

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



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

Securities

Series B shares without par value (B shares)
Series C shares without par value (C shares)
B units, consisting of four Series B shares
BC units, consisting of three Series B shares and one Series C share

Stock Exchange

Mexican Stock Exchange
Mexican Stock Exchange
Mexican Stock Exchange
Mexican Stock Exchange

As of December 31, 2021, 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, 2021.

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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
ANTAD	Asociación Nacional de Tiendas de Autoservicio y Departamentales, A.C.
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 (<i>Comisión Nacional Bancaria y de Valores</i>).
COFECE	Federal Economic Competition Commission (<i>Comisión Federal de Competencia Económica</i>).
Company	La Comer, S.A.B. de C.V. and subsidiaries.
Controlling Shareholder	Means, Scotiabank Inverlat, S.A., Institución de Banca Múltiple Scotiabank Inverlat Financial Group, Trust Division in its capacity as trustee of trust No. 11024239.
DFT	Earnings before Interest, Taxes, Depreciation and Amortization.
EBITDA	EBITDA is not an established measure defined under International Financial Reporting Standards (<i>IFRS</i>).
Financial Statement	Consolidated financial statements of La Comer, S.A.B. de C.V.
GDP	Gross Domestic Product
Government	Federal Government of Mexico.
IFRS	International Financial Reporting Standards.
Indeval	S.D. Indeval, S.A. de C.V., an authorized securities depository institution.
Internet	World Wide Web.
Issuer	La Comer, S.A.B. de C.V.
I.T.	Income Tax (<i>Impuesto sobre la Renta</i>)
KPMG	KPMG Cárdenas Dosal S.C.
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 (<i>Bolsa Mexicana de Valores</i>).
NCPI	National Consumer Price Index.
NIIF	IFRS for its acronym in English
NSR	National Securities Registry (<i>Registro Nacional de Valores</i>).
Operating Cash Flow	Refers to EBITDA minus the flow for payment of rents, EBITDA without IFRS16 effects.
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 (<i>Ley del Mercado de Valores</i>).
TCM	Tiendas Comercial Mexicana, S.A. de C.V.
TIIE	Interbank Equilibrium Interest Rate (<i>Tasa de Interés Interbancaria de Equilibrio</i>).
TO	Tender Offer.
UDI	Investment Units (<i>Unidades de Inversión</i>).
“UB” and “UBC” Series Units	the Related Units of the “UB” type, which are made up of four series B shares, while the Related Units of the “UBC” type, comprise three series B shares, and one series C share.
USMCA	Free Trade Agreement between the United States, Mexico and Canada.
VAT	Value Added Tax (<i>Impuesto al Valor Agregado</i>).

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, 2021 and 2020 in the accompanying financial statements are presented in thousands of Mexican pesos, unless otherwise stated. The results presented in 2021 and 2020 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 intended 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, 2021, the Company had 77 self-service stores under different formats, with a total sales area of approximately 329,033 m², concentrated mainly in the Mexico City metropolitan area where 41 units are located (*including two stores in the municipalities of Metepec and Avándaro, in the State of Mexico*), representing 53% of its total stores, another 8 stores are located in the state of Queretaro, six stores in the state of Jalisco, five stores in the state of Guanajuato, four stores in each of the states of Baja California Sur and Morelos, two stores in the state of Puebla and Nuevo León and one store in each of the following states: Michoacán, Guerrero, Nayarit, Aguascalientes and Colima. The Company owns approximately 61.5% of the total sales area, with the remaining sales area consisting of locations leased from various owners. The

Company also operates 382 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 m², 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 it 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. Four 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 2021, 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, 2021, 2020 and 2019

	2021	2020	2019
Stores by format			
La Comer	33	32	32
Sumesa	13	13	13
Fresko	18	15	14
City Market	13	12	12
Stores	77	72	71
Owned land	39	35	35
Leased land	38	37	36
Sales Area (m²)	329,033	308,862	300,780
Sales (Millions of pesos)	28,906	\$27,021	\$21,591
Same-store sales	4.3%	18.8%	6.5%
Clients (thousands of receipts)	62,859	60,079	68,649
Average receipt (pesos)	\$460	\$450	\$315
Cash and cash equivalents (Millions of pesos)	\$2,536	\$3,040	\$2,391
Inventory (Millions of pesos)	\$3,918	\$3,239	\$3,260
Providers (Millions of pesos)	\$4,115	\$3,539	\$3,228

Financial Information Summary

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, 2021, 2020 and 2019, are presented in millions of Mexican pesos.

The following tables summarize the financial information as of December 31, 2021, 2020 and 2019:

Income Statement

(Millions of pesos, except for percentages)

	2021	2020	2019
Sales	\$ 28,906	\$ 27,021	\$ 21,591
Cost of sales	20,857	19,638	15,698
Operating expenses	6,248	5,650	4,831
Other (expenses) income, net	7	2	55
Depreciation and Amortization	1,092	1,014	861
Operating income	1,808	1,734	1,117
Financial (expense) income	-23	15	10
Earnings (loss) before taxes	1,785	1,748	1,127
Income tax	242	281	91
Net income (loss)	1,543	1,467	1,036
* (EBITDA)	2,900	2,748	1,978
EBITDA/sales	10.0%	10.2%	9.2%
Operating income/ sales	6.3%	6.4%	5.2%
Linked Units (millions)	1,086	1,086	1,086
Earnings per Linked Unit (pesos)	1.42	1.35	0.95

*Operating income plus Depreciation and Amortization

Balance Sheet <i>(Millions of pesos, except for percentages)</i>	2021	2020	2019
Cash and cash equivalents	2,536	3,040	2,391
Inventory	3,918	3,239	3,260
Property and equipment, net	16,396	14,740	13,455
Intangible Assets	6,278	6,278	6,278
Other assets	3,868	3,627	3,519
Total Assets	32,996	30,924	28,903
Suppliers	4,115	3,539	3,228
Other liabilities	3,448	3,241	2,658
Total Liabilities	7,563	6,780	5,886
Consolidated Shareholders' Equity	25,433	24,144	23,017
Total Liabilities and Shareholders' Equity	32,996	30,924	28,903

Annual Performance Data	2021	2020	2019
Same store sales growth	4.3%	18.8%	6.5%
Food product category sales	82.2%	82.2%	79.4%
Non-food product category sales	17.8%	17.8%	20.6%
Sales per m ² (Thousand pesos)	\$ 88	\$ 87	\$ 72
Sales per operating in-store worker (Thousand pesos)	\$ 2,274	\$ 2,330	\$ 2,050
Average Inventory Conversion Ratio (days)	68	59	75
Average Payable Conversion Ratio (days)	71	65	74

Operating Data	2021	2020	2019
Stores at year-end	77	72	71
Sales Area (m ²)	329,033	308,862	300,780
Employees	14,532	13,446	12,200
Operating in-store employees	12,709	11,597	10,532
Receipts (thousands)	62,859	60,079	68,649

La Comer S.A.B. de C.V. has been listed on the Mexican Stock Exchange since 2016. Its capitalization value as of December 31, 2021, 2020 and 2019 amounted to \$39,976, \$49.283 billion and \$25.402 billion, respectively, represented by 1.086 billion linked units outstanding (See Section 5, "Stock Market Behavior").

3. RISK FACTORS

The investing public 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, 2020, stores located in these areas represented approximately 83% 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 derived from influenza, COVID-19, avian flu or other diseases could have a significant adverse effect on the Company's results of operations

The Company's activities and operations are being affected by the COVID-19 pandemic that began in the first quarter of 2020 and has continued with varying degrees of intensity, due to multiple factors, such as:

- 1) Interruptions in the supply chain, since our products are supplied from a wide variety of national and international suppliers that could have a risk of adequately supplying them, or substantially increase their operating costs.
- 2) Absence of collaborators due to illness or by instructions from the health sector authorities, which could affect the operation of our stores.
- 3) Vulnerable personnel protected by security.
- 4) Increases in store operating expenses, as we are forced to implement hygiene and containment protocols that protect the health of our employees and customers.
- 5) Closure of units and limited hours to avoid contact between customers and limit entry to have the allowed number of customers inside the store established by the Ministry of Health.
- 6) Low flow of customers due to movement restrictions, since, due to the quarantine, customers may not be allowed to leave their homes to make purchases.

The Company's Management is taking the necessary measures to minimize the impacts that these factors are having due to the COVID-19 pandemic, defining processes with 3 clear objectives: protect the health of our collaborators, protect the health of our clients and ensure the continuity of the operation in all our stores.

We cannot predict the effects of a global pandemic and its impact on the Company's operations

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 in an attempt to expose, damage, alter, destabilize, destroy, remove to gain unauthorized access or take control*), 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.

The Company adheres to the highest security standards available, such as the annual PCI certification that applies to retailers with high volumes of bank card transactions, and whose PCI-DSS 3.0 standard determines a series of rigorous security controls and practices. mandatory that are evaluated in person each year. This standard requires the performance of an annual risk analysis for systems considered critical, which is performed according to the NIS 800-30 standard.

The Company conducts independent vulnerability assessments on its platform exposed to the Internet every three months. Each serious problem identified in these assessments must be resolved. Additionally, several penetration tests are carried out annually, by different expert and independent companies, the results and actions resulting from these tests are evaluated in the annual systems audit processes.

The Company has the highest levels of availability that are possible in its systems infrastructure, including power supply redundancies in all its data rooms and computer centers, main and backup communication links through different physical means and systems with control schemes. high availability.

The Company also has infrastructure and execution programs for disaster recovery, which allow it to restore its critical mission operations in minutes, by having an alternate computer center enabled.

An annual information security risk awareness campaign is also carried out for all employees, this campaign is carried out in coordination with specialized training that is taught digitally.

Notwithstanding what is described in the preceding paragraphs, the processes and controls that the Company has in place could fail and significantly affect its operation.

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 7.36% in 2021, 3.15% in 2020, and 2.83% in 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.

Geopolitical factors such as the current Russian invasion of Ukraine could affect global supply chains and adversely impact the availability of products for the company's operation.

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 more recently of the Mexico, United States and Canada Treaty (T-MEC) 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.

The tax authorities in Mexico in recent years have taken much more aggressive stances with taxpayers. This has resulted in several companies reaching out-of-court agreements with the SAT (the Mexican tax authority) to make payments for very relevant amounts.

The SAT, in its capacity as tax authority, carried out reviews of the tax reports of some Group companies carried out by the external audit firm, specifically for the years 2014 and 2015.

Although the Company's Management considers that the criteria used in determining the taxes for which it is responsible are correct and has the opinions of recognized external firms in this regard, and the conformity of the external auditing firm; decided to dialogue with the tax authorities, in order to avoid uncertain legal confrontations, since matters of this nature can represent a long waste of time and resources for the company.

In conclusion, the authority has insisted on applying its internal criteria on some issues, so that, during December 2021, differences of \$454 million pesos were paid to resolve the SAT's observations regarding the years 2014 and 2015.

The payment represented a net effect on the Group's results of approximately \$137 million pesos.

The tax authorities initiated a direct review of a subsidiary of the Group for fiscal year 2016. As of the date of this report, the review is still in progress. Company Management and its legal advisors do not expect significant additional costs to arise as a result of such review.

Risk due to changes to the legislation

The Company operates in Mexico and is exposed to changes in the legislation that may exist in the country. In recent years, the government has presented bills that may affect the Company's business environment. Changes in legislation could affect the operation or financial situation of the Company.

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 six 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 2021 and 2020, the Company made a dividend payments and may continue to consider decreeing dividends in the future.

The Statutes 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 statutes 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 and Cash Flow risk

The Company estimates EBITDA as its operating income plus depreciation and amortization. The Company calculates the Cash Flow as EBITDA less payments made for leases. The Company presents its EBITDA and Cash Flow because it believes that EBITDA and Cash Flow 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 and Cash Flow in isolation and it should not be construed as a substitute for net income or operating income when measuring financial performance. EBITDA and Cash flow 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 and Cash Flow differently than other companies to calculate the same or similarly named items. EBITDA and Cash flow are 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. HISTORY AND DEVELOPMENT OF THE COMPANY

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, 2019, 2020 and 2021 the Company inaugurated cinco 5, 3, 4, 6, 2 y 5 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, 2021, the Company operated 77 self-service stores under various formats, with a total sales area of close to 329,033 m², concentrated mainly in the Mexico City metropolitan area where 41 units are located (*including two stores in the municipalities of Metepec and Avándaro, State of Mexico*), representing 53% of its total stores, another eight stores are located in the state of Queretaro, six stores in the state of Jalisco, five stores in the State of Guanajuato, four stores in each of the states of Baja California Sur and Morelos, two stores in the state of Puebla and Nuevo León and one store in each of the following states: Michoacán, Guerrero, Nayarit, Aguascalientes and Colima. The Company owns approximately 61.5% of the total sales area; the remaining sales area is in locations rented from various owners. The Company also operates 382 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 m², 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 m², 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, 2021 and 2020, the Company had 33 and 32 stores, respectively.
- ***City Market*** - This format offers its customers a large selection of gourmet products, as well as: wines, cheeses, meat, approximately a 25% of 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 m² and is located in high income areas to focus on medium and high socioeconomic levels. As of December 31, 2021 and 2020, the Company had 13 and 12 *City Market* stores, located mainly in Mexico City. In addition, the cities of Cuernavaca, Metepec, Queretaro, Guadalajara, Monterrey, San Miguel de Allende 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 m². 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, 2021 and 2020, the Company had 18 and 15 *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 m² and in some cases they do not have parking lots. As of December 31, 2020 and 2019, the Company had 13 *Sumesa* stores.

Approximately 99% 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 77 stores operated by the Company, there are 382 commercial premises with a total area of approximately 73,900 m². Revenues from stores, together with rented space within the stores, totaled approximately \$276 million pesos as of December 31, 2021. (See section "Description of Principal Assets"). The Company has territorial reserves of more than 137,000 m² with the following distribution:

<i>Territorial Reserve</i>	
	m ²
Mexico City Metropolitan Area	94,364
Central	18,848
Northeastern	34,232
	147,444

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 2,086 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 operates with a wide base of suppliers of diverse sizes, so it does not depend on any supplier in terms of products, and does not identify any supplier as critical.

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.

The products offered by the company have the labeling to comply with the provisions of the Official Mexican Standards in order to fully inform the consumer of its content and form of use. The functions of a label have to do both with the promotion of the product and with the complete information about its characteristics to allow the customer to know what he is buying.

B. DISTRIBUTION CHANNELS

As of December 31, 2021, the Company has two distribution centers: its own CEDIS, with an approximate area of 42,000 m² 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 m², 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 80% 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*”, “*Sabado Domingo 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 they were almost 62 million customers in 2021, with an increase of 5% in visits to stores due to confinement by COVID-19 in 2020. During 2021 sales from the digital platform “*La Comer en tu Casa*” represented 7.9% of total sales.

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 Ecológico y Protección al Ambiente)*; the *Anti-Money Laundering Law (Ley Federal para la Prevención de Operaciones con Recursos de Procedencia Ilícita)*; 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 Previsión 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 2020 and 2019 and subsequent years is 30% on the taxable income.

See "Note 25 - 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, 2021 and 2020, the Company had 14,532 13,446 employees respectively, of which 182, were administrative and managerial employees, 641 employees at the CEDIS and 12,709 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 2021 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.

Until December 31, 2021, 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 and executive.
5. Comercial City Fresko; executive staff. (As of December 31, 2021 this entity no longer had employees)

In compliance with the provisions of article 225 of the General Law of Commercial Companies and through Extraordinary General Meetings of Shareholders held on November 30, 2021, it was agreed to absorb by merger within Comercial City Fresko, S. de R.L. of C.V. to its subsidiaries: Operadora Comercial Mexicana, S.A. de C.V., Operadora Sumesa, S.A. de C.V., Serecor, S. de R.L. of C.V. and Personal Cendis Logistic, S.A. of C.V.

The merger took effect between the parties, their shareholders (Partners) and for labor, accounting, financial and tax purposes, on January 1st, 2022.

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.

As of January 1, 2020, all stores of the Company implemented the “*No use of plastic bag*” strategy plan with the purpose of reducing the consumption of plastic bags and joining the care of the environment. 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.

During 2021, we continued with the program to replace plastic bags with sustainable packaging, seeking to ensure that they are produced responsibly from their origin, designed to be effective and safe throughout their life cycle, and that they meet the market criteria for a good performance, and that once used, they are recycled efficiently. Packaging made of sustainable materials has been selected, adapting them to the needs of our products without

sacrificing the quality and good presentation of each type of product. During 2021, approximately 86% of packaging was fully sustainable

Styrofoam trays for the display and sale of: meat, chicken, pork, fish and cheese were replaced by compostable trays. This is a very important change, since Styrofoam is a highly polluting material that is very difficult to degrade in the environment.

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.

In home delivery, kraft paper bags and cardboard boxes are used, both made of recyclable material, resistant enough to maintain quality in the shipment.

In 2018, the Company initiated 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. In 2020, a new store was constructed with a photovoltaic panel system to be energy self-sufficient. At the end of December 2021, 50 of our stores use any of the clean energy systems available. We are planning to achieve a 70% transformation of our electricity consumption from clean sources by 2022.

In the specific case of the operation of the 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 safety measures to keep this risk under control.

Due to 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 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. Currently, the Company is affiliated with ANTAD to promote, together with similar companies, the support of free, fair and honest competition, as well as to encourage the exchange of information and experiences. In addition, company executives belong to the Mexican Business Council to promote the social welfare and economic development of the country.

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 53.2% of its stores are located as of December 31, 2021.

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*, *HEB* 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

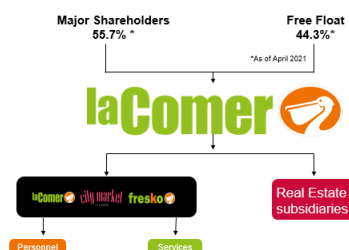
The Company offers high quality perishable products and groceries. In some of its formats it offers general line products such as home appliances, technology and domestic appliances.

The following is the contribution to total sales by region as of December 31, 2021

	Stores	m ²	% m ²
Mexico City Metropolitan Area	41	137,753	41.9%
Central	22	120,297	36.6%
Western	8	37,504	11.4%
Northeastern & North Regions	6	33,479	10.2%
	77	329,033	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, 2021:



Subsidiaries	% Ownership	Main Activities
Comercial City Fresko, S. de R.L. de C.V.	99.99 %	Self-service store chain with 72 units as of December 31, 2021. Owner of 39 stores, 382 commercial premises and a CEDIS.
Real estate subsidiaries	99.99 %	Three companies; three entities maintains a store (one in contruction), while the other maintains seven commercial premises, which are rented for restaurants.
Services subsidiaries	99.99 %	Four companies focused on providing services (<i>executive personnel; distribution center personnel</i>).
Import subsidiaries	99.99 %	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, 2021, the Company operated 77 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 14 states. Currently, the Company owns approximately 61.5% of the sales area of its units. As of December 31, 2021, the territorial reserve amounted to approximately 147 thousand m², divided into nine 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, 2021, none of the assets were pledged in guarantee.

The main assets as of December 31, 2021 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.	33	218,331
City Market	Self-service store with high quality gourmet products.	13	43,449
Fresko	Supermarket specialized in selling high quality food and groceries.	18	56,950
Sumesa	Supermarket focused on the sale of groceries and perishables.	13	10,303

The following table shows our owned space and our leased space in m² at the end of December 2021.

	Total Area (m ²)	%	Stores
Owned space	202,282	61.5%	39
Leased space	126,751	38.5%	38
	329,033	100.00%	77

The following table shows our proprietary space and our leased space in m² at the end of December 2020

	Total area m²	%	Stores
Owned space	186,524	60.4%	35
Leased space	122,338	39.6%	37
	308,862	100.00%	72

The following table shows our proprietary space and our leased space in m² at the end of December 2019.

	Total Area (m²)	%	Stores
Owned space	183,930	61.2%	35
Leased space	116,850	38.8%	36
	300,780	100.00%	71

The following table shows the sales space by format and the total number of stores as of December 31, 2021, 2020 and 2019:

	# stores 2021	m²	# stores 2020	# stores 2019
City Market	13	43,449	12	12
Fresko	18	56,950	15	14
La Comer	33	218,331	32	32
Sumesa	13	10,303	13	13
Total	77	329,033	72	71

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 2019, the Company remodeled five units. During 2020, a store in the Metropolitan Area of Mexico City was temporarily closed for a total remodeling and 2 units were remodeled. During 2021 the Company carried out the remodeling of three units.

The Company is in an expansion program in which it plans to start six to seven 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 PROCEDURES

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, 2021, there were 3,863,457,398 type B shares and 480,542,602 type C shares.

As of December 31, 2021, the subscribed and paid-in capital stock amounted to \$1,086'000 pesos, represented by 1,086,000,000 linked units UB and UBC.

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 first four years of operation the Company did 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. In 2021 y 2020, La Comer made a dividend payment of \$0.19 and 0.40 pesos by unit respectively and may continue to consider decreeing dividends in the future. (See Note 26 of the Financial Statements).

III. FINANCIAL INFORMATION

1. SELECTED FINANCIAL INFORMATION

The information in the earnings statement and financial position statement presented below is derived from the Company's 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, 2021, 2020 and 2019, are presented in millions of Mexican pesos. (See "General Information - Glossary of Terms and Definitions - Presentation of Financial and Economic Information").

Income Statement

(Millions of pesos, except for percentages)

	2021	2020	2019
Sales	\$ 28,906	\$ 27,021	\$ 21,591
Cost of sales	20,857	19,638	15,698
Operating expenses	6,248	5,650	4,831
Other (expenses) income, net	7	2	55
Depreciation and Amortization	1,092	1,014	861
Operating income	1,808	1,734	1,117
Financial (expense) income - net	-23	15	10
Earnings (loss) before taxes	1,785	1,748	1,127
Income tax	242	281	91
Net income (loss)	1,543	1,467	1,036
* (EBITDA)	2,900	2,748	1,978
EBITDA/sales	10.0%	10.2%	9.2%
Operating income/ sales	6.3%	6.4%	5.2%
Linked Units (millions)	1,086	1,086	1,086
Earnings per Linked Unit (pesos)	1.42	1.35	0.95

*Operating income plus Depreciation and Amortization

Balance Sheet

(Millions of pesos, except for percentages)

	2021	2020	2019
Cash and cash equivalents	2,536	3,040	2,391
Inventory	3,918	3,239	3,260
Property and equipment, net	16,396	14,740	13,455
Intangible Assets	6,278	6,278	6,278
Other assets	3,868	3,627	3,519
Total Assets	32,996	30,924	28,903
Providers	4,115	3,539	3,228
Other liabilities	3,448	3,241	2,658
Total Liabilities	7,563	6,780	5,886
Consolidated Shareholders' Equity	25,433	24,144	23,017
Total Liabilities plus Shareholders' Equity	32,996	30,924	28,903

Annual Performance Data

	2021	2020	2019
Same store sales growth	4.3%	18.8%	6.5%
Food product category sales	82.2%	82.2%	79.4%
Non-food product category sales	17.8%	17.8%	20.6%
Sales per m ² (Thousand pesos)	\$ 88	\$ 87	\$ 72
Sales per operating in-store worker (Thousand pesos)	\$ 2,274	\$ 2,330	\$ 2,050
Average Inventory Conversion Ratio (days)	68	59	75
Average Payable Conversion Ratio (days)	71	65	74

Operating Data

	2021	2020	2019
Stores at year-end	77	72	71
Sales Area (m ²)	329,033	308,862	300,780
Employees	14,532	13,446	12,200
Operating in-store employees	12,709	11,597	10,532
Receipts (thousands)	62,859	60,079	68,649
Fixed Assets Acquisitions	2,524	2,046	1,986

In the results presented in 2021, 2020 and 2019, the effects of IFRS 16 are present. This standard affected the Company mainly due to the real estate rental contracts, where some of the stores it operates and some equipment rental contracts are installed.

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.

During 2018 there were property sales that generated operating profits of \$230 million. No additional uncertainties or factors have been identified that would make the information presented not indicative of future performance.

In addition to these effects, no additional factor or criteria had been identified that could make the information presented not comparable.

2. FINANCIAL INFORMATION BY BUSINESS SEGMENT

As of December 31, 2021, 2020 and 2019, the distribution of the Company's formats by stores and retail area is shown below:

	# stores 2021	m ²	# stores 2020	# stores 2019
City Market	13	43,449	12	12
Fresko	18	56,950	15	14
La Comer	33	218,331	32	32
Sumesa	13	10,303	13	13
Total	77	329,033	72	71

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 are integrated by pharmaceuticals and personal care products.

The distribution of sales area by geographic region as of December 31, 2021 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	57.5%	41	137,753
Central	25.5%	22	120,297
Western	10.4%	8	37,504
Northern and Northwestern	6.6%	6	33,479
Total	100%	77	329,033

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. (See Note 17 of the Financial Statements).

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, 2021 and 2020 are presented in thousands of pesos and have been prepared in accordance with IFRS.

A. Operating Results

*Analysis of the results for the year ended December 31, 2021 and 2020
(million pesos except percentage)*

Al 31 de diciembre de 2021					
	2021	%	2020	%	Var %
Net sales	28,906	100.0	27,021	100.0	7.0
Cost of sales	20,857	72.2	19,638	72.7	6.2
Gross profit	8,050	27.8	7,382	27.3	9.0
Operating expenses	6,241	21.6	5,648	20.9	10.5
Operating profit	1,809	6.3	1,734	6.4	4.3
EBITDA ¹	2,900	10.0	2,748	10.2	5.6
Operational cash flow ²	2,660	9.2	2,529	9.4	5.2
Net financial result	(23)	(0.1)	15	0.1	(258.1)
Taxes and other	242	0.8	281	1.0	(14.0)
Net Income	1,543	5.3	1,467	5.4	5.2
Same Store Sales (%)	4.3		18.8		
Clients (thousands)	62,859		60,079		4.6
Inventory days ratio	68		59		13.9
Supplier days ratio	71		65		9.5
Number of stores	77		72		6.9
Sales area (m ²)	329,033		308,862		6.5

In millions of Mexican pesos,

(1) EBITDA refers to Earnings before Interest, Taxes, Depreciation and Amortization.

(2) Operating Cash Flow refers to EBITDA minus the flow for payment of rents, EBITDA without IFRS16 effects.

As of December 31, 2021, there were 77 self-service stores; while as of December 31, 2020, there were 72 self-service stores. During 2021, 5 stores were opened: 1 City Market, a store in La Comer format and three Fresko stores. The sales area presented an increase of 6.5%, going from 308,862 square meters in 2020 to 329,033 square meters in 2021.

Total revenues

In accumulated terms, total revenues amounted to \$28,906 million pesos, showing an increase of 7.0% compared to the same period of the previous year. Same store sales increased 4.3% during the year.

Our La Comer format presented the highest increases in same-store sales in the year, helped by the good execution of our promotional campaigns that are carried out during the year mainly in this format. Likewise, our Fresko format presented important increases.

All regions showed growth in same-store sales. The Northwest region had the highest growth in the year. Additionally, the stores in the Western region continue to show significant increases.

By product category, we can highlight that, during the year, there were greater increases in the perishable category, as well as a strong recovery in the prepared food and bakery areas.

Due to the confinement situation and the adaptations to the new measures and needs presented by the COVID-19 pandemic, our sales levels of our digital platform "La Comer en tu Casa" continue at significant levels, although slightly more moderate than those presented previously. in the year. During the last quarter, the first "Side Store" was inaugurated in Mexico City. This new store, adjacent to an existing one, has new spaces designed to cater exclusively to online orders, but at the same time takes advantage of synergies with an existing store.

Gross profit

The cost of sales for the year 2021 was \$28,857 million pesos, presenting an increase of 6.2% compared to the previous year.

Gross profit presented a margin of 27.8% as a percentage of sales, presenting an increase of 52 basis points against the previous year. During 2021 there was a gross profit of \$8,050 million pesos, showing an increase of 9.0% compared to the previous year.

The improvement that has occurred in the margin during the year is due to the recovery in income in the real estate section, as well as a greater participation in sales in our sections of prepared food and bakery, which during the past year presented a decrease in its operating activities due to the pandemic. Other factors that supported this increase are improvements in logistics and loss control.

Operating income and EBITDA

During the year, the expenses that had the greatest increases were expenses on biodegradable packaging, advertising and expenses for openings.

The operating profit for the year was \$1,809 million pesos, which presented an increase of 4.3% against the same period of the previous year and presenting a margin of 6.3% against a margin of 6.4% of the previous year.

In accumulated terms of 2021, the EBITDA margin was 10.0%, generating a flow of \$2,900 million pesos, growing 5.6% against the EBITDA of 2020.

The Operating Flow (EBITDA less the flow for payment of rents), was for the accumulated of 2021 of \$2,660 million pesos, presenting an increase of 5.2% compared to the previous year of \$2,529 million pesos. The operating cash flow margin for the year of 2021 was 9.2%.

(Cost) financial income – net

Within this concept, the Company presented an expense in the net financing result of \$23 million pesos, due to \$113 million pesos for income from investment yields, the effect of interest on leasing for \$155 million pesos and the difference due to exchange movements.

Taxes

During this period, an income tax was reported in the amount of \$242 million pesos.

Net income

Net income for the year was \$1,543 million pesos compared to \$1,467 million for the previous year.

Analysis of the results for the year ended December 31, 2020 and 2019

	2020	%	2019	%	Var.
Net Sales	27,021	100.0%	21,591	100.0%	25.1%
Cost of sales	19,638	72.7%	15,698	72.7%	25.1%
Gross profit	7,382	27.3%	5,893	27.3%	25.3%
Operating expenses	4,802	17.8%	4,054	18.8%	18.5%
Administrative expenses	848	3.1%	778	3.6%	9.0%
Other income	39	0.1%	21	0.1%	83.7%
Other expenses	41	0.2%	77	0.4%	-46.6%
Operating profit	1,734	6.4%	1,117	5.2%	55.1%
Financial income	213	0.8%	184	0.9%	16.0%
Financial expenses	228	0.8%	193	0.9%	17.9%
Earnings before tax & profit sharing	1,749	6.5%	1,127	5.2%	55.1%
Income tax	281	1.0%	91	0.4%	209.4%
Net income	1,467	5.4%	1,036	4.8%	41.6%
Depreciation & amortization	1,014	3.8%	861	4.0%	17.8%
EBITDA	2,748	10.2%	1,978	9.2%	38.9%
Operating Cash Flow	2,529	9.4%	1,783	8.3%	41.8%

Note: The figures and the discussion of the results presented in this section are indicated in million pesos.

As of December 31, 2020 and 2019, there were 72 and 71 self-service stores, respectively. During 2020, 2 stores were opened: a La Comer store and a Fresko store. During the year, a store was closed in the metropolitan area of Mexico City, with the purpose of completely remodeling it. The sales area presented a net increase of 2.7%, going from 300,780 square meters in 2019 to 308,862 square meters in 2020.

Net sales

Sales in 2020 amounted to \$ 27,021 million pesos, presenting an increase of 25.1% compared to the same period of the previous year. Same-store sales for the period increased by 18.8%, highlighting that in the year, our City Market format presented the best growth results.

By category, perishable products and groceries showed relevant increases. All formats, regions and categories show increases in sales, but the City Market format presented the best increases in same-store sales in the year.

By region, the highest growth in same-store sales continues in the Western region of the country, as the stores that have opened in that area continue to have very favorable sales increases, showing the acceptance of our formats in that region.

During 2020, there were some changes in the behavior of our clients; showing a decrease in their frequency of visits to stores and increasing the average purchase per visit by approximately 40%, which fully offset the decrease in traffic. During the year, electronic commerce transactions increased significantly in our online shopping application: La Comer en tu Casa, with a sales participation of 7.4%, presenting an increase compared to the previous year of 3.9 times.

Cost of Sales

The cost of sales remained as a percentage of sales at 72.7% for both years; maintaining the greater efficiencies in the costs of storage and distribution of products that were obtained during the years, reporting improvements in the cost of logistics.

Gross profit

Gross profit presented a margin of 27.3% as a percentage to sales, showing very similar to the previous year. Throughout the year, due to the emergency decreed due to the COVID-19 virus, priority was given to supply in all our stores. Although constant cleaning and sanitation costs have increased in our distribution centers and there has been a change in the product mix, significantly reducing the share of prepared foods, it has been possible to maintain the gross margin with logistical efficiencies and control of losses.

Operating Income and Expenses

Some accounts with relevant increases in expenses were:

- Salaries and salaries, to strengthen the areas of logistics and "La Comer en tu Casa" to satisfy the increase in demand. Additionally, the entire group of "vulnerable" employees who are confined at home due to their situation is being included.
- Extraordinary expenses for cleaning and cleaning, necessary due to the health emergency of COVID-19 to keep our stores in optimal conditions and offer our collaborators and customers a sanitized environment.
- Expenses related to our online sales system (e-commerce) "La Comer en tu Casa", to improve the shopping experience and cover the increase in demand.
- Surveillance expenses, to offer our customers maximum security within our stores.
- Increase in expenses for packaging to preserve food hygiene.

Operating profit for the year grew 55.1%, presenting a margin of 6.4%.

EBITDA

For 2020, the EBITDA margin was 10.2%, generating a flow of \$ 2,748 million pesos and growing 38.9% against the EBITDA of 2019.

The 2020 accumulated Operating Flow of \$ 2,529 million pesos, shows an increase of 41.8% compared to the same period of the previous year of \$ 1,783 million pesos. The 2020 operating flow margin was 9.4%, which compares with 8.3% for the same period of the previous year.

Financial income and expenses

Within this concept, the Company presented a net comprehensive financing result of \$ 15 million pesos, due to \$ 136 million pesos for income from investment returns, effect of interest from leasing for \$ 150 million pesos and the difference is due to fluctuations exchange rates.

Taxes and Consolidated Net Income

In 2020, an income tax was reported in the amount of \$ 281 million pesos.

For all the above, the net profit for the year was \$ 1,467 million pesos compared to \$ 1,036 million for the same period of the previous year.

B. Financial Condition

The Company has no financial debt as of December 31, 2021 and 2020.

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 presented at the end of this period a cash balance of \$2,536 million pesos, showing a decrease of \$505 million pesos against the cash balance as of December 2020; used mainly in project investment and store openings.

The inventory level was \$3,918 million pesos and that of suppliers was \$4,115 million pesos. Inventory turnover as of December 2021 was 68 days and that of suppliers was 71 days, presenting a difference of 3 days.

During 2021, there was an investment in property, plant and equipment of \$2,524 million pesos, increasing by 23.3% compared to the 2020 investment of \$2,046 million pesos.

The resources generated by the EBITDA amounted to \$2,900 million pesos in 2021 and \$2,748 million pesos in 2020 with a margin with respect to sales of 10.0% and 10.2%, respectively.

From January 1 to December 31, 2021, inventories increased 21% year-on-year, going from \$3,239 million pesos at the beginning of the year, to \$3,918 million pesos by the end of 2021.

The following table shows the investments in fixed assets made by the Company during the year 2021, 2020 and 2019:

<i>Million pesos</i>	2021	2020	2019
Construction and installation	1,349	1,233	690
Layouts	136	42	361
Furniture and equipment	1,039	771	935
Total	\$2,524	\$2,046	\$1,986

Capital expenditures of \$2.524 billion during 2021 were focused on the opening of the five 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, 2021, 2020 and 2019, payments made by customers through different payment means were classified as follows:

	2021	2020	2019
Cash	29%	30%	33%
Credit and debit cards	64%	62%	59%
Food vouchers	6%	7%	6%
Other	1%	1%	2%
Total	100%	100%	100%

As a matter of policy, the Company maintains 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:

	2021	2020	2019
Cash and cash equivalents at the beginning of the year	3,040	2,391	2,602
Operating activities	2,410	3,102	1,865
Investing activities	(2,428)	(1,902)	(1,842)
Financing activities	(486)	(551)	(234)
Cash and cash equivalents at the end of the year	2,536	3,040	2,391
Millions of pesos			

Cash flow from operating activities decreased 22.3% due to the high comparisons of the previous year that presented growth of the *66.0% in 2020 and 37.4% in 201*), especially driven by the Company's profit generation, because of the increase of the extraordinary situation of the Pandemic 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 101.2% in 2019, 163.1% in 2020 and 99.2% in 2019, 3% in 2021 of the required flows for investing activities, practically all of the cash flow required for investing activities was financed with cash flow from operating activities.

C. Internal Control Policies and Procedures

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 2021 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:

- Reverse factoring: presentation of amounts related to supplier financing agreements in the balance sheet and the cash flow statement. (See Note 17 of the Financial Statements).
- Term of the lease: if the Company is reasonably certain that it will exercise extension options. (See Note 28 of the Financial Statements).
- Measuring the estimate for expected credit losses on accounts receivable: key assumptions to determine the weighted average loss rate. See Notes 6 and 9 of the Financial Statements.
- Impairment testing of intangible assets. See Note 15 of the Financial Statements.
- Recognition and measurement of provisions and contingencies: key assumptions related to the probability and magnitude of an outflow of economic resources. . (See Note 19 of the Financial Statements).
- Measurement of defined benefit obligations: key actuarial assumptions. . (See Note 20 of the Financial Statements).
- 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. . (See Note 25 of the Financial Statements).
- 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. 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, 2020, there are no uncertain tax positions. . (See Note 25 of the Financial Statements).

- 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.
- 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. . (See Note 15 of the Financial Statements).

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. It should be noted that the acceptance and compliance with the conditions imposed by *COFECE* allowed 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, 2021, 2020 and 2019, were audited by KPMG.

The Company's consolidated financial statements as of December 31, 2018, 2017 and 2016 were audited by Pricewaterhouse 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, 2021 and 2020, amounted to \$6.7 and \$6.3 million, respectively, 77% of which corresponds to the audit of the financial statements.

B. TRANSACTIONS WITH THIRD 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, 2021 and 2020, are shown in Note 21 - Related Parties, of the consolidated financial statements included in this Annual Report.

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 14, 2021.

Thirty 36% 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 29, 2020, 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	Manuel García Braña	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
	Nicolás González Oertel	1
	Bernanrdo Aguado Ortiz	3
Audit Committee		
Chairman	Manuel García Braña	3
Director	Alberto G. Saavedra Olavarrieta	3
Director	José Ignacio Llano Gutiérrez	3

Corporate Practices Committee

Chairman	Alberto G. Saavedra Olavarrieta	3
Director	Manuel García Braña	3
Director	José Ignacio Llano Gutiérrez	3

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

Below is a brief biography 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	6
Santiago García García	Chief Executive Officer	6
Rogelio Garza Garza	Chief Administrative and Financial Officer	6
Rodolfo J. García Gómez de Parada	Chief Tax, Legal and Audit Officer	6
Luis Arturo Mejía Coronel	Chief Operating Officer	3
Jorge Eduardo O'Cádiz Salazar	Chief Merchandise Officer	6
Raúl del Signo Guembe	Human Resources Officer	6
Flor Argumedo Moreno	Chief Information Officer	6

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 51 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 42 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 12 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 46 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 27 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 28 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 28 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 34 years of experience in the retail sector. Currently, she is also Chairman of the Board of Directors of GSI de Mexico.

Blood 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 63% 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 C.P. Manuel García Braña, 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, Rodolfo Jesús García Gómez de Parada; 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 Jesús García Gómez de Parada	Chief Tax, Legal and Audit Officer

Remuneration of key management personnel

The total amount of short-term direct benefits granted to senior officers or relevant executives amounted to \$201 million \$170 million and \$156 million as of December 31, 2021, 2020 and 2019, respectively.

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 CNBV.

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

III. 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:

	<u>Nominal Pesos per UBC Unit</u>		
	High	Low	
<u>2016</u>			<u>Volume</u>
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
<u>2017</u>			
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
<u>2018</u>			
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
<u>2019</u>			
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
<u>2020</u>			
1Q	23.38	19.52	32,290,422
2Q	35.95	32.48	36,492,161
3Q	35.95	31.98	25,734,333
4Q	45.58	34.80	27,517,385
<u>2021</u>			
1Q	39.83	32.60	46,785,040

2Q	43.42	34.86	35,318,453
3Q	43.07	37.19	13,093,571
4Q	46.85	38.78	15,721,189

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 provides 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	Chief Tax, Legal and Audit Officer

ATTACHMENTS

A. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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

Consolidated Financial Statements
As of December 31 of 2021 and 2020

REPORT OF THE CHIEF EXECUTIVE OFFICER

Mexico City. March 25, 2022.

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 Mexican Securities Market Law and Article 172 of the General Law of Commercial Companies, I hereby submit for your approval this report on the performance of La Comer, S.A.B. de C.V. during the year ended December 31, 2021. The report includes an explanation of the relevant events that occurred during the year, points out the highlights of the period, and refers to the most important ongoing projects and the main policies of my administration.

In the last two years we have experienced events that have put our solidarity and fortitude to the test. In 2021, we have become stronger, not only because of the advances in vaccination against COVID-19 which show promise for controlling the pandemic and helping to reestablish social and economic life, but also because we have managed to be a resilient organization, thus keeping the doors open for collaborators and customers who are part of La Comer. A joint effort that has met the standards of quality and service that characterize us, but mainly that has given us the opportunity to preserve and create jobs.

Our strategy was based on furthering our differentiated service, with safety measures and indications from the health authorities, and with operating and hygiene guidelines to receive our customers who returned in person to make their purchases. Moreover, we continued to provide the best service in our digital platform "La Comer en tu Casa" so that our customers could make their purchases in a comfortable, safe and effective way.

The Mexican economy had limited growth during 2021, and was unable to recover from the downturn caused by the pandemic during 2020. By the end of 2021, Mexico's Gross Domestic Product (GDP) presented an increase in real terms of 4.8% with respect to the previous year and an annual inflation of 7.36%. Within the whole economic environment and still with the effects of the global pandemic, the commerce sector showed a good performance. Regarding consumption in the national retail sector and based on data from the National Association of Self-Service and Department Stores (ANTAD), there was an increase in same-store sales of 2.6% for the self-service sector in 2021.

This year the company reported a 4.3% increase in same-store sales, surpassing ANTAD's figure and continuing with positive increases due to our excellent customer service, a complete supply in all our stores, and an unbeatable service from our digital platform "La Comer en Tu Casa". We have continued to maintain a strategy of differentiation by offering the best shopping experience in the market based on: quality, attention and service, despite the circumstances of the pandemic. Our employees have the necessary training to be able to provide an excellent service, offering specialized advice to the customer for a more profitable shopping experience. We have maintained an unbeatable supply of basic products, high-end products, imported products and novelties with excellent quality and clear differentiation.

This year we regained the momentum of our expansion plan and opened five new stores: La Comer Tecnológico in Metepec, City Market San Miguel de Allende, Fresko San Lucas, Fresko Esfera in Monterrey and the total remodeling of Fresko La Herradura in Mexico City. With these openings we have generated more than 1,700 direct and indirect jobs. In order to provide the innovations and services that shape our image, we remodeled La Comer Pozuelos in Guanajuato and La Comer Zaragoza in Querétaro.

At the end of the year, to strengthen our online sales, we ventured into a new project, with a "Side Store" (adjacent to an existing store) to reinforce our sales on the La Comer en tu Casa platform and obtain significant operational advantages. CAPEX investment in 2021 amounted to approximately \$2,524 million pesos, an amount allocated mainly to carry out the openings and remodeling.

In terms of operating results for 2021, total sales reached \$28,906 million pesos, with a 7.0% increase in sales compared to 2020. Thus, in 2021, we consolidated the high sales levels we experienced during 2020. During the year, we continued to offer high safety and hygiene controls in all our operations; but we also reinforced our

differentiation strategy in order to retain new customers who have tried our stores; we paid close attention to product assortment, and we endeavored to maximize our customers' shopping experience.

We carried out our “Temporada Naranja”, (Orange Season) promotional campaign, based on offering promotions on products from different departments and rotating them throughout the promotional season with great acceptance by our customers. We continued successfully with our “Miércoles de plaza” campaign, offering the best quality and selection of perishable products.

The sales of our digital platform “La Comer en tu Casa” continue with important sales levels, showing to be a quality and trustworthy service for our customers. The participation of our online sales platform was 7.9% of the company's total sales.

Our gross profit margin was 27.8%; gross profit increased 9.0% with respect to 2020. This expansion was partially due to the growth in participation of some high margin sections such as bakery and prepared foods, which during 2020 were affected in their sales by the pandemic. Some operating expenses that increased during the year were: packaging, to preserve food hygiene; opening and advertising expenses in support of new store openings; and electric power.

EBITDA margin for the year as a percentage of sales was 10.0%, generating an annual EBITDA of \$2.9 billion pesos.

In 2021 we carried on with various Social Responsibility and Sustainability practices. We supported our vulnerable employees with a gradual return to their jobs throughout the year. We continued with campaigns to support SMEs, and negotiated mutually beneficial situations with our tenants. We continued with social aid programs, “Un kilo de ayuda”, the “Tienda Rosa” campaign to help women with cancer, and we made donations to various charities.

like to express my most heartfelt thanks to each and every one of them for having positioned us this year as the best self-service chain in the country. With the progress achieved and the positioning and differentiation of the company, we have created the best foundation to continue on the path of consolidation and growth. We expect to continue opening more stores in the coming years in order to replicate our shopping experience.

Finally, I hereby submit to your consideration the Consolidated Financial Statements of La Comer, S.A.B. de C.V., attached to this report. They have been prepared by the Administration and Finance Department and subsequently authorized by the Audit Committee of With respect to sustainability, we developed several actions and measures in our stores to use resources in an environmentally friendly manner. We have continued to switch to more environmentally friendly packaging. Measures were taken to collect waste products, paper and cardboard for recycling or reuse, among other actions.

I want to recognize all our employees for their dedication, attention, service and teamwork; without them we would have never achieved the excellent results we obtained in the face of the emergency. I would this same Board of Directors; if approved, they may be subsequently presented to the General Shareholders' Meeting of the Company.

Yours sincerely,

SANTIAGO GARCIA GARCIA

Santiago García García

Chief Executive Officer

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

Mexico City. March 25, 2022

AUDIT COMMITTEE REPORT

Board of Directors

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

In compliance with the provisions of Section II of Article 43 of the Securities Market Law (hereinafter "LMV"), in connection with Section IV paragraph (a) of Article 28 of the same Law, the Chairman of the Audit Committee must prepare an annual report on the activities of said Committee and submit it to the Board of Directors, so that, if approved by the Board, it may be submitted to the Shareholders' Meeting. Therefore, I hereby inform you about the activities carried out by the Audit Committee of La Comer, S.A.B. de C.V. ("the Company" or "the Issuer") during the year ended December 31, 2021.

Our work as a Committee was carried out in strict compliance with the regulations contained in the LMV, the General Provisions Applicable to Securities Issuers and Other Participants of the Securities Market, the Internal Regulations of the Mexican Stock Exchange (hereinafter "BMV"), the recommendations of the Code of Principles and Best Practices of Corporate Governance, as well as the Annual Program of topics to be discussed. In preparing this report, the directors of *La Comer* were heard, and it is noted that there was no difference of opinion among them.

Based on the previously approved meeting schedule, the Committee met in 6 ordinary meetings, of which the corresponding minutes were prepared with their respective resolutions. The ordinary meetings were duly convened in accordance with the bylaws and complied with all the formalities set forth therein. The appointed board members, Manuel García Braña, José Ignacio Llano Gutiérrez and Alberto Saavedra Olavarrieta attended, as well as those guests that the Committee considered important to involve.

In its meetings, the Committee analyzed, among others, issues related to:

- (I) Internal audit, internal control and corporate governance,
- (II) Disclosure process of the Issuer's financial information,
- (III) Investment (CAPEX and OPEX); and
- (IV) External audit.

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

FINANCIAL INFORMATION

1. A review was conducted of the consolidated financial statements of La Comer, S.A.B. de C.V. for the year ended December 31, 2021, ensuring the guidelines for reporting to the BMV were duly compliant with International Financial Reporting Standards (hereinafter "IFRS").
 2. The quarterly consolidated financial statements of La Comer and its subsidiaries from Q1 to Q4 2020 and accumulated financial statements were reviewed, ensuring that the guidelines for reporting to the Mexican Stock Exchange were duly compliant with International Financial Reporting Standards ("IFRS").
 3. La Comer's related party reports were presented with quarterly figures for 2021, as well as the internal audit report on related parties for 2021.
 4. A review was carried out of the quarterly and Same Store Sales ("VMT"), compared with those of its main competitors and with those of the National Association of Supermarkets and Department Stores ("ANTAD"); as well as, individually, of those of the Company's four store formats.
 5. The bases for the 2021 budget, the investment projects and the annual budget, which continues to consider some expenses derived from the Covid 19 pandemic, were reviewed. The base budget for the executive bonus for 2021 was reviewed.
 6. The periodic progress of CAPEX and OPEX was presented, indicating new stores and remodeling..
 7. The financial effects related to the Covid 19 pandemic were reviewed, being lower than those recorded in the previous fiscal year..
 8. The quarterly operations of purchase and sale of own shares carried out during 2021 were presented.
 9. A report was presented on the general situation and on compliance with the tax obligations of the Company and its subsidiaries for the fiscal year 2021 and the plan for 2022. In addition, we were informed of the reviews by the Tax Administration Service ("SAT") of the 2014 and 2015 tax returns of some subsidiaries, which are already completed and closed.
 10. We were informed of the actions and progress made in the implementation of the new labor reform, regarding outsourcing of personnel and contracting of specialized services.
- #### EXTERNAL AUDIT
11. A recommendation was made to the Board of Directors to contract and approve the fees of KPMG regarding the external audit services for fiscal year 2021, for the financial audit, tax opinions and transfer pricing..
 12. KPMG's audit team was evaluated to ensure that it met the necessary requirements of professional quality, training, independence and diligence required to audit the Company's financial statements in accordance with the Circular Única de Auditores Externos ("CUAE").
 13. An analysis was conducted of the letter to management on financial aspects and of the report of observations on general information technology controls, presented by the external auditor KPMG, corresponding to the audit of fiscal year 2020. The areas for improvement were noted and their implementation was followed up.

14. The external audit firm, KPMG, presented the schedule of activities and deliverables with respect to the audit of the financial statements and systems for fiscal year 2021.

15. The improvement plan presented by KPMG for the 2021 audit was reviewed in response to some comments received from the Company's Management, in order to improve the quality of the service and delivery times..

16. In each of the sessions of this Committee the external auditor reported on the progress of the 2021 audit. .

17. Periodic communications were held with the external auditor, without the participation of the Management, in order to learn of their concerns and progress of the 2021 audit. INTERNAL AUDIT AND COMPLIANCE

18. Detailed information was presented at each Committee meeting regarding incidents to the Company's Code of Ethics during the fiscal year, as well as statistics, special cases and actions taken..

19. Reports were presented on the progress made in regulatory compliance with the obligations related to the prevention and identification of operations with resources of illicit origin..

20. Follow-up and progress was reported on the following projects: a) Updating of the Code of Ethics; b) Automation of the annual certification of related parties and; c) Progress of the system implemented for compliance with the new regulations on specialized services.

In addition, the audited consolidated financial statements of La Comer, S.A.B. de C.V. and its subsidiaries as of December 31, 2021 were reviewed. Finally, Article 42, Section II paragraph (e) of the LMV requires the Audit Committee to prepare an opinion on the Issuer's financial statements as of December 31, 2021. Thus:

In the opinion of the members of the Audit Committee, the information presented by the Chief Executive Officer fairly reflects the consolidated financial position of La Comer, S.A.B. de C.V. and its subsidiaries as of December 31, 2021 and the consolidated results of their operations for the year then ended.

The foregoing opinion is based on the following elements:

- The financial opinion of the external audit firm, KPMG.
- The letter signed by Management that the annual report reasonably reflects its situation and that it does not contain information that could induce error.
- In the fact that the accounting and reporting policies and criteria followed by the Company during the year ended December 31, 2021, 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 Audit Committee recommends that the Board of Directors approve the audited consolidated financial statements of La Comer, S.A.B. de C.V. as of December 31, 2021, as well as the Chief Executive Officer's report. For the preparation of this report, the Relevant Officers of the Company were heard and it is noted that there was no difference of opinion among them.

Yours faithfully,

MANUEL GARCÍA BRAÑA
Chairman of the Committee

Mexico City. February 29, 2021

REPORT OF THE CORPORATE PRACTICES COMMITTEE

Board of Directors

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

Pursuant to the provisions of Section 1 of Article 43 of the Securities Market Law (hereinafter "LMV"), in connection with Section IV paragraph (a) of Article 28 of the LMV, the Chairman of the Corporate Practices Committee must prepare an annual report on the activities that correspond to such body and submit it to the Board of Directors, so that if the Board approves it, 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, 2021.

In this regard, it should be noted that the members of the Corporate Practices Committee are Mr. José Ignacio Llano Gutiérrez, Mr. Manuel García Braña and the undersigned. During the reporting period, the Committee met in five ordinary sessions on February 19, April 23, July 14, October 22 and November 26, 2021.

Minutes were taken at each meeting, signed by all the members in attendance, and the requirements of convocation and legal installation were complied with. The foregoing, in compliance with the provisions of the bylaws of the Corporate Practices Committee, which was approved in due course by the Board of Directors.

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 advisable, the opinion of independent experts was requested. The various meetings of this Committee were attended, as required, by Mr. Raúl del Signo Guembe, Director of Human Resources of the Issuer, among other officers.

Without prejudice the activities carried out by the Committee during the fiscal year 2021 described below, it should be noted that the members of said corporate body paid attention to the following matters, among others:

- Review and approval of the compensation plans for senior management, ensuring that the criteria, common practices, history and other elements that served to fulfill this activity are current and valid.
- The performance evaluations of senior executives were reviewed and approved for the results ended December 31, 2020, as well as their performance bonuses and EBITDA (earnings before interest, taxes, depreciation and amortization) bonuses.
- The Committee reviewed and recommended the approval by the Board of Directors of the budget prepared for the 2021 fiscal year, and reviewed the basis for the preparation of the budget for the 2022 fiscal year.
- Compensation of the members of the Company's senior management was reviewed in detail, and it was agreed that the proposals for modification were made by the Executive President, who submitted them to this Committee, which in turn, once analyzed and approved, submitted them to the Board of Directors.
- The organizational charts and structures of the different divisions of the Company were reviewed, validating the responsibilities and functions of each division, and the replacement table plan was updated.
- The performance of the Corporate Practices Committee was evaluated pursuant to the evaluation form designed for this purpose
- The actions implemented by the Company to protect the health of its personnel and clients during the COVID 19 pandemic were reviewed.
- The Committee, together with the members of the Audit Committee, reviewed and the latter submitted for the approval of the Board of Directors the transactions between Related Parties carried out during the 2021 fiscal year. For such purpose, it was verified that the existing operations were in competitive market conditions, finding no significant fact to report.

In preparing this report we interviewed the Relevant Officers of the Company, and found no difference of opinion among them. Likewise, when we deemed it convenient, we requested the opinion of independent experts.

Yours sincerely,

ALBERTO SAAVEDRA OLAVARIETA

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, 2021 and 2020

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

Balance Sheet

For the years ended December 31, 2021 y 2020

Assets	Note	2021	2020
Current assets			
Cash and cash equivalents	8	2,535,787	3,040,366
Trade receivables, net	9	78,676	81,329
Current tax assets	9	1,059,233	875,837
Related parties	21	372	289
Inventories, net	10	3,918,307	3,238,989
Prepayments	11	29,564	19,760
Intangible assets with a finite useful life and others, net	16	109,819	110,293
Assets held for sale	13	17,039	17,039
Total current assets		7,748,797	7,383,902
Intangible assets with finite useful lives	16	329,195	418,497
Investment property, net	12	623,016	625,069
Property, furniture and equipment and leasehold improvements, net	14	16,396,281	14,739,721
Intangible assets with an indefinite useful life, net	15	6,277,998	6,277,998
Deferred tax assets	25	199,549	182,363
	28	1,420,805	1,296,365
Right-of-use assets			
Total assets		\$ 32,995,641	30,923,915
Liabilities and stockholders' equity	Note	2021	2020
Cui Trade payables and financing programs to suppliers	17	4,114,588	3,538,913
Related parties	21	117,881	62,394
Provisions	19	81,267	70,554
Provision for employee benefits	19	284,476	266,518
Other payables	18	667,597	583,073
Current income tax	25	156,117	37,943
Other tax payable		362,620	291,000
Short-term lease liabilities	28	69,092	64,643
Total current liabilities		5,853,638	4,915,038
Deferred tax liabilities	25	65,135	426,854
Employee benefits	20	188,244	143,218
Long-term lease liabilities	28	1,456,135	1,295,134
Total non-current liabilities		1,709,514	1,865,206
Total liabilities		7,563,152	6,780,244
Stc Capital stock	26	1,966,662	1,966,662
Net premium on paid-in capital	26	264,724	264,724
Reserves	26	1,686,435	1,759,635
Retained earnings	26	21,546,327	20,181,881
Other comprehensive income	25	(31,659)	(29,231)
Total equity		25,432,489	24,143,671
Commitments and contingent liabilities	27		
Posterior fact	30		
Total liabilities and equity		\$ 32,995,641	30,923,915

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

Comprehensive Income Statement

For the years ended December 31, 2021 y 2020

	<u>Note</u>	<u>2021</u>	<u>2020</u>
Operating income:			
Net sales of goods	2.21 a. c. and d. \$	28,567,034	26,743,061
Leasing income	2.21 b., f. and 2.22	276,340	216,777
Other revenue	2.21 e, g	62,930	60,777
Total revenue		28,906,304	27,020,615
Cost of goods sold	22	20,856,566	19,638,362
Gross profit		8,049,738	7,382,253
Selling expenses	22	5,337,258	4,802,352
Administrative expenses	22	911,013	848,106
		6,248,271	5,650,458
Other expenses	23	(75,946)	(39,230)
Other income	23	83,014	41,238
		7,068	2,008
Operating income		1,808,535	1,733,803
Financing costs:			
Financial expenses	24	(182,882)	(213,170)
Financial income	24	159,436	227,950
Net financing costs		(23,446)	14,780
Income before income taxes and other comprehensive income		1,785,089	1,748,583
Income taxes	25	242,021	281,316
Consolidated net income		1,543,068	1,467,267
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of employee benefits, net of deferred tax	25	(2,428)	(8,701)
Other comprehensive income for the period, net of tax		(2,428)	(8,701)
Consolidated comprehensive income		\$ 1,540,640	1,458,566
Basic and diluted earnings per share:	2.23	1.42	1.35

See accompanying notes to the consolidated financial statements

La Comer, S. A. B. de C. V. and subsidiareis
Statements of changes in stockholders' equity
For the years ended December 31, 2021 y 2020

	<u>Note</u>	<u>Capital stock</u>	<u>Net premium on paid-in capital</u>	<u>Reserves</u>	<u>Retained earnings</u>	<u>Other comprehensiv e income</u>	<u>Total stockholders' equity</u>
Balances at 1 January 2020		\$ 1,966,662	206,505	1,717,371	19,147,027	(20,530)	23,017,035
Comprehensive income for the period:							
Profit for the period		-	-	-	1,467,267	-	1,467,267
Remeasurement of employee benefits, net of deferred tax	25	-	-	-	-	(8,701)	(8,701)
Total comprehensive income for the period		-	-	-	1,467,267	(8,701)	1,458,566
Transactions with shareholders:							
Dividends paid		-	-	-	(432,584)	-	(432,584)
Capital gains from the sale of shares		-	58,219	(58,219)	-	-	-
Shares (sold) acquired	26	-	-	100,483	171	-	100,654
Total transactions with shareholders		-	58,219	42,264	(432,413)	-	(331,930)
Balances as of December 31, 2020		1,966,662	264,724	1,759,635	20,181,881	(29,231)	24,143,671
Comprehensive income for the period:							
Profit for the period		-	-	-	1,543,068	-	1,543,068
Remeasurement of employee benefits, net of deferred tax	25	-	-	-	-	(2,428)	(2,428)
Total comprehensive income for the period		-	-	-	1,543,068	(2,428)	1,540,640
Transactions with shareholders:							
Dividends paid	26	-	-	-	(205,955)	-	(205,955)
Shares (sold) acquired	26	-	-	(73,200)	27,333	-	(45,867)
Total transactions with shareholders		-	-	(73,200)	(178,622)	-	(251,822)
Balances as of December 31, 2021		\$ 1,966,662	264,724	1,686,435	21,546,327	(31,659)	25,432,489

See accompanying notes to the consolidated financial statements.

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

Cash flow statements

For the years ended December 31, 2021 y 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Consolidated income	\$ 1,543,068	1,467,267
Income taxes	<u>242,021</u>	<u>281,316</u>
Income before income taxes	1,785,089	1,748,583
Adjustments for:		
Depreciation of property, furniture and equipment and leasehold improvements	858,756	778,351
Amortization of right-of-use assets	120,692	117,674
Amortization of intangible assets with finite an useful life	110,293	115,863
Depreciation of investment property	2,053	2,053
Loss on sale of property, furniture and equipment	2,730	23,546
Assets held for sale	-	(17,039)
Employee benefits net cost	32,289	24,209
Interest income	(113,064)	(136,390)
Items related to financing activities:		
Interest expenses	<u>154,776</u>	<u>150,596</u>
Subtotal	2,953,614	2,807,446
Trade receivables	(2,194)	22,940
Inventories	(679,318)	20,920
Receivable current tax assets	(183,397)	(233,033)
Other receivables and related parties	4,765	2,669
Prepayments	(9,804)	1,457
Trade payables	575,675	310,893
Other payables and other tax liabilities, provisions and related parties	252,437	210,089
Income taxes paid	<u>(501,712)</u>	<u>(41,631)</u>
Net cash flows from operating activities	<u>2,410,066</u>	<u>3,101,750</u>
Cash flows from investment activities:		
Interest received	113,064	136,390
Acquisition of property, furniture and equipment	(2,523,841)	(2,046,455)
Proceeds from sale of property, furniture and equipment	2,929	9,163
Other assets	<u>(20,517)</u>	<u>(1,248)</u>
Net cash flows from investing activities	<u>(2,428,365)</u>	<u>(1,902,150)</u>
Cash flows from financing activities:		
Repurchase of shares	(45,867)	100,654
Payment of lease liabilities	(79,682)	(68,120)
Interest paid on lease liabilities	(154,776)	(150,596)
Dividends paid	<u>(205,955)</u>	<u>(432,584)</u>
Net cash flows from financing activities	<u>(486,280)</u>	<u>(550,646)</u>
Net increase (decrease) in cash and cash equivalents	(504,579)	648,954
Cash and cash equivalents at the beginning of the year	<u>3,040,366</u>	<u>2,391,412</u>
Cash and cash equivalents at the end of the year	<u>\$ 2,535,787</u>	<u>3,040,366</u>

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

Notes to the financial statements

For the years ended December 31, 2021 y 2020

Will be included soon.

B. LETTER OF RESPONSIBILITY



Mexico City. April 27,, 2022

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, 2021 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