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

Avenida Insurgentes Sur 1517
Módulo 2,
Colonia San José Insurgentes
Mexico City

Securities	**Stock Exchange**
Series B shares without par value (B shares)	Mexican Stock Exchange
Series C shares without par value (C shares)	Mexican Stock Exchange
B units, consisting of four Series B shares	Mexican Stock Exchange
BC units, consisting of three Series B shares and one Series C share	Mexican Stock Exchange

As of December 31, 2019, the number of outstanding shares for each of the different classes of capital stock was
3,863,457,398 Series B shares
480,542,602 Series C shares

Ticker symbol: **LACOMER**

Resolution number 3517-1.00-2015-001 dated January 4, 2016, authorized the registration in the Securities Section of the NSR *(National Securities Registry; Registro Nacional de Valores)* of Series B and Series C shares, representative of the Company's capital stock.

Registration in the National Securities Registry does not imply certification of the accuracy of the security or the solvency of the Issuer or the accuracy or veracity of the information contained herein, nor does it validate acts, if any, that may have been performed in breach of the law.

Annual Report presented in accordance with the General Provisions Applicable to Issuers of Securities and other Market Participants as of December 31, 2019.

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I. GENERAL INFORMATION

1. GLOSSARY OF TERMS AND DEFINITIONS

All terms used with an initial capital letter or all capital letters in this Annual Report shall have the meaning ascribed to them below, which shall be equally applicable to both the singular and plural forms of the terms defined.

Term	***Definition***
CCF	Comercial City Fresko, S. de R.L. de C.V., an operating subsidiary of the Company.
CCM and/or Comerci	Controladora Comercial Mexicana, S.A.B. de C.V.
CEDIS	Distribution Center
CNBV	National Banking and Securities Commission *(Comisión Nacional Bancaria y de Valores)*.
COFECE	Federal Economic Competition Commission *(Comisión Federal de Competencia Económica).*
Company	La Comer, S.A.B. de C.V. and subsidiaries.
DFT	Derivative Financial Transactions.
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization. EBITDA is not an established measure defined under International Financial Reporting Standards *(IFRS).*
Financial Statement	Consolidated financial statements of La Comer, S.A.B. de C.V.
GDP	Gross Domestic Product
Government	Federal Government of Mexico.
IETU	Flat Rate Business Tax *(Impuesto Empresarial a Tasa Única)*.
IFRS	International Financial Reporting Standards.
Indeval	S.D. Indeval, S.A. de C.V., an authorized securities depositary institution.
Internet	World Wide Web.
Issuer	La Comer, S.A.B. de C.V.
I.T.	Income Tax *(Impuesto sobre la Renta)*
La Comer	La Comer, S.A.B. de C.V. or the Issuer.
Linked Units	Certificates covering stock securities.
Mexico	United Mexican States.
MSE	Mexican Stock Exchange *(Bolsa Mexicana de Valores)*.
NCPI	National Consumer Price Index.

NSR	National Securities Registry *(Registro Nacional de Valores)*.
PTU	Workers' profit sharing.
PwC	PricewaterhouseCoopers, S.C.
Series UB and UBC Units	Linked Units of the type UB comprising four Series B shares, while the Linked Units of the type UBC comprise three Series B shares and one Series C share.
SML	Securities Market Law *(Ley del Mercado de Valores)*.
TCM	Tiendas Comercial Mexicana, S.A. de C.V.
TIIE	Interbank Equilibrium Interest Rate *(Tasa de Interés Interbancaria de Equilibrio)*.
TO	Tender Offer.
UDI	Investment Units *(Unidades de Inversión)*.
USMCA	Free Trade Agreement between the United States, Mexico and Canada.
VAT	Value Added Tax *(Impuesto al Valor Agregado)*.

Presentation of Financial and Economic Information

In this Annual Report, references to "$" refer to the national currency *(Mexican pesos)* and references to "US$" refer to United States dollars. Unless the context otherwise requires, the financial and economic information contained in this Annual Report has been expressed in thousands of Mexican pesos. Some figures and percentages contained in this Annual Report have been rounded to facilitate presentation.

The figures as of December 31, 2019 and 2018 in the accompanying financial statements are presented in thousands of Mexican pesos, unless otherwise stated. The results presented in 2019 include the effects of IFRS 16. This standard affected the Company mainly due to real estate rental agreements, where some of the stores it operates are located, and some transportation equipment rental agreements.

2. EXECUTIVE SUMMARY

This summary does not purport to contain all information that may be relevant to making investment decisions on the securities mentioned herein. Therefore, the investing public should read the entire Annual Report, including the financial information and related notes, before making an investment decision. The following summary is prepared in accordance with, and subject to, the detailed information and Financial Statements contained in this Annual Report. It is recommended that you pay special attention to the section of "Risk Factors" of this Annual Report, in order to determine the advisability of making an investment in the securities issued by La Comer. (See section V "Stock Market"- B. "Stock Market Behavior", in this Annual Report).

The Company

Overview

The Company is a publicly traded stock corporation with variable capital, duly organized under the laws of Mexico, called *"La Comer, S.A.B. de C.V."* and commercially identified as *"La Comer"*.

The Company is a product of the spin-off of *Controladora Comercial Mexicana, S.A.B. de C.V. ("CCM")* and began operations in January 2016. Its Articles of Incorporation are stated in public deed number 157,406 dated December 4, 2015, recorded before the Notary Public number 198 of the Federal District, Enrique Almanza Pedraza, whose first affidavit is registered in the Public Registry of Commerce of Mexico City, under the electronic mercantile folio number 548698-1 dated December 17, 2015 and its corporate purpose is to act as the controller of a group of companies, and the performance of all kinds of commercial acts, including without limitation the acquisition, purchase and sale, import, export and distribution of all types of products and goods, domestic and foreign.

The Company's main offices are located at Avenida Insurgentes Sur 1517, Módulo 2. Colonia San José Insurgentes. C.P. 03900, Benito Juárez, Mexico City. The Company's telephone number is (55) 5270-9308.

Business Description.

Main Activity

La Comer is a company focused on retail trade in self-service stores. It operates a group of supermarket stores focused on the sale of perishable products and groceries. As of December 31, 2019, the Company had 71 self-service stores under different formats, with a total sales area of approximately 300,780 m^2, concentrated mainly in the Mexico City metropolitan area where 40 units are located *(including two stores in the municipalities of Metepec and Avándaro, in the State of Mexico)*, representing 56% of its total stores, another seven stores are located in the state of Queretaro, six stores in the state of Jalisco, four stores in each of the states of Guanajuato and Morelos, three stores in the state of Baja California Sur, two stores in the state of Puebla and one store in each of the following states: Michoacán, Guerrero, Nayarit, Nuevo León and Colima. The Company owns approximately 61% of the total sales area, with the remaining sales area consisting of locations leased from various owners. The Company also operates 378 commercial premises located in shopping centers along with its stores. It also has two distribution centers.

La Comer operates supermarket stores focused on the upper and middle classes with locations in strategic areas, with sales areas of between 300 and 10,000 m^2, where perishable products and groceries are found in addition to specialized departments of high-quality prepared foods. All of the Company's formats have a pharmacy, bakery and tortilla shop; some do not have parking facilities. Some of its stores are located in shopping centers.

Our Strengths

La Comer, as a company resulting from a spin-off of *CCM*, operates with the experience of more than 70 years in the self-service sector. It is a company with proven methods in the operation of its stores and during the years of its operation has acquired the knowledge and techniques needed to face changes in the retail industry, as well as the economic and social adversities that at some point have affected Mexico. The Company has computer systems and technology that allow it to develop its activities under high standards, as well as to offer high quality and freshness in the products it sells. Since its inception in 2016, the Company has improved its methods and controls in order to adapt its operation based on a smaller number of stores.

The Company has achieved brand positioning and gained customer loyalty through its personalized customer service, advertising, diversification and quality of the products offered in each of its stores.

The Company's management redesigned its formats to offer its customers high quality and variety in its products, always focusing on improving the customer's shopping experience.

Currently, the Company's stores are concentrated in the metropolitan area and the central region of the country, which makes the operational, administrative and distribution control of these units more efficient. Three stores are located in the northwest region of the country *(in Los Cabos, B.C.S.)* and eight stores in the western region. The products to those stores are supplied from two sources. The first from the center of the country and the second from the Tijuana/San Diego border to achieve an efficient supply through various routes for the stores in Baja California. The rest of the stores are supplied from our distribution center in Mexico City. The Company has two CEDIS, one owned and the other leased in Mexico City and Guadalajara respectively, which cover the needs of all its stores, including surplus supply capacity to cover the growth in stores that the Company expects in the coming years.

During 2019, the Company had management personnel with an average of 20 years of experience in the commercial sector. It also has operating personnel with extensive knowledge and experience.

Business Strategy.

The Company's business strategy includes the following points:

- Retail with a personalized approach in its treatment of customers that focuses on providing a better shopping experience.
- Innovative formats such as City Market that offers gourmet and specialty products, as well as the *Fresko* format, which is a supermarket with an emphasis on freshness and quality. There is a *La Comer* format, which offers a wide range of supermarket products and products for the home. In addition, there is the *Sumesa* format that combines assortment and convenience in one place.
- Successful and recognized campaigns in the sector *("Miércoles de Plaza", "¿Vas al super o a La Comer?", "Temporada Naranja"*, among others).
- High quality in perishable products, both in bulk and ready-to-eat.
- Strategic location of CEDIS and logistic systems.
- Operational orientation of customer service.
- Real estate development.

The following is selected information as of December 31, 2019, 2018 and 2017

	2019	2018	2017
Unit Counts by format			
La Comer	32	30	29
Sumesa	13	13	13
Fresko	14	11	10
City Market	12	11	9
Units	**71**	**65**	**61**
Own land	35	36	33
Leased land	36	29	28
Sales Area (m^2)	**300,780**	**272,738**	**250,259**
Sales (Millions of pesos)	$21,591	$19,119	$16,554
Same-store sales	6.5%	8.2%	11.3%
Clients (thousands of receipts)	68,649	64,303	60,450
Average receipt (pesos)	$315	$297	$273
Cash and cash equivalents (Millions of pesos)	$2,391	$2,602	$2,545
Inventory (Millions of pesos)	$3,260	$2,672	$2,376
Suppliers (Millions of pesos)	$3,228	$2,940	$2,722

Summary of Financial Information

The information in the income statement and balance sheet presented below is derived from the Company's Consolidated Financial Statements Such information should be read jointly with the consolidated financial statements *(and their notes)*, included in this Annual Report. The figures as of December 31, 2019, 2018 and 2017, are presented in millions of Mexican pesos.

The following tables summarize the financial information as of December 31, 2019, 2018 and 2017:

Income Statement ***(Millions of pesos, except for percentages)***	2019	2018	2017
Sales	**$ 21,591**	**$ 19,119**	**$ 16,554**
Cost of sales	15,698	14,081	12,305
Operating expenses	4,831	4,243	3,662
Other (expenses) income, net	55	252	189
Depreciation and Amortization	861	705	602
Operating income	**1,117**	**1,047**	**777**
Comprehensive financing result	10	140	118
Earnings (loss) before taxes	**1,127**	**1,187**	**895**
Income tax	91	98	113
Net income (loss)	**1,036**	**1,089**	**782**
*** (EBITDA)**	**1,978**	**1,752**	**1,379**
EBITDA/sales	9.2%	9.2%	8.3%
Operating income/ sales	5.2%	5.5%	4.7%
Linked Units (millions)	1,086	1,086	1,086
Earnings per Linked Unit (pesos)	0.95	1.00	0.72

*Operating income plus Depreciation and Amortization

Balance Sheet ***(Millions of pesos, except for percentages)***	**2019**	**2018**	**2017**
Cash and cash equivalents	2,391	2,602	$ 2,545
Inventory	3,260	2,672	2,376
Property and equipment, net	13,385	12,130	10,863
Intangible Assets	6,278	6,278	6,278
Other assets	3,589	2,354	2,523
Total Assets	**28,903**	**26,036**	**24,585**
Suppliers	3,228	2,940	2,722
Other liabilities	2,658	1,093	1,026
Total Liabilities	**5,886**	**4,033**	**3,748**
Consolidated Shareholders' Equity	23,017	22,003	20,837
Total Liabilities plus Shareholders' Equity	**28,903**	**26,036**	**24,585**

Annual Performance Data	**2019**	**2018**	**2017**
Same store sales growth	6.5%	8.2%	11.3%
Food product category sales	79.4%	79.0%	78%
Non-food product category sales	20.6%	21.0%	22%
Sales per m^2 (Thousand pesos)	$ 72	$ 70	$ 66
Sales per operating in-store worker (Thousand pesos)	$ 2,050	$ 2,044	$ 1,842
Average Inventory Conversion Ratio (days)	75	68	70
Average Payable Conversion Ratio (days)	74	75	80

Operating Data	**2019**	**2018**	**2017**
Stores at year-end	71	65	61
Sales Area (m^2)	300,780	272,738	250,259
Employees	12,200	10,873	10,438
Operating in-store employees	10,532	9,356	8,986
Tickets (thousands)	68,649	64,303	60,450

La Comer S.A.B. de C.V. (LACOMER) has been listed on the Mexican Stock Exchange since 2016. Its capitalization value as of December 31, 2019 and 2018 amounted to $25.402 billion and $22.122 billion, respectively, represented by 1.086 billion linked units outstanding (See Section 5, "Stock Market Behavior").

3. RISK FACTORS

Public investors should carefully consider the risk factors described below before making any investment decisions. The risks and uncertainties described below are not the only ones faced by the Company. Risks and uncertainties of which the Company is unaware, as well as those that the Company currently considers to be of little consequence, may also affect its operations and activities.

The materialization of any of the risks described below could have a material adverse effect on the Company's operations, financial condition or results of operations.

The risks described below are intended to highlight those risks that are specific to the Company, but which should not be considered to be the only risks that the investing public may face. These additional risks and uncertainties, including those that generally affect the industry in which the Company operates, the geographic areas in which they are present or those risks that are considered not to be significant, may also affect the Company's business and the value of the investment.

Information other than historical information contained in this Report reflects the operating and financial outlook for future events and may contain information about financial results, economic conditions, trends and uncertainties. The words *"believes," "expects," "estimates," "considers," "anticipates," "plans,"* and other similar expressions identify such estimates. In evaluating such estimates, a potential investor should consider the factors described in this section and other caveats contained in this Report. Risk Factors describe non-financial circumstances that could cause actual results to differ materially from those expected on the basis of the forward-looking statements.

Risks Related to the Company's Business

The Issuer is a company that was formed as a result of the spin-off of CCM at the end of 2015.

As a result of the spin-off of *CCM* and the related agreement, the Company has certain restrictions and obligations with *CCM* and the current owner of *CCM* that could affect the Company's performance and profitability.

The risks described below could materially and adversely affect our business, results of operations, financial condition and liquidity. These risks are not the only ones we face. Our business operations may also be affected by additional factors that apply to all companies operating in Mexico.

If we incur a high level of indebtedness, our business and our ability to take advantage of business opportunities could have a material adverse effect.

The Company could incur a high level of indebtedness, which would increase the possibility that it would be unable to generate sufficient cash flow to cover payments of principal, interest and other amounts due. As a result of a high level of indebtedness, the Company's operating capacity could be compromised, which could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's operations are highly concentrated in the Mexico City metropolitan area and in the central part of the country.

Our principal properties and operations are concentrated in two of the most populated areas of Mexico, the Mexico City metropolitan area and the central part of the country. As of December 31, 2019, stores located in these areas represented approximately 86% of sales. If any of the regional chains decide to begin a more aggressive expansion plan and establish operations in the locations where the Company currently has units in operation, the Company's results could be affected.

Although we have stores and expect to develop or acquire additional stores in locations outside these areas, we are largely dependent on economic conditions in those areas. As a result, an economic slowdown in those locations could adversely affect our business, financial conditions and results of operations. In addition, there are certain restrictions in the metropolitan areas on land for the purchase or lease of additional stores. The more intense the competition, the more difficult it will be to locate suitable land to complete our expansion plans. If we do not find such land, we may not be able to meet our growth targets.

As we enter new locations, it may be difficult to promote the brand that would be poorly recognized by the new community. In locations farther away from Mexico City, logistics costs may increase.

Suppliers and other persons with whom the Company establishes business relationships may need assurances that their financial stability is sufficient to satisfy their requirements for doing or continuing to do business with them.

Some of its suppliers and other persons with whom the Company has business relationships may require assurances of its financial stability to satisfy their requirements. In addition, they may prefer to work with larger companies. Any failure by the Company to comply with their financial stability requirements could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

The Company may face difficulties in financing its operations and investments, which could have an adverse impact on its business and results.

The Company may be required to incur debt or issue additional stock to fund working capital and capital expenditures or for acquisitions and other investments. There can be no assurance that debt or equity financing will be available to the Company on acceptable terms or at all. If the Company is unable to obtain sufficient financing on attractive terms, its growth and results of operations could be adversely affected.

La Comer is a pure holding company and its risks are linked to the operating risks of its subsidiaries.

The assets of *La Comer* are substantially composed of shares of its subsidiaries, which represents a risk factor, considering that the results of *La Comer* will depend directly on the results of its subsidiaries.

Therefore, any effect on the performance of *La Comer*'s subsidiaries, any contingency arising from acts of God or force majeure, breach of contract, refusal, cancellation or revocation of permits, authorizations and licenses and in general any effect that prevents or hinders the proper performance of activities or affects the results of the subsidiaries, will directly affect the results of *La Comer*.

Operations with related parties.

The Company carries out and/or will carry out operations within the ordinary course of its business, with some related parties. However, the Company has controls to ensure that the operations with related parties are carried out according to market conditions. If the Company's controls to ensure that related party transactions are conducted in accordance with market conditions fail, the Company may be adversely affected in its performance and profitability.

Environmental contingencies.

Some of the Company's construction projects must comply with environmental requirements, non-compliance with which may generate significant costs and contingencies. Engineering and construction projects of some of the Company's subsidiaries could produce environmental impacts, and remediation of such impacts, or the payment of penalties, could result in additional costs, which in turn could have an adverse effect on the Company's results.

In the specific case of the operation of the Cold Chain Distribution Center, there is an implicit risk due to the handling of gases required to cool the merchandise.

Due to changes in environmental regulations, this could imply changes in the way of operating, which could affect the profitability of the Company's operation.

Pandemics arising from influenza, avian influenza or other diseases could have a significant adverse effect on the Company's results of operations

The Company's activities and operations may be affected by a pandemic or epidemic such as COVID-19 due to multiple factors, including,

1) Disruptions in the supply chain, since our products are supplied from a wide variety of domestic and international suppliers that may not be able to adequately supply them or may substantially increase their operating costs.
2) Non-attendance of employees due to illness or instructions from health authorities, which could affect the operation of our stores.
3) Increases in store operating costs, since we are required to implement hygiene and containment protocols that protect the health of our employees and our customers.
4) Unit closures and limited hours to avoid contact between customers, and limited entry, in order to have the permissible number of customers inside the store, as established by the Ministry of Health.
5) Reduction in the flow of customers due to movement restrictions, since due to the quarantine, customers may not be allowed to leave their homes to make purchases.

As of the date of this report, the Company's management has taken the necessary measures to minimize the impact of the COVID-19 pandemic on these factors by defining processes with three clear objectives: to protect the health of our employees, to protect the health of our customers and to ensure the continuity of operations in all our stores.

As of the date of this report, none of these potential risks have had a relevant impact on the Company's financial results. But we have no assurance that they will not in the future.

Events beyond the control of the Company.

The Company's revenues may be affected by various factors beyond its control, including, delays in obtaining the corresponding government permits caused by the competent authorities (water supply, land use, construction, among others), natural disasters, non-compliance by contractors and other third parties, which could increase the Company's operating cost and delay the development of new projects. In addition, deteriorating economic conditions in Mexico could reduce consumer demand in the country, which could adversely affect the Company.

Project development is dependent on the availability of resources.

For the acquisition of new properties and the development of new projects, the Company requires capital, which it can obtain through financing, internal generation of resources and investment from its shareholders. If the Company is unable to obtain such resources and, in the case of financing, cannot contract them under competitive conditions, the Company's growth rate would be negatively affected, which, in turn, would have an adverse impact on the Company's business and results of operations.

The Company's inability to protect its trademarks and intellectual property could have an adverse effect on its financial condition.

The Company believes that its advertisements, registered trademarks and other industrial property rights are critical to the recognition of its brand and the continued success of its business. Any violation of its intellectual property rights or failure or inability of the Company to register its intellectual property rights in the jurisdictions in which it operates could result in litigation proceedings, which would cause the Company to invest time and resources to defend its intellectual property and/or the possible loss of its ability to use its trademarks in the ordinary course of business. The success of the Company's business depends in part on its ability to use its trademarks in order to increase the recognition thereof and to develop them in the domestic market. Comer and its subsidiaries cannot guarantee that all the actions it has taken to protect its trademarks are adequate to prevent potential violations by third parties. Unauthorized use of its trademarks could diminish their value, their recognition in the marketplace, the Company's competitive advantages and/or the value of its intangible assets, which could adversely affect its business, results of operations, prospects and financial condition.

The Company has recorded the value of its trademarks in its intangible assets. This value, along with the Company's other non-monetary assets, is supported by the expected generation of operating cash flow. If the Company's cash flow generation expectations deteriorate substantially, or if the estimated discount rate to be applied to the cash flow generation is increased due to market situations in general or to the Company's situation in particular, the Company may need to recognize an impairment in its intangible assets.

The Company depends on key personnel, its ability to retain and hire additional key personnel and on its ability to maintain good working relationships.

The Company's operations and growth depend in large part on the efforts, relationships, reputation and experience of its board members, relevant officers and other key personnel. The loss of any such individuals, as well as the Company's inability to hire and retain highly qualified personnel to replace them, could have a material adverse effect on its business, financial condition and results of operations. In addition, in accordance with its expansion plans, the future success of the Company also depends on its continued ability to identify, hire, train and retain qualified personnel in the areas of operations, purchasing, advertising, collections and personnel management. Competition in the marketplace to attract such qualified personnel is intense, and the Company may not be able to hire, train, integrate or retain qualified personnel with the level of experience or compensation necessary to maintain its quality of service and reputation or to maintain or expand its operations.

The Company's risk management systems and policies may be ineffective in mitigating its risk exposure, and the Company may be exposed to unidentified or unforeseen risks, which could materially and adversely affect its business, financial condition and results of operations.

The Company's risk management systems, hedging strategies, policies and other risk management processes may not be effective in mitigating its risk exposure in all market environments or against all types of risks, including unidentified or unforeseen risks. Some risk management methods are based on historical market behavior or past events. As a result, such methods may be inaccurate in estimating future risks, which could be significantly greater than those shown by historical patterns. Other risk management methods depend on an assessment of information relating to markets, customers or other matters. This information may be inaccurate, incomplete, out of date or not properly evaluated. Operational, legal or regulatory risk management in general requires, inter alia, policies and procedures that properly record and verify a large number of transactions and events. Such policies and procedures implemented by the Company, including those related to origination and credit management, which are modified from time to time to respond to changes in the market, may not be fully effective. Any failure of the Company's risk management procedures, or any inadequate estimation of the applicable risks, could have a material adverse effect on the Company's business, financial condition and results of operations.

It is likely that the Company's competition will continue or intensify and diversify.

The Company's ability to maintain and increase its current levels of sales depends to some extent on competitive conditions, including price competition and electronic sales channels. Although the Company believes that its competitive advantages and business strategy will enable it to achieve its goals, it is likely that such competition will continue or intensify and diversify into electronic channels. Increased competition could have a negative impact on the sales prices of our products, as well as on purchase prices, among others. Every day, retail competition via electronic channels, including the Internet and telephone, with home delivery is increasing. As a result, the Company could be affected in its sales goals, which would result in a significant adverse effect on the Company's business, financial condition and results of operations.

Risk of Our Systems Failing or Being Attacked

Our systems are subject to damage from certain factors such as: power outages, computer and telecommunications failures, computer viruses, security breaches *(through cyber attacks by computer hackers and sophisticated organizations)*, and catastrophic events such as earthquakes, fires, and hurricanes. The Company is prepared with system backups to face many of the possible failures that could occur in the systems, since it has specialized backups and technicians to solve the problems. However, the Company cannot guarantee that the controls and backups it has are sufficient to stop any of these situations, so we cannot totally rule out that the Company's operations or profitability will not be affected in the future by an event of this nature.

Hedge Risk

The Company has insurance that adequately covers its assets against fire, earthquake and other risks caused by natural disasters, but does not ensure that insurance companies will continue to accept the conditions and premiums.

Risks related to the controlling shareholder of *La Comer*

The majority of the shares with voting rights of *La Comer*, are owned by various persons belonging to the Gonzalez family and are deposited in a temporary and irrevocable trust identified with number F-11024239, entered into with Scotiabank Inverlat, S.A. By virtue of this trust, the Gonzalez family has the effective power – through the aforementioned trust – to appoint the majority of the members of the board of directors and determine the result of other matters that require the vote of the shareholders.

Some decisions made by this trust could influence the price of *La Comer*'s shares, as well as significantly affect the performance and profitability of the Company.

Risks Related to Mexico

Mexican government policies or regulations, as well as economic, political and social developments in Mexico may have an adverse effect on our business, operations and prospects.

We are a Mexican company and all of our assets are located in Mexico. Our business results, financial condition, results of operations and prospects are subject to political, economic, social, legal and regulatory risks specific to Mexico. The Mexican federal government has exercised, and continues to exercise, significant influence over the

Mexican economy. Consequently, governmental actions, fiscal and monetary policies and regulations affecting governmental entities and private industry may have an impact on the Mexican private sector environment, including our company, and on market conditions, prices and yields of Mexican securities, including our securities. We cannot predict the impact that political conditions will have on the Mexican economy. Moreover, our business, financial condition, results of operations and prospects may be affected by currency fluctuations, price instability, inflation, interest rates, regulations, taxes, government spending, social instability and other political, social and economic developments in, or affecting, Mexico over which we have no control.

Any of these events, or other unanticipated health, economic or political developments in Mexico, could have a material adverse effect on our results of operations and financial condition.

The growth in crime and violence due to the activities of drug cartels and organized crime could adversely affect our business, operating results or prospects.

Mexico has experienced increasing periods of violence and crime in recent years due, in large part, to the activities of drug cartels and the organized crime that accompanies such activities. In response, the government has implemented various security measures and strengthened its police and military forces. Despite these efforts, drug-related crime continues to exist in Mexico. These activities, their potential growth and the violence associated with them may have an adverse impact on the Mexican economy or our future operations.

We have no assurance that changes in federal government policies or political and social developments in Mexico, over which we have no control, will not have an adverse effect on our business, results of operations and prospects.

Political, economic and social conditions in Mexico may have a material adverse effect on the Mexican economy and, in turn, on the Company's operations.

The Company cannot predict the impact that political, economic and social conditions will have on the Mexican economy. Moreover, we have no assurance that political, economic or social developments in Mexico over which it has no control will not have an adverse effect on its business, financial condition, results of operations and prospects. The social and political situation in Mexico may adversely affect the Mexican economy, which in turn may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Depreciation of the Mexican peso against the U.S. dollar. In the event the government imposes foreign exchange controls and restrictions, we may not be able to service debt denominated in Dollars or any other foreign currency, thereby exposing our investors to foreign exchange risks.

A severe devaluation or depreciation of the Mexican peso could result in intervention/disruption of international trade by the Mexican government. Although the government does not currently restrict or regulate the ability of Mexicans or any foreign person or entity to convert Mexican pesos into U.S. dollars or any other currency, it has done so in the past and we cannot assure potential investors that the Mexican government will not establish a policy of exchange rate control in the future. Any exchange control policy may eliminate or limit the availability of U.S. dollars or any other currency, limiting our ability to transfer or convert Mexican pesos into U.S. dollars or any other currency for purposes of hedging Dollar-denominated debt. As of the date of this report, we do not have any U.S. dollar-denominated financial debt, but we do have dollar-denominated letters of credit in the ordinary course of our business and that guarantee the import of goods and could be affected by a devaluation/ depreciation of the dollar.

High inflation rates may adversely affect the Company's financial condition and results of operations.

Historically, Mexico has experienced high levels of inflation and may experience high inflation in the future. Similarly, inflation in Mexico has led to higher interest rates, depreciation of the Mexican peso and the imposition of substantial government controls on exchange rates and prices. The annual inflation rate for the last three years, determined according to the variation in the National Consumer Price Index, as indicated by the INEGI *(National Institute of Statistics and Geography; Instituto Nacional de Estadística, Geografía e Informática)* and according to Bank of Mexico publications, was 2.83% in 2019, 4.83% in 2018 and 6.77% in 2017. Although inflation decreased in the year 2019, the Company cannot have the assurance that Mexico will not experience higher levels of inflation in the future.

In addition, increased inflation generally increases the cost of financing for the Company. Should the Company have contracted or issued debt, its financial condition and profitability would be adversely affected by leverage and interest rate fluctuations. If the inflation rate increases or becomes uncertain and unpredictable, the Company's business, financial condition and results of operations could be adversely affected.

Developments in other countries may have an impact on the Mexican economy, as well as on our results of operations and financial condition.

Developments in other countries may affect the Mexican economy, as well as our results of operations. The market value of securities issued by Mexican companies is affected by economic and market conditions in other emerging countries. Although conditions in such countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in any other country may have an adverse effect on the market value of securities issued by Mexican companies. In past years, for example, the value of Mexican debt and equity securities fell substantially as a result of certain developments that took place in China, Russia, Brazil and other Asian countries.

Uncertainty regarding policies in the United States may generate volatility in the U.S. financial markets.

The correlation between economic conditions in Mexico and the United States has been exacerbated in recent years by the North American Free Trade Agreement negotiations and increased economic activity between the two countries. In the past, the global dislocation of credit markets and the resulting scarcity of liquidity, especially in the United States, resulted in significant volatility in the financial markets and caused a material adverse effect on the Mexican economy. Therefore, an economic downturn in the U.S. economy, disagreements in the new USMCA, and the imposition of tariffs or other related events could have a significant negative effect on the Mexican economy, which, in turn, could affect our financial condition and results of operations.

Amendments to the Mexican tax laws may adversely affect us.

The Company's business, financial condition and results of operations could be adversely affected as a result of an increase in taxes, the elimination and limitation of certain deductions and increased cost of compliance with the tax laws. To which may be added long-term delayed tax refunds.

Climate Change Risks, Natural and Geopolitical Factors

Climate change can affect business in important ways, but management does not identify a differential effect against companies in the same line of business.

Factors that may affect the Company include one or more natural disasters as well as geopolitical events such as civil unrest in the cities where we operate, which could adversely affect our operations and financial performance. Such events could result in physical damage and/or partial or total loss of one or more of our stores or distribution centers, leading to the closure of the said stores or distribution centers.

Events such as hurricanes, floods, earthquakes could alter and affect our operations in the areas where these events occur and could adversely affect our business.

Stock Related Risks

A liquid market may not develop for La Comer shares, which have been listed for only four years.

Although the Company has been listed for four years, it cannot assure that a liquid market for its shares will continue to develop or be sustained. As a result of these factors, investors may be unable to sell their Shares at the time and at the price desired, or at all.

The market price of our shares may fluctuate significantly, and potential investors may lose some or all of their investment.

Volatility in the market price of our shares may cause investors to be unable to sell their shares at the same or higher prices. The market price and liquidity of the market for our shares may be significantly affected by various factors, some of which are beyond our control and may not be directly related to our performance. These factors include, among others

- high volatility in the market price and trading volume of securities of companies in the sectors in which we and our subsidiaries participate, which are not necessarily related to the performance of these companies
- performance of the Mexican economy or the sector in which we participate;
- changes in earnings or changes in our results of operations;
- future sales of shares by our major shareholders;
- new laws or regulations or new interpretations of laws and regulations, including tax or other provisions applicable to our business or that of our subsidiaries;
- economic trends in general in the Mexican, United States or global economies or financial markets, including those resulting from war, incidents of terrorism or violence or pandemics or responses to such events, as well as political conditions and developments.

The relatively low liquidity and high volatility of the Mexican stock market may cause the quoted prices and volumes of La Comer shares to fluctuate significantly.

The MSE *(Mexican Stock Exchange, Bolsa Mexicana de Valores)* is one of the largest stock exchanges in Latin America in terms of market capitalization of companies with shares listed on it; however, it remains relatively illiquid and volatile compared to other large foreign stock markets. Although the public participates in securities trading on the MSE, a substantial part of the trading activity on the MSE is carried out by or on behalf of major institutional investors. The trading volume of securities issued by emerging market companies, such as Mexican companies, tends to be lower than the trading volume of securities issued by companies in more developed countries. These market characteristics may limit the ability of holders of Shares to sell their Shares and may also adversely affect the price of the Shares.

In the event that securities or industry analysts do not publish their research or reports on the Company's business, or publish negative reports on the business, the price of the Shares and the trading volume may decline.

The market for the Shares depends, in part, on the research and reports published by securities or industry analysts on the Company or its business. In the event that one or more of the analysts covering the Company publishes negative, inaccurate or unfavorable information about the Company's business, the price of the Shares would likely decline. In the event that one or more of these analysts ceases to cover the Company or does not publish reports on the Company on a regular basis, demand for the Shares could decline, causing the price of the Shares and trading volume to decrease.

Future share issuances may result in a reduction in the market price of the Shares.

In the future, we may issue new shares of our capital stock to obtain resources to fund our activities and growth and to carry out other general corporate purposes. Such issuances, or documents announcing the intention to issue new shares of our capital stock, may result in a decrease or create volatility in the market price of the Shares.

The declaration and payment of dividends in favor of La Comer's shareholders is subject to the approval of its principal shareholder.

The declaration and payment of dividends and the amount thereof by *La Comer* to its shareholders is subject to the recommendation of the Board of Directors and the approval of the shareholders at a general shareholders' meeting. As long as the controlling shareholder of *La Comer* continues to be the owner of the majority of the Shares, it will have the power to appoint the majority of the members of the Board of Directors and to determine the declaration of dividends and the amount thereof. In addition, the payment of dividends is subject to the existence of profits, the absorption of losses from previous years and the approval of the financial statements for the year by the General Meeting of Shareholders. *La Comer* cannot guarantee that its shareholders will approve a dividend policy on the proposal of its Board of Directors, or that its Board of Directors will submit such proposal or the terms thereof. In addition, *La Comer* has not paid dividends to its shareholders since its inception of operations, but rather has reinvested in openings and format upgrades but may consider declaring dividend payments in the future.

The Articles of Association of La Comer contain certain restrictions on the acquisition and transfer of Shares.

The Securities Market Law and the bylaws of *La Comer* set out certain requirements, options and restrictions in relation to the acquisition and transfer of the Shares. Under the bylaws of *La Comer* and subject to certain exceptions *(including the acquisition or transfer of shares among the current controlling shareholders of La Comer)*, authorization from the Board of Directors is required for any person or group of related persons to acquire, in one or more transactions, a holding of shares equal to or greater than 10% of the capital stock or multiples of such percentage or to enter into agreements whereby they agree to jointly vote shares in such percentage, and *La Comer* will not permit the exercise of corporate rights of the Shares whose acquisition, if required, has not been authorized by the Board of Directors. The Board of Directors must grant or deny such authorization within a period of three months from the date on which the Chairman of the Board of Directors receives the corresponding request for acquisition authorization, or from the date on which it receives the additional information, if any, required by the Board of Directors. In the event that the acquisition of Shares or the approved voting agreement results in the acquisition of Shares or voting rights with respect to 30% or more of the outstanding shares of *La Comer*, the acquiring shareholders must make a purchase offer for 100% of the shares representing the capital of *La Comer*, in accordance with the provisions of the Articles of Association. These restrictions may have an impact on the liquidity of the shares or disinhibit a public purchase offer or affect the Issuer's share price as a result of limitations on a change of control.

The bylaws of La Comer, under Mexican law, restrict the ability of foreign shareholders to invoke the protection of their governments in connection with their rights as shareholders.

Under Mexican law, the Issuer's bylaws provide that foreign shareholders will be deemed to be Mexicans for purposes of the Shares held by them and will be deemed to have agreed not to invoke the protection of their governments in certain circumstances. Under this provision, a foreign shareholder is deemed to have agreed to refrain from invoking the protection of its own government by requesting the filing of a diplomatic claim against the Mexican government with respect to its rights as a shareholder of the Issuer, but shall not be deemed to have waived any other rights it may have, including any rights under the securities laws of the United States, with respect to its investment in the capital of *La Comer*. In the event that a foreign investor invokes such government protection in violation of this agreement, the Shares owned by such investor will be forfeited to the Mexican government.

A possible failure to comply with the requirements applicable to a company listed on the MSE could result in the cancellation of the listing and the registration of its shares in the NSR.

As an Issuer whose shares are listed on the MSE, *La Comer* will be subject to various requirements, including the delivery of periodic information and the maintenance of certain minimum stock exchange requirements in order to maintain such listing on the stock market. In the event that the Issuer ceases to comply with its obligations as a public company or the minimum requirements to continue listed on the MSE, the Issuer could be subject to the cancellation of its shares from the MSE, as well as their cancellation from the NSR or be subject to fines, penalties and/or other administrative or regulatory actions. The delisting of *La Comer*'s shares from the MSE could have a material adverse effect on the liquidity and price of the shares.

La Comer will allocate a significant portion of economic and human resources to meet the requirements applicable to public enterprises.

As a public company, *La Comer* will incur significant legal, accounting and other expenses not incurred by private companies, including costs related to the delivery and disclosure requirements applicable to public companies. Expenses incurred by public companies in connection with their disclosure obligations and the maintenance of their corporate governance structure have been increasing. These laws and regulations may also make it more difficult or costly to obtain certain types of insurance, including directors' and officers' liability insurance, and the Issuer may be forced to accept a reduction in the policy and coverage limit or incur proportionately higher costs to obtain the same or similar coverage. These laws and regulations may additionally make it more difficult for *La Comer* to attract and retain qualified individuals to serve on its Board of Directors, committees or as senior officers and may divert management's attention. In addition, if *La Comer* is unable to meet its obligations as a public company, the registration of the Shares could be cancelled, and *La Comer* could be subject to fines, penalties, potentially civil litigation and other actions.

EBITDA risk

The Company estimates EBITDA as its operating income plus depreciation and amortization. The Company presents its EBITDA because it believes that EBITDA represents a useful basis both for evaluating operating performance and for comparing its results with those of other companies since it shows its operating results independently of its capitalization and taxes. However, investors should not consider EBITDA in isolation and it should not be construed as a substitute for net income or operating income when measuring financial performance. EBITDA has significant limitations that affect its value as a measure of the Company's overall profitability because it does not take into consideration certain expenses such as depreciation and amortization. The Company may calculate its EBITDA differently than other companies to calculate the same or similarly named items. EBITDA is not a measure of financial performance under IFRS.

4. OTHER SECURITIES REGISTERED IN THE NSR

The securities referred to in this annual report have been registered under number 3517-1.00-2015-001 in the National Securities Registry maintained by the National Banking and Securities Commission, and they are the only ones. Therefore, the Company does not present other securities registered in the NSR.

In the last three fiscal years, the Company has delivered in a complete and timely manner the reports required by Mexican law on relevant events and periodic information, such as information on results on a quarterly and annual basis.

5. SIGNIFICANT CHANGES TO THE RIGHTS OF SECURITIES REGISTERED IN THE NSR

Not applicable.

6. DOCUMENTS OF A PUBLIC NATURE

Copies of this Annual Report may be obtained at the request of investors and the general public at the Company's main offices located at Avenida Insurgentes Sur 1517 Modulo 2, Colonia San José Insurgentes, C.P. 03900, Benito Juárez, Mexico City, Mexico. It will also be available on the Company's website *(www.lacomer.com.mx and www.lacomerfinanzas.com.mx)*, on the website of the Mexican Stock Exchange *(www.bmv.com.mx)* and on the website of the National Banking and Securities Commission *(www.gob.mx/cnbv)*. For any information, please contact Yolotl Palacios Golzarri, Investor Relations Department of the Company, whose e-mail address is ypalacios@lacomer.com.mx or telephone number 5255 5270 9064.

The following documents are available to the investing public through the Mexican Stock Exchange's website, www.bmv.com.mx, as well as on the websites of *La Comer*:

- Annual Report *(MSE format)*.
- Relevant Events.
- Quarterly Results Report: Consolidated Financial Statements
- Annual report, with consolidated and audited financial statements at the end of each year, as well as a comparative against the immediate previous year.
- Code of Best Corporate Practice.
- Articles of Association.

II. THE COMPANY

1. BUSINESS HISTORY AND DEVELOPMENT

Company name

The Company's legal name is *La Comer, S.A.B. de C.V.*, and its trade name is *"La Comer"*.

Date of Incorporation, Transformation and Duration of the Company

The Company is a product of the spin-off of Controladora Comercial Mexicana, S.A.B. de C.V. *(CCM)*, which process was initiated by agreement of the extraordinary general shareholders meeting of said company, held on July 2, 2015, protocolized in public deed number 154,234 recorded by notary public number 198, Enrique Almanza Pedraza of Mexico City, and registered in the Public Registry of Commerce of Mexico City under the commercial page 15,103 on July 16, 2015. This spin-off took effect in January 2016.

The incorporation of *La Comer* is recorded in public deed number 157,406 dated December 4, 2015, recorded by Notary Public number 198 of Mexico City, Enrique Almanza Pedraza, whose first affidavit is registered in the Public Registry of Commerce of Mexico City, under the electronic commercial folio number 548698-1 dated December 17, 2015 and has as its corporate purpose to act as the controller of a group of companies, and the performance of all kinds of commercial acts, including without limitation the acquisition, purchase and sale, import, export and distribution of all types of products and goods, domestic and foreign.

The Company has an indefinite duration, in accordance with its Articles of Association.

Main Offices

La Comer's main offices are located at Avenida Insurgentes Sur 1517 Módulo 2, Colonia San José Insurgentes, C.P. 03900, Benito Juárez, Mexico City. Its telephone number is 5255 5270 9038.

History and Evolution

The origins of the Company date back to 1930, when Don Antonino González Abascal and his son, Don Carlos González Nova, established their first store in Mexico City, selling mainly textiles. Subsequently, *CCM* was incorporated in 1944 as Antonino González e Hijo, Sociedad en Comandita Simple *(Limited Partnership)*, and underwent some transformations and name changes for several years until it was structured and named *Controladora Comercial Mexicana, S.A.B. de C.V. (CCM)* in 1991.

The first combined supermarket/general merchandise store under the brand name *Comercial Mexicana* opened in Mexico City in 1962, and 20 similar stores were opened during the 70's. During the 1980's *CCM* continued its expansion through the acquisition of the *Sumesa* chain in 1981 and the opening of 51 *Comercial Mexicana* stores. The first *California Restaurant* began operations in 1982 and the first *Bodega* was opened in 1989.

CCM formed a 50-50 partnership with *Costco Wholesale Corporation* in June 1991. The first *Costco* membership warehouse in Mexico opened in February 1992. In 1993 it introduced the *Mega* format and in 2006 two new formats were inaugurated called *City Market* and *Alprecio*. In 2009 the first *Fresko* self-service store was opened.

CCM was fully controlled by the Gonzalez family until April 1991, when shares representing *CCM*'s capital stock were offered to the investing public and began trading on the MSE. *CCM*'s main business was to participate in the leasing of real and personal property and to invest in companies related mainly to the purchase, sale and distribution of groceries and general merchandise in Mexico.

On June 14, 2012 CCM sold 100% of its 50% stake in *Costco de Mexico*, with 32 membership warehouses in operation, to its partner *Costco Wholesale Corporation*. Also, on August 21, 2014, the purchase agreement was signed with *Grupo Gigante, S.A.B. de C.V.* for the sale of the operation of 46 *California Restaurants* and seven *Beer Factory* units.

In January 2016, *Tiendas Soriana, S.A. de C.V.*, completed a public purchase offer for CCM's shares after the split of *La Comer*, which by that date operated 143 stores of the hypermarket and convenience store formats.

In January 2016, *La Comer, S.A.B. de C.V.*, already spun off from *CCM*, began operations with 54 self-service stores with the *City Market*, *Fresko* and *Sumesa* formats and some larger stores where the new *La Comer* format was developed. Most of the units, focused on the middle- and upper-class sector, are located in the metropolitan area and in the center of Mexico. In the years 2016, 2017, 2018 and 2019 the Company inaugurated five units, three units, four units and six units, respectively.

2. BUSINESS DESCRIPTION

A. MAIN ACTIVITY

The Company is engaged in retail trade in self-service stores. It operates a group of supermarket stores focused on the sale of perishable products and groceries. As of December 31, 2019, the Company operated 71 self-service stores under various formats, with a total sales area of close to 300,780 m^2, concentrated mainly in the Mexico City metropolitan area where 40 units are located *(including two stores in the municipalities of Metepec and Avándaro, State of Mexico)*, representing 56% of its total stores, another seven stores are located in the state of Queretaro, six stores in the state of Jalisco, four stores in each of the states of Guanajuato and Morelos, three stores in the state of Baja California Sur, two stores in the state of Puebla and one store in each of the following states: Michoacán, Guerrero, Nayarit, Nuevo León and Colima. The Company owns approximately 61% of the total sales area; the remaining sales area is in locations rented from various owners. The Company also operates 378 commercial premises located in shopping centers, along with its stores. It also has two distribution centers.

The Company operates supermarket stores focused on the medium and high socioeconomic levels, whose location is convenient and strategic, with sales areas within the range of 300 to 10,000 m^2, where shoppers can find perishable products and groceries as well as specialized departments of high-quality prepared foods. All of the Company's formats have a pharmacy, bakery and tortilla shop, some with convenient parking lots, and some of its stores are located in small shopping centers.

The formats it operates are:

- ***La Comer*** – This type of format typically has a sales area of between 4,000 to 7,500 m^2, where in addition to perishable products and groceries, it offers household products such as appliances, tableware, plastics and table linen, not including clothing. This format offers a greater range and variety of its products in each category to provide an additional distinguishing feature against any hypermarket. The *La Comer* format presents specialized departments of prepared foods, fine pastries and coffee. This store format can be presented on its own or inside shopping malls. As of December 31, 2019 and 2018, the Company had 32 and 30 stores, respectively.

- ***City Market*** - This format offers its customers a large selection of gourmet products, as well as: wines, cheeses, meat, imported groceries, and a selection of organic products. It has exclusive agreements for products of internationally renowned brands. It presents a high-quality service in a sophisticated environment. Additionally, it offers prepared foods for consumption inside and outside the store and presents specialized departments of prepared foods such as tapas, seafood, pizzeria, chocolate, ice cream, coffee and fine pastries, among others. This format has a sales area of approximately 3,000 m^2 and is located in high income areas to focus on medium and high socioeconomic levels. As of December 31, 2019 and 2018, the Company had 12 and 11 *City Market* stores, respectively, located mainly in Mexico City. In addition, the cities of Cuernavaca, Metepec, Queretaro, Guadalajara, Monterrey and Puebla each had one store.

- ***Fresko***– *Fresko* is a supermarket store, focused on covering the weekly needs of the home, with weekly family consumption products. It is especially designed to make purchases in an agile and rapid way, offering quality products to shoppers. This format is also focused on the sale of groceries and perishables, with a sales area covering a range of between 1,500 and 4,000 m^2. The stores are located in areas where they can take advantage of the vertical growth that is taking place in large cities. As of December 31, 2019 and 2018, the Company had 14 and 11 *Fresko* stores, respectively.

- ***Sumesa*** - *Sumesa* stores are supermarkets to serve the surrounding communities, and are usually located in areas of high population density. They emphasize the sale of good quality groceries and perishables. Their sales areas range from 300 to 1,000 m^2 and in some cases they do not have parking lots. As of December 31, 2019 and 2018, the Company had 13 *Sumesa* stores.

Approximately 98% of the Company's consolidated revenues come from the sale of products in its self-service stores. The format with the largest share of sales is *La Comer*, or larger stores, due to the product mix it presents, which includes basic and household products.

Currently, together with the 71 stores operated by the Company, there are 378 commercial premises with a total area of approximately 72,390 m^2. Revenues from stores, together with rented space within the stores, totaled approximately $301 million as of December 31, 2019. (See section "Description of Principal Assets"). The Company has land reserves of more than 108,000 m^2 with the following distribution:

Land Reserve

	m^2
Mexico City Metropolitan Area	79,828
Central	23,115
Northeastern	5,933
	108,876

In the territorial reserves mentioned above, stores may be developed in the future in any of their formats and/or shopping centers or sold if the Company considers it convenient. It also has some other properties such as warehouses, which it may use or sell in the future.

Cyclical business behavior.

Seasonality

The self-service business reflects seasonal patterns of consumer spending that vary from quarter to quarter. Due to the seasonal nature of this industry, sales and cash flows from operations are highest in the third and fourth quarters. In preparation for the *Temporada Naranja* campaign in the summer months and the December season, we increased our merchandise inventories. Our earnings and cash flows increased primarily from the large sales volumes generated during the last two quarters of our fiscal year.

Suppliers

The Company has centralized purchasing departments, with areas responsible for *La Comer*, *City Market*, *Fresko* and *Sumesa* stores to supply all their units through their CEDIS or directly by suppliers in their stores.

This group specializes in perishable and grocery products and another group will be responsible for other types of general and household products for the *La Comer* format stores.

The Company purchases the products that are sold or frequently used in its stores from approximately 1,800 suppliers. No single supplier or group of related suppliers represents more than 5% of the total products purchased by the Company. The Company's management expects that the sources and availability of goods and products for the operation of its stores are adequate and will continue to be adequate into the foreseeable future.

The Company's objective is to obtain the best price and credit conditions from its suppliers, as well as to cooperate with them in the development of advertising and special product promotions. The Company believes that communication through its information systems will allow it to negotiate more effectively with its suppliers. The Company also believes that the business it conducts with suppliers is carried out on terms no less favorable than those prevailing in the industry, with the exception of purchased volumes. Domestic suppliers are paid in pesos on terms that vary depending on the product purchased.

B. DISTRIBUTION CENTERS

As of December 31, 2019, the Company has two distribution centers: its own CEDIS, with an approximate area of 42,000 m^2 located in Mexico City, the urban center where most of its stores are located today; and another CEDIS, leased for an approximate area of 2,400 m^2, an area occupied by a warehouse and platforms, located in the city of Guadalajara, destined to cover the needs of the new stores opened since 2016 in Guadalajara and its surroundings. About 76% of the products are distributed through these distribution centers. It is expected that in the future an even greater proportion of the products will be distributed. We believe that having a good distribution network allows us to have a better supply and quality of fresh, cold and dry products throughout the chain and allows us to negotiate better prices with suppliers, who will be able to deliver their products in one location instead of sending them to different locations. Currently, the CEDIS in Mexico City, has storage rooms for fresh, cold and dry products in the same location. We estimate that it currently has sufficient capacity for distribution to approximately 100 stores. This CEDIS currently serves 55 stores located in the metropolitan area of Mexico City and the central zone of the country.

In addition to traditional store sales, the Company operates the *"La Comer en tu Casa"* program that allows customers to shop from home via telephone or internet. It also has a layaway system that allows them to make their purchase in installments.

C. INTELLECTUAL PROPERTY; OTHER CONTRACTS

The Company owns the property rights to the following brands: Comercial Mexicana and the pelican logo, *La Comer, City Market, Fresko, Sumesa, Farmacom, Golden Hills, Pet's Club, KePrecio* and *Monedero Naranja*, and owns the slogan *"Vas al Super o a La Comer?"* and the advertising campaigns that belong to it are: *"Bebe Comer", "Miércoles de Plaza", "Sabadomingo de Carnisalchichonería"* and *"Temporada Naranja"*, among others, whose terms are not about to expire.

Comercial City Fresko, the main subsidiary of *La Comer*, acquired some of *CCM*'s brands, including the *Comercial Mexicana* brand and several other brands and advertising campaigns, such as *"Miércoles de Plaza", "¿Vas al Súper o a la Comer?"* and *"Compras bien"*, as well as the brands related to its operation, among which are *"City Market", "Fresko"* and *"Sumesa"*, among others.

The Company registers the trade names, product brands and promotional campaigns for a period of 10 years from the date of registration, which can be extended every ten years indefinitely. Having the property rights of these brands, names and campaigns ensures the functioning and operation of the business, generating an identity and its recognition by the customers, as well as to maintain an image of the Company.

During the last three fiscal years, no relevant contracts were signed other than those related to the normal course of business.

D. PRINCIPAL CLIENTS

Our clients are the general public. The retail sector in Mexico is fragmented and consumers are served by a large number of formats, including traditional formats such as miscellaneous, specialty stores, markets, street vendors, as well as modern supermarkets, hypermarkets and department stores. We believe that there is growth potential in Mexico for the retail sector as it continues to modernize and increase online sales. We also believe that consumer preferences are changing and that consumers now prefer to shop at smaller, standardized stores, but with a greater variety of merchandise. The Company estimates that there will be close to 68.6 million customers in 2019.

E. APPLICABLE LAW AND TAX REGIME

Within the main applicable federal and local laws that govern us, we have the *Securities Market Law (Ley del Mercado de Valores); General Law of Commercial Companies (Ley General de Sociedades Mercantiles); Income Tax Law (Ley del Impuesto Sobre la Renta); Value Added Tax Law (Ley del Impuesto al Valor Agregado); Federal Fiscal Code (Código Fiscal de la Federación); Special Tax on Production and Services Law (Ley del Impuesto Especial sobre Producción y Servicios); Industrial Property Law (Ley de la Propiedad Industrial); Federal Consumer Protection Law (Ley Federal de Protección al Consumidor); Federal Law on the Protection of Personal Data Held by Individuals (Ley General de Protección de Datos personales en Posesión de Sujetos*

Obligados); Civil Protection Law (Ley General de Protección Civil); Federal Law on Economic Competition (Ley Federal de Competencia Económica); Law on Credit Institution (Ley de Instituciones de Crédito); General Law on Ecological Equilibrium and Environmental Protection (Ley General del Equilibrio Ecològico y Protección al Ambiente); the Anti-Money Laundering Law (Ley Federal para la Prevención de Operaciones con Recursos de Procedencia Ilicita); Civil Protection Law (Ley General de Protección Civil); and *Federal Law on Metrology and Standardization (Ley Federal sobre Metrología y Normalización)*.

Certain aspects of the retail sector in Mexico, including the Company's operations, are directly or indirectly subject to regulation by various governmental authorities at the federal, state and municipal levels. The most significant of these authorities are the *Ministry of Economy (Secretaría de Economía y Crédito Público); Ministry of Labor and Social Welfare (Secretaría del Trabajo y Prevision Social); Ministry of Health (Secretaría de Salud);* and the *Ministry of Agriculture and Rural Development (Secretaría de Agricultura y Desarrollo Rural)*; among others.

The *Ministry of Economy* regulates the prices at which the Company may sell basic food basket and pharmaceuticals products, and also verifies through the *Federal Consumer Protection Agency (Procuraduría Federal del Consumidor)* that all imported products have a label in Spanish specifying their origin and, as the case may be, the ingredients they contain, including the importer data, in accordance with Mexican Official Standards.

The *Ministry of Health* establishes the health requirements that the Company's stores must comply with. The Company believes that it is in full compliance with the Ministry guidelines that its operations meet or exceed all requirements imposed by this government body. Similarly, the Ministry verifies that the products sold in our stores comply with the corresponding health requirements and Mexican Official Standards.

The *Ministry of Agriculture and Rural Development* establishes the requirements that meat or vegetable products distributed and sold in our stores must comply with in regard to storage, transportation and marketing specifications. The Company considers that it is in full compliance with these requirements.

The *Ministry of Labor and Social Welfare* verifies that our establishments comply with the safety and hygiene measures indicated by current legislation, as well as with applicable Mexican Official Standards on safety and hygiene. To date, we believe that our establishments fully comply with such regulations.

The Company's compliance with federal, state and municipal regulations on the disposal of materials in the environment has not had a material effect on the Company's investments, earnings or competitiveness and is not expected to have a material effect in the future.

For the purchase and sale of certain goods, the Company incurs Value Added Tax and Excise Tax on Production and Services, as well as certain state taxes. At the state and municipal levels, the Company pays payroll taxes and property taxes on its real estate, as well as a possession tax on its motor vehicles.

The Company's earnings are subject to income tax, and all regulations pertaining to the Company's obligations as any other Mexican taxpayer are applicable. The Company does not have special tax benefits.

The *Income Tax Law (ITL)* establishes that the applicable rate for 2019 and 2018 and subsequent years is 30% on the taxable income.

See "Note 24 - Current and deferred income taxes", of the Financial Statements included in this Annual Report for further reference.

Climate change may affect the business significantly, but Management does not identify a differentiated effect against companies in the same line of business. The company may be affected by any law or government regulation related to climate change, but to date the company does not identify a potential material impact.

F. HUMAN RESOURCES

The Company has management level personnel with great experience and an average of more than 20 years working in the commercial sector. As of December 31, 2019, the Company had 12,200 employees, of which 979 were administrative and managerial employees, 689 employees at the CEDIS and 10,532 operational employees.

During the peak months of the year *(July and December)*, temporary employees may represent up to 5% more of the Company's workforce.

The Company is committed to training and during 2019 the following efforts were made for our employees:

a) New employees receive training designed to ensure compliance with policies regarding customer service, accident prevention and operating procedures, totaling an average of 28 days of training.
b) Our department heads specialize in administrative processes, exhibition practices and professional skills, dedicating a total of 15 days to their training on average.
c) Store Managers regularly receive external training by attending the ICAMI Institute to take the Management Skills Improvement Diploma with a duration of one year by attending a four-hour session per week.

All of the Company's employees receive ongoing training during their work. It should be noted that employees of the City Market format receive specialized training in product knowledge to enable them to offer excellent service within the store.

As of December 31, 2019, approximately 35% of the employees were members of a labor union. Unionized employees are members of various unions with which the Company has collective bargaining agreements. The economic terms of the collective bargaining agreements are renegotiated annually. The Company has not experienced any labor stoppages and management believes that it has a good relationship with its employees and unions.

Personnel are hired through various companies:

1. Operadora Comercial Mexicana; store and administrative personnel.
2. Operadora Sumesa; store personnel of the Sumesa format.
3. Cendis Logistic personnel; CEDIS personnel
4. Serecor; management staff.
5. Comercial City Fresko; executive staff.

G. ENVIRONMENTAL PERFORMANCE

We believe that the Company's own activities do not represent a high environmental risk; however, there are measures provided for by the relevant laws for the protection, defense or restoration of the environment, such as Periodic laboratory analyses of atmospheric emissions and wastewater discharge, thus ensuring that such emissions are within the parameters required by the applicable Mexican Official Standards.

The biodegradable plastic bags that we provide to our customers for the transportation of the goods they acquire in the different commercial units are plastic bags with the oxo-biodegradable technology, which is based on the introduction of polyolefin for the degradation of the material in a shorter period of time. These oxo-biodegradable plastics are plastic materials that undergo degradation in two stages, initially by an oxidative process that is promoted by the inclusion of catalytic additives and subsequently biodegradation. During the year 2019 we promoted the responsible consumption of plastic bags with our clients and collaborators; at the same time, we have integrated ourselves to the work strategies of some states and municipalities that have implemented the "No use of plastic bags." In the month of July, the municipality of Naucalpan, State of Mexico joined the campaign and four of our stores participated. Subsequently, in August three more stores were integrated, in Baja California Sur and finally, in September, the Fresko Avándaro store joined the strategy. As of January 1, 2020, 56 stores of the Company implemented this strategic plan with the purpose of reducing the consumption of plastic bags and joining the care of the environment. The consumption record of bags in 2019 was 15% less than in 2018. Also, the program to replace plastic bags with cardboard box containers, which are collected to be reused, has continued. During the second semester of the year 2019, we promoted the use of reusable bags among our customers, offering varieties of these at low cost with the purpose of reducing the consumption of plastic bags.

Among other activities, the Company collects paper and cardboard for recycling; there are permanent campaigns within the Company aimed at saving water and electricity; use of environmentally friendly cleaning chemicals in the areas of perishables and food; and proper management of urban waste and residues that require special handling, such as oil.

As part of the Company's efforts, environmentally friendly packaging has begun to be offered with the purpose of replacing plastic with PET. This is with the objective of entering into a circular economy in which the packaging acquired is made of a percentage of recycled material and in which the said packaging is 100% recyclable.

In 2018, the Company signed a contract with Naturgy: *Fuerza y Energía Bii Hioxo, S.A. de C.V.* to supply wind power to 17 of our stores. Additionally, the Company signed a contract with *Alfa Cogeneración de Altamira, S.A. de C.V.* to use clean electric energy from combined cycle generation. With these contracts, the Company intends to reduce its impact on the use of fossil fuels and make the operating costs of these stores more efficient, setting the stage for similar projects in the future. As of December 31, 2019, 27 of our stores were using some form of the clean electric power mentioned above. These alternatives are aimed at reducing and optimizing energy consumption and increasing energy efficiency. The process of change toward the use of clean sources of electricity has begun to yield positive results for the Company. We are working together with the state-owned company (CFE) to accelerate this process. At the end of December 2019, 36% of our total consumption came from clean sources. We are planning to achieve an 80% to 90% transformation of our electricity consumption from clean sources by 2020.

In the specific case of the operation of the Cold Chain Distribution Center, there is an implicit risk due to the handling of gases necessary for the cooling of the goods. However, this center has all the necessary precautionary measures to keep this risk under control.

Because the emission of refrigerants into the air has a direct impact on the contamination of the environment and because the reduction in the consumption of electrical energy also reduces the impact of contamination on the environment indirectly, during 2019 we continued with the program to update refrigeration equipment with economic benefits and less contamination. This refrigeration system, with high technology, presents important savings in the consumption of electrical energy and less use of refrigerants in volume, which consequently means that if there is a leakage, the emission to the environment is lower. The Company does not currently have any environmental recognition or certificate.

Climate Change factors that could affect the Company include one or more natural disasters, as well as geopolitical events such as civil unrest in the cities where we operate that could adversely affect our operations and financial performance. Such events could result in physical damage and/or partial or total loss of one or more of our stores or distribution centers, leading to the closure of the said stores or distribution centers.

Events such as hurricanes, floods and earthquakes could in any way alter and affect our operations in the areas where these events occur and adversely affect our business.

H. MARKET INFORMATION; COMPETITIVE ADVANTAGES

The self-service sector in Mexico is highly competitive and is presented in various formats focused on serving all social levels of the population: from public markets, convenience stores, miscellaneous product stores, grocery stores, as well as large stores and supermarkets. Additionally, the commercial chains are presented in different formats to cover the needs of the different social levels of the population in Mexico, offering different mixes of products in their stores. In the stores of the self-service sector, most of them offer grocery and perishable products, others offer general-line products and clothing and some self-service stores offer a larger general line of products, competing with the department store sector. It is estimated that in Mexico there are more than 58 thousand stores in their different formats of large companies and traditional formats that supply the population.

Commercial chains have developed various formats to serve specific consumers, so, according to the classification of the National Association of Self-Service and Department Stores, A.C. *(ANTAD; Asociación Nacional de Tiendas de Autoservicio y Departamentales)*, the following formats currently exist within the self-service sector: (i) hypermarkets, large stores offering a wide variety of products and all types of goods, from groceries and perishables, to clothing, electronics and general merchandise; (ii) supermarkets; medium sized shops with a limited variety of products, but that may also include, in addition to groceries and perishables, general merchandise; (iii) warehouses, which have a smaller variety of products and cheaper options; (iv) price clubs, which have memberships for their customers, offering select products for their members; (v) convenience stores, which offer basic products and are easily accessible; (vi) in addition, most of the self-service companies have sales through electronic channels, including the Internet and telephone, with home delivery that has expanded in recent years.

The self-service sector is characterized by high inventory turnover and low profit margins expressed as a percentage of sales. Profits depend primarily on maintaining a high volume of sales per store, the efficient purchase and distribution of products and the efficient operation of stores in terms of expenses.

La Comer is one of the self-service store chains focused on the management of supermarkets, described in paragraph (ii) of the classification of the ANTAD, with management of perishables and grocery products for the most part. The Company is mainly concentrated in the Mexico City metropolitan area, where approximately 56% of its stores are located as of December 31, 2019.

The Company competes with numerous local companies, local and regional supermarket chains and convenience stores, as well as small family-style miscellaneous and flea markets in the various locations in which it has operations. Among the main competitors are national chains with all their formats such as: *Walmex, Soriana and Chedraui*. In turn, the Company will compete in some cases with some convenience store chains *(Oxxo, 7 Eleven, Extra)* and family owned grocery stores. Also, the competition of retail sales via electronic channels, including internet and telephone with home delivery has increased. The Company competes with companies that offer this service.

The Company believes that its sales growth will be achieved through the opening of new units and its operating efficiency. The main competitive factors of its stores are location, price, promotion, customer service, quality and variety of merchandise.

I. MARKET INFORMATION BY LINE OF BUSINESS AND GEOGRAPHICAL ZONE

As of December 31, 2019, 2018 and 2017, the percentage contribution of *La Comer*'s retail formats is shown below:

	Stores in 2019	m^2	Stores in 2018	Stores in 2017
City Market	12	38,967	11	9
Fresko	14	42,328	11	10
La Comer	32	209,182	30	29
Sumesa	13	10,303	13	13
Total	**71**	**300,780**	**65**	**61**

The Company offers high quality perishable products and groceries. In some of its formats it offers general line products such as home appliances, technology and domestic appliances.

The following is the contribution to total sales by region as of December 31, 2019

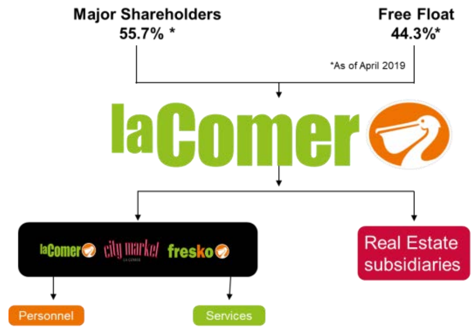
	Stores	m^2	% m^2
Mexico City Metropolitan Area	40	131,266	43,7%
Central & Western	27	144,161	47.9%
Northeastern	4	25,353	8.4%
	71	**300,780**	**100%**

J. CORPORATE STRUCTURE

The following table shows the corporate structure of *La Comer (including the ownership percentage of each subsidiary)* as of December 31, 2019:

Subsidiaries	% Ownership	Main Activities
Comercial City Fresko, S. de R.L. de C.V.	100 %	Self-service store chain with 71 units as of December 31, 2019. Owner of 35 stores, 378 commercial premises and a CEDIS.
Real estate subsidiaries	100 %	Two companies; one entity maintains a store, while the other maintains seven commercial premises, which are rented for restaurants.

Personnel companies	100 %	Four companies focused on providing personnel services (*executives; operational personnel; distribution center personnel).*
Services companies	100 %	Importation of products.



K. MAIN ASSETS

La Comer is a self-service business concentrated in the central zone of Mexico, in the Metropolitan area of Mexico City, mainly focused on operating supermarkets for groceries and perishables to serve the middle and upper classes of Mexico's population. As of December 31, 2019, the Company operated 71 stores in different formats. The units in their different formats are distributed in the metropolitan area of Mexico City and in the center of the Mexican Republic, with a presence in 13 states. Currently, the Company owns approximately 61% of the sales area of its units. As of December 31, 2019, the territorial reserve amounted to approximately 108 thousand m^2, divided into eight properties, five of which are located in the metropolitan area of Mexico City, three in the central area, and one in the northwestern area of the country.

As of December 31, 2019, none of the assets were pledged in guarantee.

The main assets as of December 31, 2019 are described below.

Format	**Description**	**Units**	**Sales Area m^2**
La Comer	Supermarket specialized in selling high quality food and groceries with basic and home products.	32	209,182
City Market	Self-service store with high quality gourmet products.	12	38,967
Fresko	Supermarket specialized in selling high quality food and groceries.	14	42,328
Sumesa	Supermarket focused on the sale of groceries and perishables.	13	10,303

The following table shows our proprietary space and our leased space in m^2 at the end of December 2019.

	Area (m^2)	**%**	**Stores**
Proprietary	183,930	61.2%	35
Leased	116,850	38.8%	36
	300,780	**100.00%**	**71**

The following table shows our proprietary space and our leased space in m^2 at the end of December 2018.

	Area (m^2)	%	Stores
Proprietary	189,708	69.6%	36
Leased	83,030	30.4%	29
	272,738	**100.00%**	**65**

The following table shows our proprietary space and our leased space in m^2 at the end of December 2017.

	Area (m^2)	%	Stores
Proprietary space	176,427	70.5%	33
Leased space	73,832	29.5%	28
	250,259	**100.00%**	**61**

The following table shows the sales space by format and the total number of stores as of December 31, 2019, 2018 and 2017

	2019	m^2	2018	2017
City Market	12	38,967	11	9
Fresko	14	42,328	11	10
La Comer	32	209,182	30	29
Sumesa	13	10,303	13	13
Total	**71**	**300,780**	**65**	**61**

Each of the Company's units is maintained in optimal condition to meet consumer needs. The image of all the stores, both indoors and outdoors, presents a distinctive image of the Company. During 2016 and 2017, in order to adapt some stores to a better distribution on the sales floor, minor and major renovations were carried out in four units. In 2017, the Company closed a store in Mexico City for a total remodeling, which reopened in March 2018. During 2019, the Company remodeled five units.

The Company is in an expansion program in which it plans to start four to eight stores each year for the next five years. This expansion is part of the Company's strategy to better compete in a market with much larger players, replicating the same store concepts we already have. There is no precise estimate of the investment amounts that such an expansion program will require since it depends on multiple factors. However, the Company estimates that the said program can be financed both with the Company's current cash resources and with the EBITDA generated by the Company. We estimate that the additional sales generated by this expansion will represent a significant part of the Company's total sales. However, we cannot assure that the profitability of the new stores will be similar to the profitability of the current business.

There are multiple conditions for such an expansion program to take place, including: identifying locations with good commercial potential for our store concepts; negotiating acceptable economic purchase or rental conditions; obtaining construction and operating permits from the relevant authorities; and executing the construction and installation of the stores. The Company cannot assure that these conditions will be met and that the expansion plan will be properly executed.

In addition to this expansion program, the Company expects to continue the process of remodeling several of its stores each year.

The Company maintains all of its risk policies or hazard insurance *(including insurance for losses resulting from hurricanes and earthquakes)* and business interruption insurance. Fixed assets in each of the Company's business units are covered for a replacement cost at market value. The Company additionally maintains an insurance policy that protects losses from shipments.

L. LEGAL PROCEEDINGS

At present, there are no judicial, administrative or arbitral proceedings that could substantially affect the operation of the Company.

M. STOCK REPRESENTING THE SHARE CAPITAL

The Company's capital stock is represented by 4,344,000,000 Series B and Series C shares, which are grouped in 1,086,000,000 linked units, without expression of nominal value. Each of these linked units comprises four shares. The UB type units are comprised of four Series B shares, while the UBC type units are comprised of three Series B shares and one Series C share, which has no voting rights. All shares are common, nominative and have no par value.

The paid-in capital is represented by 1,086,000,000 linked units, of which 605,457,398 correspond to UB units and 480,542,602 to UBC units. As of December 31, 2019, there were 3,863,457,398 type B shares and 480,542,602 type C shares.

As of December 31, 2019, the subscribed and paid-in capital stock amounted to $1,086'000,000.00

The Issuer's bylaws state that the linked UB units may be converted into UBC units at any time, either through the Secretary of the Board of Directors of *La Comer*, or through Indeval. Therefore, the composition of the UB and UBC units is dynamic.

N. DIVIDENDS

In its four years of operation the Company has not paid dividends, since all of its operating cash flow has been reinvested in openings and store format upgrades in order to grow in the sales area as quickly as possible, but in the future the Company may consider declaring dividend payments.

III. FINANCIAL INFORMATION

1. SELECTED FINANCIAL DATA

The information in the earnings statement and financial position statement presented below is derived from the Company's Financial Statements. Such information should be red jointly with the consolidated financial statements *(and their notes)*, included in this Annual Report. The figures as of December 31, 2019, 2018 and 2017, are presented in millions of Mexican pesos. *(See "General Information - Glossary of Terms and Definitions - Presentation of Financial and Economic Information").*

Income Statement (million pesos)	**2019**	**2018**	**2017**
Net sales	**$ 21,591**	**$ 19,119**	**$ 16,554**
Cost of sales	15,698	14,081	12,305
Operating expenses	4,831	4,243	3,662
Other income (expenses), net	55	252	189
Depreciation and Amortization	861	705	602
Operating income	**1,117**	**1,047**	**777**
Comprehensive financing result	10	140	118
Earnings (loss) before taxes	**1,127**	**1,187**	**895**
Income Tax	91	98	113
Net income (loss)	**1,036**	**1,089**	**782**
EBITDA	**1,978**	**1,752**	**1,379**
EBITDA / Sales	9.2%	9.2%	8.3%
Operating income/ sales	5.2%	5.5%	4.7%
Linked Units (millions)	1,086	1,086	1,086
*Earnings per Linked Unit	0.95	1.00	0.72

* Mexican pesos

Balance Sheet	**2019**	**2018**	**2017**
Cash and cash equivalents	2,391	2,602	2,545
Inventory	3,260	2,672	2,376
Property and equipment, net	13,385	12,130	10,863
Intangible assets	6,278	6,278	6,278
Other assets	3,589	2,354	2,523
Total Assets	**28,903**	**26,036**	**24,585**
Suppliers	3,228	2,940	2,722
Other liabilities	2,658	1,093	1,026
Total Liabilities	**5,886**	**4,033**	**3,748**
Consolidated Shareholders' Equity	23,017	22,003	20,837
Total Liabilities plus Shareholders' Equity	**28,903**	**26,036**	**24,585**

Annual Performance Data	**2019**	**2018**	**2017**
Same store sales growth	6.5%	8.2%	11.3%
Food product sales contribution	79.4%	79.0%	78%
Non-food product sales contribution	20.6%	21.0%	22%
Sales per m^2 (Thousand pesos)	$ 72	$ 70	$ 66
Sales per operative in-store worker (Thousand pesos)	$ 2,050	$ 2,044	$ 1,842
Average Inventory Conversion Ratio (days)	75	68	70
Average Payable Conversion Ratio (days)	74	75	80

Operating Data	**2019**	**2018**	**2017**
Stores at year-end	71	65	61
Sales area (m^2)	300,780	272,738	250,259
Workers	12,200	10,873	10,438
Operative in-store workers	10,532	9,356	8,986
Tickets (thousands)	68,649	64,303	60,450

IFRS 16 came into force on January 1, 2019. The result affected almost all leases that are recorded in the balance sheet as lessees, as the distinction between finance and operating leases is eliminated. In accordance with the new standard, the right to use the leased asset was recognized on the asset account and the contractual obligation to pay rent on the liability line.

The results presented in 2019 include the effects of IFRS 16.

During 2018, IFRS 9 and IFRS 15 came into force. The data presented in 2018 and its comparison against 2017 include the effects of the application of these standards.

Due to these standards, minor data reclassifications were made in various income statement items without affecting pre-tax income.

During 2017 and 2018 there were property sales that generated operating profits of $196 million and $230 million, respectively. These effects are extraordinary and non-recurring. No additional uncertainties or factors have been identified that would make the information presented not indicative of future performance.

2. FINANCIAL INFORMATION BY BUSINESS SEGMENT

As of December 31, 2019, 2018 and 2017, the distribution of the Company's formats by stores and retail area is shown below:

	Stores 2019	m^2	Stores 2018	Stores 2017
City Market	12	38,967	11	9
Fresko	14	42,328	11	10
La Comer	32	209,182	30	29
Sumesa	13	10,303	13	13
Total	**71**	**300,780**	**65**	**61**

The stores operated by the Company offer a mix of food and non-food products. Management classifies the Company's sales into four main product lines: *perishables, groceries, general lines and health, hygiene* and *beauty*. Perishables is comprised of the categories of meat, fruits, vegetables, frozen and prepared foods; groceries include edible and other non-edible products, while health and beauty is integrated by pharmaceuticals and personal care products.

The distribution of sales area by geographic region as of December 31, 2019 is shown below. The largest portion of the Company's revenues is concentrated in the Mexico City metropolitan area.

	Sales contribution	Stores	m^2
Mexico City Metropolitan Area	62.2%	40	131,266
Central	24.0%	19	106,657
Western	7.9%	8	37,504
Northern and Northwestern	5.9%	4	25,353
Total	**100%**	**71**	**300,780**

All of the Company's sales are locally produced, and the Company has no foreign operations.

3. INDEBTEDNESS

Currently, the Company does not have any credit, either of a relevant or of a fiscal nature, since it only has factoring lines for suppliers and letters of credit for imports. However, the Company may find it necessary to borrow capital or issue additional stock to fund working capital and capital expenditures or for acquisitions and other investments in the future.

4. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and analysis by the Company's management should be read jointly with the Financial Statements and notes included in this Annual Report. The Financial Statements as of December 31, 2019 and 2018 are presented in millions of pesos and have been prepared in accordance with IFRS.

A. Results of Operation

Analysis of the results for the year ended December 31, 2019 and 2018

The results presented in 2019 include the effects of IFRS 16. This standard affected the Company mainly due to Real Estate rental contracts for some of the stores it operates, and some transportation equipment rental contracts.

For this report and for comparison purposes, we present the 2018 pro-forma IFRS 16, with the best estimates of management, applying the same criteria that were used for the application of the standard in 2019. The retroactive effects of IFRS 16 are not audited but are based on the 2018 audited figures. The pro-forma figures, including the adjustment for the extraordinary effect of the gain on sale of a property in 2018, are presented below:

	As of December 31			*Proforma 2018		var. vs 2019
	2019	%	**2018**	**2018**		
Net sales	**21,591.4**	100.0	**19,119.1**	**19,119.1**	100.0	**12.9%**
Cost of sales	15,698.4	72.7	14,081.2	14,080.8	73.6	11.5%
Gross income	5,893.0	27.3	5,037.9	5,038.3	26.4	17.0%
Operating expenses	4,775.7	22.1	3,990.4	4,144.5	21.7	15.2%
Operating income	**1,117.3**	5.2	**1,047.5**	**893.8**	4.7	**25.0%**
EBITDA [1]	1,978.0	9.2	**1,752.8**	1,685.1	8.8	**17.4%**
Operating cash flow [2]	**1,783.1**	8.3	**1,752.8**	**1,522.7**	8.0	**17.1%**
Comprehensive Financing Result	9.7	0.0	140.3	26.7	0.1	-63.7%
Taxes and other	(90.9)	(0.5)	**(98.4)**	**(40.6)**	(0.2)	177.6%
Net income	**1,036.0**	4.7	**1,089.3**	**880.0**	4.6	**15.4%**

Note: Figures and discussion of results are presented in millions of pesos.
(1) EBITDA refers to operating income before depreciation and amortization.
(2) EBITDA refers to EBITDA minus rental income. EBITDA without applying IFRS 16.
** 2018 Pro forma financial information, includes effects of IFRS 16 and excluding $230 million of extraordinary operating income from the sale of property.*

As of December 31, 2019, there were 71 self-service stores; while as of December 31, 2018, there were 65 self-service stores. During 2019, six stores were opened: one *City Market* store, two *La Comer* stores and three *Fresko* stores. Sales area showed a 10.3% increase from 272,738 m^2 in 2018 to 300,780 m^2 in 2019.

Net Sales

During 2019, total sales amounted to $21.591 billion, an increase of 12.9% over the previous year. Consolidated same-store sales for the year increased by 6.5%. These increases are due to the Company's value proposition and the good acceptance that our formats have had, with a clear differentiation at market. During the last three years, the Company has recorded increases in same-store sales higher than the growth observed by any other public participant in the self-service sector.

All formats, regions and categories show positive performance, but the *Fresko* format recorded the highest total sales increases in the period, helped by the openings in this format.

By region, the highest growth in same-store sales was observed in the western region of the country. By product category, we can highlight that there were higher increases in the perishable's category.

This positive sales growth result occurred despite the negative effect observed due to the change in the federal government's policy of dispersing social vouchers. Previously, this was done through the delivery of grocery vouchers that had to be used only in formal stores.

Cost of Sales

Cost of sales decreased as a percentage of sales from 73.6% in 2018 to 72.7% in 2019 due to the positive effect of the change in the product mix of sales by format, as well as higher sales of differentiated products, which represent a higher margin.

Gross Profit

Gross profit presented a margin of 27.3% as a percentage of sales, with an increase of 17.0%. This was due to cost improvements and overall efficiencies in our distribution centers.

Additionally, during the year we obtained greater logistical efficiencies that represented a lower cost of warehousing and distribution of products. In addition, we maintained controlled levels of shrinkage and fluctuations.

Expenses; Operating Income

In 2019, operating income of $1.117 billion was recorded, presenting an operating margin of 5.2% and an increase of 25.0% against the pro-forma of the previous year. It is worth remembering that in 2018 there were extraordinary effects from the sale of a property that represented a profit of $230 million for the Company.

During this period, there was a significant increase in salary and wage expenses, advertising, expenses for our e-commerce platform *"La Comer en tu Casa"*, and opening expenses.

EBITDA

The EBITDA margin was 9.2% with respect to sales, generating cash flow of $1.978 billion and growing 17.4% against pro-forma EBITDA for 2018.

Operating cash flow *(EBITDA less rental payments)* for 2019 was $1.783 billion, an increase of 17.1% compared to the same period in the previous year, excluding extraordinary income in 2018. The EBITDA margin for 2019 was 8.3%, compared to 8.0% in the same period of the previous year.

Comprehensive Financing Result

The Company presented a net comprehensive financing result of $10 million consisting primarily of $153 million of investment income, less the effect of interest on leases of $141 million *(in accordance with the new IFRS 16)*, and due to foreign exchange fluctuations.

Taxes and Net Income

An income tax of $91 million was reported during this period.

As a result, net income for the year was $1.036 billion.

Analysis of results for the year ended December 31, 2018 and 2017

	2018	%	2017	%	Var.
Net sales	**19,119**	100.0%	**16,554**	100.0%	15.5%
Cost of sales	14,078	73.6%	12,305	74.3%	14.4%
Gross income	**5,041**	26.4%	**4,249**	25.7%	18.6%
Selling expenses	3,535	18.5%	2,990	18.1%	18.2%
Administrative expenses	711	3.7%	672	4.1%	5.7%
Other income	265	1.4%	260	1.6%	1.9%
Other expenses	13	0.1%	71	0.4%	-82.1%
Operating income	**1,047**	5.5%	**777**	4.7%	34.8%
Financial income	281	1.5%	225	1.4%	25.1%
Financial expenses	141	0.7%	106	0.6%	32.7%
Earnings before taxes	1,188	6.2%	895	5.4%	32.7%
Income tax	98	0.5%	113	0.7%	-12.8%
Net income	**1,089**	5.7%	**782**	4.7%	39.3%
Depreciation and Amortization	705	3.7%	603	3.6%	17.1%
EBITDA	**1,753**	9.2%	**1,380**	8.3%	27.1%

Note: Figures and results discussion are presented in millions of pesos.

As of December 31, 2018, there were 65 self-service stores; as of December 31, 2017, there were 61 self-service stores. During 2018 four stores were opened: two *City Market*, one store in *La Comer* format and one *Fresko* store, in addition to the reopening of a *La Comer* store in Mexico City. A store in Mexico City was closed during the year. The sales area showed a net increase of 9.0% from 250,259 m^2 in 2017 to 272,738 m^2 in 2018.

Net Sales

Total sales amounted to $19.119 billion, an increase of 15.5% over the previous year. Consolidated same-store sales for the year increased by 8.2%. These increases were due to the Company's value proposal and the good acceptance that our formats have had, with a clear differentiation in the market. During all the quarters of the last two years, the Company has presented increases in same-store sales superior to the growth presented by any other participant in the self-service sector published by *ANTAD*.

Total sales were driven by new stores, as well as by the *La Comer* Insurgentes store, the latter having reopened in March 2018, after having been closed for remodeling work.

All formats, regions and categories showed positive numbers, but the City Market format as well as the *Fresko* format showed the highest sales increases in the year. It is worth mentioning that the *La Comer* and *Sumesa* formats also presented significant increases in sales due to a better product mix offered in these formats.

By region, a greater growth in same-store sales was observed in the Western region of the country, since the stores that opened there during 2016, still present important increases in sales.

Cost of Sales

Cost of sales decreased as a percentage of sales from 74.3% in 2017 to 73.6% in 2018 due to the positive effect of the change in the product mix of sales by format, as well as increased sales of differentiated products. Additionally, higher efficiencies in warehousing and distribution costs of products were obtained during the year, reporting an improvement in logistics costs.

Gross Profit

The gross profit presented a margin of 26.4% as a percentage of sales, presenting a growth of 70 basis points against the previous year and an increase of 18.6%. This was due to cost improvements and overall efficiencies in our distribution centers.

In addition, during the year we obtained greater logistics efficiencies that represented a lower cost in the warehousing and distribution of products. In addition, we maintained controlled levels of shrinkage and fluctuations.

Expenses; Operating Income

Operating profit for the year grew by 34.9% with a margin of 5.5% over sales.

There were extraordinary effects during the years 2018 and 2017 when the sale of two properties was made, representing for the Company a profit of $230 million in 2018 and $196 million in 2017, affecting the item of other income and expenses.

Excluding these extraordinary gains, operating income for the year increased by 40.6% with an operating margin of 4.3%.

During this period, we significantly increased our advertising, electricity, and payroll expenses, as well as expenses for improvements to our e-commerce system. Also included are claims expenses and income, expenses for the closure of a store at the beginning of the year, and pre-operating expenses.

EBITDA

The EBITDA margin stood at 9.2% over sales, representing an operating cash flow of $1.753 billion. Without considering extraordinary profits, the EBITDA margin would be 8.0%, representing an operating cash flow of $1.523 billion, 28.6% more against the figure observed in the previous year.

Comprehensive Financing Result

The Company registered a net comprehensive financing result of $140 million. There were net financial products of $281 million from investment returns and foreign exchange gains and $141 million *(mostly net from foreign exchange losses)*. It is the Company's policy to maintain the estimated requirements for the business' own obligations expressed in U.S. dollars.

Net Income

In 2018, an income tax of $98 million was reported.

As a result, net income for the year was $1.089 billion compared to $782 million for the same period in the last year, an increase of 39%.

B. Financial Condition

The Company has no financial debt as of December 31, 2019.

The Company has lines of credit for the ordinary course of the business *(overdraft, foreign currency purchase and sale, leasing, factoring and letter of credit facilities)*.

The Company recorded during this period a cash balance of $2.391 billion, presenting a difference of $210 million against the cash balance at December 2018. The Company invested in new store openings in the year, as well as in future projects. Inventory levels were $3.26 billion and the supplier account stood at $3.228 billion. Inventory and supplier turnover were 75 days and 74 days, respectively, at the end of the year.

During 2019, investment in plant and equipment was $1.917 billion. During 2018, investment in property, furniture and equipment, and premises improvements decreased by 12.4%, from $2.115 billion in 2017 to $1.852 billion in 2018. This decrease is explained by the fact that during 2017, land was acquired for the opening of future stores.

EBITDA amounted to $1.753 billion in 2018 and $1.379 billion in 2017, with a margin over sales of 9.2% and 8.3%, respectively.

From January 1 to December 31, 2018, inventories increased 12.4% year-over-year from $2.376 billion at the beginning of the year to $2.672 billion by the end of 2018.

The following table shows the investments in fixed assets made by the Company during the year 2019, 2018 and 2017:

Million pesos	**2019**	**2018**	**2017**
Construction and installation	620	923	804
Layouts	361	142	634
Furniture and equipment	936	787	677
Total	**$1,917**	**$1,852**	**$2,115**

Capital expenditures of $1.917 billion during 2019 were focused on the opening of the six units in the year, as well as maintenance investments needed to carry out remodeling in three stores.

Cash policy

As a result of the Company's operations, its liquidity is immediately available through the collection of payments at its cash registers for products acquired by customers in its stores, in addition to the management of a higher inventory turnover in relation to the days of accounts payable to suppliers.

As of December 31, 2019, 2018 and 2017, payments made by customers through different payment means were classified as follows:

	2019	**2018**	**2017**
Cash	33%	35%	37%
Credit and debit cards	59%	56%	54%
Food vouchers	6%	7%	7%
Other	2%	2%	2%
Total	**100%**	**100%**	**100%**

As a matter of policy, the Company may maintain certain positions in U.S. dollars only to cover estimated expenses for business obligations expressed in that currency.

Policies applicable to Treasury management

The main responsibility of the treasury area consists of the adequate concentration of the resources generated by the sales carried out by the Company and its management to face its investment, operational, financial and fiscal commitments. In the fulfillment of these activities, the Company seeks to carry out an adequate distribution of its resources through efficient communication systems with the financial institutions with which it operates. Cash surpluses are centrally invested at the best rates of return in low risk instruments with short-term government or bank guarantees in order to minimize risk exposure and preserve the Company's equity.

Monetary Resources

The Company maintains its resources in local and foreign currency. The position of resources in local currency represents the majority of the Company's resources, since most of the operations are carried out with suppliers and customers located in the country. There are letters of credit with which the Company can finance a smaller portion of its commercial operations.

Likewise, the Company carries out operations in foreign currency for the acquisition of imported merchandise with foreign suppliers. There is currently no financial debt denominated in U.S. dollars or any other currency.

It is the Company's practice to maintain a balance available in various foreign currencies for short-term obligations in such currencies, for normal business operations and for investment in its growth plan.

Cash flow

Cash flow at December 31:

	2019	**2018**	**2017**
Cash and cash equivalents at the beginning of the year	2,602	2,545	3,225
Operating activities	1,795	1,357	1,009
Investing activities	(1,772)	(1,368)	(1,631)
Financing activities	(233)	68	(58)
Cash and cash equivalents at the end of the year	2,391	2,602	2,545

Millions of pesos

Cash flow from operating activities has been growing significantly *(34.5% in 2018 and 32.3% in 2019)*, especially driven by the Company's profit generation and due to the moderate effect of changes in the Company's main working capital accounts, mainly supplier accounts and inventories.

The Company's expansion plan, with the opening of new stores, is the main reason for the cash flow requirement for the investment activities account; where the annual amount required is determined primarily by the execution of new store openings. Cash flow generated by operating activities represented 99.2% of the cash flow required for investing activities in 2018 and 101.3% in 2019; therefore, practically all of the cash flow required for investing activities was financed with cash flow from operating activities.

C. Controls

The internal control structure established by the Company's management is composed of various management and oversight bodies such as the Board of Directors, the Audit Committee, the Corporate Practices Committee, the Planning Committee and the Management Committee.

Additionally, there are several controls that contribute to strengthen corporate governance actions, such as the Code of Ethics, the Code of Best Corporate Practices and a telephone number for complaints, where any breach of the Code of Ethics may be reported.

Our disclosure controls and procedures are reviewed by the Audit Committee and the Chief Executive Officer to ensure effective disclosure and that the consolidated financial statements present fairly the consolidated financial position and results of operations for the periods presented.

The Company has central information systems through which the Company's operations are recorded for accounting purposes, as well as processes and policies that provide us with reasonable assurance that transactions are executed and recorded in accordance with management and in conformance with applicable international financial reporting standards.

There were no changes in our internal control over financial reporting during 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

5. CRITICAL ACCOUNTING ESTIMATES, PROVISIONS OR RESERVES

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. Areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant in regard to the consolidated financial statements are described in Note 4 to the consolidated financial statements included in this Annual Report.

The Company believes that while historical experience, current trends, or other factors may be considered in the preparation of its IFRS consolidated financial statements, actual amounts may differ from those estimates.

The Company believes that the following accounting estimates include, to a large extent, value judgments and/or complex transactions, and they are therefore considered to be critical accounting estimates. The Company's management has discussed and selected these accounting estimates jointly with the Audit Committee, and the Audit Committee has reviewed the published information on these estimates.

The estimates and assumptions are reviewed on an ongoing basis and are based on experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

Critical Accounting Estimates and Assumptions

The Company's management must make certain judgments and estimates, and consider assumptions about the future. The resulting accounting estimates will, by definition, rarely equal the actual results. The estimates and assumptions that have a high risk of resulting in a significant adjustment to the book value of assets and liabilities within the next fiscal year are mentioned below:

Note 16 - Reverse factoring: presentation of amounts related to supplier financing agreements in the balance sheet and the cash flow statement.

Note 27 - Term of the lease: if the Company is reasonably certain that it will exercise extension options.

Information on assumptions and estimation uncertainties as of December 31, 2019 that have a risk that could result in an adjustment to the book amounts of assets and liabilities in the next financial year is included in the following notes:

Note 14 - Tests for impairment of intangible assets.

Note 18 - Recognition and measurement of provisions and contingencies: key assumptions related to the probability and magnitude of an outflow of economic resources.

Note 19 - Measurement of defined benefit obligations: key actuarial assumptions.

Note 24 - Recognition of deferred tax assets: availability of future taxable income against which deductible temporary differences and offsetting losses obtained in prior periods may be used.

a. Determination of income tax

Professional judgment is required to determine the provision for income tax. There are certain transactions and calculations for which the determination of the definitive tax provision may be uncertain (see Note 24 in the consolidated financial statements included in this Annual Report). Therefore, some significant management judgment is required in determining the provision for income tax. The Company recognizes a liability for tax matters based on estimates of whether additional taxes may be due. When the final tax on these matters is different from the amounts originally recognized, such differences will impact the current and deferred tax asset and/or liability in the period in which the difference is determined. As of December 31, 2019, there are no uncertain tax positions.

To assess the recoverability of the deferred tax asset, it is measured through the estimated future profits included in the annual depreciation test of long-duration assets.

b. Estimated recoverable value of non-monetary assets.

The Company reviews the recoverable value of non-monetary assets at the end of each period. This evaluation is made in accordance with depreciation tests determined on an annual basis, or when there is an indication of depreciation. The determination of the recoverable value of non-monetary assets involves significant judgments, such as the estimation of future business results and the discount rate applied to projections. In the opinion of the Company's management, the projections used to determine this recoverable value reasonably reflect the economic conditions of the Company's operating environment.

6. ADDITIONAL PUBLIC INFORMATION

Overview

La Comer, S.A.B. de C.V. was created as a result of the spin-off of *Controladora Comercial Mexicana, S.A.B. de C.V. (CCM)*, whose term to take legal effect was completed on January 4, 2016. It was listed on the MSE as a trading company on that same date. *La Comer* is a holding company that mainly invests in companies related to the purchase, sale and distribution of groceries, perishables and general merchandise.

Corporate Restructuring

i. Pledge of Public Offering Contract

On January 28, 2015, the then controlling shareholder of *Controladora Comercial Mexicana, S.A.B. de C.V.* (*CCM*, holder of the Company until January 2016) and *Organización Soriana, S. A. B. de C. V. (Soriana)*, entered into an Initial Public Offering Agreement *(the "Agreement")*, establishing the basis for the initial public offering, which was subject to the fulfillment of certain conditions, including the authorization of the *Federal Antitrust Commission (COFECE; Comisión Federal de Competencia Económica)*, stock exchange authorities and corporate approvals. The business under the *City Market, Fresko, Sumesa* and several other stores, which in total amounted to 54 stores, was not part of this spin-off and would be kept in order to be operated by the then controlling shareholder of *CCM*, for its future development, due to its potential growth and profitability. This contract also imposed certain restrictions and obligations on the spun-off company (later known as *La Comer*).

ii. Corporate Restructuring and Takeover Bid

On July 2, 2015, *CCM*'s Extraordinary Shareholders' Meeting approved the initiation of the process, subject to conditions to be resolved by the COFECE and regulatory authorities such as the *MSE* and the *CNBV*, to split the Company into two legally distinct economic entities, whose financial, operational and legal effects, including the form, term and other mechanisms, will be established once the transaction has been authorized in all its terms at a Shareholders' Meeting, as well as by the *COFECE, MSE*, and the *CNBV*.

On October 9, 2015, the COFECE's plenary session issued the notification regarding the transaction between *CCM* and *Soriana* to carry out the split of the Company into two independent entities, which would result in the sale of 143 owned and self-service stores of the *Mega, Tiendas, Bodega* and *Alprecio* formats and a lease agreement to *Soriana*. Likewise, by means of the said notification, the Plenary of *COFECE* objected to this transaction in the terms in which it was redacted, since it considered that the process of competition and free market participation could be harmed in some of the units subject to the sale, and imposed certain conditions that had to be met by Soriana in order for the transaction to be considered authorized. Among the options that the plenary session of the *COFECE* gave to *Soriana* to close the transaction were: to refrain from buying 26 stores or to buy them, but then sell them within a set period. It should be noted that the acceptance and compliance with the conditions imposed by the *COFECE* plenary would allow both companies to continue with the process of closing the transaction.

On October 21, 2015, *Soriana* submitted to *COFECE* the plan with the 14 units that would not be acquired and the 12 units that would be subject to a sale process within the term established by the regulator, This cleared the way for the closing of the transaction and the acquisition of the Company's shares, subject to all legal conditions and procedures established by the *CNBV* and the *MSE* and for the launching of an Initial Public Offering (IPO) for up to all the shares representing the Company's capital stock, linked to the spin-off process of the two companies: the first, which remained as *Controladora Comercial Mexicana, S.A.B. de C.V.*, and which was acquired by *Soriana*; and the second, which was named *La Comer, S.A.B. de C.V. (La Comer)*, which would control the operation of the stores that were not subject to the sale, including the *City Market, Fresko* and *Sumesa* formats. The date of approval, by the *CCM* shareholders' meeting, for the formalization of the spin-off was November 10, 2015.

On December 7, 2015, Tiendas Soriana, S. A. de C. V., *Soriana*'s main subsidiary, initiated a public tender offer for 20 business days. As a result, on January 6, 2016, it acquired 96.31% of the capital stock of *CCM*.

iii. CCM SPIN-OFF

On January 4, 2016, the legal period of 45 calendar days for the spin-off of *CCM* ended without the initiation of any legal opposition proceedings. Therefore, as of this date, the spin-off of *CCM* took legal effect and it survived as a new corporation with the character of a spun-off company called *La Comer, S.A.B. de C.V.*, whose shares were listed on the *MSE* as of the same date. It thereupon became the new holder of the shares of *Comercial City Fresko, S. de. R.L. de C.V.*, the main subsidiary of *La Comer*.

On January 8, 2016, *Soriana* settled the offering at market. Subsequently, *Soriana* became the controlling shareholder of *CCM*.

Once the spin-off of *CCM* was completed, the shareholders of that company received new shares representing the capital stock of *La Comer (spun-off company)*, in a percentage equivalent to the percentage they had in *CCM*'s capital stock on the date of the transaction.

IV. MANAGEMENT

A. EXTERNAL AUDITORS

As a result of the resolution adopted by the Company's Board of Directors on July 23, 2019, following the recommendation issued by the Audit Committee through its Chairman, *KPMG Cárdenas Dosal, S.C.* was appointed as the external auditor of the Company's basic financial statements, in order to comply with the obligations established in the *General Provisions Applicable to the Entities and Issuers Supervised by the CNBV contracting the External Audit Services of Basic Financial Statements*. The CNBV was informed of the change on July 27, 2019. Thus, the consolidated financial statements of the Company as of December 31, 2019, were audited by KPMG.

The Company's consolidated financial statements as of December 31, 2018, 2017 and 2016 were audited by *Price waterhouse Coopers, S.C. (PwC)*, an external auditing firm.

The appointment of the external auditors is made by the Board of Directors, with the support of the Audit Committee, which evaluates the performance of the external auditors. The Audit Committee serves as a communication channel between the Board of Directors and the external auditors.

The external auditors have not issued a qualified or negative opinion, nor have they abstained from issuing their opinion on the Company's consolidated financial statements.

The fees approved for the audit of the financial statements and other services (transfer pricing and tax opinion) as of December 31, 2019, amounted to $5.4 million, 80% of which corresponds to the audit of the financial statements.

B. TRANSACTIONS WITH RELATED PARTIES; CONFLICTS OF INTEREST

The Company has conducted and expects to continue to conduct a wide variety of related party transactions and therefore the Issuer plans to follow this scheme. The Company has Audit and Corporate Practices Committees that conduct an independent review of related party transactions to verify whether such transactions are in the normal course of business and have been entered into on an arm's length basis.

The main balances of the Company's transactions with related parties as of December 31, 2019 and 2018, are shown below. (See Note 20 - Related Parties, of the consolidated financial statements included in this Annual Report).

		2019	2018
Accounts receivable from affiliates:			
Tintorerías Gofer, S.A de C.V [g]	$	51	-
Total	$	**51**	**-**

Thousand pesos

		2019	2018
Accounts 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
Other related parties		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**

Thousand pesos

During the period ending December 31, 2019 and 2018, the following transactions were entered into with related parties

		2019	2018
Expenses:			
Purchasing [a]	$	342,152	273,875
Civil works [c]		136,045	379,529
Services [b]		80,704	98,970
Brochures [d]		12,593	13,045
Other		8,196	4,131
Total	$	**579,690**	**769,550**

Thousand pesos

		2019	2018
Income:			
Leases [e]	$	17,858	39,777
Services [f]		11,594	2,826
Sale of Real Estate (*)		-	349,488
Total	$	**29,452**	**392,091**

Thousand pesos

a) Purchase of various goods such as clothing, groceries, general and household products for sale to the public through stores, which 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. and Alimentos del Campo y Ganadería, S. A. de C. V.
b) Payment for executive services rendered to several of the Group's affiliates.
c) Payment for 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 the stores.
e) Income received from the rental of premises, which was mainly made 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 of the consolidated financial statements included in this Annual Report).

Remuneration of key management personnel

The total amount of short-term direct benefits granted to key management personnel or relevant executives amounted to $156 million and $140 million up to December 31, 2019 and 2018, respectively. (See Note 2.18 of the consolidated financial statements included in this Annual Report).

As of December 31, 2018 and 2017, the Company's principal balances from transactions with related parties are shown below:

		2018	2017
Accounts receivable from affiliates:			
Recolectapel, S.A. de C.V.	$	-	187
Bed Bath & Beyond, S. de R.L. de C.V.		-	79
Other third parties		-	16
Total	$	**-**	**282**

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

(See Note 21, Related Parties, of the consolidated financial statements included in this Annual Report).

As of December 31, 2017 and 2016, the following are the main balances that the Company had from transactions with related parties:

		2017	2016
Accounts receivable from affiliates:			
Recolectapel, S.A. de C.V.	$	187	574
Bed Bath & Beyond, S. de R.L. de C.V.		79	55
Other third parties		16	157
Total	$	**282**	**786**

		2017		2016
Accounts payable to affiliates:				
VCT & D&G de México, S.A. de C.V. [a]	$	13,873	$	9.556
Mercantil Cuatitlán, S.A. de C.V. [a]		11,859		11,322
Alimentos del Campo y Ganadería, S.A. de C.V. [a]		4,947		3,910
Importadora y Distribuidora Ucero, S.A. de C.V. [a]		4,311		2,464
Other third parties		2,355		1,924
Distribuidora de Productos Pha, S.A. de C.V. [a]		1,988		-
Operadora de Servicios Tirsa, S. de R.L. de C.V.		1,829		-
Manufacturas y Confecciones Agapsa, S.A. de C.V. [a]		1,783		1,475
Unimold, S.A. de C.V. [a]		587		314
Nova Distex, S.A. de C.V.		408		494
Seamless Global Solutions, S.A de C.V.		330		329

Comercial Reyport, S.A. de C.V.		59		316
ALO Innovations, S.A. de C.V.		6		1,120
Inverglez, S. de R.L. de C.V.		-		152,077
Rigiflex, S.A. de C.V.		-		2,015
Total	$	**44,335**	**$**	**187,316**

During the periods ending on December 31, 2018 and 2017, the following transactions were entered into with related parties, which were carried out as if the terms for transactions entered into with related parties were equivalent to similar transactions entered into with independent third parties:

		Dec. 2018	Dec. 2017
Exprenses:			
Civil works [c]	$	379,529	286,935
Purchase of goods [a]		273,875	265,360
Services [b]		98,970	69,278
Brochures [d]		13,045	10,138
Other		4,131	1,029
Total	$	**769,550**	**632,740**

		Dec. 2018		Dec. 2017
Income:				
Sale of investment properties *	$	349,488	$	300,722
Rents [c]		39,777		55,379
Services		2,826		1,143
Total	$	**392,091**	**$**	**357,244**

[a] Purchase of various goods such as clothing, groceries, household products and general lines for sale to the public through the stores, which 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. and Alimentos del Campo y Ganadería, S. A. de C.V.

[b] Payment for executive services provided to several of the Group's affiliates.

[c] Payment for 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.

* (See Note 13, Investment properties, of the consolidated financial statements included in this Annual Report).

Remuneration of key management personnel

The total amount of short-term direct benefits granted to senior officers or relevant executives amounted to $140 million pesos and $124 million pesos as of December 31, 2018 and 2017, respectively.

C. DIRECTORS AND SHAREHOLDERS

Board of Directors

The members of the Board of Directors [have no extra compensation, in addition to their fees for belonging to the Board]. As of the date of this Annual Report, *La Comer* does not have applicable Codes of Conduct for members of the Board of Directors and relevant executives, and the regulations issued by the stock exchange authorities are applicable.

The Articles of Association of *La Comer* establish that the administration of the Company is the responsibility of the Board of Directors. This governing body is made up of a number of directors, which may not be less than five or more than twenty-one, of which at least twenty-five percent must be independent. The current directors were appointed at the Ordinary General Meeting of Shareholders of *La Comer* on April 9, 2019.

Twenty-seven percent of the members of the Board of Directors are independent directors, in accordance with the provisions of the Securities Market Law. The Board of Directors is in charge of the management and administration of the Company. To achieve an adequate fulfillment of its functions, the Board is supported by four Committees, which operate as intermediate bodies: Audit Committee, Corporate Practices Committee, Planning Committee and Management Committee. The Board of Directors is the legal representative of the Company and has the broadest powers and authority to carry out all operations inherent to the corporate purpose, except those expressly entrusted to the General Shareholders Meeting, and 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. Additionally, the Company has adopted the recommendations established by the Business Coordinating Council, which in the Code of Best Corporate Practices mentions the following, among other best practices:

- To separate the roles of Chairman of the Board of Directors and the Chief Executive Officer of the corporate group, giving this governing body the ability to exercise objective and independent judgment on the various corporate matters dealt with therein.

- Communicate to the Chairman and other members of the Board of Directors any situation in which there is or may be a conflict of interest, abstaining from participating in the corresponding deliberation.

- To use the assets or services of the Company only for the fulfillment of the corporate purpose and to have clearly defined policies that allow, in cases of exception, to use such assets for personal matters.

- Devote the necessary time and attention to their function, attending at least 70% of the meetings to which they are called during the year.

- Maintain absolute confidentiality regarding all information received in the performance of their duties and, in particular, regarding their own participation and that of other directors in the deliberations at Board meetings.

- The proprietary directors and, if applicable, their respective alternates must keep each other informed of the matters discussed at the Board of Directors meetings they attend.

- Provide support with opinions and recommendations derived from the analysis of the Company's performance, so that the decisions adopted are adequately based.

- To establish a mechanism for evaluating the performance and compliance of the directors with their duties and fiduciary responsibilities.

The following table shows the members of the Board of Directors, appointed at the Ordinary Shareholders' Meeting held on April 9, 2019, who will be in charge for the period ending on the date the next Ordinary Meeting to be held:

Position	Proprietary	
Honorary Chairman	Guillermo González Nova	1
Chairman	Carlos González Zabalegui	1
Director	Alejandro González Zabalegui	1
Director	Luís Felipe González Zabalegui	1
Director	Pablo José González Guerra	1
Director	Antonino Benito González Guerra	1
Director	Santiago García García	2
independent 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
Secretary	Rodolfo García Gómez de Parada	1
	Alternate	
	Gustavo González Fernández	1
	Rodrigo Alvarez González	1
	Sebastián González Oertel	1
	Santiago Alverde González	1
	Nicolas González Oertel	1
	Alfonso Castro Díaz.	3

Audit Committee		
Chairman	José Calvillo Golzarri	3
Director	Alberto G. Saavedra Olavarrieta	3
Director	José Ignacio Llano Gutiérrez	3

Corporate Practices Committee		
Chairman	Alberto G. Saavedra Olavarrieta	3
Director	José Calvillo Golzarri	3
Director	José Ignacio Llano Gutiérrez	3

(1) Proprietary director
(2) Related director
(3) Independent director

Below is a brief biography of each of the Company's senior officers.

As of the date of this Annual Report, no female is a member of the Board of Directors. The IT area is headed by a woman. The Company promotes labor inclusion without distinction of gender. Equality between men and women is encouraged in how its governing bodies are integrated, including a balanced employee structure by gender.

The table and the following information show the Company's main officers, the position they hold and the year since they have held it. In addition, the degree of study earned and the years they have served within the Company are presented. Since the Company has been in operation for four years, this is considered to be the time that its employees have been working for the Company.

Name	Charge	Years
Carlos González Zabalegui	Chairman of the Board of Directors	4
Santiago García García	Chief Executive Officer	4
Rogelio Garza Garza	Chief Administrative and Financial Officer	4
Rodolfo J. García Gómez de Parada	Tax, Legal and Audit Officer	4
Luis Arturo Mejía Coronel	Chief Operating Officer	1
Jorge Eduardo O´Cádiz Salazar	Procurement Officer	4
Raúl del Signo Guembe	Human Resources Officer	4
Flor Argumedo Moreno	Chief Information Officer	4

Carlos González Zabalegui has a degree in Business Administration from the Universidad Iberoamericana and a MBA from the IESE Business School in Barcelona, Spain. He served as the Company's Chief Financial Officer, General Manager and Executive Vice President. Mr. González acts as the Chairman of the Board of *La Comer* and is a member of the board of Banamex and Grupo Kuo. Similarly, he is a member of the National Business Council. He has 49 years of experience in the retail sector.

Santiago García García was born in Madrid, Spain. He studied at the Universidad Anahuac for a degree in Industrial Engineering and earned an MBA from the IPADE Business School. He worked within the *El Palacio de Hierro* department chain and was General Director of Tiendas Comercial Mexicana. He has 40 years of experience in the retail industry.

Rogelio Garza Garza has a degree in Computer Systems and Technologies and an MBA from the Monterrey Institute of Technology. In addition, he earned a Master of Science degree from Stanford University and worked in the financial and treasury areas within the Monterrey-based Grupo Alfa and Grupo Proeza. He has 10 years of experience in the retail sector.

Rodolfo Jesús García Gómez de Parada has accounting studies and earned a law degree from the Universidad Nacional Autónoma de México, and a Master in Tax Law from the Universidad Panamericana. He has served as Chief Tax Officer of *CCM* since 1990. Previously, he worked for Cifra, S.A. He is Chairman of the Tax Committee of ANTAD and a member of the board of Industrias CH, S.A.B. de C.V. He has 44 years of experience in the retail sector.

Luis Arturo Mejía Coronel has a degree in Marketing from the Universidad Tecnológica de México. He worked as Regional Deputy Manager of Tiendas Comercial Mexicana, and *La Comer*. He has 25 years of experience in the retail sector.

Jorge Eduardo O'Cadiz Salazar earned a degree as a Veterinary Medicine Technician from the Universidad Nacional Autónoma de México. He served as buyer of meat products in Tiendas Comercial Mexicana. Later, he was in charge of perishable products at the HEB stores. He was manager of perishable and grocery products, among other positions, in Tiendas Comercial Mexicana. He holds an MBA from the IPADE Business School. He has 26 years of experience in the retail sector.

Raúl del Signo Guembe has gained experience within *CCM*'s Comptrollership department. He earned a Bachelor's degree in Public Accountant at ITAM and has an MBA from ITESM. He has 26 years of experience in the retail sector.

Flor Argumedo Moreno. She earned a Bachelors' degree in Systems Engineering from Universidad de Monterrey and an MBA from the IPADE Business School. She served for 21 years within Comercial Mexicana as Systems Officer. She has 32 years of experience in the retail sector. Currently, she is also Chairman of the Board of Directors of GSI de Mexico.

Family relationship and kinship up to the fourth degree between councilors and directors.

Carlos González Zabalegui, Luis Felipe González Zabalegui, and Alejandro González Zabalegui are brothers, and nephews of Guillermo González Nova *(Honorary President of the Board)*. Antonino B. González Guerra and Pablo J. González Guerra are brothers, and nephews of Guillermo González Nova. Gustavo González Fernández is the son of Guillermo González Nova.

Shareholders of more than 10% of the share capital.

According to the records, the shareholder of more than 10% of the capital stock of this Issuer is the trust identified with the number 11024239 whose fiduciary is Scotiabank Inverlat, S.A. Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, which holds 605,404,798 Linked Units, which presently represent 56% of the Company's paid-in capital stock and 62% of the voting power, and is therefore the Controlling Shareholder. The public part of the Related Units adds up to the remaining 44% of the capital stock of *La Comer*. The names and aggregate participation of the relevant directors and officers who are part of the trust referred to in this paragraph and who have confirmed that they have an individual participation of more than 1% and less than 10% of the issuer's capital stock are as follows:

Comercial CGN, S. de R.L. de C.V. *(heirs of Carlos González Nova)*
Guillermo González Nova
Pablo J. González Guerra
Antonino B. González Guerra

Shareholders who can exercise control or significant influence or have power of command.
Comercial CGN, S. de R.L. de C.V.
Guillermo González Nova
Pablo J. González Guerra
Antonino B. González Guerra

Audit and Corporate Practices Committee

For the adequate performance of its functions, the Board of Directors relies on the Audit Committee and the Corporate Practices Committee, as established in Articles 25 and 42 of the Securities Market Law. These Committees are each composed of three independent directors, appointed by the Board of Directors and ratified at a Shareholders' Meeting.

The Audit Committee was chaired by José Calvillo Golzarri, who is considered a financial expert in accordance with the guidelines included within the General Provisions Applicable to Issuers of Securities and other Market

Participants. The Corporate Practices Committee was chaired by Alberto G. Saavedra Olavarrieta, who has extensive experience in these matters. 100% of the members of the Audit and Corporate Practices Committee are independent directors. Their responsibilities and obligations are duly established in the specific bylaws that have been developed for each of them and that were prepared in strict compliance with the provisions of the Securities Market Law and different practices included in the Best Corporate Practices Code. Among the functions of the Audit Committee are to give its opinion to the Board of Directors on the policies and criteria used in the preparation and issuance of financial information; recommend to the Board of Directors the candidates for external auditors and the conditions of their contracts; contribute to the definition of general internal control guidelines and evaluate their effectiveness; verify that the necessary mechanisms are in place to ensure that the Company complies with the various legal provisions to which it is subject; review, analyze and evaluate transactions with related parties and verify compliance with our code of ethics.

Among the functions of the Corporate Practices Committee are the review and approval of executive personnel compensation plans, review and approval of performance evaluations of executives who make up the senior management, and review of the Company's organizational structure.

Planning Committee

Likewise, the articles of association of *La Comer* provide for the integration of a Planning Committee, which is a collegiate body delegated by the Board of Directors, to determine the strategic planning of the Company. The Committee is composed of some members of the Board of Directors, who are appointed by the Ordinary General Shareholders' Meeting. This Committee is currently composed of Guillermo González Nova, Carlos González Zabalegui, Alejandro González Zabalegui and Luis Felipe González Zabalegui, with Rodolfo García Gómez de Parada acting as Secretary, and the Independent Directors attending at the invitation of the Committee. The main functions of the Planning Committee are, among others, to review the Company's strategy approved by the Board of Directors; to evaluate the Company's investment and financing policies; to evaluate and propose annual budgets to the Board of Directors, and to evaluate the mechanisms presented by senior management for the identification, analysis, management and control of risks to which the Company is subject.

Management Committee

The Company's Chief Executive Officer, Santiago García García, reports to the Management Committee. This Committee is integrated by the Chairman of the Board of Directors, Carlos González Zabalegui; the Director of Administration and Finance, Rogelio Garza Garza; the Corporate Director of Tax and Legal Affairs and Audits; and the Director of Shopping Centers, Juan Blanco Fortes. The Honorary President, Guillermo González Nova, regularly attends the meetings, and other Company directors may be invited by the aforementioned officials.

The Committee follows up on the General Management report and is in charge of authorizing relevant investments, authorizing long-term financial projections, buying companies, buying and/or selling land, as well as the stock exchange operation of the shares issued by *La Comer*, regarding the repurchase or relocation of such securities.

Senior Officers.

The following table lists the names of the Company's principal officers and their positions:

Name	Position
Carlos González Zabalegui	Chairman of the Board of Directors
Santiago García García	Chief Executive Officer - La Comer
Rogelio Garza Garza	Chief Administrative and Financial Officer
Rodolfo García Gómez de Parada	Tax, Legal and Audit Officer

During the year ended December 31, 2019, the total compensation paid by the Company to its senior officers for services rendered by them in any capacity was approximately $156 million.

D. ARTICLES OF ASSOCIATION AND OTHER AGREEMENTS

The following is a description of the share capital and the most relevant provisions of the Issuer's articles of association. The description provided below is not intended to be exhaustive and the investor should also review the complete bylaws.

Incorporation and Registration.

General.

The Issuer is a publicly traded company with variable capital, which is duly incorporated as a result of the spin-off of *CCM*, approved by the Extraordinary General Shareholders' Meeting of that company on July 2, 2015 and authorized by resolution of the Extraordinary General Shareholders' Meeting of that company held on November 10, 2015. Its incorporation is recorded in public deed number 157,406 dated December 4, 2015, recorded by the notary public number 198 of Mexico City, Enrique Almanza Pedraza, whose first affidavit is registered in the Public Registry of Commerce of Mexico City, under the electronic commercial folio number 548698-1 dated December 17, 2015. It has an indefinite duration and its corporate domicile is located in Mexico City.

The Issuer has filed a copy of its by-laws with the CNBV and the MSE, which are available for consultation on the MSE's website (www.bmv.com.mx), the content of which is not a part of, and should not be incorporated by reference to, this Annual Report. *La Comer*'s main offices are located at Avenida Insurgentes Sur 1517, Modulo 2, Colonia San José Insurgentes, C.P. 03900, Mexico City.

The Issuer maintains a share registry and, in accordance with Mexican law, only those who are registered in the registry will be recognized as shareholders. Shareholders of *La Comer* may hold their shares in the form of physical securities or through records in the accounts of entities that participate in Indeval. Brokers may maintain accounts in Indeval, banks and other entities approved by the CNBV.

In accordance with current Comercial Mexicana policies, any transfer of shares must be registered in the share registry book of the Issuer, if it is done physically, or through entries that allow the correlation of the share registry with the records kept by Indeval, if it is done through electronic records.

Corporate purpose.

The Issuer's corporate purpose is, inter alia, to carry out all manner of commercial acts and, in particular, to promote, organize and manage all manner of industrial, commercial or civil companies, as well as to acquire shares, interests or stakes in other commercial or civil companies, either as part of their incorporation or by acquiring shares or stakes in those already incorporated, and to dispose of or transfer such shares or stakes. Likewise, the Issuer may receive from other Mexican or foreign companies and provide to the companies of which it is a shareholder or partner or to other companies, advisory and technical consultancy services in industrial, administrative, accounting, commercial or financial matters.

Description of the legal regime applicable to Stock Market Corporations.

Share Capital and Shares.

The capital of the Company is variable, and its shares will be represented by nominative titles, without expression of nominal value. The minimum fixed part without right of withdrawal, amounts to $1,086'000,000.00 and is represented by 4,344'000,000) shares, integrated in Linked Units.

The capital stock will have the following series of shares:

- Series B which will represent one hundred percent of the total common shares, with full voting rights, of free subscription, which may be acquired by Mexican investors and by foreign individuals or corporations.

- Series C is comprised of shares without voting rights and with patrimonial rights, of free subscription; they will not represent more than 25% of the total shares issued by the Issuer, unless said percentage is changed with the authorization of the National Banking and Securities Commission.

The Shareholders' Meeting that resolves on a share issue may establish different series and within each series, different sub-series and determine essential characteristics that restrict the circulation or transferability regime of the shares that make up said series and sub-series, or condition the rights that, according to the law or the articles and bylaws, said shares confer on their holders. Within its respective Series, each share will confer equal rights and obligations to its holders.

- Series B shares will each confer the right to one vote at Shareholders' Meetings.
- Series C shares without voting rights will have the same patrimonial rights as common shares, including participation in profits and preferential right to subscribe new shares of their series issued for payment in cash or in kind in the corresponding proportion. Series C shares will not be counted for purposes of determining the quorum at shareholders' meetings and are considered to be a neutral investment, which will not be counted in determining the percentage of foreign investment in the capital stock, pursuant to the terms of the Foreign Investment Law.

Legal entities that are controlled by this company may not acquire, directly or indirectly, shares representing its capital stock, or credit instruments representing such shares. Excepted from the above prohibition are: (i) acquisitions made through investment funds; and (ii) acquisitions made by such companies to implement or comply with options or plans to sell shares for employees and pension funds, retirement, seniority premiums and any other fund with similar purposes, constituted directly or indirectly, by the Issuer, subject to the applicable legal provisions. The provisions of this paragraph shall also apply to acquisitions made on derivative financial instruments or options that have as their underlying capital, shares representing the company's share capital, and which are payable in kind.

La Comer may issue unsubscribed shares under the terms and conditions provided for in Article 53 of the Securities Market Law, which will adhere to the capital structure and division of series of shares referred to in the corporate bylaws.

Share Redemption.

By resolution of the Extraordinary General Shareholders' Meeting, the Company may redeem its own shares with distributable profits, for which purpose, in addition to observing the provisions of Article 136 of the General Law of Commercial Companies, the following guidelines will be observed:

a) When shares are redeemed from all shareholders, the redemption will be done in such a way that after the redemption, the shareholders will have the same percentage of shares that they previously had and, if this is not possible, the percentage of shares that is more similar to that which they previously held.
b) When shares are redeemed by purchase on the Stock Exchange, the Shareholders' Meeting, after adopting the respective resolutions, or if applicable the Board of Directors by delegation from the Meeting, will publish a notice in the official newspaper of the Company's domicile and in at least one newspaper of greater circulation within the Company's domicile, which states the system followed for the withdrawal of shares, where applicable, the number of shares to be withdrawn, the person designated as the purchasing intermediary and, where applicable, the entity where the amount of the redemption is deposited, which will remain from the date of publication of the notice at the disposal of the respective shareholders without accruing any interest.
c) The share certificates will be cancelled, but if the Shareholders' Meeting so decides, beneficial shares may be issued.

Shareholders Equity increases and decreases

The shareholders' equity may be increased by resolution of the Ordinary or Extraordinary General Shareholders' Meeting, as the case may be, according to the following guidelines.

The increase in the minimum fixed part of the Company's equity and the limit of the variable part may only be increased by resolution of an Extraordinary Shareholders Meeting and the consequent modification of the corporate bylaws. Increases in the variable part will be made by resolution of the Ordinary General Shareholders Meeting, without the corresponding resolutions having to be registered with the Public Registry of Commerce.

No increase may be decreed before the previously issued shares are fully paid. When the respective resolutions are adopted, the Shareholders' Meeting that decrees the increase, or any subsequent Shareholders' Meeting, will set the terms and bases on which such increase must be carried out.

The shares that are issued to represent the variable part of the equity and by resolution of the Meeting that decreed their issuance, which will indicate the date of delivery as they are subscribed, may be offered for subscription and payment by the Board of Directors, in accordance with the powers granted to it by the Shareholders' Meeting, giving in all cases to the Company's shareholders the preference referred to in this section.

Equity increases may be made by means of capitalization of reserves, retained earnings, premiums on shares or by payment in cash or in kind. In increases by capitalization of reserves, all shares will be entitled to their proportional share of the reserves. In increases by payment in cash or in kind, shareholders holding shares existing at the time the increase is determined shall be given preference to subscribe for new shares conferring equal rights that are issued in proportion to the shares conferring equal rights that they hold at the time of the increase, for a period of not less than fifteen days established for such purpose by the Meeting that decrees the increase, calculated from the date of publication of the corresponding notice in the official newspaper of the corporate domicile or calculated from the date of the Meeting, if all the shares into which the equity is divided have been represented at the Meeting. If, after the expiration of the period during which shareholders must exercise the preference granted to them, some shares are still unsubscribed, they must be offered for subscription and payment, under the conditions and within the periods established by the Meeting that decreed the equity increase, or under the terms established by the Board of Directors, as the case may be.

Reductions in the fixed minimum part of the equity will be made by resolution of an Extraordinary General Shareholders Meeting and the consequent reform of the corporate bylaws, complying, if applicable, with the provisions of Article 9 and, if applicable, Article 135 of the General Law of Commercial Companies and other applicable legal provisions.

Decreases in the variable part of the equity may be carried out by resolution of the Ordinary Shareholders Meeting without the need to register the respective resolutions in the Public Registry of Commerce of the Company's domicile.

Reductions in equity may be made to absorb losses, to reimburse shareholders or to free them from unrealized expenses, for the acquisition of its own shares by the Company, and if applicable, for the amortization of shares with distributable profits. Equity may never be reduced to less than the legal minimum.

No share representative of corporate stock may be repurchased in such a way that the number of outstanding Series C shares exceeds the maximum referred to in Article Six of the Articles of Incorporation and Bylaws:

CHAPTER II.- SHARE CAPITAL AND SHARES. CLAUSE SIX. CAPITAL AND SHARES.
The Company's equity is variable. Its shares will be represented by nominative titles, without expression of nominal value. The fixed minimum part without right of withdrawal, is for the amount of $1,086'000,000.00 and is represented by 4,344'000,000 shares.

In accordance with the terms of Article 56 of the Securities Market Law, the Company may acquire shares representing its capital stock, through the stock exchange, at the current market price, provided that the purchase is made with a charge to the capital stock, in which case they will be converted into unsubscribed shares that the Company will keep in its treasury, without the need for an agreement by the Shareholders' Meeting and, if applicable, to a reserve from net profits, called the reserve for acquisition of own shares. For this purpose, the General Shareholders' Meeting must expressly indicate, for each fiscal year, the maximum amount of resources that may be used to purchase the Company's own shares, the only limitation being that the sum of the resources that may be used for this purpose may in no case exceed the total balance of the Company's net profits, including those retained.

In accordance with section VI of Article 56 of the Securities Market Law, in no case may the Company's acquisition and placement of its own shares result in the percentages referred to in Article 54 of said law being exceeded, in the case of shares other than common shares, or in a failure to comply with the requirements for maintaining registration in the list of securities of the stock exchange on which they are listed.

The Company's purchase of its own shares will be carried out by affecting the equity account by an amount equal to the theoretical value of the repurchased shares. The surplus will be charged to the reserve for the acquisition of its own shares by the Company. If the purchase price of the shares is lower than the theoretical value of the repurchased shares, the equity account will be affected by the theoretical value of the acquired shares. When the shares are purchased, the Company will reduce its share capital on the same date of acquisition and, if appropriate, simultaneously affect the reserve for the acquisition of its own shares, converting the shares acquired into treasury shares.

Treasury shares may be placed among the investing public and their proceeds will be applied to increase the capital stock for the theoretical value of said shares, reconstituting the reserve for acquisition of Company shares with the surplus, if any. If applicable, the profit generated by the difference between the product of the placement and the acquisition price will be recorded in the account called additional paid-in capital.

Decreases and increases in capital stock derived from the purchase and placement of shares under the terms of this section will not require a resolution of the Shareholders' Meeting or the Board of Directors.

The purchase and placement of shares in the terms expressed will be governed in addition by the General Provisions issued by the CNBV, pursuant to the terms of the Law.

Equity decreases to absorb losses will be made proportionally on all shares of the capital, without the need to cancel shares, since they do not contain an expression of nominal value.

All decreases in equity must be registered in the Registry Book maintained by the Company for this purpose. The shareholder who withdraws will be responsible for the company's obligations to third parties, under the terms of the law.

Shareholders' Meeting.

The General Shareholders' Meeting is the supreme body of the Company and may resolve on all matters submitted to it, without prejudice to the functions reserved for the Company's administrative bodies, and its decisions shall be binding on all shareholders, even those absent or dissenting, except as provided in Articles 201 and 206 of the General Law of Commercial Companies, without the percentage referred to in Article 201 of the General Law of Commercial Companies being applicable, in terms of the provisions of Article 51 of the Securities Market Law. Extraordinary General Meetings will be those that are held to resolve on the matters mentioned in Article 182 of the General Law of Mercantile Corporations, with the exception of increases or decreases of the variable part of the corporate capital, which, like any other matter that is not reserved to the Extraordinary Meeting, will be a matter for the Ordinary Meeting. Special General Meetings will be those that meet to discuss matters that may affect the rights of only one category of shareholders. Any type of meeting must be held at the corporate domicile, except in the case of an act of God or force majeure. The Ordinary Meeting must meet at least once a year on the date indicated by the Board of Directors within the four months following the end of each fiscal year. It must resolve on: (i) the matters indicated in Article 181 of the General Law of Mercantile Corporations and the shareholders must be informed of the financial statements of the Company both individually and consolidated with the entities in which the Company is a shareholder, in accordance with accounting principles; (ii) the purchase and redeployment operations of the Company's own shares referred to in Clause Nine of the Company's By-laws; (iii) annual reports of the Audit Committee and the Corporate Practices Committee referred to in Article 43 of the Securities Market Law, (iv) the report prepared by the Chief Executive Officer pursuant to Article 44, section XI of the Securities Market Law, and the adoption of such measures as are deemed appropriate; (v) the election of the members of the Board of Directors and, if applicable, the qualification of their independence.

Ordinary, Extraordinary and Special Shareholders Meetings will be called by the Board of Directors, either through its Chairman or the Secretary of the Company, by the Chairman of the Corporate Practices Committee and, by the Chairman of the Audit Committee, or by the persons referred to in Articles 168, 184 and 185 of the General Law of Commercial Companies, without the percentage referred to in Article 184 of the General Law of Commercial Companies being applicable, in terms of the provisions of fraction II. of Article 50 of the Securities Market Law. Calls for shareholders' meetings will be made through publications in one of the newspapers with the largest circulation in the corporate domicile and in the electronic system established by the Ministry of Economy. For Ordinary Meetings, the first and second calls must be published at least fifteen and ten days prior to the date set for the meeting, respectively. For extraordinary meetings, the minimum periods for publication will be fifteen days for the first call and five days for the second call. In any case, the notice shall indicate the place, date and time at which the meeting is to be held. It shall contain the Agenda, in which no matters may be included under the heading of general, and shall be signed by the person authorized to do so. From the moment the call to the meeting is published, the information and documents related to each of the items established in the agenda must be made available to the shareholders immediately and free of charge. Any resolution adopted in violation of the provisions of the said article shall be null and void, unless all the shares have been present at the time of voting. Meetings may be held without prior notice and their resolutions will be valid if the share capital is fully represented at the time of voting.

The shareholders with voting rights, for each 10% (ten percent) of the corporate capital of the Company that they individually or jointly hold, may request the President of the Board of Directors or of the Committees that exercise the functions in matters of Audit and Corporate Practices, at any time, to call a General Shareholders' Meeting in the cases contemplated by the Law.

The Board of Directors will be responsible for overseeing compliance with the resolutions of the shareholders' meetings, which it may carry out through the Committee that exercises the functions in matters of Auditing.

The members of the Board of Directors, the General Manager and the external auditor may attend the Company's shareholders' meetings.

Ordinary General Shareholders' Meeting.

The Ordinary Shareholders' Meeting must meet at least once a year within four months of the end of each fiscal year. In addition to the matters indicated in the agenda, the Annual Ordinary General Meeting must discuss and approve the following:

- the annual report by the Board of Directors, which must include (i) a report on the Issuer's performance during the previous year, as well as on the policies followed by the Chief Executive Officer; (ii) a report stating and explaining the main accounting and reporting policies and criteria followed in the preparation of the Company's financial information; (iii) a statement showing the Issuer's financial position as of the date of the end of the previous year; and (iv) a statement showing the Company's results during the previous year;

- the appointment and/or removal of the members of the Board of Directors and their respective alternates, the confirmation of the independent status of certain directors and the determination of the emoluments of such persons;

- the purchase and redeployment of the Company's own shares;

- the annual report regarding the activities carried out during the previous fiscal year by the Corporate Practices Committee and the Audit Committee.

For the legal installation of ordinary shareholders' meetings held on first call, shares representing at least half plus one of the voting shares of the outstanding capital stock must be present. Ordinary shareholders' meetings held on second or subsequent calls will be valid regardless of the number of shares present. Resolutions adopted at ordinary meetings held on first call will be valid if adopted by the vote of shares representing at least half plus one share of the outstanding capital stock. Resolutions adopted at common meetings held on second or subsequent calls will be valid if adopted by the vote of a majority of the shares present.

For every 10%, shareholders with voting rights represented at a meeting may request that the vote on any matter on which they do not consider themselves sufficiently informed be postponed a single time for three calendar days without the need for a new call, in accordance with Article 50 of the Securities Market Law.

Extraordinary (Special) General Shareholders' Meeting

Special General Shareholders' Meetings will be held to discuss the matters set forth in Article 182 of the General Law of Commercial Companies, as well as the matters set forth in the Securities Market Law and the Company's by-laws. Among other matters that must be resolved by the Extraordinary General Shareholders' Meeting are:

- the modification of the duration of the Company;
- its early dissolution;
- the increase or decrease of the fixed portion of the Issuer's capital stock;
- the change in its corporate purpose;
- the change of nationality;
- the transformation of the Company or merger with any other entity;
- the redemption of the Company's own shares;
- the issuance of unsubscribed shares that are held in the treasury for subsequent subscription by future investors;
- the cancellation of the registration of the Issuer's shares in the NSR or in any national stock exchange or foreign markets in which they are listed;
- the redemption of the Issuer's own shares from its distributable profits;
- any amendment to the Issuer's articles of association; and,
- any other matter for which the law or the bylaws of the Issuer do not require a special quorum.

For the legal installation of Extraordinary Shareholders' Meetings held on first call, at least three quarters of the shares with voting rights must be represented, and their resolutions will be valid when adopted by the favorable vote of shares representing at least half plus one of the shares with voting rights. For the legal installation of Extraordinary Shareholders' Meetings held on second call, at least half plus one of the shares with voting rights must be represented, and their resolutions will be valid when adopted by the favorable vote of shares representing at least half plus one of the shares with voting rights. For Special General Meetings, the same rules provided for in this article will be applied but referring to the special category of the shares in question.

Board of Directors

The management of the Company shall be entrusted to a Board of Directors composed of a number of members, which may not be less than five or more than twenty-one, of whom at least twenty-five percent must be independent, as well as a General Manager, who must perform his or her duties in accordance with the applicable legal provisions.

Under no circumstances may persons who have held the position of external auditor of the Company or of any of the legal entities that make up the business group or consortium to which the Company belongs, during the twelve months immediately prior to the date of appointment, be directors of the Company.

The General Shareholders' Meeting at which the members of the Board of Directors are appointed or ratified or, as the case may be, at which such appointments or ratifications are reported, shall qualify the independence of its directors. Without prejudice to the foregoing, under no circumstances may the following persons be appointed or act as independent directors (i) Relevant executives or employees of the Company or of the legal entities that make up the business group or consortium to which it belongs, as well as the commissioners of the latter. The aforementioned limitation will be applicable to those individuals who have held such positions during the twelve months immediately prior to the date of appointment; (ii) Individuals who have significant influence or power of command over the Company or over any of the legal entities that make up the business group or consortium to which such company belongs; (iii) Shareholders who are part of the group of individuals that maintains control over the Company; (iv) The customers, service providers, suppliers, debtors, creditors, partners, directors or employees of a company that is a customer, service provider, supplier, significant debtor or creditor. A customer, service provider or supplier is considered significant when the Company's sales represent more than ten percent of the total sales of the customer, service provider or supplier during the twelve months prior to the date of the appointment. Likewise, a debtor or creditor is considered to be important when the amount of the credit is greater than fifteen percent of the assets of the Company itself or of its counterpart; and (v) Those who are related by blood, kinship or civil relationship up to the fourth degree, as well as the spouses, common-law wife and common-law husband of any of the individuals referred to in paragraphs (i) to (iv) above.

Independent directors who cease to have such characteristics during their term of office must inform the Board of Directors no later than the next meeting of that body.

Minority shareholders for every 10% of the capital represented by shares with voting rights shall be entitled to appoint a proprietary director and his respective alternate. Once the appointments by the minority shareholders have been made, the other members of the Board will be appointed by a simple majority of votes.

Audit and Corporate Practices Committees.

Without prejudice to the faculty of the Board of Directors or the Ordinary General Shareholders' Meeting to establish other Operating Committees, the Board must annually appoint from among its members the members of (i) the Audit Committee; (ii) the Corporate Practices Committee, and (iii) the Executive Committee (in the understanding that, the appointment and/or ratification of the persons that act as Chairmen of the Audit Committee and of the Corporate Practices Committee, must be carried out by the Shareholders Meeting), which will have the following powers, and will be subject to the operating rules included:

A. Committees Responsibilities.

I. Audit Committee
The Company's Audit Committee will be responsible for the development of the following activities:

a) To give its opinion to the Board of Directors on matters within its competence under the Securities Market Law and the Company's Articles of Association.

b) To evaluate the performance of the legal entity providing the external audit services, as well as to analyze the opinion, reports or statements prepared and signed by the external auditor. For such purpose, the Committee may require the presence of the auditor when it deems it appropriate, without prejudice to its obligation to meet with the said auditor at least once a year.

c) To discuss the Company's financial statements with the persons responsible for their preparation and review. Subsequently, to recommend or not to the Board of Directors their approval.

d) To inform the Board of Directors of the situation of the internal control and internal audit system of the Company or of the legal entities it controls, including any irregularities it may detect.

e) To prepare the opinion referred to in Clause Twenty-Two, section 15.4) of the Company's bylaws and submit it to the Board of Directors for subsequent presentation to the Shareholders' Meeting, based on, among other elements, the opinion of the external auditor. This opinion must include, at least:

1. Whether the accounting and reporting policies and criteria followed by the Company are adequate and sufficient, taking into account the particular circumstances of the Company.

2. Whether such policies and criteria have been consistently applied in the information presented by the Director-General.

3. Whether, as a result of paragraphs 1 and 2 above, the information presented by the Chief Executive Officer reasonably reflects the financial situation and results of the Company

f) Support the Board of Directors in the preparation of the reports referred to in clause Twenty-Two, paragraph 16) of the Articles of Association.

g) Whether the operations referred to in clause Twenty-Two, section 15.3 of the Articles of Association and article 47 of the Stock Market Law are being carried out in accordance with the provisions of the said precepts, as well as the policies derived from them.

h) Request the opinion of independent experts in cases where it is deemed appropriate, for the adequate performance of its functions or when required by the Securities Market Law or the General Provisions Applicable to Issuers of Securities and other Market Participants.

i) Request from the relevant executives and other employees of the Company or of the legal entities it controls, reports on the preparation of financial information and any other type of information it deems necessary for the exercise of its functions.

j) Investigate possible breaches of the operations, guidelines and policies of operation, internal control system and internal audit and accounting records, either of the Company itself or of the legal entities it controls, for which purpose it must examine the documentation, records and other evidence to the extent necessary to carry out such monitoring.

k) Reception of observations made by shareholders, directors, relevant executives, employees and, in general, any third party, with respect to the matters referred to in the previous paragraph, as well as take the actions that in its opinion are appropriate in relation to such observations.

l) Request for periodic meetings with the relevant executives, as well as the delivery of any type of information related to the internal control and internal audit of the Company or legal entities it controls.

m) A report to the Board of Directors of any significant irregularities detected in the performance of its duties and, where appropriate, of any corrective actions taken, or to propose those to be applied.

n) A call for a Shareholders' Meetings and the request that any items the Board deems appropriate be included on the agenda of such Meetings.

o) The assurance that the General Manager is complying with the resolutions of the Shareholders' Meetings and the Board of Directors of the Company, in accordance with the instructions, if any, given by the Meeting itself or by the aforementioned Board.

p) The assurance that mechanisms and internal controls are established to verify that the acts and operations of the Company and of the legal entities it controls comply with applicable regulations, as well as the implementation of methodologies that make it possible to review compliance with the foregoing.

q) An opinion on the justification of the price of the public offer of purchase of shares in the case provided for in clause Thirty-five of the Articles of Association.

The Audit Committee shall prepare an annual report, in terms of Article 43 of the Securities Market Law, which shall be submitted to the Board of Directors and the Shareholders' Meeting.

II. Corporate Practices Committee
The Company's Corporate Practices Committee will be in charge of the development of the following activities:

a) To give opinions to the Board of Directors on matters within its competence under the Securities Market Law.

b) To request the opinion of independent experts in the cases it deems appropriate, for the adequate performance of its functions or when required by law or the General Provisions Applicable to Issuers of Securities and other Market Participants.

c) To call Shareholders Meetings and have the items they deem pertinent included in the agenda of said meetings.

d) To support the Board of Directors in the preparation of the reports referred to in Article 28, section IV, paragraphs d) and e) of the Securities Market Law.

e) To prepare and submit to the Board of Directors the criteria for the evaluation of the Company's relevant executives, as well as the proposals for their remuneration.

The Corporate Practices Committee must prepare an annual report, in terms of Article 43 of the Securities Market Law, which must be presented to the Board of Directors and the Shareholders Meeting

Strategic Planning Committee

The Company may have an Executive Committee which will have the powers set forth in points one to eleven of Clause Twenty Two of the Company's Bylaws and will be comprised of the number of proprietary and alternate members determined by the Ordinary Shareholders Meeting, all of whom are members of the Company's Board of Directors, and which must necessarily include the Chairman of the Board of Directors and the Secretary of the Company who will hold the same positions on the Executive Committee.

Chief Executive Officer

The management, conduct and execution of the business of the Company and of the legal entities it controls will be the responsibility of the Chief Executive Officer, as established herein, subject to the strategies, policies and guidelines approved by the Board of Directors.

The Chief Executive Officer, without prejudice to the foregoing, shall:

- Submit to the Board of Directors for approval the business strategies of the Company and the legal entities it controls, based on the information provided by the latter.
- Comply with the resolutions of the Shareholders' Meetings and the Board of Directors, in accordance with the instructions, if any, given by the meeting itself or by the Board of Directors.
- Propose to the Audit Committee, the guidelines of the internal control and internal audit system of the Company and legal entities that it controls, as well as execute the guidelines approved by the Board of Directors of the referred Company.
- Sign the relevant information of the Company, together with the relevant executives in charge of its preparation, in the area of their competence.
- Disseminate relevant information and events that must be disclosed to the public, in accordance with the provisions of the Securities Market Law
- Comply with the provisions relating to the conclusion of transactions for the acquisition and placement of the Company's own shares.
- Exercise, by itself or through a delegated authority, within the scope of its competence or on the instructions of the Board of Directors, the appropriate corrective actions and responsibilities.
- Verify that the capital contributions made by the shareholders are carried out, if applicable.
- Comply with the legal and statutory requirements established with regard to the dividends paid to shareholders.
- Ensure that the Company's accounting, registration, filing or information systems are maintained.
- Prepare and submit to the Board of Directors the report referred to in Article 172 of the General Law of Commercial Companies, with the exception of the provisions of paragraph b) of said precept.
- Establish mechanisms and internal controls to verify that the acts and operations of the Company and legal entities it controls have been carried out in accordance with applicable regulations, as well as monitor the results of these mechanisms and internal controls and take such measures as may be necessary.
- Exercise the liability actions referred to in the Securities Market Law against related persons or third parties who presumably have caused damage to the Company or the legal entities it controls or over which it has a significant influence, unless, by decision of the Company's Board of Directors and prior opinion of the Audit Committee, the damage caused is not relevant.
- The General Manager, in the exercise of his functions and activities, as well as for the due fulfillment of his obligations, will be assisted by the relevant executives appointed for such purpose and by any employee of the company or the legal entities he controls.

Dissolution and liquidation.

The Company will be dissolved in any of the cases provided for in Article 229 of the General Law of Commercial Companies.

Upon dissolution the Company will be put into liquidation, the Extraordinary Shareholders Meeting will designate one or more liquidators, as it considers appropriate, and will establish the term during which they must carry out their functions, as well as the powers with which they will be invested. The liquidators, if applicable, will act in accordance with the provisions of Article 229 of the General Law of Commercial Companies.

Cancellation of the registration of the shares in the NSR.

If the Company's shares are registered in the National Securities Registry and consequently listed on the Stock Exchange and if the Company, either by its own resolution adopted at an Extraordinary General Shareholders' Meeting, or by a resolution adopted by the National Banking and Securities Commission in accordance with the Law, resolves to cancel the registration of its shares in such Registry, the majority shareholders, if any, prior to such cancellation, will be obliged to make a public purchase offer to the Company's minority shareholders, at the price which is the higher of (i) the stock market quotation value, which will be the average price weighted by volume of the transactions carried out during the last 30 (thirty) days in which the Company's shares have been traded, prior to the date of the offer, during a period which cannot exceed six months, or (ii) the book value of the share according to the last quarterly report, submitted to the National Banking and Securities Commission and to the Mexican Stock Exchange, S. A.B. de C.V, also prior to the offer, except when said value has been modified in accordance with criteria applicable to the determination of relevant information, in which case the most recent financial information available to the Company must be considered.

The Board of Directors of the Company, within 10 (ten) business days following the day of commencement of the offer, must make known its opinion, with respect to the justification of the price of the public purchase offer, in which it will take into account the interests of the minority shareholders in order to comply with the provisions of Article 108 of the Securities Market Law and the opinion of the Corporate Practices Committee, which in the event that it is contrary, must be disclosed. In the event the Board of Directors is faced with situations that may generate a conflict of interest, the opinion of the Board of Directors must be accompanied by another opinion issued by an independent expert selected by the Corporate Practices Committee, in which special emphasis is placed on safeguarding the rights of the Company's minority shareholders.

In the event that, once the public purchase offer has been made and prior to the cancellation of the registration of the shares in the National Securities Registry of the majority shareholders, they are not able to acquire one hundred percent of the paid-in capital, they must place in a trust for a minimum period of six months the resources necessary for the exclusive purpose of purchasing, at the same price as the offer, the shares of the investors that did not participate in said offer. The majority shareholders of the Company will be exempted from the above obligation, if the consent of all the shareholders to the cancellation of the said registration is accredited.

In order to amend the preceding paragraph and this paragraph of the Articles of Incorporation, in addition to requiring the approval of the National Securities Commission, it will be necessary that at the Meeting that resolves the matter, the resolution must be approved by at least ninety-five percent (95%) of the shares with voting rights.

Derivative Financial Operations

In accordance with the provisions of the Articles of Association, firm restrictions have been imposed on the contracting of any type of derivative financial transactions.

V. STOCK MARKET

A. SHARE STRUCTURE

The Issuer's capital stock is made up of 4,344,000,000 Series B and C shares, with no par value. They are grouped into 1,086,000,000 linked units, each of which are comprised of four shares. The UB type units are comprised of four Series B shares, while the UBC units are comprised of three Series B shares and one Series C share, which shall be non-voting. All shares shall be ordinary, nominative and without expression of nominal value.

The paid-in capital is therefore represented by 1,086,000,000 linked units, of which 605,457,398 correspond to UB units and 480,542,602 to UBC units. At the end of December 2018, there were 3,863,457,398 Series B shares and 480,542,602 type C shares.

As of the date of this Annual Report, the subscribed and paid-in capital stock amounts to $1,086,000,000.

The Company's bylaws state that the linked UB units may be converted into UBC units at any time, either through the Secretary of the Board of Directors of *La Comer*, or through Indeval. Therefore, the composition of the UB and UBC units is dynamic.

B. PERFORMANCE OF THE STOCK ON THE MARKET

The following tables show the maximum and minimum prices quoted in each period:

Nominal Pesos per UBC Unit

	High	Low	
2016			Volume
1Q	18.65	14.74	89,504,771
2Q	19.72	17.58	65,295,123
3Q	18.49	16.41	74,125,615
4Q	18.18	15.5	58,844,783
2017			
1Q	16.20	13.45	40,974,492
2Q	16.36	13.92	54,102,084
3Q	18.84	16.29	47,053,072
4Q	20.25	17.33	41,550,031
2018			
1Q	20.17	17.45	45,630,350
2Q	20.77	17.85	36,287,108
3Q	22.97	19.97	68,876,922
4Q	22.02	19.52	35,398,707
2019			
1Q	21.00	18.38	49,737,543
2Q	23.41	20.31	41,882,732
3Q	25.89	21.97	29,015,756
4Q	26.49	23.18	34,410,364
2020			
1Q	24.99	20.86	22,355,908

Prices are expressed in Mexican pesos at the day's closing price.
Source: Mexican Stock Exchange

(See additional information on *La Comer* shares in the section "Market Maker").

C. MARKET MAKER

La Comer, S.A.B. de C.V. (MSE: LACOMER) informed the investing public that it signed a contract with Casa de Bolsa Santander, S.A. de C.V. to provide market making services. Grupo Financiero Santander Mexico will start operations on July 17, 2017 for its LACOMER shares, which are listed on the Mexican Stock Exchange.

On July 14, 2017, it was agreed to terminate the Market Maker Agreement with Casa de Bolsa Credit Suisse, S.A. de C.V., Grupo Financiero Credit Suisse, for the LACOMER shares listed on the MSE, which began as a Market Maker in April 2016.

Casa de Bolsa Santander, S.A. de C.V. Grupo Financiero Santander México will provide its services as Market Maker under the terms and conditions of said agreement, in which it will perform its function as an integral member of the MSE that with its own resources intervenes in the capital market to promote liquidity, establish reference prices and contribute to the stability and continuity of prices of a security or a group of securities that make up the capital market, through the permanent maintenance of firm purchase and sale positions on said securities, in accordance with the credits determined by the MSE.

Casa de Bolsa Santander, S.A. de C.V. Grupo Financiero Santander México as Market Maker is authorized to offer the service as of July 17, 2017 and for the term agreed to by the Issuer, subject to the applicable regulations and provisions at all times.

The term of the agreement will be six months, starting from the date of authorization of the Market Maker by the MSE, and will be automatically renewed for equal periods if neither party notifies the other party of its desire to terminate the agreement or its possible extensions, at least thirty days prior to the expiration of this agreement or any of its extensions.

The contract may be terminated by either party at any time by giving at least thirty days' written notice. The party requesting termination undertakes to notify the MSE in writing at least 15 working days before the date on which this contract will cease to have effect by mutual agreement of the parties.

In order to increase the liquidity of the referred securities, as well as to promote the stability and continuity of prices of same, the Market Maker will have a continuous operative presence on these securities during each Auction Session of the Capital Market administered by the MSE.

Additionally, the Market Maker must present purchase and sale bids with a maximum differential of two percent between the purchase and sale bids, during all trading sessions and have a presence in the open outcry market during at least 80% of the time of the auction on its own account. Each position will be at least $180,000.00 (one hundred and eighty thousand pesos).

The Market Maker undertakes to send daily and monthly operating reports to the Contracting Issuer regarding the evolution in the market of the security mentioned in the previous clause and the Market Maker’s performance or contribution to its movements in the market.

The securities issued by *La Comer* registered in the Mexican Stock Exchange on which the Market Maker will act are the following:

- Type of security: 1
- Trading key (Issuer and Series): LACOMER, UBC SERIES
- ISIN / CUSIP Code: MX01LA050010

VI. SIGNERS OF THIS ANNUAL REPORT

For additional or financial information about the Company or the agreed resolutions, please contact Yolotl Palacios Golzarri, Investor Relations Department, whose e-mail address is ypalacios@lacomer.com.mx or by phone at 55 5270 9064 de *La Comer, S.A.B. de C.V.*, located at Avenida Insurgentes Sur 1517, Módulo 2, Colonia San José Insurgentes, 03900, Mexico City.

The persons who sign this Annual Report in accordance with the General Provisions Applicable to Issuers of Securities and other Market Participants are the following

Name	**Charge**
Carlos González Zabalegui	Chairman of the Board
Santiago García García	Chief Executive Officer - Grupo La Comer
Rogelio Garza Garza	Chief Administrative and Financial Officer
Rodolfo García Gómez de Parada	Corporate Tax, Legal and Audit Officer

ATTACHMENTS

A. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

LA COMER S.A.B. de C.V. AND SUBSIDIARIES

Consolidated Financial Statements
As of December 31 of 2019 and 2018

REPORT OF THE CHIEF EXECUTIVE OFFICER

Mexico City. March 30, 2020.

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

Dear members of the Board of Directors:

In compliance with the provisions of Article 44, section XI of the Securities Market Law and Article 172 of the General Law of Commercial Companies, I submit for your approval this report regarding the performance of *La Comer, S.A.B. de C.V.* during the year ended December 31, 2019. This report includes an explanation of the relevant events that occurred during the year, the outstanding actions that were carried out, the most important projects in progress and the principal policies followed under my management.

2019 was a period marked by low economic growth and employment, but stability in the main economic variables such as inflation and interest rates, and, as far as our sector is concerned, a significant increase in both physical and digital competition. Faced with this scenario, our strategy focused on continuing to improve and offer our customers a more complete value proposition; not only offering a competitive price on our products, but also generating an unparalleled shopping experience, through quality, service, product assortment and a pleasant environment in which to shop.

By the end of 2019, Mexico's GDP presented a decrease in real terms of 0.1% and an annual inflation of 2.83%. Domestic consumption in the country showed a slowdown compared to previous years. Consumption in the domestic retail sector, based on data from ANTAD, showed an increase in sales of 2.4% at similar stores for 2019. The labor market grew at much lower levels than in previous years, but did not suffer contractions; wages in real terms grew at a rate not seen in recent years; consumer confidence levels remained at reasonable levels and remittance flows continued to grow. All of these factors helped to counteract the economic uncertainty and supported consumption during the year.

In 2019, we achieved great results thanks to the confidence and hard work of all of us who are part of this company. The atmosphere of optimism and confidence in our ability to achieve even better results allowed us to obtain a considerable increase in sales despite the uncertain environment of the national economy and the strong competition that characterized this period

During this year, the Company observed an increase in same-store sales of 6.5%. For the third consecutive year, *La Comer* attained a growth in sales higher than the one reported by ANTAD. This has been the effect of a successful strategy that is generating a better value proposal. We have worked mainly on maintaining a strategy of personalized service by offering the best shopping experience in the market based on quality and attention. From the beginning, we have sought to offer a pleasant environment, excellent service, a wide range of products and unsurpassable quality in all our units, in order to provide our customers with a unique shopping experience. In addition, we carry out the necessary tactics to surprise and please our customers, to increase their loyalty and frequency of visits. Our employees have the necessary training to offer an excellent service, providing specialized advice to the customer so that their purchase is made in a more effective way. We have maintained a supply of premium commodities, imported products and novelties of the highest quality and clear differentiation.

In terms of growth, we were pleased to announce the opening of six stores in various formats during the year: two *La Comer* stores in the cities of Puebla and Querétaro, a *City Market* store in the city of Monterrey, which is a new location for our Company, and three stores in the *Fresko* format in the cities of Guadalajara and Mexico City, as well as in the town of Avándaro, State of Mexico. Capital expenditures on investments in the year 2019 amounted to approximately $1.917 billion, an amount destined mainly to carry out store openings and remodeling.

As for the operating results for 2019, total sales reached $21.591 billion, with an increase of 12.9% in sales compared to 2018. Same-store sales showed an increase of 6.5% for the year. Important factors that helped in the positive increase in sales were the execution of our "Orange Season" campaign, carried out during the summer months, as well as our *"Miercoles de Plaza"* campaign, both of which were very successful. To pamper our clients, we carried out the special promotion *"Olá Olé"* to offer products from Spain and Portugal, introduced into the Mexican market for the first time. In this and other ways, always offering an added value in all our operations, departments and areas, we have clearly differentiated ourselves from the rest of the participants in our sector, delivering greater benefits to all our customers and attracting their attention.

Our gross profit margin was 27.3% due in part to the fact that since the beginning of our Company's operations, we have received great support and collaboration from our suppliers. In addition, during the year, we have achieved efficiencies in storage and distribution costs.

Electricity was one of the operating expenses that increased during the year. We already had clean energy in some stores at the end of 2019, and hope that this clean energy trend will begin to show positive results, in addition to helping the environment. Another increase in expenditures was related to our e-commerce business, *La Comer en tu Casa,* to improve the platform and service, and also the pre-operating expenses necessary to increase the chances of success of new projects.

The operating cash flow margin for the year, considering the effect of the new accounting standard IFRS16, was 9.2% of sales, generating an annual cash flow of $1.979 billion.

Cash flow reached $2.391 billion at the end of 2019. The Company's stockholders' equity showed a year-over-year increase of 4.6%, mainly due to the increase in the Company's retained earnings.

During the year we continued with various social responsibility and sustainability practices. We made several cash and product donations to non-profit and charitable institutions and sponsored several social assistance programs, such as *"Un Kilo de Ayuda",* and the *"Tienda Rosa"* campaign to help women with cancer, and made donations to several charitable institutions.

Regarding the sustainability issue, several actions and measures were developed in our stores to use resources in an environmentally friendly way. In the State of Mexico and in other states of the Mexican Republic, we stopped using plastic bags. In addition, during the year we started several campaigns to save water. With respect to electricity consumption, we use clean energy in several of our stores. Measures were taken to collect waste products, paper and cardboard for subsequent recycling or reuse, among other actions.

With the progress achieved, together with the positioning and differentiation of the Company, the best support is created to continue on the path of consolidation and growth. We expect to continue opening more stores in the coming years in order to continue replicating the shopping experience we offer our customers.

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. These financial statements have been prepared by the Administration and Finance Department and subsequently authorized by the Audit Committee of this same Board of Directors. If approved, they may be submitted later to the Company's General Shareholders' Meeting.

Yours sincerely,

SANTIAGO GARCIA GARCIA

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

Mexico City. March 30, 2020

AUDIT COMMITTEE REPORT

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

In accordance with the provisions of section II of article 43 of the Securities Market Law (hereinafter "LMV"), in relation to section IV paragraph (a) of article 28 of the same Law, the Chairman of the Audit Committee must prepare an annual report of the activities that correspond to said body, as well as present it to the Board of Directors.

In carrying out our work, the Committee observes the regulations contained in the Securities Market Law, in the General Provisions Applicable to Issuers of Securities and other Market Participants, in the Internal Regulations of the Mexican Stock Exchange, the recommendations of the Code of Principles and Best Practices of Corporate Governance, as well as in the Annual Program of topics to be discussed.

In this regard, it should be noted that the members of the Audit Committee are José Calvillo Golzarri as Chairman and José Ignacio Llano Gutiérrez and Alberto Saavedra Olavarrieta as members. During the period reported, the Committee met in seven ordinary sessions and an extraordinary session, in order to review the proposals for external audit services and issue its recommendation. At each session, Minutes were taken with their respective resolutions, the meetings were duly called and all the installation formalities provided for in the Audit Committee's Bylaws were complied with. The meetings were attended by the appointed directors and the guests that the Committee considered important to involve.

In its sessions, the Committee analyzed issues related to

(I) The Issuer's financial disclosure process,
(II) Internal Audit, Internal Control and Corporate Governance
(III) Policy changes and application of new IFRS principles or new CNBV regulations,
(IV) Investment (CAPEX) and
(V) External audit.

Among the activities carried out by the Audit Committee, the following points should be highlighted

1. The consolidated quarterly financial statements from the first to the third quarter of 2019 and cumulative financial statements of *La Comer* and its subsidiaries were reviewed, as well as the guidelines for reporting to the Mexican Stock Exchange, duly adhering to the International Financial Reporting Standards ("IFRs").

The consolidated financial statements for the year 2018 were reviewed, as well as the guidelines for reporting to the Mexican Stock Exchange, duly adhering to International Financial Reporting Standards ("IFRs").

La Comer's related party reports were presented with quarterly figures for 2019.

4. We analyzed the Report on the Evaluation of Internal Control carried out by the external auditor PWC of the Company, for the audit of fiscal year 2018.

5. We presented the report on the percentage variation of quarterly and accumulated same-store sales of 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 Balance Sheet were presented.

8. The Company's Annual Fiscal Plan for 2019 and recent legislative changes and their implications for the Company were presented.

9. It was agreed that the 2018 tax opinion will be prepared by PwC and it is recommended that this report be continued.

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

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

12. In accordance with the internal processes and best practices of the Company, every three years a new tender for external auditors is conducted. Service proposals and quotations were submitted for the External Audit for the 2019 fiscal year, regarding financial audit services, tax opinions and transfer pricing, recommending the change of External Auditors as of 2019, and selecting *KPMG Cárdenas Dosal S.C*. as the new External Auditor.

- *KPMG* was evaluated for compliance with the necessary requirements of professional quality, training, independence and diligence required to audit the financial statements of *La Comer* in accordance with the General Provisions Applicable to the Entities and Issuers Supervised by the CNBV contracting the External Audit Services of Basic Financial Statements (CUAE; Circular Única de Auditores Externos).This evaluation was presented to the Board of Directors so that KPMG could be contracted as the external auditors and to establish its fees for the period. In addition, the External Audit program was reviewed and approved.
- The notice of substitution of the External Auditor was verified, as well as the sending of the contract for the performance of external audit services to the CNBV, in compliance with the provisions of the CUAE.

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

14. Total shares sold and total shares in the Treasury were indicated.

The 2018 Risk Assessment and the 2019 Annual Internal Audit Plan were presented, based on the Company-focused Risk Map.

15. The main findings of the audits carried out by the internal auditor in his Annual Plan were reviewed and the actions carried out by the management based on his remediation plan were continued.

16. At each meeting, detailed information was presented regarding incidents involving the Company's Code of Ethics during the year, as well as statistics, special cases and actions taken.

17. The members of the Ethics Committee, its main function, and its objective were reported, and its implementation in the Company was approved.

18. The new projects that the Company has in the area of technology were presented, as well as the details of the structure of the applications and security in the Company's databases and the main E-Commerce projects for 2020.

19. It was requested of the Finance Department that any relevant operation based on the materiality established by the external audit firm, such as purchase of companies, land, mergers and associations with companies or changes in the corporate structure, be obligatorily reported to the Audit Committee.

20. During the course of the external audit, KPMG was asked to inform the Audit Committee of the amount of materiality determined.

21. Additionally, the consolidated financial statements corresponding to the 2019 fiscal year were reviewed, as well as the guidelines for the report to the Mexican Stock Exchange, duly adhering to the International Financial Reporting Standards ("IFRs") for presentation to the shareholders.

Finally, article 42, section II, paragraph (e) of the LMV requires the Audit Committee to prepare an opinion on the financial statements of *La Comer* as of December 31, 2019.

In the opinion of the members of this Committee, the information presented by the Chief Executive Officer reasonably reflects the financial situation of *La Comer* as of December 31, 2019 and the results of its operations for the year then ended.

The foregoing opinion is based on the following elements:

- The Financial Opinion of the firm of External Auditors KPMG.
- The fact that the accounting and reporting policies and criteria followed by *La Comer* during the year ended December 31, 2019, were adequate and sufficient. Such policies and criteria have been consistently applied in the information presented by the Chief Executive Officer.

Based on the foregoing, the Committee recommends that the Board of Directors approve both the audited financial statements of *La Comer* as of December 31, 2019 and the report of the Chief Executive Officer.

In preparing this report, the directors of *La Comer* were heard, and it is noted that there was no difference of opinion among them.

Yours faithfully,
JOSE CALVILLO GOLZARRI
Chairman of the Committee

Mexico City. February 24, 2020

REPORT OF THE CORPORATE PRACTICES COMMITTEE

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

In accordance with the provisions of section I of article 43 of the Securities Market Law (hereinafter, "LMV"), in relation to section IV, paragraph (a), of article 28 of the LMV, the President of the Corporate Practices Committee must prepare an annual report on the activities that correspond to said body and present it to the Board of Directors, so that if approved, it may be presented to the Shareholders' Meeting. Therefore, I hereby inform you about the activities that were carried out by the Corporate Practices Committee of *La Comer, S.A.B. de C.V.* (the "Company" or the "Issuer") during the year ended December 31, 2019.

In this regard, it should be noted that the members of the Corporate Practices Committee are José Ignacio Llano Gutiérrez, José Calvillo Golzarri and the undersigned. During the reporting period, the Committee met in six ordinary sessions on February 18, April 23, July 18, October 18, November 28, 2019 and February 21, 2020.

The minutes of each session were signed by all members in attendance and the requirements for convening and legal installation were met. The above, in compliance with the provisions of the Corporate Practices Committee statute, which was approved in due course by the Board of Directors. Raúl del Signo Guembe, Director of Human Resources of the Issuer, among other officials, attended the various meetings of this Committee, as required.

Without prejudice to the activities carried out by the Committee during fiscal year 2019 described below, it is worth noting that the members of this corporate body addressed the following matters, among others.

- The executive compensation plans were reviewed and approved, ensuring that the criteria, common practices, history and other elements that served to comply with this activity are current and valid.
- The performance evaluations of the executives that make up the senior management were reviewed and approved for the results ending on December 31, 2018, as well as their performance bonuses and bonuses for EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization).
- The committee reviewed and recommended the approval by the Board of Directors of the budget prepared for the years 2019 and 2020.
- The compensation of the members of the Company's senior management was reviewed in detail, and it was agreed that the proposals for modification would be made by the executive president, who submitted them to this committee, which, in turn, once analyzed and approved, presented them to the Board of Directors.
- The organizational charts and structures of the different group management departments were reviewed, validating the responsibilities and functions of each department, and the plan for replacement tables was updated.
- The performance of the Corporate Practices Committee was evaluated according to the evaluation format designed for this purpose.
- The Committee, together with the members of the Audit Committee, reviewed and, the latter, submitted for the approval of the Board of Directors the operations between Related Parties carried out during fiscal year 2019. For such purpose, it was verified that the existing operations were in competitive market conditions, for which reason no significant facts were found to be reported.

For the preparation of this report, we have heard the Company's Relevant Directors, without there being any difference of opinion among them. Likewise, when we considered it advisablea, the opinion of independent experts was requested.

Yours sincerely,

<u>ALBERTO SAAVEDRA OLAVARIETA</u>

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

La Comer, S.A.B. de C.V., and Subsidiarias

Consolidated Financial Statement
As of December 31, 2019 and 2018

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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 Cárdenas Dosal, S.C.
Manuel Ávila Camacho 176 P1,
Reforma Social, Miguel Hidalgo,
C.P. 11650, Ciudad de México.
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.

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 $14,655,834 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)

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)

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.

La Comer, S. A. B. de C. V. and subsidiaries

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

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

See accompanying notes to the consolidated financial statements

La Comer, S. A. B. de C. V. and subsidiaries

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

La Comer, S. A. B. de C. V. and subsidiaries

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.

La Comer, S. A. B. de C. V. and subsidiaries

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.

(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.

(Continued)

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.

(Continued)

(Thousands of pesos)

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 next 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:

(Continued)

(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.

(Thousands of pesos)

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.

(Thousands of pesos)

		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.

(Continued)

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

(Continued)

(Thousands of pesos)

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.

(Continued)

(Thousands of pesos)

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**

(Continued)

(Thousands of pesos)

		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	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:

(Continued)

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.

(Continued)

(Thousands of pesos)

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**

(Thousands of pesos)

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.

(Continued)

(Thousands of pesos)

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:

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

Consolidated statements of comprehensive income		Previously reported figures	Reclassification	Reclassified figures
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		Previously reported figures	Reclassification	Reclassified figures
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.

(Continued)

(Thousands of pesos)

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).

(Thousands of pesos)

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).

31 December 2019		Carrying amount	Fair value Level 1
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:

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

31 December 2019		Carrying amount	Fair value Level 2
Related parties	$	64,412	64,412
Trade receivables		513,356	513,356
Trade payables and financing programs		3,228,019	3,228,019

(Continued)

(Thousands of pesos)

31 December 2018		Carrying amount	Fair value Level 2
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**

(Continued)

(Thousands of pesos)

(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**

(Continued)

(Thousands of pesos)

		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.

(Thousands of pesos)

(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**

(Continued)

La Comer, S. A. B. de C. V. and subsidiaries

Notes to the consolidated financial statements

(Thousands of pesos)

(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**

(Continued)

(Thousands of pesos)

* 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.

(Continued)

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.

(Continued)

(Thousands of pesos)

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**

(Continued)

(Thousands of pesos)

31 December 2019		Assignment of rights to use 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.

(Thousands of pesos)

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.

(Continued)

(Thousands of pesos)

(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		2018	
	Nominal	**Real**	**Nominal**	**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 next page.

La Comer, S. A. B. de C. V. and subsidiaries

Notes to the consolidated financial statements

(Thousands of pesos)

		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**

(Continued)

(Thousands of pesos)

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**

(Continued)

(Thousands of pesos)

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

(Thousands of pesos)

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.

(Thousands of pesos)

(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**	**-**
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**

(Continued)

(Thousands of pesos)

		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).

(Thousands of pesos)

(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**

(Continued)

(Thousands of pesos)

		2019	2018
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.

(Thousands of pesos)

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)**

(Thousands of pesos)

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)

(Thousands of pesos)

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).

(Thousands of pesos)

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.

(Continued)

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 next page.

(Thousands of pesos)

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		
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.

(Continued)

(Thousands of pesos)

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.

(Continued)

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.

B. LETTER OF RESPONSIBILITY

Mexico City. April 29, 2020

The undersigned state under oath that, within the scope of our respective functions, we prepared the information relating to La Comer, S.A.B. de C.V. and subsidiaries, as of December 31, 2019 contained in this annual report, which, to the best of our knowledge, reasonably reflects their condition. We further state that we are not aware of any material misrepresentation or omission in this annual report or that this annual report contains any information that may mislead investors.

SANTIAGO GARCIA GARCIA

Santiago García García
Chief Executive Officer

ROGELIO GARZA GARZA

Rogelio Garza Garza
Chief Administrative and Financial Officer

RODOLFO GARCIA GÓMEZ DE PARADA

Rodolfo García Gómez de Parada
Corporate Tax and Legal Officer