to financing activities:			
Interest expense		141,310	5,662
Subtotal		2,022,856	1,570,878
Trade and other receivables		18,386	(12,512)
Inventories		(588,088)	(295,594)
Receivable current tax assets		47,338	(144,122)
Other receivables and related parties		2,739	54,416
Prepayments		(67,344)	3,477
Trade payables		288,211	217,829
Other payables and other tax liabilities, provisions and related parties		123,272	(14,758)
Income taxes paid		(52,239)	(22,336)
Net cash flows from operating activities		1,795,131	1,357,278
Cash flows from investment activities:			
Interest received		153,235	140,863
Acquisition of property, plant and equipment		(1,916,593)	(1,851,557)
Proceeds from sale of property, plant and equipment		3,318	3,276
Acquisition of licenses		(12,093)	(10,680)
Proceeds from sale of investment property		–	349,488
Net cash flows from investing activities		(1,772,133)	(1,368,610)
Cash flows from financing activities:			
Repurchase of shares		240	73,614
Payment of lease liabilities		(92,379)	–
Interest paid		(141,310)	(5,662)
Net cash flows from financing activities		(233,449)	67,952
Net (decrease) increase in cash and cash equivalents		(210,451)	56,620
Cash and cash equivalents at the beginning of the year		2,601,863	2,545,243
Cash and cash equivalents at the end of the year	$	2,391,412	2,601,863

See accompanying notes to the consolidated financial statements.

NOTES

to the consolidated financial statements

For the year ended 31 December 2019

(With comparative figures as of 31 December 2018)

(Thousands of pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English–speaking readers.

(1) REPORTING ENTITY–

La Comer, S.A.B. de C.V. (La Comer, ultimate parent company) [together with its subsidiaries, "the Company, the Group"] arose as a result of the spin–off of Controladora Comercial Mexicana, S.A.B. de C.V. (CCM), and became legally listed on the Mexican Stock Exchange (BMV) on 4 January 2016. La Comer is a holding company that invests mainly in companies involved in the purchase, sale and distribution of groceries, perishables and merchandise in general, for an indefinite duration.

The Company's address and main business location is Av. Insurgentes Sur 1,517, Module 2, Col. San José Insurgentes, 03900, Benito Juárez, Mexico City.

As of 31 December 2019 and 2018, La Comer is the parent company of the following subsidiaries:

Subsidiaries	Activity	Percentage ownership interest %
Comercial City Fresko, S. de R. L. de C. V. (CCF) [a]	Chain of self–service stores	99.99
Real estate Subsidiaries [b]	Group of companies with properties where stores are located	99.99

(a) CCF

CCF is a retail chain that operates self–service stores within Mexico under four different names: La Comer; City Market; Fresko and Sumesa. They offer a variety of products ranging from groceries, gourmet items, perishable goods, pharmaceuticals, and general merchandise. As of 31 December 2019 and 2018, the Company operated 71 and 65 stores, respectively. Additionally, the Company leases out commercial property to third parties. The Company has a growth and expansion plan for its points of sale (openings and remodeling), and as such invests in property, plant and equipment and leasehold improvements and investment properties. (See Notes 12, 13 and 14).

(b) Real estate subsidiaries

The real estate subsidiaries are the owners of some of the properties where the company´s stores are located, including Hipertiendas Metropolitanas, S. de R. L. de C.V. and Arrendacomer, S.A. de C.V.

(2) BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES–

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and their interpretations (IFRS IC). The amendments to the Rules for Public Companies and Other Participants in the Mexican Stock Market, issued on 27 January 2009 by the National Banking and Securities Commission (CNBV for its Spanish acronym), require the Company to prepare its financial statements in accordance with IFRS issued by the IASB and its interpretations.

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

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain significant accounting estimates. The areas subject to a higher degree of judgment or complexity or the areas where the assumptions and estimates have a significant effect on the amounts recognized in the consolidated financial statements are described in Note 4.

This is the first set of the Company's annual financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 5.

Going concern

The Company operates mainly with the cash flow stemming from store sales and certain supplier loans. Management has reasonable expectation that the Company has sufficient resources to continue operating as a going concern for the foreseeable future. The consolidated financial statements have been prepared on a going concern basis.

The main accounting policies used in preparing the accompanying consolidated financial statements are described below. They have been applied consistently throughout the period presented, unless otherwise stated.

2.1 Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Control may also exist in cases where the Company does not have more than 50% of the voting rights, but can exert influence over relevant operations. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The Company accounts for business combinations using the acquisition method.

Transactions eliminated on consolidation

Intra–group balances and transaction, and any unrealized income and expenses arising from intra–group transaction, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. When necessary, the amounts reported by the subsidiaries are adjusted to comply with the Company's accounting policies.

Non–controlling interests in the comprehensive income and in the capital of the subsidiaries are presented separately in the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and in the consolidated statement of financial position.

The consolidated financial statements includes the financial statements of all subsidiaries of the Group. (See note 1).

Loss of control

When the Company loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related non–controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

2.2 Operating segments

Operating segment information reflect the way financial information is regularly reviewed by the Group's chief operating decision maker (CODM), which is defined as the Executive Board. It is responsible for operational decision–making, the authorization of capital investments and assessment of its returns. For the year ended 31 December 2019 and 2018, the Company operates one single business segment which includes self–service stores, corporate operations and the real estate business. Resources are assigned to each segment based on each segment's importance within the entity's operations, the strategies and returns established by Management. (See note 28).

2.3 Foreign currency transactions

a. Functional and presentation currency

The subsidiaries' financial statements of the Company are presented in the currency of the primary economic environment in which each entity operates (the functional currency). The Company's consolidated financial statements are presented in Mexican pesos, which in turn is the functional currency of the Company and all its subsidiaries and is used for compliance with its legal, tax and stock markets obligations.

b. Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Foreign currency differences arising from the liquidation of operations or from the conversion of monetary assets and liabilities denominated in foreign currencies and translated into the functional currency at the exchange rates of the reporting date, are recognized in profit or loss. Foreign currency differences related to qualifying cash flow hedges, qualifying net investment hedges or net investment in foreign operations are recognized in equity.

Foreign currency differences related to loans, cash and cash equivalents are recognized in profit or loss and presented within finance costs.

2.4 Cash and cash equivalents

Cash and cash equivalents as shown in the consolidated statement of financial position include cash on hand, bank deposits in checking accounts, bank deposits in foreign currency and short–term investments made in highly liquid securities which are easily convertible into cash, mature within three months and are not exposed to significant risks of changes in value and bank overdrafts. Bank overdrafts are presented under current liabilities in the statement of financial position. Cash is presented at nominal value and cash equivalents are valued at fair value. Changes in fair value are recognized in profit or loss.

Cash equivalents consist mainly of on–demand or very short–term investments, as well as investments in highly liquid government securities with short–term maturities. Bank deposits include bankcard vouchers which have not yet been deposited to the Company's bank account. This is usually processed within one day. (See Note 8).

2.5 Trade receivable from customers

Trade receivable from customers are initially recognized at fair value and subsequently stated at amortized cost, using the effective interest rate method less the provision for bad debt. (See Note 9) for more information on the recognition of the Company's trade receivable from customers and a description of the Company's impairment policies. The Company's trade receivable include short–term receivable from: i) companies issuing grocery coupons; ii) payments for commercial and promotional space leased to third parties, and iii) other accounts receivable.

2.6 Financial assets

2.6.1 Classification

Since 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- Those measured subsequently at fair value (either through other comprehensive income or profit or loss), and
- Those measured at amortized cost

The classification depends on the Company's business model for managing financial assets and the contractual terms of the cash flows.

Gains and losses for assets measured at fair value are recognized in profit or loss or in other comprehensive income. Subsequent changes in the fair value of equity investments that are not held for trading are recognized in either profit or loss or other comprehensive income, depending on whether the Company irrevocably elected at the time of initial recognition to record the investment at fair value through other comprehensive income (OCI).

2.6.2 Recognition and disposal

Regular purchases and sales of financial assets are recognized on the transaction date, which is the date on which the Company commits to buy or sell the asset. Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or the rights to receive the contractual cash flows have been transferred in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred.

2.6.3 Measurement

On initial recognition, financial assets are measured at fair value plus, for an item not measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. The transaction costs of financial assets at FVTPL are recognized in profit or loss.

The subsequent measurement of financial assets depends on the Company's business model for managing the asset and the contractual cash flow terms. The Company uses the following three measurement categories to classify its financial assets:

- Amortized cost: A financial assets is measured at amortized cost if it is held within a business model whose objective is to collect contractual cash flows and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The income received from these financial assets is included in financial income using the effective interest rate method. Any gain or loss resulting from the derecognition of the instrument is recognized directly in profit or loss and presented in other gains / (losses) along with foreign exchange gains and losses. Impairment losses are presented as a separate item in the statement of comprehensive income.

- FVOCI: A financial assets is measured at fair value through other comprehensive income (FVOCI) if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in carrying amount are recognized in OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. On derecognition, gains or losses accumulated in OCI are reclassified to profit or loss and presented under other gains / (losses). Interest income calculated using the effective interest rate method is recognized in financial income. Foreign exchange gains and losses are presented in other gains / (losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.

- FVTPL: All financial assets not classified as measured at amortized cost or FVOCI are measured at fair value through profit or loss (FVTPL). Gains or losses from a financial asset which is subsequently measured at fair value through profit or loss are recognized in profit or loss and are presented as a net amount in other gains / (losses) in the period in which it incurred.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of the cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non–recourse features).

The cash flows that the Company receives for the financial assets it holds, which are mainly trade and other receivables and related parties, are payments of principal and interest. No features have been identified in those assets, as part of the analysis performed, which would indicate otherwise.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held–for–trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Trade and other accounts payables

Trade and other accounts payables represent liabilities for goods and services rendered to the Company before the end of the fiscal year, which have not yet been paid. The balances are not guaranteed. Trade and other accounts payables are presented as current liabilities, unless payment is not due within 12 months after the reporting period. They are initially recognized at their fair value and are subsequently valued at amortized cost using the effective interest rate method.

As of 31 December 2019, and 2018, the balance of other payables is mainly made up of various creditors and deferred income, the latter generated by the loyalty programs that the Company has established. (See Note 2.20c).

Other payables are initially recognized at fair value and are subsequently valued at amortized cost using the effective interest rate method.

2.6.4 Impairment of financial assets

The Company's main source of income is the sale of its products in its stores, for which payment is made immediately by means of cash, bankcards, grocery coupons or coupons. The Company's accounts receivable is mainly composed of the amounts to be recovered from companies issuing grocery coupons and coupons as well as lease payments to be collected from subletting commercial and promotional spaces to third parties. The Company's has experienced not difficulties in collecting receivables related to the grocery coupons and coupons. However, the same cannot be said for lease payments.

Since 1 January 2018, the Company prospectively evaluates the expected credit losses associated with its debt instruments at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach allowed by IFRS 9, which requires losses expected over the lifetime of the instrument to be recognized on initial recognition of the receivable. As of 31 December 2019 and 2018, the amount of the estimate was $ 2,167 and $ 3,901, respectively.

2.7 Other receivables

The Company classifies unauthorized travel expenses as other items such as debtors and tax receivables as other receivable. If the collection rights or the recoveries of these amounts are realized within 12 months starting from the period end date, they are shown under current assets, otherwise they are presented under non–current assets.

2.8 Derivative financial instruments

The Company does not hold any derivative financial instruments.

2.9 Inventories

The merchandise inventory is determined using the retail method, which segregates inventory into different departments sharing common characteristics, and records each category based on its selling price. The cost of the inventory is derived by deducting the profit margin from the selling price applying specific cost factors for each retail department. Cost factors represent the average cost of each department based on its initial inventory and purchases for the period. The percentage applied takes into consideration the part of the inventories, which have been marked down to below its original selling price. The retail method has been consistently applied by the Company for all periods presented. Inventory cost valued in this manner results in an approximation and does not exceed its net realizable value. Inventories is measured at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

At Comercial City Fresko, S. de R.L. de C.V. (CCF) physical inventory stocktaking are performed on a monthly basis for perishable goods and semi–annually for non–perishable goods. Inventory records are adjusted for the results of the inventory count.

The Company uses estimates to determine inventory write–downs due to losses and other causes that indicate that the use or realization of inventory will be lower than its carrying amount.

The cost of inventories of the distribution centers is based on the weighted average cost method, as they do not manage cost factors.

2.10 Prepayments

Prepayments represent disbursements made by the Company for which the inherent benefits and risks of the goods that are to be acquired or the services that are to be received have not yet been transferred. Prepayments are recorded at cost and are presented in the statement of financial position as current assets if their maturity is equal to or less than 12 months, or non–current, if the maturity is greater than 12 months at the reporting end period. Once the goods and services are received, these amounts are recognized as an asset or as an expense in the statement of profit or loss for the period, respectively. When advance payments lose their ability to generate future economic benefits, the amount that is considered non–recoverable is recognized in the statement of profit or loss for the period in which this occurs. The main items recognized in prepayments are, among others, insurance premiums, payments made for licenses and IT system maintenance (See Note 11).

2.11 Property, plant and equipment and leasehold improvements, net

The land is measured at cost, less accumulated impairment losses, if applicable. The rest of the items of property, plant and equipment and leasehold improvements are measured at cost, less accumulated depreciation and any accumulated impairment losses, if applicable. Costs include all costs incurred and directly attributable to the acquisition of the asset and all costs necessary to bring the asset to working condition for Management's intended use. (See Note 13). In accordance with the Company's policy, borrowing costs directly attributable to the acquisition, construction or production of a 'qualifying asset' are included in the cost of the asset. As of 31 December 2019, and 2018, there were no capitalized loan costs for this concept.

Expansion, remodeling or improvement costs that represent an increase in capacity and therefore an extension of the useful life of the assets are also capitalized. Maintenance and repair expenses are expensed and shown in the statement of profit or loss in the period in which they are incurred. The carrying amount of replaced assets is derecognized at the time of replacement and the impact is recognized in the statement of profit or loss under other income or other expenses (See Note 22).

Work in progress represent the stores and shopping centers under construction and include the investments and costs directly attributable to putting them into operation. They are reclassified to the corresponding category within property, plant and equipment and leasehold improvements when the stores are available for use and subsequently depreciation begins.

Land is not depreciated. Depreciation is calculated to write off the cost less their estimated residual values using the straight–line method over their estimated useful lives as shown below:

Buildings (*)	50 years
Branch equipment	10 years
Furniture and equipment	10 years
Office equipment	10 years
Electronic equipment	3.3 years
Improvements to existing premises	20 years or lease period, whichever period is shorter

(*) The buildings are comprised of several components, which on average depreciate over the same estimated useful live period as the buildings in which they form part of.

The Company allocates the overall amount initially recognized for an item of property, plant and equipment to its different significant parts (components) and depreciates each of those components separately.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The carrying amount of an asset is written down to its recoverable amount if the carrying value of the asset exceeds its estimated recoverable amount.

The gain or loss on disposal is the difference between the proceeds and the carrying amount and are recognized in profit and loss under other income and expenses. (See note 22).

2.12 Investment properties, net

The Company owns several shopping centers which house both the Company's own stores but also commercial space leased to third parties. Own stores are recognized in the statement of financial position as property, plant and equipment and leasehold improvements (See note 13) and commercial premises are presented under investment properties (See note 12).

Investment property is property (land or buildings) held to earn rentals or for capital appreciation and are initially valued at cost, including transaction costs. After initial recognition, investment properties continue to be valued at cost, less accumulated depreciation and impairment losses, if applicable.

Expansion, remodeling or improvement costs that represent an increase in capacity and therefore an extension of the useful life of the assets are also capitalized. Maintenance and repair expenses are expensed and shown in the statement of profit or loss in the period in which they are incurred. The carrying amount of replaced assets is derecognized at the time of replacement and the impact is recognized in the statement of profit or loss under other income or other expenses (See note 22).

The depreciation of investment properties is calculated to write off the cost less their estimated residual values using the straight–line method over their estimated useful lives as shown below:

Buildings	50 years
Branch Equipment	10 years

2.13 Borrowing costs

Borrowing costs for general and/or specific loans directly attributable to the acquisition, construction or production of a qualifying asset, one that necessarily takes a substantial period of time to get ready for its intended use or sale (usually more than 12 months) are included in the cost of the asset for the time it takes to get the asset ready for its intended use or sale.

Any income obtained from temporary investments made with funds received from specific loans to be used to finance qualified assets, reduce the borrowing costs eligible for capitalization.

Other borrowing costs are recognized as an expense in the statement of profit or loss for the period in which they incurred.

No borrowing costs were capitalized for the period ended 31 December 2019 and 2018 as the Company does not have any qualifying assets.

2.14 Intangible assets, net

An intangible asset is recorded if, and only if the following two conditions are met: a) it is probable that the future economic benefits that are attributable to the asset will flow to the entity; and b) the cost of the asset can be measured reliably.

Licenses acquired for the use of programs, software and other systems are capitalized at its acquisition costs in addition to any costs incurred to get the asset ready for its intended use. Maintenance costs are recorded as expenses as they are incurred. The licenses acquired for the use of programs that are recognized as intangible assets are amortized over their estimated useful lives; at a maximum over 3.3 years.

The rights to use and operate self–service stores are recognized at historical cost and are amortized based on term specified in the leasing contracts ranging from five to ten years. These assets are presented in the statement of financial position as current assets if their maturity is equal to or less than 12 months, or non–current, if the maturity is greater than 12 months at the reporting end period. Once the rights expire, the amounts are recognized as an expense in the statement of profit or loss for the period. When other assets lose its ability to generate future economic benefits, the amount that is considered non–recoverable is recognized in the statement of profit or loss for the period in which this occurs. (See note 15.)

The individual brands acquired are recognized at historical cost. Brands purchased through a business combination are recognized at fair value at the acquisition date.

The rights of the acquired brands are recognized under intangible assets with indefinite useful lives as the Company considers that those rights are very unlikely to cease generating cash inflows for the Company in future accounting periods. The brand rights are not amortized and the Company performs an annual impairment test to determine if the carrying amount of the brand will be recovered through future cash inflows that the Company is expected to generate.

The distinctive rights of the acquired brands have an indefinite useful life, and are recorded at cost, less accumulated impairment losses, if applicable (See Note 14). As of 31 December 2019 and 2018, no impairment loss has been identified for the any of the brands' distinctive rights.

2.15 Impairment of non–financial assets

Assets that have an indefinite useful life are not subject to amortization and are assessed annually for impairment. On the other hand, assets subject to depreciation or amortization are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses correspond to the amount by which the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of the assets is the higher of its fair value less costs of disposal and its value in use. For purposes of the impairment test assets are grouped at the smallest identifiable group of assets that generates cash inflows (cash generating unit). The Company has identified the total of its stores to be the cash–generating unit at which intangible assets with indefinite useful lives are tested for impairment. Non–financial assets, for which impairment losses have previously been recognized, are assessed at each reporting date to identify potential reversals of such impairments.

The Company performs impairment tests of non–monetary assets on an annual basis, or when an impairment indicator has been triggered. Non–monetary assets include the following items in the statement of financial position: intangible assets, property, plant and equipment and leasehold improvements, investment properties, and other non–current assets. As of 31 December 2019 and 2018, no impairment indicator of non–current assets subject to depreciation or amortization has been triggered nor did the annual impairment tests performed over intangible assets with indefinite useful lives indicate a need for impairment.

2.16 Provisions

Provisions are recorded at the present value of Management's best estimate of the future cash outflow expected to be required to settle the obligation using a pre–tax discount rate that reflects current market assessments of the time value of money and the specific risks to the liability. The increase in provision through time is recognized as an interest expense. (See Note 18).

Provisions are recognized when the Company has a present or assumed legal or constructive obligation as result of past events, payment is probable ('more likely than not') and the amount can be estimated reliably.

Bonuses and employee benefits refer to executives' bonus in line with period results as well as the calculation of employee statutory profit sharing for the year.

Store maintenance refers to maintenance service provided but not yet recorded as a liability.

Property tax refers to payments where the authorities have not yet issued the supporting documentation.

2.17 Current and deferred Income taxes

Income tax expense comprises current and deferred tax. It is recognized in profit or loss, except to the extent that it relates to items recognized directly in other comprehensive income or equity, in which case the tax impact is also recognized in the respective caption.

Current income tax comprises the expected income tax expense on the taxable income of the year and is recorded in the profit of the period when was incurred.

The amount of current tax payable or receivable is measured using tax rates enacted or substantively enacted at the reporting date. Management periodically evaluates the position assumed in relation to its tax returns regarding situations in which the tax laws are subject to interpretation.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future tax profits will be available against which they can be used. Future taxable profits are determined based on the reversal of the relevant taxable temporary differences. If the amount of the taxable temporary difference is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed on each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred tax is not recognized for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects either accounting not taxable profit or loss.

Deferred tax is measured using the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The current income tax rate for 2019 and 2018 is 30%.

Deferred tax assets are only recognized to the extent that it is probable that future tax profits will be available, against which they can be used.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, but only to the extent that the entity is able to control the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future. (See Note 24).

Deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position if the entity has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time. As of 31 December 2019, and 2018, the Company did not offset any deferred taxes.

The complementary payments to federal contributions are presented as provisions.

2.18 Employee benefits

Employee benefits granted by the Company, including benefit plans are described, on the current page.

Short–term employee benefits

Direct benefits (wages and salaries, overtime, vacations, holidays, and paid leave of absence, etc.) expected to be settled wholly within 12 months after the end of the reporting period, in which the employees rendered the respective service, are recorded for the amounts expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service. They are presented as employee benefits under current liabilities in the statement of financial position. Paid absences according to legal or contractual regulations are not cumulative.

Long–term benefits

The Company contributes to various retirement plans, including defined benefit and defined contribution plans, as well as post–employment medical benefits.

a. Retirement and seniority premium

The Company's subsidiaries contribute to defined benefit plans and two subsidiaries contribute to defined contribution plans, one of which recognizes a liability for health care benefits to be paid out at retirement for a selected group of participants. Defined benefit plan defines the amount an employee will receive upon retirement, including retirement health plans, which usually depend on various factors, such as the employee's age, years of service, and compensation. Defined contribution plans show the cost of the plan but do not determine the benefit to be paid out at retirement.

The net defined benefit liability or asset recognized in the statement of financial position is the present value of the defined benefit obligation as of the date of the statement of financial position less the fair value of the plan's assets.

The defined benefit liability is calculated annually by independent actuaries using the projected unit credit method. The present value of defined benefit obligations is determined by discounting the estimated cash flows using the interest rates of government bonds denominated in the same currency in which the benefits will be paid, and which have maturity terms that approximate the terms of the defined benefit obligation. The main assumptions for determining employee benefits are mentioned in Note 19. Actuarial gains and losses resulting from the remeasurements of the net defined benefit liability or asset due to changes in actuarial assumptions are recognized in equity under other comprehensive income during the period in which they arise. Past service costs are recognized directly in the statement of profit or loss.

b. Employee Statutory Profit Sharing (ESPS) and bonuses

The Company recognizes a liability and an expense for bonuses and for the Employee Statutory Profit Sharing (ESPS); the latter based on a calculation considering current tax regulations. The Company recognizes a provision when it has a legal or constructive obligation to make such payments as a result of past events.

c. Termination benefits

A termination benefit liability is recognized in the statement of profit or loss when the employment relationship is terminated prior to the retirement date or when an employee accepts an offer of benefits on termination. The Company recognizes compensation on the first of the following dates:

(i) when the Company can no longer withdraw the offer on those benefits,

(ii) when the Company recognizes restructuring costs under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" which involves the payment of termination benefits. In the case of offers to encourage voluntary termination, termination benefits are measured based on the number of employees expected to accept the offer. Termination benefits not expected to be settled wholly within 12 months of the reporting period are discounted to determine their present value.

2.19 Stockholders' equity

Company shares placed on the Mexican Stock Exchange are classified as capital stock (See note 25).

In accordance with the provisions of article 56 of the Securities Market Act ("Ley de Mercado de Valores") and Title Six of the Regulations Applicable to Users ("Circular Única de Emisoras"), which establishes that under certain rules own shares may be acquired, the Company carries out the procedure for the purchase or sale of treasury shares from the repurchase fund.

The purchase of own shares issued by the Company that operate under the repurchase reserve is 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.

Capital Stock

i. Common shares

Incremental costs directly attributable to the issuance of ordinary shares are recognized as a deduction from equity.

2.20 Revenue recognition

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

a. Sale of goods

Revenue from the sale of consumer goods in self–services stores is recognized when the Company sells a product to the customer. Payment of the transaction price is made immediately when the customer buys the goods which are transferred to the customer at the store.

Customer discounts and returns reduce the revenue. The sale of goods are settled by customers using credit and debit bankcards, cash and grocery coupons. Company's policy gives the customer a right to return various products; however, history shows that returns on sales are not representative compared to total sales, which is why the Company does not recognize such a provision. Because the level of returned goods has remained invariably low over the past years, it is highly unlikely that there will be any significant changes in accrued income to be recognized in the future.

As of 31 December 2019 and 2018, the revenue from the sale of goods is detailed below:

		2019	2018
Metropolitan area	$	13,225,480	12,033,077
Central area		5,094,476	4,466,175
Western area		1,683,773	1,342,953
Northern area		1,256,925	947,307
Ending balance as of 31 December	$	21,260,654	18,789,512

b. Lease income
Revenue from lease payments received under operating leases are mainly related to the Company's investment properties and is recognized on a straight–line basis over the lease term. The Company does not have financial leases.

c. Electronic wallets
The Company operates a loyalty program in which customers accumulate points for purchases made, which entitles them to a discount on future purchases. At the time of sale, a contract liability is recognized for the points earned. Revenue is recognized when points are redeemed or when they expire in accordance with Company policy.

The Company offers promotions, some of which involve the granting of benefits to its clients in the form of electronic wallets whose value represents a percentage of the selling price. The electronic wallets granted may be used by clients to settle future purchases in the Company's stores or other stores based on the contract signed with the program administrator. The amount granted to customers through in the form of electronic wallets are subtracted from revenue.

Revenue is recognized whenever points awarded by the Company are redeemed at its own stores. If redeemed at other businesses a payable to the program administrator is recognized.

The Company's history shows that the redemption of points is highly unlikely if an electronic wallet has been inactive for more than six months. Therefore, the contract signed with the program administrator specifies that points are cancelled after an inactivity of 12 months. Hence, in accordance with those contracts, electronic wallets which meet these criteria are canceled with a credit to revenue.

The Company maintained a collaboration contract to participate in the loyalty program of Payback up until 31 May 2019. As of 31 December the value of the awarded Payback point amounted to $ 16,388, which expire in 2022. Since November 2019, the loyalty program is directly operated by the Company.

As of 31 December 2019 and 2018, the value of unredeemed electronic wallets points issued as part of promotions and expected to be redeemed in the future are recognized at fair value and shown as deferred income, the balance of which amounts to $ 50,551 and $ 39,476, respectively. They are included in other accounts payable shown in the statement of financial position.

		2019	2018
Beginning balance as of 1 January	$	39,476	31,559
Awarded		78,085	56,400
Redeemed		(67,010)	(48,483)
Ending balance as of 31 December	$	50,551	39,476

d. Vouchers redeemable for goods
Revenue from vouchers issued by the Company and redeemable for goods in its stores, are recognized as deferred income at the point in time the Company makes the physical delivery of the vouchers to the customer, and are recognized as revenue in the statement of profit or loss at the point of time when the voucher is redeemed by its owner. As of 31 December 2019 and 2018, the outstanding balance to be redeemed amounts to $25,324 and $19,002, respectively.

e. Commissions
The revenue from commissions for services rendered by the Company in its stores, and other commissions are recorded as revenue as they incur. When the Company acts as an agent in the sale of goods or services, only the profit from the commission is recognized as revenue.

f. Parking lot
Revenue related to parking is recognized under other income at the time services are rendered.

g. Financing component
The Company does not expect to have any contracts which allow the period between the transfer of the goods or services to the client and the payment by the client to exceed one year. Therefore, the Company does not make any adjustments to transaction prices over time considering the time value of money.

2.21 Leases
The Company initially applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 has not been restated and continues to be presented as previously reported, in accordance with IAS 17 and IFRIC 4.

Policy applicable from 1 January 2019
The Company determines at contract inception whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease included in IFRS 16. This policy applies to contracts entered into on or after 1 January 2019.

i. As a lessee
At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis on its relative stand–alone prices. However, for the leases of property the Company has elected not to separate non–lease components and to account for the lease and associated non–lease components as a single lease component.

The Company recognizes right–of–use assets and lease liabilities at the lease commencement date. The right–of–use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred by the lessee and an estimate of the costs to dismantle, remove or restore the underlying asset or the site on which it is located, less any lease incentives received.

The right–of–use asset is subsequently depreciated using the straight–line method from the commencement date to the end of the lease term; unless the lease transfers ownership of the underlying asset to the Company at the end of the lease term or the cost of the right–of–use asset reflect that the Company will exercise a purchase option. In that case, the right–of–use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right–of–use asset is periodically reduced for impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be easily determined, at the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of asset leased.

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

- fixed payments, including in–substance fixed payments;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

(i) there is a change in future lease payments arising from a change in an index or rate;
(ii) there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee;
(iii) if the Company changes its assessment of whether it will exercise a purchase, expansion or termination option
(iv) or if there is a revised in–substance fixed lease payment.

When a lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right–of–use asset, or is recorded in profit or loss if the carrying amount of the right–of–use asset has been reduced to zero.

Short–term leases and leases of low–value asset

The Company has elected not to recognize right–of–use assets and lease liabilities for leases of low–value asset and short–term leases, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight–line basis over the lease term.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand–alone prices.

When the Company acts as lessor, it determines at lease inception whether each lease is a finance or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub–lease separately. It assesses the lease classification of a sub–lease with reference to the right–of–use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short–term lease to which the Company applies the exemption described above, then it classifies the sublease as an operating lease.

If an arrangement contains lease and non–lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognizes lease payments received under operating leases as income on a straight–line basis over the lease term as part of 'other revenue'. Generally, the accounting policies applicable to the Company as lessor in the comparative period did not differ from IFRS 16, except for the classification of the sub–lease entered into during the current reporting period, that resulted in a finance leasing classification.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the agreement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was depended on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

An arrangement conveyed the right to use the asset if one of the following conditions were met:

- the purchaser (lessee) had the ability or the right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser (lessee) had the ability or the right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

i. As a lessee

In the comparative period, as a lessee, the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases.

When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term which the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight–line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

ii. As a lessor

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance or an operating lease. To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

2.22 Basic and diluted earnings

Basic earnings per ordinary share is calculated by dividing the controlling interest by the weighted average of ordinary shares outstanding during the year. As of 31 December 2019, and 2018, the weighted average of ordinary shares outstanding was 1,086,000,000 units.

Diluted earnings per ordinary share is determined by adjusting the controlling interest and ordinary shares, assuming that the Company's commitments to issue or exchange own shares will be realized. As of 31 December 2019, and 2018, basic earnings is equal to diluted earnings because there are no transactions that could potentially dilute earnings.

2.23 Supplier rebates

The Company receives rebates from its suppliers as reimbursement of discounts granted to customers. Supplier reimbursements of discounts granted by the Company to its customers in regard to goods 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 reimbursement of costs and expenses incurred by the Company. Those amounts are recorded as a reduction of the respective costs and expenses.

2.24 Dividends

The distribution of dividends to the Company's shareholders is recognized as a liability in the consolidated financial statements in the period in which they are approved by the Company's shareholders. The Company has not distributed dividends since its incorporation.

2.25 Business combination or asset acquisition

An entity shall determine whether a transaction is a business combination by applying the definition in IFRS 3 "Business Combinations" (IFRS 3), which requires that the assets acquired and liabilities assumed constitute a business, provided that the following three conditions are met; 1) input: an economic resource (e.g. non–current assets, intellectual property) that creates outputs when one or more processes are applied to it; 2) process: a system, standard, protocol, convention or rule that when applied to an input or inputs, creates outputs, and 3) output: the result of inputs and processes applied to those inputs which provide or have the ability to generate a return in the form of dividends, cost savings, or other direct economic benefits to investors or other owners, members, or participants. When the assets acquired do not constitute a business, the entity accounts for the transaction as an acquisition of an asset and distributes the cost of the transaction between the individually identifiable assets and liabilities based on their relative fair values at the acquisition date. This transaction will result in any goodwill. (See Note 12), and costs incurred during the acquisition process are recognized as part of the asset.

2.26 Interest income

Interest income and interest expense is recognized using the effective interest method.

2.27 Derecognition of financial liabilities

The Company derecognizes a financial liability if, and only if, its contractual obligations are discharged or cancelled or expire.

(3) RISK MANAGEMENT–

The Company's risk Management policies are established to identify and analyze the risks faced by the Company, set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk Management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company, through its training and Management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has exposure to the following risks arising from financial instruments: a) market risk, including: i) currency risk; ii) market price risk, and iii) interest rate risk; b) credit risk, and c) liquidity risk. The Company's risk Management seeks to minimize the impact of adverse effects from these risks on business operations.

Risk Management is carried out by the centralized treasury department under the policies established by the Company. Treasury identifies, assesses and hedges financial risks with the close cooperation with its operating units. The Company maintains written general risk Management policies, as well as specific policies to address exchange rate risk, interest rate risk, credit risk and investment of excess cash.

a. Market risk

Market risk is the risk that changes in market prices– e.g. foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk Management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

i. Exchange rate risk

The Company is exposed to risks associated with movements in the exchange rate of the Mexican peso with respect to the US dollar, mainly due to letters of credit in dollars. Currency risk arises from the existence of assets and liabilities denominated in foreign currency.

Purchases of imported goods paid in currencies other than the Mexican peso are not considered an exposure to exchange rate risk, since the Company estimates to be able to pass on exchange rate fluctuations through its selling prices of goods. These imports are guaranteed with letters of credit. As of 31 December 2019 and 2018, letters of credit amounted to 239 thousand dollars and 58 thousand euros (equivalent to $ 5,741), and 942 thousand dollars and 390 thousand euros (equivalent to $ 27,293), respectively, for which the most recent expiration date is April 2020.

Based on the analysis of the current situation of the Mexican foreign exchange rate market, the Company assesses that a 10% increase (decrease) in the peso against the dollar and the euro, assuming that all other variables remain constant, would result in a loss (profit) of approximately $ 10,145 and $ 33,323 in 2019 and 2018, respectively, in relation to the monetary position held in dollars, and ($ 106) and ($ 713) in 2019 and 2018, respectively, in relation to the monetary position held in euros. The sensitivity analysis includes only the monetary items pending settlement denominated in foreign currency at the end of December 2019 and 2018.

The Company holds the following monetary assets and liabilities denominated in foreign currency:

		December, 31	
		2019	2018
In thousands of US dollars:			
Monetary assets	US$	5,839	18,069
Monetary liabilities		(222)	(171)
Long position, net	US$	5,617	17,898
Equivalents in pesos	$	105,968	351,730
In thousands of euros:			
Monetary assets	€	60	128
Monetary liabilities		(52)	(55)
Long position, net	€	8	73
Equivalents in pesos	$	170	$ 1,654

The following significant exchange rates, in pesos, have been applied at the reporting date:

		31 December	
		2019	2018
Dollar	$	18.8642	19.6512
Euro	$	21.1173	22.5308

ii. Market price risk

The Company has a policy to invest its excess cash in on–demand or very short–term instruments; therefore, the market price risk is insignificant. As of 31 December 2019, and 2018, all the Company's excess cash investments were invested in on–demand.

The price risk in the goods that constitutes the Company's inventory is not considered significant as the Company estimates to be able to pass on exchange rate fluctuations through its selling prices of goods.

ii. Interest rate risk

Interest rate risk arises from long–term financing. As such, the Company does not have any exposure to interest rate risk as it does no hold any long–term loans as of 31 December 2019, and 2018.

Variable rate instruments exposes the Company to cash flow risk related to interest rates, which is partially mitigated by cash invested in on–demand or at variable rates.

The Company has an exposure associated with the TIIE rate and with the leasing of vehicles. As of 31 December 2019, and 2018, leases liabilities amount to $37,151 and $32,374, respectively. Based on the analysis of the current situation of interest rates, the Company assesses that a 10% increase (decrease) in the TIIE, assuming that all other variables remain constant, would require additional (less) cash flow of $4,265 due to higher interest rates.

b. Credit risk

Credit risk arises from cash and cash equivalents and accounts deposited at financial institutions, credit exposure from receivables with financial institutions for goods purchased with credit cards and entities issuing grocery coupons and from receivables from lessees. Receivables from financial institutions for credit card purchases and from entities issuing grocery coupons are short–term (less than 15 days). Because the Company's sales are made with the general public there is no risk concentration in one single client or group of clients. The investment of excess cash is made in financial institutions with a high credit rating and is invested in short–term government bonds or short–term bank instruments.

The Company has a diversified base of real estate properties distributed in 13 states of Mexico, owns 35 self–service stores and owns 10 shopping centers. The Management Committee, which comprises most of the directors, is responsible for authorizing the purchase of land and properties proposed by the Company's New Projects department. Real estate activities represent a source of revenue through the rent of commercial premises.

The Company does not have a concentration of risks in accounts receivable from lessees, since it has a diversified basis and periodically evaluates its ability to pay, especially before renewing lease agreements. As a Company policy, tenants are asked to make security deposits before taking possession of the commercial premises, as collateral. The occupancy rate of the Company's commercial premises is approximately 92% and the rental–related bad debt rate has decreased compared to the previous year, so the credit risk associated with leasing contracts is considered low.

The Company has insurance that adequately covers its assets against the risks of fire, earthquake and damages caused by natural disasters. All insurances have been contracted with leading companies in the insurance industry.

c. Liquidity risk

Cash flow forecasts are developed at a consolidated level by the Company's finance department. The treasury department monitors liquidity requirements to ensure that enough cash is available to meet operational needs to avoid default on its financial commitments. The months during which the Company has most operational activity, and consequently the highest amount 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, as well as compliance with the objectives of internal financial metrics.

The excess cash over the Company's working capital requirements are managed by the treasury department that invests them in financial institutions with high credit ratings, choosing the instruments with the appropriate maturities or sufficient liquidity that give the Company the sufficient margin in accordance with the cash flow forecasts mentioned above.

The Company finances its operations through the combination of 1) reinvestment of a significant part of its profits; 2) loans from suppliers, and 3) financing denominated in pesos. As of 31 December 2019, and 2018, the Company has lines of credit with financial institutions which can be accessed immediately and is used for its financing program in the amount of approximately $1,364,372 and $1,428,000, respectively, of which $203,058 and $183,444 are used, respectively.

The contractual maturities of the Company's financial liabilities are detailed according to the maturity periods. The table has been prepared based on contractual undiscounted cash flows, from the first date that the Company may be required to pay. The table includes the cash flows corresponding to the principal amount and its interests.

		Contractual cash flows					
31 December 2019	Carrying amount	Total	2 months or less	2–12 months	1–2 years	2–5 years	More than 5 years
Financial liabilities							
Trade payables and financing programs	$ 3,228,019	3,228,019	2,874,048	353,971	–	–	–
Other accounts payable	513,356	513,356	513,356	–	–	–	–
Related parties	64,412	64,412	64,412	–	–	–	–
Short–term lease liabilities	58,937	192,767	31,877	160,890	–	–	–
Long–term lease liabilities	1,282,602	2,960,991	–	–	376,264	524,276	2,060,451
	$ 5,147,326	6,959,545	3,483,693	514,861	376,264	524,276	2,060,451

		Contractual cash flows					
31 December 2018	Carrying amount	Total	2 months or less	2–12 months	1–2 years	2–5 years	More than 5 years
Financial liabilities							
Trade payables and financing programs	$ 2,939,808	2,939,808	2,600,605	339,203	–	–	–
Other payables	494,233	494,233	494,233	–	–	–	–
Related parties	58,610	58,610	58,610	–	–	–	–
	$ 3,492,651	3,492,651	3,153,448	339,203	–	–	–

d. Capital Management

The Company's objectives for managing capital are to safeguard the Company's ability to continue as a going concern, maximize shareholder benefits, and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends to be paid to the shareholders, repurchase own shares in the Mexican Stock Exchange, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with other industry participants, the Company monitors capital based on the operating leverage ratio. This index is calculated by dividing net debt by EBITDA (operating profit plus depreciation and amortization) generated over the last 12 months. As of 31 December 2019, and 2018, the operating leverage ratio was (1.21) and (1.48), respectively. Net debt is determined as total financing (including short–term and long–term financing), excluding liabilities related to IFRS 16 leases, less cash and cash equivalents.

(4) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS–

Estimates and assumptions are periodically reviewed based on experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

Critical accounting estimates and assumptions

In preparing the consolidated financial statements, Management must make judgments, estimates and considers assumptions about the future. Actual results may differ from these estimates. Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Note 16 – reverse factoring: presentation of the amounts related to supplier financing agreements in the statement of financial position and in the statement of cash flows.

Note 27 – lease term: whether the Company is reasonably certain to exercise extension options.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities in the next fiscal year is included in the following notes:

Note 19 – measurement of defined benefit obligations: key actuarial assumptions.

Note 24 – recognition of deferred tax assets: availability of future taxable profits against which deductible temporary differences and tax losses carried forward can be utilized.

Note 14 – impairment tests of intangible assets.

Note 18 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of economic resources.

a. Income tax computation

Professional judgment is required to determine the provision of income tax. For some transactions and calculations the determination of the actual tax may be uncertain (See Note 24). Therefore, significant Management judgment is required to determine the income tax provision. The Company recognizes a liability for tax issues based on estimates of whether additional taxes could be owed. When the actual tax of these matters is different from the amounts originally recognized, such differences will impact current and deferred tax assets and / or liabilities in the period in which such difference is identified. As of 31 December 2019, and 2018, there are no uncertain tax positions.

To assess the recoverability of deferred tax assets, the Company assesses the availability of future profits which are included in the annual impairment test of non–current assets.

b. Estimation of the recoverable amount of non–monetary assets

The Company reviews the recoverable amount of non–monetary assets at the end of each reporting period. This assessment is carried as part of the annual impairment tests, or earlier in case of impairment indicators. The determination of the recoverable amount of non–monetary assets involves significant judgments, such as the estimation of future business results and the discount rate applied to the projections. According to the Company's Management, the projections used to determine the recoverable value reasonably reflect the economic conditions of the Company's operating environment.

(5) ACCOUNTING CHANGES AND RECLASSIFICATIONS–

Accounting changes–

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

IFRS 16 "Leases"

The Company initially applied IFRS 16 leases Standard from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but these do not have a material effect on the Company's financial statements.

The Company applied IFRS 16 using the modified retrospective approach, under which the comparative information presented for 2018 is not restated.

The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements of IFRS 16 have not generally been applied to comparative information.

A. Definition of a lease

Previously, the Company determined at contract inception whether an agreement was or contained a lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease. On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leased. The Company applied IFRS 16 only to contracts that were previously identified as leases in accordance with IAS 17. Consequently, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on after 1 January 2019.

B. As a lessee

As a lessee, the Company leases property and previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right–of–use assets and lease liabilities for most of these leases – i.e. these leases are on–balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocated the consideration in the contract to each lease component on the basis of its relative stand–alone price. However, for leases of property, the Company has elected not to separate non–lease components and to account for the lease and associated non–lease components as a single lease component.

Right–of–use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application: the Company applied this approach to its property leases; or
- for an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognize right–of–use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognize right–of–use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right–of–use asset at the date of initial application

C. As a lessor
The Company leases out its investment property, including own property and right–of–use assets.

The Company has classified these leases as operating leases. The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for sub–lease.

The Company sub–leases some of its properties. Under IAS 17, the head lease and sub–lease contracts were classified as operating leases. On transition to IFRS 16, the right–of–use assets recognized from the head leases are presented in investment property, and are measured at fair value at that date. The Company assessed the classification of sub–lease contracts with reference to the right–of–use asset rather than the underlying asset, and concluded that they are operating leases under IFRS 16.

Impact

Adjustments recognized on transition to IFRS 16
On transition to IFRS 16, the Company recognized lease liabilities that had previously been classified as operating leases under IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the weighted average borrowing rate derived from loan offers that the Company had at the beginning of 2019. The present value increased over the lease term. The weighted average incremental borrowing rate of the lessee applied to property lease liabilities was 10.59% as of 1 January 2019.

For leases previously classified as finance lease, the Company determined the carrying amount of the right–of–use asset and the lease liability at 1 January 2019 at the carrying amount of the lease asset and lease liability under IAS17 immediately before that date. The measurement principles according to IFRS 16 apply only after that date.

		2019
Operating lease commitments as disclosed as of 31 December 2018	$	671,376
Present value using the discount rate as of 1 January 2019	$	472,620
Finance lease liabilities recognized as of 1 January 2019		811,922
Operating lease commitments as of 1 January 2019	**$**	**1,284,542**

There were no onerous leases that would have required an adjustment to the right–of–use assets on the date of initial adoption.

The recognized right–of–use assets relate to the following types of assets:

		2019 31 December	1 January
Properties	$	1,306,204	1,268,028
Cars		21,474	16,514
Total right–of–use assets	**$**	**1,327,678**	**1,284,542**

The change in accounting policy affected the following items in the statement of financial position as of 1 January 2019:

		2019
Right–of–use assets – properties	$	1,268,028
Right–of–use assets – cars		16,514
Deferred tax asset		–
Lease liabilities		(1,284,542)

Non–cancellable commitments related to operating leases of properties as of 31 December 2019 amount to $755,407.

IFRIC 23 "Uncertainty about Income Tax Treatments"

On June 7, 2017, the IASB issued IFRIC 23 "Uncertainty over Income Tax Treatments". The Interpretation clarifies the application of recognition and measurement requirements in IAS 12 "Income Tax" when there is uncertainty about income tax treatments. IFRIC 23 is effective for annual periods beginning on or after 1 January 2019.

The interpretation is applied to the determination of tax profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty about the treatment of income tax according to the IAS 12. IFRIC considers that an entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The Company did not register any impact with the adoption of this standard, since it does not have tax positions with high uncertainty in its determination.

We are not aware of other standards that are not yet effective and could potentially have a significant impact on the entity in current or future reporting periods, and in foreseeable future transactions.

Reclassifications–
The Company made the reclassifications mentioned below in order to present the comparative figures as of 31 December 2019.

The statement of financial position, the statement of profit or loss and the statement of cash flows as of 31 December 2018 include the reclassifications shown below:

		Previously reported figures	Reclassification	Reclassified figures
Consolidated statements of financial position				
Retained earnings	$	18,079,596	(1,400)	18,078,196
Other comprehensive income		–	1,400	1,400

		Previously reported figures	Reclassification	Reclassified figures
Consolidated statements of comprehensive income				
Cost of sales	$	14,077,943	3,294	14,081,237
Selling expenses		3,535,326	(3,294)	3,532,032
Consolidated statements of cash flows				
Prepayments	$	(7,203)	10,680	3,447
Acquisitions of licenses		–	(10,680)	(10,680)

Forthcoming requirements–

The following changes to accounting standards are required to be applied for annual periods beginning after 1 January 2020 and have not been applied in the preparation of these consolidated financial statements. The Company plans to adopt the changes in the accounting standards on their respective adoption dates and not in advance.

New IFRS	Mandatory application date
IFRS 17 Insurance Contracts	Annual periods beginning on or after 1 January 2021. Early adoption is permitted for entities applying IFRS 9 and IFRS 15.
Amendments to IFRS	
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).	Effective date deferred indefinitely.
Amendments to References to Conceptual Framework in IFRS Standards	Annual periods beginning on or after 1 January 2020.
Definition of a Business (Amendments to IFRS 3)	Annual periods beginning on or after 1 January 2020. Early adoption is allowed.
Definition of Material (Amendments to IAS 1 and IAS 8)	Annual periods beginning on or after 1 January 2020. Early adoption is allowed.
Reform of Interest Rate Benchmarks (Amendments to IFRS 9, IAS 39 and IFRS 7)	Annual periods beginning on or after 1 January 2020. Early adoption is allowed.

These changes to accounting standards, which are not yet effective, are not expected to have a significant impact on the Company's consolidated financial statements.

(6) CATEGORIES OF FINANCIAL INSTRUMENTS–

The Company classifies its financial assets and liabilities as shown below:

31 December 2019		Financial assets at amortized cost	Assets at fair value through profit or loss *	Total
Financial assets:				
Cash	$	–	625,396	625,396
Cash equivalents		–	1,766,016	1,766,016
Trade and other receivables, net		107,176	–	107,176
Related parties		51	–	51
Financial liabilities:				
Trade payables and financing programs	$	3,228,019	–	3,228,019
Related parties		64,412	–	64,412
Other payables		513,356	–	513,356

31 December 2018		Financial assets at amortized cost	Assets at fair value through profit or loss *	Total
Financial assets:				
Cash	$	–	618,554	618,554
Cash equivalents		–	1,983,309	1,983,309
Trade and other receivables, net		119,900	–	119,900
Financial liabilities:				
Trade payables and financing programs	$	2,939,808	–	2,939,808
Related parties		58,610	–	58,610
Other payables		494,233	–	494,233

* The fair value of the cash equivalents was determined based on its market value

Financial instruments recorded at their fair value in the statement of financial position are categorized into different levels based on the inputs used in the valuation techniques:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data in active markets (i.e. unobservable inputs) (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 an active market is based on market price quotes as of the reporting date. A market is considered active if the quoted prices are easily and frequently accessible through an agent, industrial group, listing services or regulatory agencies, and these prices represent real and frequent transactions at market value. The market value used for the Company's financial assets is the bid price. The instruments included in level 1 include cash equivalents (debt issued by the federal government).

		Carrying amount	Fair value Level 1
31 December 2019			
Cash equivalents	$	1,766,016	1,766,016
31 December 2018			
Cash equivalents	$	1,983,309	1,983,309

b. **Level 2 financial instruments**

The fair value of financial instruments that are not quoted in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data, where available and entity–specific estimates are limited. If all the significant input data to value a financial instrument at fair value is observable, the instrument is included in Level 2. If one or more of the significant input data is not based on an observable market, the instrument is included in Level 3.

The instruments included in Level 2 are comprised as follows:

		Carrying amount	Fair value Level 2
31 de diciembre de 2019			
Trade receivables	$	107,176	107,176
Related parties		51	51
31 December 2018			
Trade receivables	$	119,900	119,900
Related parties		–	–

		Carrying amount	Fair value Level 2
31 December 2019			
Related parties	$	64,412	64,412
Trade receivables		513,356	513,356
Trade payables and financing programs		3,228,019	3,228,019
31 December 2018			
Related parties	$	58,610	58,610
Trade receivables		494,233	494,233
Trade payables and financing programs		2,939,808	2,939,808

c. **Level 3 financial instruments**

The fair value is measured based on valuation techniques which include indicators for assets or liabilities that are not based on observable market information. For the year ended 31 December 2019 and 2018, there were no transfers between levels 1 and 2.

As of 31 December 2019, and 2018, the fair values of financial assets and financial liabilities recognized at amortized cost approximate their carrying amount as their maturity is short–term.

The fair value of the following financial assets and liabilities is an approximation of their carrying amount:

- Trade and other receivables
- Cash and cash equivalents (excluding bank overdrafts)
- Trade (includes financial factoring lines) and other payables
- Related parties

(7) CREDIT QUALITY OF FINANCIAL INSTRUMENTS–

The credit quality of financial assets that are neither past due nor impaired is assessed with reference to external credit ratings, where they exist, or based on historical information on counterparty default rates:

		31 December 2019	2018
AAA bank deposits	$	610,833	603,225
Investments rated AAA		1,766,016	1,983,309
	$	2,376,849	2,586,534
Other trade receivables with external credit ratings:			
American Express Bank (Mexico) AMEX mxA–1 Cards	$	93,830	83,108
Santander Debit – PROSA		29,918	23,982
Banorte La Comer Card		138	340
	$	123,886	107,430
Trade receivables without external credit ratings:			
To third parties (i)	$	60,059	74,396
By lease (ii)		3,845	7,894
To related parties (iii)		51	–
	$	63,955	82,290

(i) Trade receivables from third parties include balances with entities issuing grocery coupons that do not have a risk rating.
(ii) Trade receivables for the lease of commercial premises and promotional spaces to third parties have an average recovery of three months as of 31 December 2019 and 2018.
(iii) Receivables from related parties have not shown any default indications and have been fully recovered.

The movement in impairment losses related to loans and trade receivables for the period ended 31 December 2019 and 2018 is shown below:

		2019	2018
Beginning balance as of 1 January	$	3,901	9,745
Used		(1,734)	(5,844)
Ending balance as of 31 December	$	**2,167**	**3,901**

(8) CASH AND CASH EQUIVALENTS–

Cash and cash equivalents are comprised as shown below:

		31 December	
		2019	2018
Cash	$	14,563	15,329
Bank deposits		610,833	603,225
Investments		1,766,016	1,983,309
Total cash and cash equivalents	$	**2,391,412**	**2,601,863**

On–demand investments are presented as cash equivalents if they mature within three months or less from the date of acquisition and are repayable in the short term. The Company maintains its cash and temporary investments with well–known financial institutions and has not experienced any loss due to the concentration of credit risk.

(9) TRADE AND OTHER RECEIVABLES AND CURRENT TAX ASSETS–

Trade and other receivables are comprised as shown below:

		31 December	
		2019	2018
Lease receivable	$	26,499	24,916
Receivable from entities issuing grocery coupons		39,572	61,275
Other receivables		27,937	19,945
Prepayments for expenses		15,335	17,665
Provision for doubtful accounts		(2,167)	(3,901)
	$	107,176	119,900

		31 December	
		2019	2018
Receivable current tax assets:			
Value added tax	$	422,599	531,094
Special tax on production and services		166,988	120,780
Withholding tax receivable		53,216	38,267
	$	642,803	690,141

As of 31 December 2019 and 2018, the Company does not have any material overdue on trade and other receivable balance.

(10) INVENTORIES–

Inventories are comprised as follows:

		31 December	
		2019	2018
Goods available for sale	$	3,179,612	2,682,927
Write–down of inventory		(37,557)	(29,574)
Goods in transit		117,854	18,468
Total inventories	$	**3,259,909**	**2,671,821**

The cost of sales related to inventory write–offs as of 31 December 2019 and 2018 amounts to $97,545 and $122,298, respectively. As of 31 December 2019 and 2018, the value of the inventory recognized in the statement of profit or loss amounted to $15,244,474 and $13,689,835, respectively.

(11) PREPAYMENTS–

Prepayments were recognized for:

		31 December	
		2019	2018
Insurance premiums	$	10,358	15,704
Deposits made related to guarantees (*)		70,894	–
System licenses and maintenance		9,709	7,870
Other prepayments		256	299
	$	91,217	23,873

(*) Corresponds to the acquisition disclosed in note 29.

(12) INVESTMENT PROPERTIES–

Investment properties are comprised as shown below:

		Land		Buildings and constructions		Total
As of 1 January 2018						
Beginning balance	$	368,310	$	383,738	$	752,048
Transfers		–		(70)		(70)
Disposals		(55,459)		(64,050)		(119,509)
Depreciation		–		(3,294)		(3,294)
Ending balance	$	312,851		316,324		629,175
As of 31 December 2018						
Carrying amount	$	312,851		364,959		677,810
Accumulated depreciation		–		(48,635)		(48,635)
Ending balance	$	312,851		316,324		629,175
As of 1 January 2019						
Beginning balance	$	312,851		316,324		629,175
Depreciation		–		(2,053)		(2,053)
Ending balance	$	312,851		314,271		627,122
As of 31 December 2019						
Carrying amount	$	312,851		364,959		677,810
Accumulated depreciation		–		(50,688)		(50,688)
Ending balance	$	312,851		314,271		627,122

The depreciation of investment properties is recorded in cost of sales and amounted to $ 2,053 and $ 3,294 as of 31 December 2019 and 2018, respectively, No impairment losses were recorded. As of 31 December 2019, and 2018, there are no restrictions on the use of such investment properties.

In September 2018, the Company sold seven out of nine installments corresponding to the investment property "Plaza Comercial Solesta (Solesta)", adjacent to the City Market Solesta store in the state of Puebla, to Inverglez, S. de R. L. de C.V. In December 2017, two installments of this property had already been sold.

The effects of the sale of the seven installments to Inverglez are described below:

		Amount
Selling price of the seven installments	$	349,488
Carrying amount of the seven installments of Solesta		(119,508)
Gain on sale of the remaining installments of Solesta (See Note 22)	$	229,980

(13) PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET–

Property, plant and equipment and leasehold improvements are comprised as follows.

	Land	Buildings and constructions	Furniture and equipment	Leasehold improvements	Electronic equipment	Office equipment	Work in progress and others *	Total
As of 31 December 2018								
Beginning 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
As of 31 December 2018								
Carrying amount	$ 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
As of 31 December 2019								
Beginning balance	$ 4,050,997	3,417,638	2,424,428	1,064,349	214,903	39,303	918,087	12,129,705
Acquisitions (**)	–	–	–	–	–	–	1,902,512	1,902,512
Disposals	–	–	(60,443)	(1,251)	(3,084)	(322)	–	(65,100)
Disposals depreciation	–	–	37,570	7,952	2,914	90	–	48,526
Transfers	248,856	392,709	857,062	696,192	157,251	30,324	(2,382,394)	–
Transfers depreciation	–	174	31	(174)	–	(31)	–	–
Depreciation	–	(85,334)	(358,092)	(66,942)	(112,944)	(7,024)	–	(630,336)
Ending balance	**$ 4,299,853**	**3,725,187**	**2,900,556**	**1,700,126**	**259,040**	**62,340**	**438,205**	**13,385,307**
As of 31 December 2019								
Carrying amount	$ 4,299,853	4,324,608	4,025,946	1,830,186	744,179	80,811	438,205	15,743,788
Accumulated depreciation	–	(599,421)	(1,125,390)	(130,060)	(485,139)	(18,471)	–	(2,358,481)
Ending balance	**$ 4,299,853**	**3,725,187**	**2,900,556**	**1,700,126**	**259,040**	**62,340**	**438,205**	**13,385,307**

* Others include prepayments for the acquisition of equipment and improvements to premises under construction for $242,345 and $358,658 as of 31 December 2019 and 2018, respectively, which, once completed, will be reclassified to the specific item to which they belong.

** Acquisitions of property, plant and equipment are included in cash flows within investment activities. As of 31 December 2019 and 2018, the amount that does not generate cash flow amounts to $1,155 and $15,326, respectively.

Property, plant and equipment and leasehold improvements are recorded at cost, less accumulated depreciation and the accumulated impairment losses, if applicable.

Depreciation for the year was recorded in selling expenses, administrative expenses and cost of sales for $572,708, $40,940 and $16,688 and $524,503, $34,598 and $17,490, as of 31 December 2019 and 2018, respectively.

The balance of work in process as of 31 December 2019 and 2018 corresponds to various projects where the Company is building several stores and remodeling existing ones, which are estimated to be completed in the last quarter of 2020.

(14) INTANGIBLE ASSETS, NET–

Intangible assets are comprised as follows:

		Brand rights 31 December	
		2019	2018
Ending balance	$	6,277,998	6,277,998

On 22 December, 2014, Controladora Comercial Mexicana (CCM), transmitted for consideration, its ownership of the rights to the various word and mixed brand names "Comercial Mexicana" (the Brands) that were registered in its favor by the Mexican Institute of Industrial Property, transferring them to CCF, the Company's most significant subsidiary.

Therefore, CCF has formats that already have recognized brands and positioned in the market, such as "La Comer", "City Market", "Fresko" and Sumesa. Likewise, CCF is the owner of campaigns such as "Miércoles de plaza", own product brands such as "Golden Hills", and "Farmacom", among others. The 281 brands names owned by the Company have different record expiration dates, expiring in the periods from 2015 to 2024. When these expire, administrative procedures must be conducted with the authorities in order to continue to operate.

The Company performs impairment tests on its intangible assets on an annual basis, or when there are indicators that these may have been impaired. As of 31 December 2019 and 2018, no impairment was determined to be recognized in the Company's profit or loss.

The Company determined an indefinite useful life based on the analysis of the elements mentioned below:

- The retail stores of the Company currently operate using the Brands, and the Company's Management has a reasonable expectation about its continuity in the future. The brands have a history in the Mexican retail market for many years, being administered by different Management teams, and have built a reputation in the national market as a high–quality Mexican brand, with more than 50 years, and strong entrenchment among consumers.
- The retail sector of self–service stores in which the Brands operate, is a very stable market with little risk of obsolescence, mainly due to consumer products sold in stores, such as perishables, general merchandise, etc. Furthermore, significant changes in demand are not expected, since, although new product brands are offered, the purchasing trend of basic consumer products (perishables, fruits and vegetables, groceries, etc.) remains constant.
- The Brands names recognition in the market is highly identified. The retail supermarket market in Mexico is occupied by large chain stores, which offer products to various audiences, and in the case of Comercial Mexicana, it has its own space in this market, since it is focused on a very specific consumer sector through Premium formats which have been positioned successfully among consumers.
- The actions that the Company has to carry out to maintain the Brands as a profitable asset, are in essence the strategic plan that the Company has established for business continuity (the ability to maintain and increase consumption in its stores), which largely depends on factors such as; the quality of the products sold in its stores; costumer service; the competitive prices offered for the various products; investments in remodeling to keep stores at the forefront; periodic maintenance of both the interior and exterior of the stores, the periodic training of its workforce; value relationships with its business partners; among others, which generally contribute to the permanence of the Company's place in the Mexican retail industry.
- The rights to the Brands are the property of the Company, and therefore it has full control over them.
- The life of the Brands will depend largely on the proper Management of the business carried out by the Company, and therefore on the ability it has to continue with an ongoing business.

Impairment test of the Brands

The Company conducts annual tests to determine whether the rights of its Brands have been impaired. As of 31 December 2019, and 2018, the Company performed the annual impairment tests without determining any impairment adjustment.

The recoverable value of the Cash Generating Unit (CGU) is based on calculations of its net sale price.

The net sale price of the CGU is determined by projections of discounted future cash flows after taxes, which are prepared based on the historical results and expectations about the development of the market in the future included in the business plan.

The impairment tests for the end of the 2019 fiscal year were carried out taking into account the assumptions shown below:

	Valor
After–tax discount rate	10.50%
Average EBITDA margin in projection period	8.90%
Sales growth rate in projection period to calculate expected future results	12.70%
Residual value	14x EBITDA Last Year
Cash Flow projection period	15 years

Management considers 15 years for the cash flow projections as it is considered in a period of expansion.

If the discount rates in the year ended 31 December 2019, were 3 percentage points higher / lower, there would be no recognition for impairment provision.

If the projected EBITDA flows were 10% higher/lower, there would be no recognition for impairment provision.

If, in the future, the business's performance, or its future cash flow generation prospects, deteriorate significantly, the Company would have to recognize an impairment in the value of its Brands that would impact its financial results.

As of 31 December 2019, the market value of La Comer shares is higher than the carrying amount.

(15) DEFINED–LIFE INTANGIBLE ASSETS–

31 December 2018		Assignment of rights and operation of self – service stores	Licenses	Total
Beginning balance	$	885,005	5,746	890,751
Additions		–	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)
Ending balance long–term	$	629,223	10,540	639,763
Carrying amount	$	1,197,901	17,316	1,215,217
Accumulated amortization		(446,579)	(6,776)	(453,355)
Ending balance	$	751,322	10,540	761,862

31 December 2019		Assignment of rights and operation of self – service stores	Licenses	Total
Beginning balance	$	751,322	10,540	761,862
Investments		–	12,093	12,093
Amortization		(122,099)	(8,451)	(130,550)
		629,223	14,182	643,405
Less short–term		(112,307)	–	(112,307)
Ending balance long–term	**$**	**516,916**	**14,182**	**531,098**
Carrying amount	$	1,197,901	29,409	1,227,310
Accumulated amortization		(568,678)	(15,227)	(583,905)
Ending balance	**$**	**629,223**	**14,182**	**643,405**

As of 31 December 2019 and 2018, the balance of assignment of rights to use and operation of self–service stores of some branches that the Company acquired during previous years, amounts to $629,223 and $751,322, respectively. The amortization of this intangible asset is determined based on the straight–line method to distribute its cost at its residual value during its estimated useful lives, which on average are ten years.

Amortization for the year was recorded in selling expenses and cost of sales of $119,329 and $2,770, respectively as of 31 December 2019, and in selling expenses and cost of sales of $122,660 and $2,770, respectively as of 31 December 2018.

(16) TRADE PAYABLES AND FINANCING PROGRAM–

Most of the supplier balance is in Mexican pesos. However, as of 31 December 2019 and 2018, there is a balance of $30 thousand US dollars and in Euros for €52 thousand and $4 thousand US dollars and €55 thousand Euros, respectively. Out of the balance in foreign currency from suppliers are paid by means of letters of credit. The balance for this concept as of 31 December 2019 and 2018 is $239 thousand US dollars and €58 thousand Euros, and $942 thousand US dollars and €390 thousand Euros, respectively.

The Company has established the following financing programs where they may discount their documents at the aforementioned financial institutions. The balance payable derived from these programs is recognized within the supplier account in the statement of financial position.

Credit line with Banca Mifel S.A., Institución de Banca Múltiple, Grupo Financiero Mifel, S. A. de C. V.
During the second quarter of 2015, a subsidiary of the Company entered into a factoring agreement with Banca Mifel, S.A. for up to $350,000. As of 31 December 2019, and 2018, the Company's suppliers have used the line for $160,165 and $ 152,913, respectively. The unused portion of 2019 and 2018 corresponds to $189,835 and $197,087, respectively.

Arrendadora y Factor Banorte, S. A. de C. V.
During 2019 and 2018, the Company entered into a supplier factoring agreement for up to $150,000 and $150,000, respectively. As of 31 December 2019, and 2018, the Company's suppliers have no used balance of this line of credit. The unused portion of 2019 and 2018 corresponds to $150,000 and $150,000, respectively.

(17) OTHER ACCOUNTS PAYABLE–

The balance of other accounts payable as of 31 December 2019 and 2018 is comprised as shown below:

		31 December	
		2019	2018
Various creditors	$	129,850	121,023
Deferred income from loyalty programs		85,207	66,929
Security deposits received		33,565	32,565
Holidays payable		66,159	57,319
Electricity and water		42,444	46,813
Bank fees		12,689	6,694
Other accounts payable		143,442	162,890
Total other accounts payable	**$**	**513,356**	**494,233**

(18) PROVISIONS–

		Contingencies (1)	Employee bonuses (2)	Store maintenance (3)	Real Estate tax (4)	Total
As of 1 January 2018	$	69,425	131,380	5,319	–	206,124
Recognized in profit or loss		–	373,146	1,206	4,166	378,518
Used in the year		(1,099)	(330,849)	(1,215)	(4,166)	(337,329)
As of 31 December 2018	$	68,326	173,677	5,310	–	247,313
As of 1 January 2019	$	68,326	173,677	5,310	–	247,313
Recognized in profit or loss		–	245,342	1,281	4,317	250,940
Used in the year		(3,507)	(237,873)	(2,534)	(229)	(244,143)
As of 31 December 2019	**$**	**64,819**	**181,146**	**4,057**	**4,088**	**254,110**

(1) Contingencies: As of 31 December 2019 and 2018, the Company maintains a provision of $ 64,819 and $ 68,326, respectively, corresponding to possible adverse results in labor and administrative contingencies.
(2) Employee bonuses and store maintenance: These provisions are paid within the first three months after the end of the year.
(3) Store and property maintenance refers to obligations of the operation.

(19) EMPLOYEE BENEFITS–

The value of the defined benefit obligations as of 31 December 2019 and 2018 amounted to $121,883 and $79,524 as shown below:

		31 December 2019	2018
a. Retirement benefits	$	(3,095)	(7,974)
b. Seniority Premium		79,369	47,155
c. Retirement health benefits (*)		45,609	40,343
Employee benefits	**$**	**121,883**	**79,524**

(*) The Company has established an additional retirement plan that provides a retirement health benefit for a certain group of employees, the amount of which generates an additional liability.

a. Retirement benefits

The economic assumptions in nominal and real terms used are described below:

	2019 Nominal	2019 Real	2018 Nominal	2018 Real
Discount rate	7.20%	3.57%	9.5%	5.29%
Inflation rate	3.50%	NA	4.0%	NA
Salary increase rate	5.05%	1.50%	5.56%	1.50%
Health sector growth rate	15.00%	11.11%	15.0%	10.58%

The PNC is comprised as follows:

		2019	2018
PNC of retirement benefits	$	(758)	(494)

The amount included as an (liability) asset in the consolidated statements of financial position is comprised in current page.

		31 December 2019	2018
Defined benefit obligations	$	16,154	19,630
Defined retirement plan		(3,095)	–
Fair value of plan assets		(16,154)	(27,604)
Liabilities in the statement of financial position	**$**	**(3,095)**	**(7,974)**

The movement of the defined benefit obligation was as follows:

		2019	2018
Beginning balance as of 1 January	$	19,630	24,682
Interest cost		1,641	1,709
Actuarial losses (gains)		(972)	(1,473)
Benefits paid		(4,145)	(5,288)
Ending balance as of 31 December	**$**	**16,154**	**19,630**

The movement of net liabilities was as follows:

		2019	2018
Beginning balance as of January	$	7,974	6,337
Provision of the year		758	494
Actuarial (gains) losses		(980)	1,143
Defined retirement plan		3,095	–
Resource allocation		(7,752)	–
Ending balance as of 31 December	**$**	**3,095**	**7,974**

The movement of plan assets was as follows:

		2019	2018
Beginning balance as of January	$	27,604	31,019
Return on plan assets		2,399	2,204
Actuarial (gains) losses		(1,952)	(331)
Benefits paid		(4,145)	(5,288)
Resource allocation		(7,752)	–
Ending balance as of 31 December	**$**	**16,154**	**27,604**

The main categories of plan assets at the end of the reporting period are:

		Fair value of plan assets as of 31 December	
		2019	2018
Debt instruments	$	11,458	21,156
Capital instruments		4,696	6,448
	$	**16,154**	**27,604**

b. Seniority premium

The economic assumptions in nominal and real terms used are those shown below:

	2019		2018	
	Nominal	Real	Nominal	Real
Discount rate	7.20%	3.57%	9.5%	5.29%
Inflation rate	3.50%	NA	4.00%	NA
Salary increase rate	5.05%	1.44%	5.14%	1.10

The PNC is comprised as follows:

		2019	2018
Seniority premium cost	$	14,573	7,254

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

		31 December	
		2019	2018
Defined benefit obligations	$	89,517	50,078
Fair value of plan assets		(10,148)	(2,923)
Liabilities in the statement of financial position	**$**	**79,369**	**47,155**

The movement of net liabilities was as shown below:

		2019	2018
Beginning balance as of January	$	47,155	48,800
Provision of the year		14,573	7,254
Benefits paid from net liabilities		(783)	(492)
Actuarial losses (gains)		30,347	(1,370)
Resource allocation		(11,923)	(7,037)
Ending balance as of 31 December	**$**	**79,369**	**47,155**

The movement of the defined benefit obligation was as follows:

		2019	2018
Beginning balance as of January	$	50,078	48,804
Current service cost		–	1,049
Labor cost		8,464	6,350
Interest cost		6,182	3,670
Actuarial losses (gains)		30,535	(1,224)
Actuarial earnings from settlements		–	(3,815)
Benefits paid		(5,742)	(4,756)
Ending balance as of 31 December	**$**	**89,517**	**50,078**

The movement of plan assets was as follows:

		2019	2018
Beginning balance as of January	$	(2,923)	(4)
Return on plan assets		(73)	–
Actuarial losses (gains)		(188)	(145)
Benefits paid		4,959	4,263
Resource allocation		(11,923)	(7,037)
Ending balance as of 31 December	$	(10,148)	(2,923)

The main categories of plan assets at the end of the reporting period are:

		Fair value of plan assets as of 31 December	
		2019	2018
Debt instruments	$	(7,198)	(2,240)
Capital instruments		(2,950)	(683)
	$	(10,148)	(2,923)

Sensitivity analysis		(Increase)	Decrease
Impact on the obligation for discount rates 0.50%	$	(4,565)	4,972
Impact on the obligation for salary increase 0.50%		(1,436)	1,540

c. Retirement Health Policy

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

		2019	2018
Retirement health plan	$	5,896	5,325
Retirement health plan cost	$	5,896	5,325

The amount of the reserve of the health policy liability at defined contribution retirement was as follows:

		2019	2018
Beginning balance as of January	$	40,343	35,448
Retirement health plan		5,896	5,325
Benefits paid		(630)	(430)
Ending balance as of 31 December	$	45,609	40,343

Sensitivity analysis		(Increase)	Decrease
Impact on the obligation for discount rates 0.50%	$	(121)	(123)

Plans in Mexico generally expose the Company to actuarial risks, such as investment risk, interest rate risk, longevity risk and wage risk, in accordance with the following:

Investment risk: the expected rate of return for investment funds is equivalent to the discount rate, which is calculated using a discount rate determined by reference to long–term government bonds; if the return on assets is less than that rate, this will create a deficit in the plan. Currently the plan has a majority investment in debt instruments.

Interest rate risk: a decrease in the interest rate will increase the plan's liabilities; rate volatility depends exclusively on the economic environment.

Longevity risk: the present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of plan participants. An increase in the life expectancy of plan participants will increase liabilities.

Salary risk: The present value of the defined benefit obligation is calculated by reference to the future wages of the participants. Therefore, an increase in the participant's salary expectation will increase the plan's liabilities.

(20) RELATED PARTIES–

As of 31 December 2019 and 2018, the main balances that the Company has for operations carried out with related parties are shown below:

		2019	2018
Receivable from affiliates:			
Tintorerías Gofer, S.A de C.V g	$	51	–
Total	$	51	–

		2019	2018
Payable to affiliates:			
VCT & D&G de México, S. A. de C. V. [a]	$	21,186	16,514
Mercantil Cuautitlán, S. A. de C. V. [a]		11,554	11,477
Marindustrias, S. A. de C. V. [a]		11,172	–
Costco de Mexico, S.A. de C. V. [a]		4,402	–
Importadora y Distribuidora Ucero, S. A. de C. V. [a]		4,148	2,960
Operadora de Servicios Tirsa, S. de R.L. de C. V. [a]		2,342	634
Alimentos del Campo y Ganadería, S. A. de C. V. [a]		1,926	3,584
Distribuidora de Productos Pha, S.A. de C.V. [a]		1,692	3,750
Operadora OMX, S. A. de C. V. [a]		1,485	511
Otras partes relacionadas		1,421	1,055
Manufacturas y Confecciones Agapsa, S. A. de C. V. [a]		1,075	1,400
Palma y Regalos, S. A. de C. V. [a]		613	1,591
Productos Zam Fre, S.A. de C. V. [a]		337	879
Seamless Global Solutions, S. A. de C. V. [a]		291	474
Unimold, S. A. de C. V. [a]		287	1,071
Nova Distex, S. A. de C. V. [a]		218	294
Productos Lili, S. A. de C. V. [a]		146	–
INMOBISER, S. de R.L. de C. V. [b]		117	5,427
Constructora Tiloxtoc, S.A. de C. V. [c]		–	6,989
Total	$	64,412	58,610

During the period ended 31 December 2019 and 2018, the following operations were carried out with related parties:

		2019	2018
Expenses:			
Purchase of goods [a]	$	342,152	273,875
Civil work [c]		136,045	379,529
Services [b]		80,704	98,970
Brochure [d]		12,593	13,045
Others		8,196	4,131
Total	$	579,690	769,550

		2019	2018
Income:			
Rents [e]	$	17,858	39,777
Services [f]		11,594	2,826
Sale of investment properties (*)		–	349,488
Total	$	29,452	392,091

a) Purchase of different goods such as clothing, groceries, household items and general goods to sell to the public through its stores were mainly made from Mercantil Cuautitlán,S. A. de C. V., VCT & DG de México, S. A de C. V., Costco de México, S. A. de C. V. y Alimentos del Campo y Ganadería, S. A. de C. V.
b) Payment of executive services provided to several of the group's affiliates.
c) Payment of construction services in some of the new stores opened during the year, which were carried out 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) Purchase of brochures and other printed material mainly from Centro Gráfico Industrial, S. A. de C. V., for distribution to customers in stores.
e) Income received from the rental of premises, which were mainly carried out with 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.
f) Complementary administrative services of Restaurante Gastronomica Jajalpa, S. de R. L. de C.V., Servicios Jaigon, S. A. de C. V. and Inmobiliaria Jaigon, S. C.
g) Income from rental of premises.

(*) (See Note 12).

Compensation to key Management personnel

The total amount of direct short–term benefits granted to key Management personnel or relevant executives amounted to $156 million and $140 million as of 31 December 2019 and 2018, respectively (see note 2.18).

(21) COSTS AND EXPENSES BY NATURE–

Cost of sales and administrative and selling expenses are comprised as follows:

		2019	2018
Cost of goods sold	$	15,698,400	14,081,237
Employee compensation and benefits		2,134,692	1,838,636
Depreciation and amortization		838,041	681,761
Administrative services		544,108	452,070
Leases and maintenance		193,873	307,869
Others*		1,120,768	962,327
Total	$	20,529,882	18,323,900

* Includes cleaning, packaging, containers, labels, surveillance, insurance and bond premium, property tax and other minor items.

The remuneration and benefits to employees are comprised as follows:

		2019	2018
Salaries and bonuses	$	1,936,236	1,641,966
Other remunerations		198,456	196,670
	$	2,134,692	1,838,636

Other remunerations include mainly employer contributions to social security and major medical expenses.

(22) OTHER INCOME AND OTHER EXPENSES–

The following table shows the main items within other income and other expenses as of 31 December 2019 and 2018.

		2019	2018
Other income:			
Profit from sale of furniture and equipment and improvements	$	1,963	541
Profit from sale of investment properties		–	229,980
Reversal of provision recognized in prior years		44,323	–
Receivable taxes from prior years		–	17,447
Update on value of recoverable tax refunds		7,772	4,491
Other items		23,126	12,393
Total other income	$	**77,184**	**264,852**
Other expenses:			
Cost for derecognition of property, plant and equipment and leasehold improvements	$	13,229	13,903
Tax differences from prior years		13,850	–
Loss from insurance claims		3,445	7,596
Branch closing costs		4,154	12,910
Donations		10,140	10,880
Recovery of expenses		(14,491)	(34,212)
Other items		(8,971)	1,530
Total other expenses	$	**21,356**	**12,607**

(23) FINANCIAL EXPENSES AND FINANCIAL INCOME–

		2019	2018
Financial expenses			
Interest expense (*)	$	141,310	5,662
Foreing exchange losses		42,406	135,461
	$	**183,716**	**141,123**

(*) As of 31 December 2018, bank fees are included in this account.

		2019	2018
Financial income			
Interest income	$	153,235	140,863
Foreign exchange gains		40,142	140,521
	$	**193,377**	**281,384**

(24) CURRENT AND DEFERRED INCOME TAXES–

The Company and its subsidiaries determined a taxable income of $104,835 and $142,936 in December 2019 and 2018, respectively. The tax income differs from accounting income, mainly for those items that accumulate and deduct differently over time for accounting and tax purposes, for the recognition of the effects of inflation for tax purposes, as well as those items that only affect the accounting or taxable income.

The Income Tax Law establishes that the applicable tax rate for the fiscal years 2019 and 2018 and subsequent fiscal years is 30% on taxable income.

The tax expense is presented as shown below:

		2019	2018
In the profit of the period:			
Current	$	31,906	35,544
Deferred		58,976	62,898
	$	**90,882**	**98,442**

As of 31 December 2019 and 2018, the main temporary differences for which deferred taxes were recognized are presented net in the statement of financial position for comparability purposes and are analyzed as follows.

Deferred income tax breakdown		2019	2018
Deferred tax asset:			
Estimates and provisions	$	213,575	180,688
IFRS 16 leases		5,808	–
Property, plant and equipment and leasehold improvements and investment properties		220,975	101,863
Unused loss carryforwards		762,446	629,939
		1,202,804	912,490
Offsetting at the subsidiary level		(1,053,607)	(782,583)
	$	**149,197**	**129,907**
Deferred tax liability:			
Property, plant and equipment and leasehold improvements	$	(13,798)	(14,827)
Intangible assets		(1,161,046)	(820,124)
		(1,174,844)	(834,951)
Offsetting at the subsidiary level		1,053,607	782,583
31 December	$	**(121,237)**	**(52,368)**

The net movement in deferred assets and liabilities are shown below:

Deferred tax assets:		Property, plant and equipment and leasehold improvements and investment properties	Estimates and provisions	Unused loss carryforwards	IFRS 16 leases	Total
At 1 January 2018	$	28,335	175,128	490,592	–	694,055
Effect on the income statement		73,528	5,560	139,347	–	218,435
At 31 December 2018		101,863	180,688	629,939	–	912,490
Effect on the income statement		119,112	32,887	132,507	5,808	290,314
As of 31 December 2019	**$**	**220,975**	**213,575**	**762,446**	**5,808**	**1,202,804**

Deferred tax liabilities:		Property, plant and equipment and leasehold improvments	Intangible assets	Total
At 1 January 2018	$	(35,465)	(518,153)	(553,618)
Effect on the statement of profit or loss		20,638	(301,971)	(281,333)
At 31 December 2018		(14,827)	(820,124)	(834,951)
Effect on the statement of profit or loss		1,029	(340,922)	(339,893)
As of 31 December 2019	**$**	**(13,798)**	**(1,161,046)**	**(1,174,844)**

Deferred tax due to the existence of profits not yet distributed to the subsidiaries has not been recorded since the Company is in a position to control the moment at which temporary differences associated with investments are reversed or such profits are not subject to income tax as these arise from the Net Tax Profit Account (CUFIN for its Spanish acronym).

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

		2019	2018
Before taxes	$	31,326	(2,512)
Deferred income tax		(9,396)	–
Net of deferred tax	$	21,930	(2,512)

The reconciliation between the current and effective tax rate is shown below:

		Year ended 31 December, 2019	2018
Income before income tax	$	1,127,004	1,187,713
Income tax rate		30%	30%
Income tax at the statutory rate		338,101	356,314
Increase (reduction) resulting from:			
Non–cumulative income		(716)	(10,031)
Tax effect of:			
Annual inflation adjustment		8,074	8,734
Update in tax value of Brands and transfer of rights		(18,760)	(75,769)
Update in tax value of fixed assets and loss carryforwards		(253,714)	(175,317)
Other items		17,897	(5,489)
		(247,219)	(257,872)
Current income tax expense recognized in profit or loss	**$**	**90,882**	**98,442**
Effective income tax rate		**8%**	**8%**

Tax loss carryforwards

Tax loss carryforwards expire as shown below:

Date		amount
2022	$	27,240
2023		23,762
2024		460
2025		134,910
2026		852,638
2027		805,106
2028		380,790
2029		316,580
	$	2,541,486

(25) STOCKHOLDERS' EQUITY–

The capital stock is represented by shares without expression of nominal value, of which those of Series "B" are ordinary, with voting rights and those of Series "C" are neutral, without voting rights; The shares are grouped into related units, which may be of the UB type (consisting of four Series "B" shares), or of the UBC type (consisting of three Series "B" shares and one Series "C" share).

As of 31 December 2019 and 2018, 1,086,000,000 units are subscribed and paid, of which in 2019 and 2018, 605,457,398 are of the UB type and 480,542,602 are of the UBC type, respectively. The units are listed on the Mexico Stock Exchange.

The nominal capital stock subscribed and paid amounts to $1,086,000 represented by 1,086,000,000 of related units UB and UBC.

The nominal capital stock paid for $1,086,000 is made up of cash contributions of $ 94,938, capitalized earnings of $ 806,644 and capitalization of the effect of update in value of $184,418.

As of 31 December 2019 and 2018, the majority shareholders have their investment in a trust held in Scotiabank Inverlat, S.A., which includes 605,404,798 UB units representing 55.7460% of the capital stock and 62.6801% of the voting power, respectively.

Capital reserves

Capital reserves are comprised as follows:

		2019	2018
Statutory legal reserve	$	217,200	217,200
Reserve for share buy backs		1,500,171	1,532,709
	$	1,717,371	1,749,909

As of 31 December 2019 and 2018, the Company has a reserve to purchase own shares for $1,500,171 and $1,532,709, respectively. This reserve fluctuates based on the purchases and sales made by the Company in the stock market.

Treasury shares as of 31 December are made up as follows:

	2019	2018
Beginning balance	4,543,740	8,109,313
Sales	10,000	3,565,573
Ending balance	4,533,740	4,543,740

The profit for the year is subject to legal regulations that requires that at least 5% of the profit for each year is to be used to increase the statutory legal reserve until it is equal to one fifth of the amount of the paid–in capital. As of 31 December 2019 and 2018, the Company had already covered the amount of the legal reserve required.

Dividends paid will not be taxable if they come from the Net Tax Profit Account (CUFIN). Dividends in excess of CUFIN will be taxable to 42.86% if paid in 2020. The tax incurred may be credited against the income tax for the year or the two immediately following years. Dividends paid out from profits, which were previously subject to income tax, will not be subject to any withholding or additional tax payment. As of 31 December 2019 and 2018, the CUFIN amounted to approximately $4,010,010 and $3,898,643, respectively.

Starting 2014, the Income Tax Law establishes an additional 10% tax on profits generated from 2014 on dividends distributed to residents abroad and to Mexican individuals.

The Income Tax Law provides a tax incentive to individuals' residents in Mexico who are subject to the additional payment of 10% on dividends or distributed profits.

When the Company distributes dividends or profits regarding shares placed among the general investing public, it must inform the brokerage houses, credit institutions, investment operators, the persons who carry out the distribution of shares of investment companies, or any another intermediary of the stock market, the financial year from which the dividends come so that said intermediaries carry out the corresponding withholding. As of 31 December 2019 and 2018, no dividends were declared.

In the event of a capital reduction, the procedures established by the Income Tax Law provide that any surplus of shareholder's equity over the balances of the contributed capital accounts be given the same tax treatment as the one applicable to dividends. As of 31 December 2019 and 2018, the balance of the Contribution Capital amounted to approximately $1,827,483 and $1,777,361, respectively.

(26) COMMITMENTS AND CONTINGENT LIABILITIES–

i. The Company is involved in lawsuits and claims arising in the normal course business, as well as in some legal processes related to tax matters. As of 31 December 2019 and 2018, there were no material open tax processes. The rest of the legal processes related to tax issues, in the opinion of their legal advisers, are not expected to have a significant effect on their financial situation and results of operations.

ii. The Company continues to comply with the security and hygiene measures established by common agreement between the National Association of Self–Service and Department Stores, A.C. (ANTAD for its Spanish acronym) and the Secretary of Labor and Social Security. As of 31 December 2019 and 2018, no breaches have been identified that would result in a contingency.

iii. In accordance with current tax legislation, the authorities are entitle to review up to five fiscal years prior to the last income tax return submitted.

iv. The tax authorities initiated a direct review of a group subsidiary for the fiscal years of 2015. As of the date of this report, the review is still in process. The Company's Management and its legal advisors do not expect any significant additional costs to arise as a result of such review.

(27) RIGHT–OF–USE LEASE ASSETS AND LIABILITIES (2018 CAPITAL LEASES)–

Right–of–use assets and lease liabilities–

Assets by right–of–use related to real estate and cars are comprised in the current page.

Right–of–use		2019
Building		
Opening balance	$	1,268,028
Additions		85,387
Remeasurement		47,534
Amortization		(94,745)
Ending balance		1,306,204
Cars		
Opening balance		16,514
Additions		16,456
Amortization		(11,496)
Ending balance		21,474
Total right–of–use	$	1,327,678

Obligation		2019
Opening balance	$	1,268,028
Additions		85,387
Remeasurement		47,534
Payments		(219,581)
Interests		138,534
Ending balance		1,319,902
Short–term properties		49,050
Long–term properties		1,270,852
Short–term cars		9,887
Long–term cars		11,750
Total short–terms		58,937
Total long–terms	$	1,282,602

2018 capital lease obligations–

a. Lessee

The Company has entered into national lease contracts for some stores, office spaces, warehouses and distribution centers. Some contracts require that the fixed portion of the rent needs to be reviewed each year. Some contracts also specify the use of variable rents based on store sales.

When contracts expire, they are expected to be renewed or replaced in the normal course of business.

The expense for operating leases for the year ended 31 December 2019 and 2018 is comprised as follows:

		2019	2018
Minimum Rent	$	176,180	142,209
Variable Rent		47,387	45,119
	$	223,567	187,328

The minimum commitments for operating leases of non–cancellable properties as of 31 December 2019 are as follows:

Year ending 31 December		Account
2020	$	121,190
2021		116,262
2022		113,605
2023 and later years		404,350
	$	755,407

b. Lessor

Operating leases relate to leases of commercial premises. The lease terms are one year, at the end of which the terms of the lease are renegotiated. The contracts do not provide the option for tenants to buy the leased premises at the end of the lease term.

(28) SEGMENT REPORTING–

Segment information is reported based on the information used by Management for strategic and operational decision–making. An operating segment is defined as a component of an entity for which there is separate financial information which is regularly evaluated.

IFRS 8 "Operating Segments" requires the disclosure of the assets and liabilities of a segment if the measurement is regularly provided to the decision–making body, however, in the case of the Company; Management only evaluates the performance of the operating segments based on the analysis of sales and operating profit, but not of each segment's assets and liabilities.

The revenue reported by the Company represents the revenue generated by external customers, as the Company does not have any inter–segment sales. The Company identifies and reports the following business segment.

La Comer Group
Includes self–service store operations, corporate operations, real estate business and others.

Due to the fact that the Company specializes in the commercialization of retail goods to the general public, it does not have major clients that concentrate a significant percentage of total sales, nor does it dependent on a single product that represents at least 5% of its consolidated sales.

In addition, the Company engages a broad base of different size vendors and hence, does not dependent on any particular vendor regarding the sale of its products.

Taxes and financing costs are managed at Group level rather than within each reported segment. As a result, those costs are not included in the reported segments. Operating profit and cash flows are the key performance indicators considered by the Company's Management, which are reported each time the Board of Directors meets.

All revenue from third parties is generated in Mexico. Hence, it is not necessary to disclose information by geographic segments.

(29) SUBSEQUENT EVENTS–

Acquisition of an entity
On 15 January 2020, the Company acquired the shares in the company D + I La Rioja, S. A. de C. V. for an amount of $ 344 million pesos with the purpose to build a store on the real estate property that such company owns.

Coronavirus (COVID–19)
On 11 March 2020, the World Health Organization declared Coronavirus (COVID–19) to be a pandemic as a result of its spread around the world with nearly 150 countries affected at that date. Most governments have taken preventive actions to contain the spread of the virus. There exists currently significant economic uncertainty which is evidenced by volatile stock prices and an increase in the exchange rate.

The pandemic and its impacts are considered to be non–adjusting events for the consolidated financial statements as of 31 December 2019. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of current events, the Company cannot reasonably estimate the future impact of these events on its financial position, profit or loss and cash flows.

(30) AUTHORIZATION OF ISSUANCE 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 30 March 2020, and authorized by the Company's Board of Directors on 30 March 2020, and are subject to shareholders' approval at the shareholder meeting.

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Shareholder INFORMATION

ANNUAL MEETING

The General Ordinary Shareholders' Annual Meeting of La Comer, S.A.B. de C.V. was held on April 29, 2020 at 11:00 AM, at the offices located at Edgar Alan Poe No. 19, Colonia Chapultepec Polanco, Miguel Hidalgo, Zip Code 11560; Mexico City.

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 Insurgentes Sur, No. Exterior 1517, No. Interior Módulo 2, San José Insurgentes, Zip Code 03900, Benito Juárez, Mexico City. Pone number: (52) 55 5270 9038

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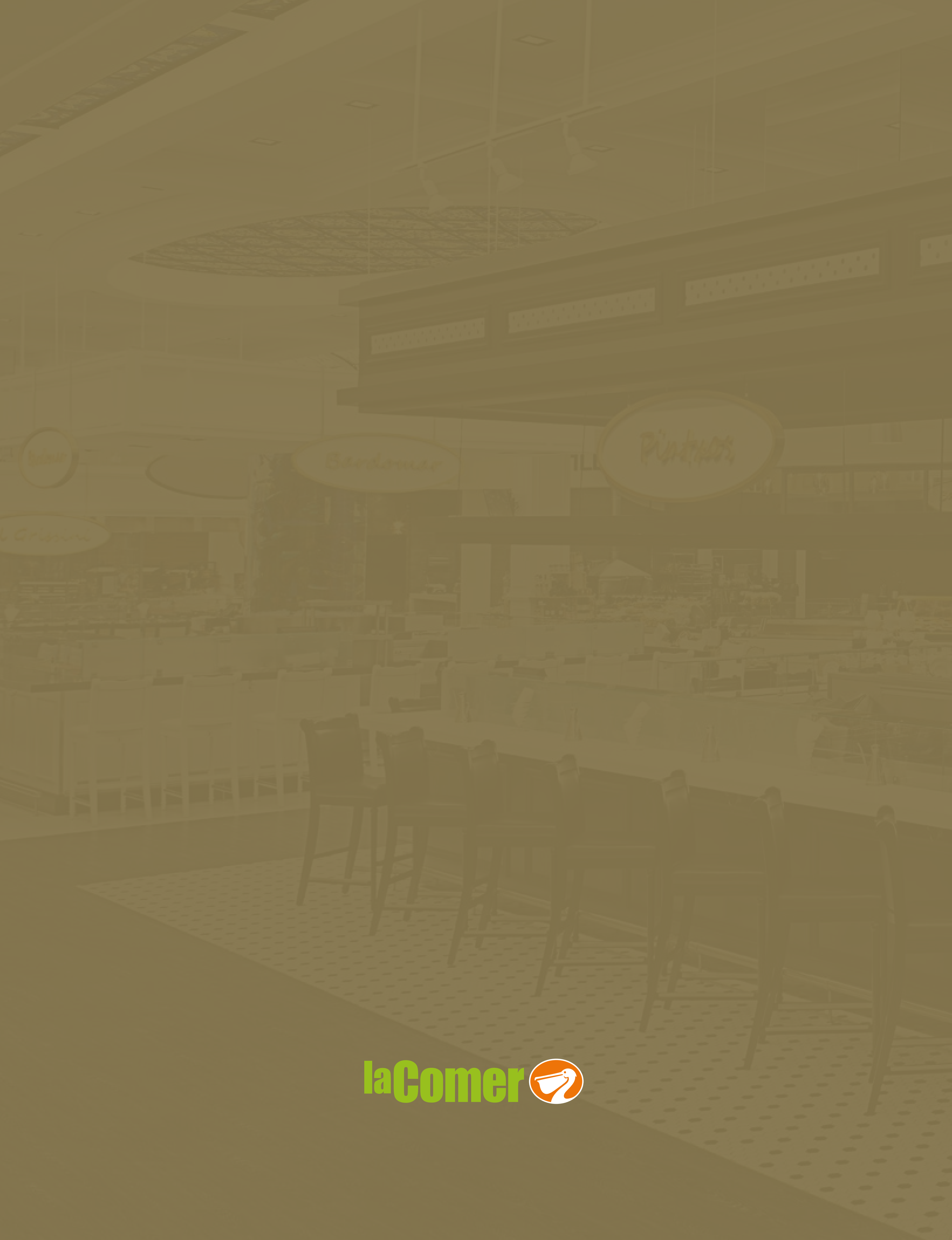

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