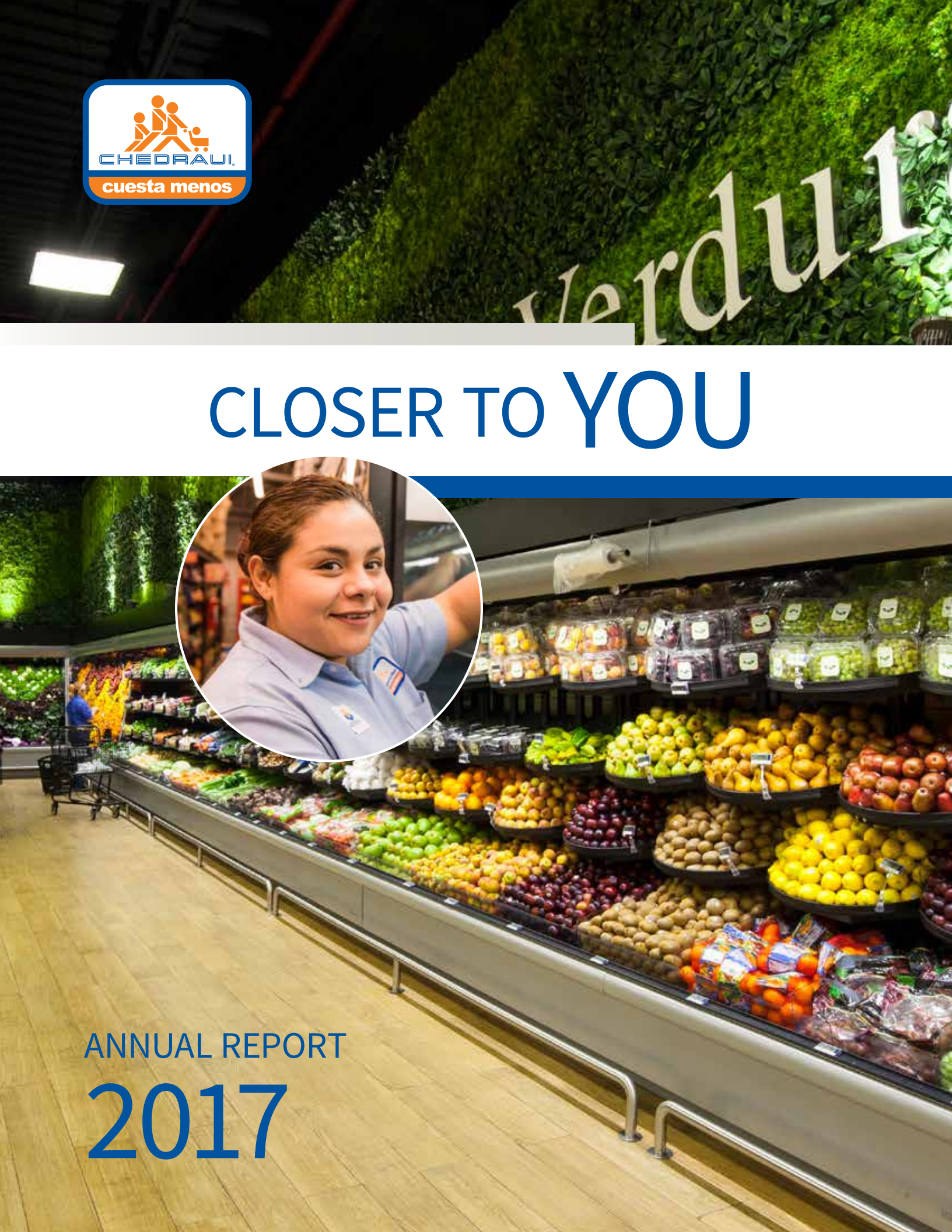
CHEDRAUI
cuesta menos

CLOSER TO YOU



ANNUAL REPORT

2017

CONTENT

Financial highlights	01
Presence in Mexico and the United States	02
Message to our shareholders	04
Chedraui today	08
Chedraui's strategy and experience	10
At a glance	12
Retail in Mexico	14
Retail in the United States	18
Real estate segment	20
Sustainability	22
Management's discussion and analysis	28
Management Team	31
Board of Directors	33
Audit and Corporate Practices Committee Report	34
Consolidated Financial Statements	37



CLOSER TO YOU







FINANCIAL HIGHLIGHTS

CONSOLIDATED INCOME STATEMENT

Figures in millions of pesos	2016	2017	Var.
Net Sales	88,529	94,583	6.8%
Gross Profit	18,216	19,666	8.0%
Operating Expenses	12,469	13,627	9.3%
EBITDA	5,747	6,039	5.1%
Net Majority Income	1,953	2,079	6.5%
Basic Earning per Share *	2.03	2.16	6.4%
Outstanding Shares **	963,917,211	963,917,211	
Share Price (Dec 31) *	37.1	36.1	-2.8%

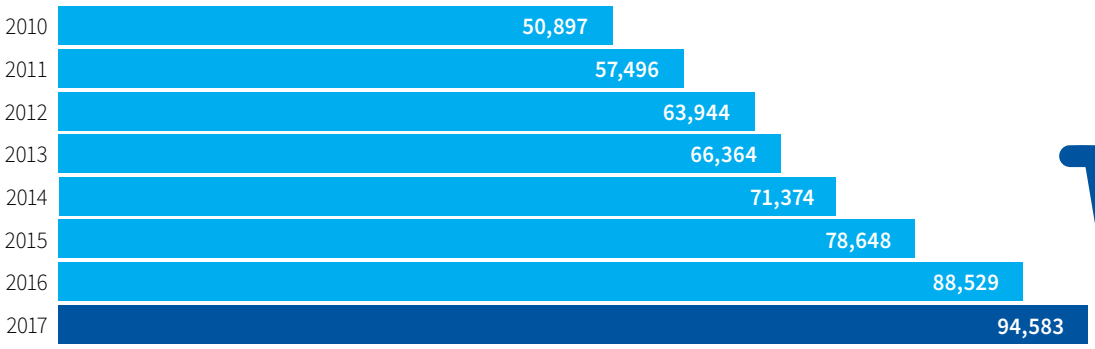
(*) figures in pesos (**) figures in units

CONSOLIDATED BALANCE SHEET

Figures in millions of pesos	2016	2017	Var.
Cash	943	1,522	61.4%
Inventories	8,942	9,654	8.0%
Fixed Assets (Net)	29,898	30,829	3.1%
Total Assets	53,279	55,006	3.2%
Suppliers	12,212	12,905	5.7%
Total Liabilities	26,341	26,574	0.9%
Mayority Shareholder Investment	26,610	28,150	5.8%

CAGR SALES

Millions of pesos



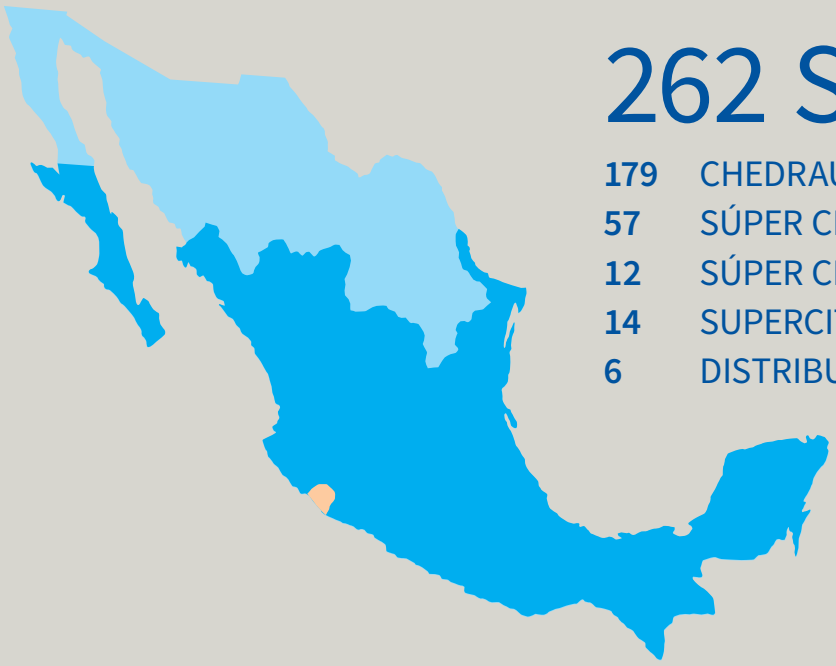
SUSTAINED GROWTH

9.3%

CAGR Sales

PRESENCE IN MEXICO



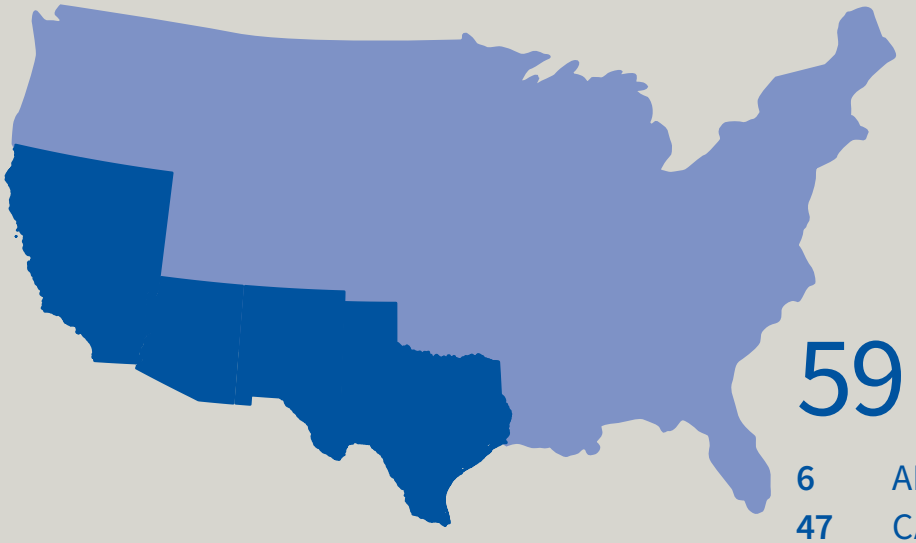


262 STORES

179	CHEDRAUI STORES
57	SÚPER CHEDRAUI
12	SÚPER CHE
14	SUPERCITO
6	DISTRIBUTION CENTERS

PRESENCE IN THE UNITED STATES





59 STORES

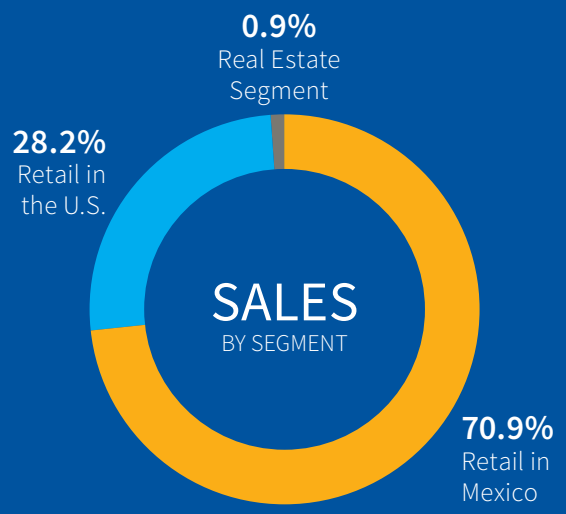
6	ARIZONA
47	CALIFORNIA
3	NEVADA
1	NEW MEXICO
2	TEXAS
1	DISTRIBUTION CENTER

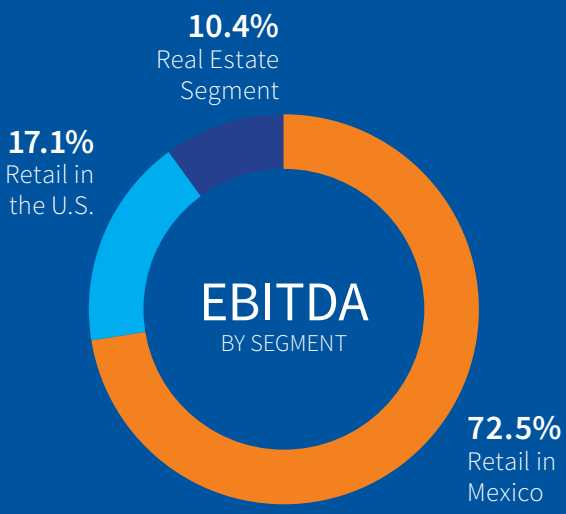
EL Super
cuesta menos

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER













Dear Shareholders,

In 2017, we were able to strengthen what is one of Chedraui's most significant traits and at the same time most important competitive advantages: closeness to the customer. We achieved this with the opening of fourteen Supercitos, our new proximity store that promises the same optimal assortment, best price guarantee and exceptional shopping experience.

During the year, the Mexican economy grew by 2.1%, less than the 2.3% of the previous year. Once again, growth in the retail sector surpassed the behavior of the national economy. Meanwhile, Chedraui grew by 4.6% in same store sales in Mexico, in line with our original forecast, maintaining our position as the third largest food retailer in the country.

As of 2017, our consolidated sales reached $94,583 million, 6.8% higher than the previous year. Furthermore, the opening of ten Tiendas and Súper Chedraui, five Súper Che, fourteen Supercitos and one El Super, brought our network to 321 stores and increased the sales floor by 3.3%. Total capital expenditure (Capex), in turn, was $3,178 million, applied mainly to the opening of new stores, maintaining existing ones and state of the art technology.

In our industry, closeness to the customer is of prime importance for achieving business profitability and sustained growth. For this reason, our proximity stores play a fundamental role in our medium and long-term vision.

One of the most important events of the year for Chedraui was the opening in Mexico of our fourth store format and, along with Súper Ché, the second proximity store: Supercito.

The value of Súper Ché and Supercito is two-fold: they provide our customers with a more varied assortment, at a better price than convenience stores, in a format that is much closer to them than a traditional hypermarket, and they also offer a path towards profitable, efficient and speedy growth for Chedraui.

One of the great advantages of any Supercito store is that the assortment is as diverse as in a regular supermarket thanks to the carefully curated product catalog and categories developed through an exhaustive analysis of both the competition and Súper Ché. Thus, each Supercito handles around two thousand product codes.

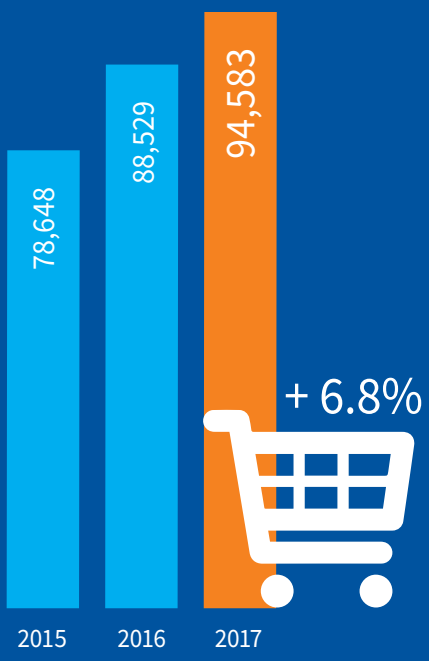
As with all Chedraui formats, Supercito conducts weekly and monthly price checks, so our customers are guaranteed to find the products they are looking for at the best prices in each and every one of its stores.

Supercito stores have between 200 and 300 square meters and operate with a reduced workforce, always under the same high standards of quality and cleanliness as our other formats.



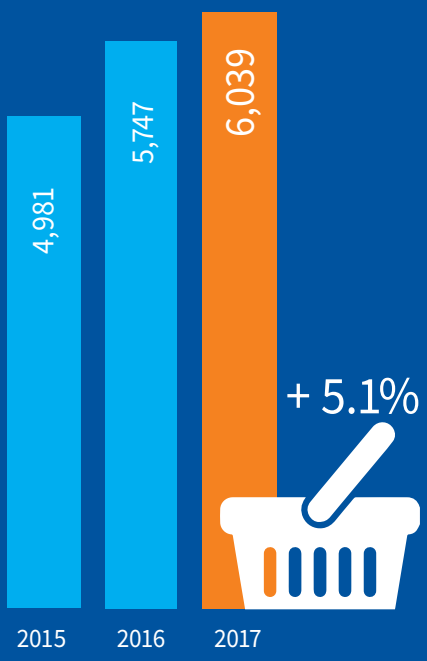
NET SALES

Millions of pesos



EBITDA

Millions of pesos



Supercito is a highly efficient format in terms of cost and expenditure control. First, more than 90% of its products are supplied from one of our distribution centers. Second, costs are handled centrally, so there is little variation from store to store. And third, its opening process is defined and replicable, which not only generates savings but enables us to open stores swiftly and efficiently, depending on the location.

Our proximity stores are included in the omnichannel sales concept, whose aim is for consumers to have the same shopping experience in every contact with Chedraui, regardless of the channel. Thus, a customer will have an exceptional shopping experience in a Chedraui hypermarket, one of our proximity stores, the on-line store, our app, or any other channel they choose to interact with us.

Our retail in the United States, which caters to the needs of customers of Mexican descent in the southern and southwestern states, gave a solid, promising performance. During 2017, El Super opened one store, bringing the network to 59 stores across 5 American states.

Besides complementing our retail business, our Real Estate Division is an important revenue generator for Chedraui. In 2017, this segment once again achieved positive results, closing the year with an occupancy rate of 97.1%.

To further Chedraui's strong and permanent commitment to sustainability, we have created a sustainability committee with the principal directors and chaired by the sustainability director. We are of the conviction that the economic benefit from our business must be accompanied by actions that seek, on one hand, to contribute to the well-being of the most vulnerable sectors of the country and, on the other, to keep our environmental footprint to a minimum.

During 2017, Mexico was struck by two earthquakes that affected several of its central and southern states. Chedraui immediately launched a collection campaign in its stores, raising $1,008,143 in donations. This amount was doubled through the promise of the Chedraui Foundation to contribute the same amount as its customers, to reach $2,016,287.

Aware of the seriousness of these events and the impact they had on thousands of Mexican lives, Grupo Chedraui decided to make an additional contribution of $7,983,713, bringing the donation to $10,000,000. In order to bring more resources and help to more victims, this sum was given to the Carlos Slim Foundation, which offered a five-to-one match on donations, further raising the amount by $50,000,000.

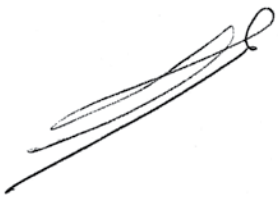
Thus, the total amount raised for families affected by the earthquakes was $60,000,000, which was channeled to recovery efforts in the states of Oaxaca, Chiapas, State of Mexico, Morelos, Puebla and Mexico City.

Our environmental efforts have once again focused on optimizing our energy consumption. Through initiatives like the substitution of traditional energy with clean sources, such as wind power, we were able to reduce our CO_2 emissions by 171,209 tons.

At Chedraui, we value our 38,146 employees in Mexico and 6,038 in the United States; the company's performance depends to a large extent on the efforts and dedication of each and every one in their daily work. We strive, therefore, to create a working environment that enables them to fully develop their personal and professional abilities.

In recognition of the above, and for the sixth consecutive year, Chedraui was awarded a distinction from the Best Place to Work Institute Mexico.

Finally, we would like to thank our shareholders, not only for the confidence they place in this Board of Directors, but also for their observations, suggestions and recommendations, which are vital for the success of this company, and to bring Chedraui ever "closer to you".



Alfredo Chedraui Obeso
CHAIRMAN OF THE BOARD OF DIRECTORS



José Antonio Chedraui Eguía
CHIEF EXECUTIVE OFFICER

CHEDRAUI TODAY



CHEDRAUI

Chedraui is a publicly owned company with variable capital created under the name Grupo Comercial Chedraui, S.A.B. de C.V. In addition to retail stores in Mexico and the United States, the company also operates a real estate division. In 2017, Chedraui obtained total revenue of $94,583 million, an increase of 6.8% over the previous year.

Consumers identify us by three primary characteristics, which distinguish us from the competition: having the lowest Prices, offering the best store by store Assortment, and providing the most satisfying Shopping Experience, in clean, comfortable and well-signed stores.

Consumers identify us by having the lowest Prices, offering the best store by store Assortment and providing the most satisfying Shopping Experience.

RETAIL IN MEXICO

Chedraui is firmly established as the third largest food retailer in Mexico, where it has 262 stores in 25 states across the country. The company operates four store formats, consisting of traditional hypermarkets (179 Tiendas and 57 Súper Chedraui) and two proximity stores (12 Súper Ché and 14 Supercitos). The formats differ in size and depth of assortment, among other factors. Selecto exists in the first two formats and is targeted to high purchasing power customers.

Supercito, Chedraui's newest concept, is a proximity store with between 200 and 300 square meters of sales floor. Its product catalogue is selected to provide as varied a mix as a regular supermarket, and which operates with a reduced workforce to the same high standards of quality and cleanliness as our other formats.

Retail in México is our most important business both in size and revenues. During 2017, the segment increased sales by 7.9% compared to 2016, and contributed 70.9% of Chedraui's consolidated revenue.

RETAIL IN THE UNITED STATES

El Super, Chedraui's food retailer operating in the United States, caters to a clientele of mainly first, second and third generation Mexicans. In 2017, the network of El Super stores reached 59 units with the opening of a store in Arizona.

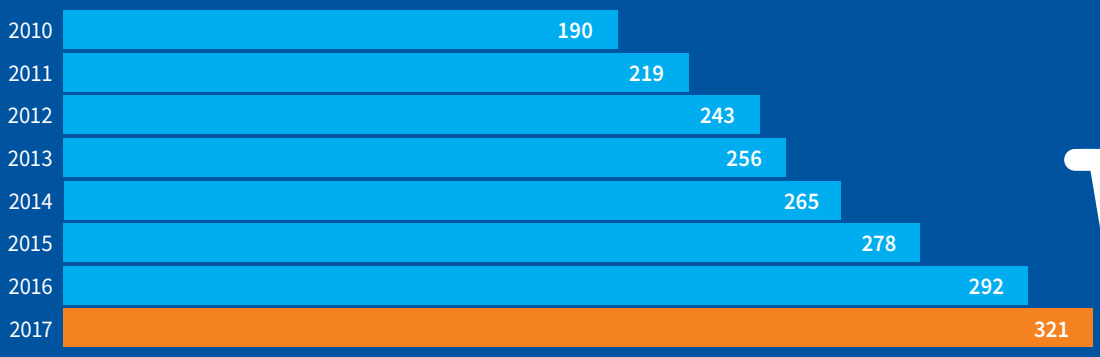
Our retail stores in the United States offer perishable goods and edible and inedible groceries. The segment expanded its sales by 4.1% in 2017, representing 28.2% of the Group's consolidated revenue. We will continue to grow our business both organically and through selective acquisitions based on market demand.

REAL ESTATE BUSINESS

Chedraui also has a Real Estate Division, which operates shopping centers anchored by one of its stores, as well as leasing commercial space to third parties. At the close of 2017, the division operated a gross leasable area of 343,371 square meters, with a healthy 97.1% occupancy rate, contributing 0.9% of the company's consolidated revenue.

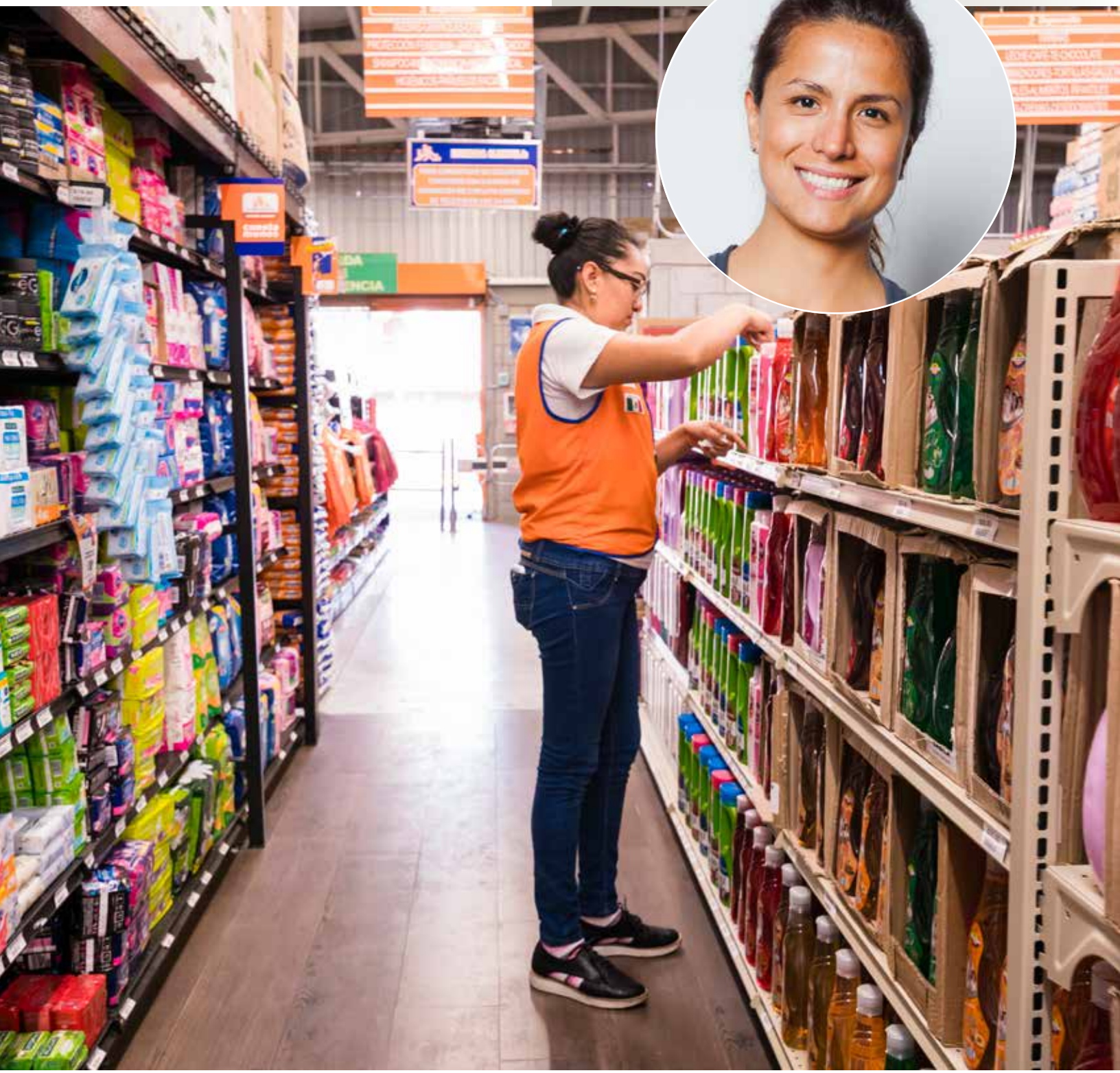
HISTORIC GROWTH

CAGR STORES





CHEDRAUI STRATEGY AND EXPERIENCE









Consumers have long identified Chedraui with a superior shopping experience every time they visit one of our stores. We always strive to surpass expectations maintaining stores to the highest standards of cleanliness, comfort, lighting, signage and parking space, in addition, of course, to offering the finest assortment of high quality products at the best price.

Market checks are conducted daily in competitor stores on a wide variety of products at central and local levels. This enables us to guarantee that Chedraui customers will always find the lowest price, regardless of the store they visit, where they live or the product they buy.

The product mix available to customers in any of our stores, whatever the format, is selected based on customer preferences and consumer needs according to the region where they live and competitors' product assortment. Thus, Chedraui provides a mix that satisfies all customer types and economies.

2017 saw the opening in Mexico of our fourth store format and second proximity store, after Súper Ché: Supercito. Supercito stores offer their clientele a more varied assortment and at a better price than convenience stores, in a more accessible location than a hypermarket.

Supercito stores have an area between 200 and 300 m^2, with a reduced workforce and operate to the same high standards of cleanliness and quality as the other formats. All Supercitos have an inventory as varied as any Tienda or Súper Chedraui, the product mix being developed based on an exhaustive analysis of the competition and Súper Ché.

Tiendas Chedraui offer an average of 99 thousand product codes (SKU's), while Súper Chedraui offer an average of around 35 thousand SKU's. Of our proximity stores, Súper Ché have an average of 6.8 thousand SKU's, while Supercitos give customers an average of 2 thousand SKU's.

All our units handle utility and services payments, including electricity, property tax, cable TV, landline telephone, etc. as well as being able to process credit card payments, debit card withdrawals and remittances from the United States.

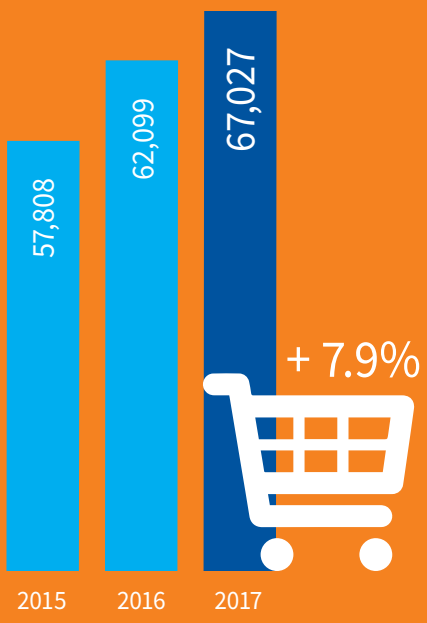
In addition to the launch of our Supercitos, in 2017 we continued to push the concept of omnichannel sales, whose aim is for customers to have the same exceptional experience at every point of contact with Chedraui, regardless of the channel. Omnichannel also means recognizing the uniqueness of each consumer in order to make personalized offers via cell phone, email, in-store coupons or other means. We believe that this way of interacting with customers is more practical and functional and will gradually replace mass promotions.

CHEDRAUI AT A GLANCE

RETAIL IN MEXICO

NET SALES

Millions of pesos

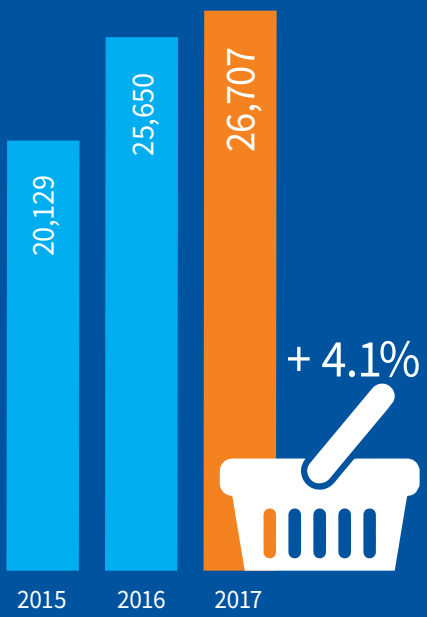




RETAIL IN THE UNITED STATES

NET SALES

Millions of pesos

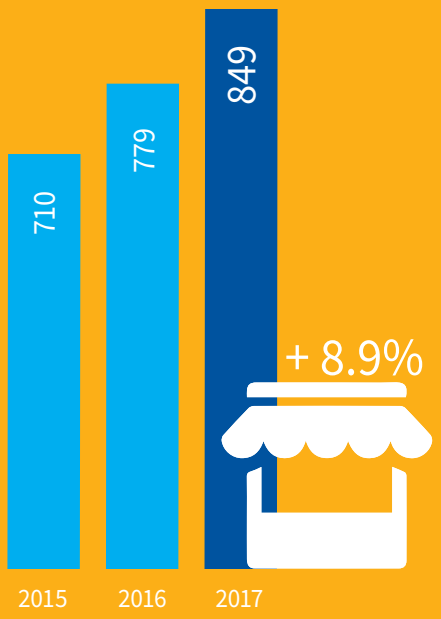




REAL ESTATE DIVISION

NET INCOME

Millions of pesos





SUSTAINABILITY

- Thanks to Chedraui's initiatives, a total of 60 million pesos was raised to help the victims of the September earthquakes.
- The Liceos began 30 years ago.
- During 2017, we were able to reduce our CO_2 emissions by 171,209 tons in our operations in Mexico.
- At Chedraui, we have a team of 44,184 employees in Mexico and the United States.



RETAIL IN MEXICO







The retail segment in Mexico is Chedraui's most important business. This segment consists of four formats and includes two hypermarkets, namely Tiendas Chedraui and Súper Chedraui, and two proximity stores, Súper Ché and the recently opened Supercitos. Each format differs in size, depth of assortment and number of employees, among other factors.

Selecto, meanwhile, exists in both hypermarket formats and caters to a section of the population with higher purchasing power.

Our growth strategy was strengthened in 2017 with the opening of seven Tiendas, three Súper Chedraui and five Súper Ché. However, the fastest growth was achieved with the opening of fourteen Supercitos, our new proximity store.

These new stores have added 3.5% to our sales floor in Mexico and brought the network of stores to 262 units across 25 states, positioning us as the third largest food retailer in Mexico.

Every time a customer comes into contact with Chedraui, their experience must be excellent. Thus, regardless of the format they choose, they will always find a store with good signage, optimal assortment, proven quality and, of course, the best price guarantee. This is our commitment.

At Chedraui, our aim is not for customers to see us as their biggest option, but the closest. So, in 2017, the opening of fourteen Supercitos was one of the most significant events for our company in the ongoing quest to be ever closer to our consumers.

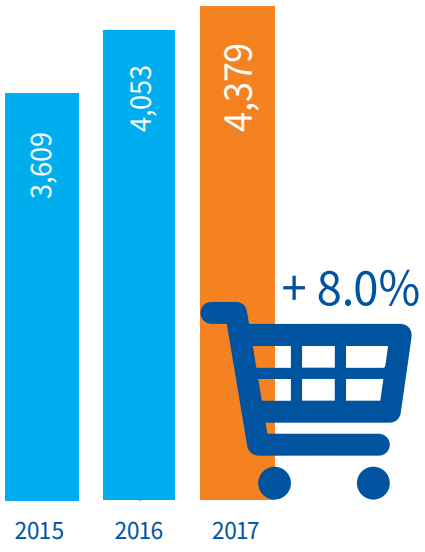
Just like Súper Ché, our other proximity store, Supercito provides our customers with a wide range of products at a better price than convenience stores, with a smaller format than a traditional supermarket. Supercito customers find a product range which is as varied as in a any Chedraui store, thanks to a first-rate product catalog that handles around 2,000 SKU's, the result of a comprehensive analysis of the competition as well as Súper Ché itself.

Supercito gives Chedraui some remarkable competitive advantages. Its cost-efficient format and well-defined opening process mean new stores can be opened swiftly and efficiently. Thus, Supercito allows us to envisage a path towards profitable and speedy growth in the short and medium terms.

Last year was a good year for our retail business in Mexico. The segment achieved growth of 4.6% in same store sales and generated income of $67,027 million, up 7.9% compared to 2016 and contributing 70.9% of the Group's consolidated revenue. EBITDA for the division reached $4,379 million in 2017, 8.0% more than the previous year and 72.5% of Chedraui's consolidated EBITDA.

EBITDA

Millions of pesos



STORE FORMATS

Located in cities with at least one hundred thousand inhabitants, Tiendas Chedraui have an average sales floor of 6,796 m^2 and a team of 28,654 workers at the close of 2017. Customers will find edible and inedible groceries, perishables, general merchandise, clothing and electronic goods. Fifteen Tiendas Chedraui operate under the Selecto concept.

For their part, Súper Chedraui are located in towns of at least 25 thousand inhabitants and also expand our presence in larger cities. They have an average sales floor of 2,133 m^2 and a workforce of 5,158 employees, and sell edible and inedible groceries, perishables, general merchandise and electronic goods. Four Súper Chedraui operate as Selecto.

With five openings in 2017, the Súper Ché network ended the year with twelve units, which operate as proximity stores in large cities and have an average sales floor of 930 m^2.

Opened in 2017, Supercitos are our fourth store format and second proximity store. Each store has an area between 200 and 300 square meters, operates with a reduced workforce and has the same standards as the other formats in terms of quality and cleanliness.

STORES LOCATION

ANTAD'S Classification



37%	Southeast
25%	Metropolitan
18%	Center
12%	Southwest
4%	Northeast
3%	Northwest
1%	North

ANTAD: Asociación Nacional de Tiendas de Autoservicio y Departamentales

DISTRIBUTION CENTERS

Our six distribution centers are an essential part of the company's operational strategy, handling 82.0% of dry merchandise, 55.8% of perishables and 69.0% of the fruits and vegetables sold in our stores.



Zumpango, State of Mexico

Area: 59,100 m²

Service capacity: 265 stores

Merchandise: dry, refrigerated and frozen

In 2017 it handled 75.4 million boxes of dry merchandise, 5.1 million boxes of fruit and vegetables and 9.9 million boxes of perishables.

Docks: 169

Villahermosa, Tabasco

Area: 60,457 m²

Service capacity: 122 stores

Merchandise: dry, refrigerated and frozen

In 2017 it handled 31.4 million boxes of dry merchandise, 4 million boxes of fruit and vegetables and 4.9 million boxes of perishables.

Docks: 169

Monterrey, Nuevo Leon

Area: 883 m²

Service capacity: 18 stores

Merchandise: dry, and fruit and vegetables

In 2017 it handled 1 million boxes of dry merchandise and 1.3 million boxes of fruit and vegetables.

Docks: 16

La Paz, Baja California Sur

Area: 506 m²

Service capacity: 10 stores

Merchandise: Frozen and imported goods

In 2017 it handled 271 thousand boxes of merchandise.

Docks: 4

Guadalajara, Jalisco

Area: 10,386 m²

Service capacity: 36 stores

Merchandise: dry, refrigerated and frozen

In 2017 it handled 8 million boxes of dry merchandise, 980 thousand boxes of fruit and vegetables and 921 thousand boxes of perishables.

Docks: 30

Cancún, Quintana Roo

Area: 4,807 m²

Service capacity: 38 stores

Merchandise: dry

In 2017 it handled 3.3 million boxes of dry merchandise

Docks: 14



RETAIL IN THE UNITED STATES







Chedraui operates a retail segment in the United States with the same promise to give the customer the lowest price guarantee, best store-by-store assortment and proven high quality. The segment caters mainly to consumers of first, second and third generation Mexican descent in the southern and southwestern states.

El Super opened a new store in 2017, in Phoenix, Arizona, bringing the network to 59 stores and expanding its sales floor to a total of 152,857 m^2 at year end, an average of 2,591 m^2 per store.

Our retail in the United States offers customers high quality groceries and perishable goods, the majority of which are supplied from our distribution center in Los Angeles, California, where El Super is the leading food retailer within the Hispanic market. The Los Angeles distribution center has a surface area of 27,871 m^2 from where it dispatches 53% of the products sold in El Super.

Our United States retail operation reported sales of $26,707 million in 2017, 4.1% above the figures for the previous year, and equivalent to 28.2% of Chedraui's total revenue. In turn, EBITDA in the segment was $1,034 million, representing 17.1% of the Group's consolidated EBITDA.

The encouraging outlook for our retail business in the United States is based on stability in the country's economic activity and the healthy year on year growth observed in the Hispanic population, among other factors. We will continue with our expansion strategy through the acquisition of more stores and the organic growth of the store network in our area of influence.

REAL ESTATE SEGMENT





The company's Real Estate Division is responsible for three main areas: managing Chedraui's owned and leased properties; building and remodeling its stores in Mexico, and marketing its leasable area, which at year end was 343,371 m^2 and had and occupancy rate of 97.1%.

During this fiscal year, the segment achieved sales of $849 million and EBITDA of $626 million, the equivalent of 0.9% of total revenue and 10.4% of the Group's consolidated EBITDA, respectively.

The country's economic activity and demographic bonus, together with the prime location of our leasable area and the diversity of business opportunities they offer paint a promising future for this segment. We are confident that the Real Estate Division will continue to consolidate as an additional source of revenue for Chedraui.


CUPÓN
CHEDRAUI
Tus compras compran más
cuesta menos
CUPÓN
CHEDRAUI
SERVI ORTO

SUSTAINABILITY





At Chedraui, “el súper mexicano”, we work under the premise that sustainability and economic growth must run parallel to equally strong performance in the environmental and social spheres. For us, sustainability is not just garnish; it is a truly fundamental factor both in our daily operation and in our business strategy.



CORPORATE GOVERNANCE

Our commitment to sustainability begins with the Chedraui Board of Directors and permeates throughout the company. One Board member is a specialized consultant and the management team includes a Sustainability and Social Responsibility Director. There is also a Sustainability Committee, which meets regularly and ensures the execution of action plans that are derived from the Sustainability Strategy.

The Risk Assessment Committee, chaired by the Internal Auditor and made up of area directors, meets every four months to foresee, diagnose and decide how best to handle the risks faced by the Group.

Our Code of Ethics is the tool by which we enforce Chedraui’s values and principles, such as the human rights of our employees. The code and our policies are shared and adhered to throughout the workforce, with emphasis on reporting any act that may infringe upon those rights, such as bribery, money laundering and corruption.

We have an anonymous tip-line available to our employees, suppliers and carriers: www.tipsanonimos.com/chedrauiteescucha, as well as a grievance hotline: 01 800 910 0013. Our customers can contact the call center: 01 800 925 1111 or www.chedraui.com.mx, where they will receive an accurate and speedy response to any issue they raise.



Chedraui has identified the following stakeholder groups as the most important to its operation: shareholders, customers, employees, suppliers, government authorities and communities. We maintain open communication with all the groups based on respect, transparency, shared responsibility and mutual benefit, always in strict adherence to the laws of the country where we operate.

SOCIAL RESPONSIBILITY

Chedraui Foundation

In 2017, Mexico suffered the onslaught of two major earthquakes that caused devastation in central and southern regions of the country. As a Mexican leader in social responsibility, Chedraui helped the victims in various ways through the Chedraui Foundation, our social outreach branch.

We immediately launched a donation campaign in our stores, raising $1,008,143, a sum that was duplicated by the commitment of the Chedraui Foundation to contribute the same amount as customer donations. This increased the total to $2,016,287.

Aware of the seriousness of these events and the impact they had on thousands of Mexican lives, Grupo Chedraui made an additional contribution of $7,983,713, bringing the donation to $10,000,000. In order to bring more resources and help to more victims, this sum was given to the Carlos Slim Foundation, which offered a five-to-one match on donations, further raising the amount by $50,000,000.

Thus, the total amount raised for families affected by the earthquakes was $60,000,000, which was channeled to recovery efforts in the states of Oaxaca, Chiapas, State of Mexico, Morelos, Puebla and Mexico City.

Furthermore, the Chedraui Foundation continued to contribute to the well-being of the most vulnerable sectors of the country through actions to support health, housing, nutrition and social welfare.

We worked alongside health institutions that specialize in helping people living in poverty, such as Ayúdame Hermano Tengo Cáncer, A.C. (AHTECA) and the Hospital Infantil Federico Gómez, among others.

In terms of housing, and in addition to helping earthquake victims, the Chedraui Foundation upheld its strategy to work in alliance with the Provivah Trustfund to ensure that increasingly more Mexican families have a decent home, giving them access to mortgage facilities. These actions were focused mainly in rural Tabasco.

During 2017, our stores continued the donation programs for families in extreme poverty and with malnutrition, collecting 6,991,061 kilos of food for donation through food banks and other civil associations authorized by Fundación Chedraui.







Considering all the actions that we implemented to promote education, health, nutrition, welfare, housing and assistance to people affected by natural disasters, the social investment made by Fundación CHEDRAUI during 2017 was $63,530,740

Liceos de Artes y Oficios, A.C.

Located in the cities of Veracruz, Villahermosa and Xalapa, our three Liceos de Artes y Oficios, A.C., offer high school, technical and intensive courses. The aim of the Liceos is for students to be better prepared to continue their studies at university, find better jobs or open their own businesses, thereby improving their standard of living and quality of life.

2017 marked 30 years since this educational project began, during which time the Liceos have trained over 40,000 students. It is worth mentioning that besides the academic programs, students are also coached on values and ethical principles, thus contributing to the formation of upright, wholesome individuals.

During the year, the Liceos received more than 1,900 students. The challenge for 2018 is to explore the field of on-line education, so that those who want to study but are unable to attend a bricks-and-mortar school are not denied the opportunity for personal and professional growth. For more information, go to: http://liceodeartesyoficios.org/



ENVIRONMENT

Chedraui's main objectives towards the environment center on reducing our footprint to a minimum through the efficient use of energy resources, water and the recycling of materials such as cardboard, paper and plastics.

During 2017, we strengthened the initiatives aiming to reduce our carbon footprint, cutting our annual CO_2 emissions by 171,209 tons equivalent to plant 8,560,454 trees, or to stop using 71,337 cars, or even to not consume up to 83,517 oil barrels. This was as a result of the initiatives put in place to replace traditional energy with clean energy sources, such as wind, which we used to power 77% of our stores.

In terms of water management, we were able to save more than 142 million liters in 2017, using water-saving sanitation services, water education campaigns and the operation of our treatment plants.

During the year, we also recycled 30,936 tons of cardboard and 1,797 tons of plastic wrap, thanks to the commitment of our employees. Furthermore, all our stores in Mexico and the United States separate waste properly and utilize recyclable/reusable bags with biodegradable technology. These actions were equivalent to planting 538 thousand trees, reducing water consumption by more than 8 million cubic meters, and saving nearly 222 million kW of electricity, enough to meet the yearly needs of 74 thousand Mexican families.

OUR PEOPLE

At Chedraui, we believe that our team of 38,146 employees (45% women and 55% men) is the best in the business, and our greatest competitive advantage. Their commitment and dedication are the basis of our company's success.

To develop this great team, we rely on the Chedraui University, where our employees receive the necessary training and instruction in its virtual classrooms to perform to their fullest extent. In 2017, a total of 918,887 man-hours of training were given with an investment of almost $4.7 million.

We make every effort to ensure a healthy and safe work environment. We have employee health campaigns in place and provide personal protective equipment (PPE) to keep work accidents to a minimum.





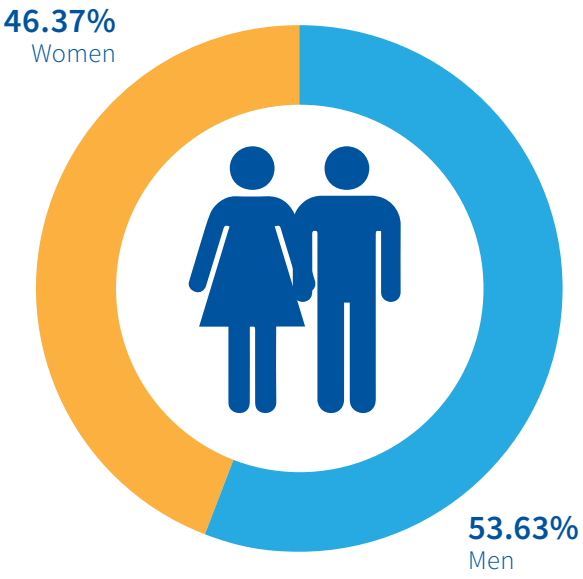
We respect and enforce human rights, diversity and gender equality throughout the company. Hence, we make no distinction whatsoever for race, gender, religion, age, sexual orientation, disability or nationality, either towards our staff or our customers.

We recognize the right of our employees to receive a decent wage, and so they are paid fair, equitable wages in accordance with the Federal Labor Law. All our employees are over 18 years of age and are given equal opportunities in terms of hiring, training, development and promotion.

In recognition of the above, in 2017 and for the sixth consecutive year, Chedraui earned an award from the Great Place To Work Institute Mexico. This year, we placed tenth in the category of companies with more than 5,000 employees.

At the close of 2017, our subsidiaries in the United States had a workforce of 6,038 employees, 55% women and 45% men.

EMPLOYEES BY GENDER





MANAGEMENT DISCUSSION AND ANALYSIS









NET SALES

During 2017 the Group's revenue grew by 6.8% compared to 2016, rising from $88,529 million to $94,583 million in 2017. This growth was due to the results in the three business segments outlined below:

- **Retail in Mexico:**
  Retail sales in Mexico grew by 7.9% compared to the previous year improving from $62,099 million in 2016 to $67,027 million in 2017, the result of a growth in same store sales of 4.6% and the incorporation of 29 new stores during the year, which added 3.5% to the sales floor.

- **Retail in the United States:**
  Retail operations in the United States reported growth of 4.1% over the previous year, increasing from $25,650 million in 2016 to $26,707 million in 2017, as a result of the incorporation of one new store in the course of the year, and an increase in same store sales of 1.1% in dollars.

- **Real Estate Segment:**
  Operations in the real estate business grew by 8.9% in relation to revenue from the previous year, going from $779 million in 2016 to $849 million in 2017, as a result of increases in leasing contracts that approximated inflation, a higher occupancy rate and 4.5% growth in leasable area.

GROSS PROFIT

Consolidated gross profit was $19,666 million, a growth of 8.0% compared to 2016, resulting in a gross profit margin of 20.8%, 20 basis points higher than the 20.6% obtained in 2016. This was a result of the following factors:

- A reclassification of production costs to operating expenses begun in the third quarter of 2016. This was due to a reassignment of personnel who had been assigned to production areas and were now in customer service areas.

- Higher participation of retail in the United States due to a more favorable sales mix.

- Better promotion management during the year allowing a slight improvement in gross profit margins in Mexico.

OPERATING EXPENSES

Consolidated operating expenses, excluding depreciation and amortization, reached $13,627 million, 9.3% higher than the $12,469 million incurred in 2016. The growth in operating expenses was primarily impacted by the following factors:

- The adverse effects of the operating and pre-operating expenses of the 29 newly opened stores in Mexico and 1 in the United States in the last year, while the stores reach maturity.

- The reclassification of line cost expenses, from the cost of sales on the base of the previous year, which was accounted for in Gross Profit.

EBITDA

With the aforementioned results, consolidated EBITDA reached $6,039 million, 5.1% above the $5,747 million achieved in 2016. The EBITDA margin was 6.4%, 11 basis points lower than in 2016.

Broken down into business segments, the results were as follows:

- **Retail in Mexico:**
  EBITDA achieved in Retail in Mexico was $4,379 million, 8.0% higher than the $4,053 million in 2016 and represented a margin on sales of 6.5%, similar to that achieved in 2016.

- **Retail in the United States:**
  The retail division in the United States reached an EBITDA of $1,034 million, 5.5% less than the $1,094 million achieved in 2016, with a margin on sales of 3.9%, slightly lower than the 4.3% achieved in 2016.

- **Real Estate Business:**
  EBITDA achieved in the real estate division was $626 million, 4.3% higher than the $601 million obtained in 2016 and represented a margin on sales of 73.8%, down from the 77.1% achieved in 2016.

FINANCING COST

The financing cost reached $1,181 million, 0.1% down from the $1,182 million of 2016 and represented 1.2% on sales, slightly lower than the 1.3% on sales of 2016.

INCOME TAX

For the 2017 fiscal year, the official tax rate remained at 30%, while the Group's tax rate stayed at 34.6% in 2016 and 2017. Income tax in 2017 was $1,120 million, 5.4% higher than the $1,063 million incurred in 2016.

NET PROFIT

Lastly, consolidated net profit reached $2,117 million, up 5.4% compared to the $2,010 million obtained in 2016, with a margin on sales of 2.2%.

DEBT AND CAPITAL EXPENDITURE

Net interest-bearing bank debt as of December 31, 2017 ended at $3,544 million, falling by $752 million compared to the $4,296 million at the close of 2016 and represented a Net Bank Debt/EBITDA ratio of 0.59 times.

Capital expenditures, including real estate, store and IT equipment and intangible assets, amounted to $3,178 million and enabled us to open 29 stores in Mexico and one in the United States.

MANAGEMENT TEAM

José Antonio Chedraui Eguía

CHIEF EXECUTIVE OFFICER

José Antonio Chedraui Eguía has worked at Chedraui for the past 28 years and has been a member of the Board and CEO since January 1995. Prior to this position, he served as CEO of our Galas division. Mr. José Antonio Chedraui Eguía has a Degree in Accounting and Finance from Universidad Anáhuac.

Edgar Iván Mondragón Millán

DIRECTOR OF OPERATIONS AND REAL ESTATE ADMINISTRATION

Edgar Iván Mondragón Millán holds a Degree in Business Administration and Law from Centro Universitario ETAC and Colegio en Alta Dirección de Empresas, a Master's degree in Business Administration from ITESM, and postgraduate studies from IPADE. Mr. Mondragón has vast experience in shopping mall operation and joined Chedraui in September, 2015.

José Ramón Chedraui Eguía

DIRECTOR OF PRIVATE LABEL AND BODEGA LATINA

José Ramón Chedraui Eguía holds a Degree in Business Administration from Newport University. Mr. Chedraui has been Director of Private Label since January 2007 and has worked at Chedraui for 23 years.

Alfredo Chedraui López

DIRECTOR OF REAL ESTATE

Alfredo Chedraui López holds a Degree in Business Administration from Universidad Anáhuac and a Diploma in Economics from the University of California, Los Angeles. Mr. Chedraui has served as Director of Real Estate since 2005 and has worked at Chedraui for 17 years.

Humberto Tafolla Núñez

CFO

Humberto Tafolla holds a Degree in Business Administration from ITAM. He has postgraduate studies in Corporate Finance from ITESM and a Global Executive MBA by Instituto de Empresa in Madrid. Mr. Tafolla is our CFO since October, 2017.

Eduardo Fuentes Durán

DIRECTOR OF INNOVATION AND OTHER CHANNEL SALES

Eduardo Fuentes Durán holds a Degree in Electronic Systems Engineering from ITESM and has a specialization in Senior Management from IPADE. Mr. Fuentes has been the Director of Innovation and Other Channel Sales since June 2016, and has worked at Chedraui for 17 years.

Ignacio González Quirasco

DIRECTOR OF SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Ignacio González Quirasco has a bachelor's degree in Communication Sciences and an MBA from Universidad Anáhuac. Mr. González has been Director of Sustainability and Social Responsibility since September 2014 and has worked at Chedraui for 9 years.

Eduardo Guiot de la Garza

DIRECTOR OF HUMAN RESOURCES

Eduardo Guiot de la Garza holds a Degree in Industrial Relations from Universidad Iberoamericana, completed his graduate studies in Labor Law and Marketing at ITAM, and has an MBA from the School of Business Administration and Management ("ESADE"). Mr. Guiot has been the Director of Human Resources since August 1993 and has worked at Chedraui for the past 24 years.

Alejandro Rafael Lara Hakim

DIRECTOR OF CONSTRUCTION

Alejandro Rafael Lara Hakim graduated as an Architect from Universidad Veracruzana. Mr. Lara has been Director of Construction since August 1986 and has worked at Chedraui for 31 years.

Alberto Nava Gutiérrez

DIRECTOR OF OPERATIONS

Alberto Nava Gutiérrez graduated as a public accountant from the Universidad Veracruzana. Mr. Nava has been Director of Operations since 2012 and has worked at Chedraui for 28 years.

Carlos Smith Matas

CEO BODEGA LATINA

Carlos Smith Matas holds a degree in Engineering Management from the Southern Methodist University. Mr. Smith has served as CEO of Bodega Latina since 1997 and has worked at Chedraui for the past 25 years.

Arturo Eduardo Antonio Vasconcelos y de Pablo

COMMERCIAL DIRECTOR

Arturo Eduardo Antonio Vasconcelos y de Pablo holds a Degree in Administration from Universidad Anáhuac. Mr. Vasconcelos has been Commercial Director since June 2016 and has worked at Chedraui for 7 years.

Pilar Rojas Suárez

DIRECTOR OF IT

Pilar Rojas Suárez has a Degree in Applied Mathematics from Universidad Autónoma Metropolitana, has a certification in Project Management and graduate studies in Senior Management from IPADE. Mrs. Rojas has vast experience as Information Technology team leader and joined Chedraui in September, 2013.

Ricardo Krasovsky Santamarina

DIRECTOR OF EXPANSION

Ricardo Krasovsky Santamarina holds a Degree in Accounting from Universidad Intercontinental and a Master's degree in Business Administration from ITAM. Mr. Krasovsky is Director of Expansion since March, 2015.

Christian González Díaz

DIRECTOR OF REAL ESTATE PROJECTS

Christian González Díaz has a Degree in Architecture from Universidad Intercontinental and a Masters' degree in Architecture and Design History from Universidad Internacional de Cataluña. Mr. González has worked at Chedraui for the past ten years and is the Director of Real Estate Projects since April, 2017.



BOARD OF DIRECTORS

Alfredo Chedraui Obeso	CHAIRMAN OF THE BOARD
José Antonio Chedraui Obeso	DIRECTOR
José Antonio Chedraui Eguía	DIRECTOR
Agustín Irurita Pérez [1]	DIRECTOR
Martín Werner Wainfield [1]	DIRECTOR
Federico Carlos Fernández Senderos [1]	DIRECTOR
Clemente Ismael Reyes-Retana Valdés [1]	DIRECTOR
Cecilia Goya Meade [1]	DIRECTOR
Julio Gutiérrez Mercadillo [1]	DIRECTOR
José Ramón Chedraui Eguía	SECRETARY OF THE BOARD OF DIRECTORS

AUDIT AND CORPORATE PRACTICES COMMITTEE

Clemente Ismael Reyes-Retana Valdés [1]	CHAIRMAN
Cecilia Goya Meade [1]	MEMBER
Julio Gutiérrez Mercadillo [1]	MEMBER

[1] *Independent Director as specified by the Securities Market Law.*

AUDITING AND CORPORATE PRACTICES COMMITTEE REPORT

TO THE BOARD OF DIRECTORS OF GRUPO COMERCIAL CHEDRAUI, S.A.B. DE C.V.
Presente

Pursuant to the provisions of article 43 of the Securities Market Law (Ley del Mercado de Valores), the Articles of Association and the recommendations contained in the Code of Corporate Best Practices (Código de Mejores Prácticas Corporativas), in my capacity as Chairman of the Auditing and Corporate Practices Committee (hereinafter the "Committee") of Grupo Comercial Chedraui, S.A.B. de C.V., I would like to report to you on the relevant activities carried out by the Committee during the financial year that ended on December 31, 2017.

In order to analyze the results of the Company's operations and important events, the Committee held meetings to ensure that compliance with the agreements adopted in the course of its duties was done in a strict, appropriate and permanent manner, and invited the relevant Company officers to such meetings.

I. AUDITING ACTIVITIES PERFORMED:

a. The Company has an internal audit department and an internal control system that were monitored and evaluated with the main areas that need improvement. Recommendations were issued based on the decisions and opinion of the External Auditors and Independent Experts. Furthermore, preventive and corrective recommendations were reviewed to prevent non-compliance with operating and accounting record guidelines and policies. In this regard, the Committee did not find any material differences or deviations to report and, in its opinion, the internal control system complies with the Company's requirements to operate in a controlled environment.

b. The performance of the external auditing firm that issued an opinion on the financial information for the year that ended on December 31, 2017, and its compliance with its accounting standards were evaluated taking into account the fact that Galaz, Yamazaki, Ruiz Urquiza, S.C., a member of Deloitte Touche Tohmatsu, and its partner Juan Antonio Rodríguez Espíndola, who was in charge of the audit, meet the professional quality requirements and have the action, intellectual and economic independence required to issue an opinion on the financial statements of the Company and its affiliates.

c. Additional or complementary services provided to the Company by the external audit firm were assessed, and it was concluded that the execution of such services does not prevent us from issuing an opinion on the financial information with the required independence and diligence.

d. The Committee reviewed the Consolidated Financial Statements of the Company and its affiliates on a quarterly basis, including the analysis and approval of the operation policies, procedures and accounting practices of the Company and its affiliates, which it periodically submits to the Bolsa Mexicana de Valores, S.A.B. de C.V. and the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores), and ensured that they satisfy quality and sufficiency criteria and that they were prepared following the same accounting procedures, criteria and practices used in the generation of yearly information.

e. Furthermore, the Committee issued the opinion referenced in Article 28, section IV, paragraph c) of the Law of the Securities Market, for to the audited consolidated financial statements of the Company and its affiliates as of December 31, 2017, ruled by the Company's External Auditors, to subsequently present them to the Stockholders' Meeting.

f. The Committee, together with Company management and External and Internal Auditors, verified risk factors that can affect the Company's operations and equity, and established that they have been identified and managed correctly in the appropriate internal control environment.

g. The Committee held regular meetings with Company management to stay informed of its performance, activities and general guidelines proposed for the report of relevant and unusual events. In addition, it met with External and Internal Auditors to discuss their developments and the obstacles they face and facilitate any private communication they wish to have with the Committee.

h. The Committee learned about the Company's compliance with the Code of Corporate Best Practices recommended by the Bolsa Mexicana de Valores.

i. The members of the Committee have been following up on the agreements made during Stockholders' Meetings and Meetings of the Board of Directors, namely, through reports and matters that are discussed during the Committee's meetings.

II. ACTIVITIES RELATED TO CORPORATE PRACTICES:

a. We were informed of the performance evaluation process used with relevant executives. We did not identify or report actions from the relevant executives that did not comply with the appropriate legal framework for action, taking into account the circumstances under which they have performed their management duties.

b. We reviewed reports of transactions with related parties, which were carried out under the market conditions and within the limits provided by in the Securities Market Law.

c. We reviewed the integral remuneration packages and allocation criteria for the CEO and the relevant executives, and did not find any reason to comment because they are in compliance with the Board of Directors' policies.

d. This year, the Board of Directors did not grant any of the exemptions specified in article 28, Section III, paragraph f) of the Securities Market Law.

e. We reviewed and ratified the Company's corporate policies..

Based on the previous reviews and comments and the External Auditor Galaz, Yamazaki, Ruiz Urquiza, S.C.'s opinion on the financial information, the Committee believes that Grupo Comercial Chedraui, S.A.B. de C.V. has correctly applied the accounting policies and criteria and that its financial information is reasonable. Therefore, it RECOMMENDS that the Board of Directors approve the Company's audited consolidated financial statements as of December 31, 2017, for their inclusion in the CEO's Annual Report for the 2017 fiscal year, which in turn will be presented to the Stockholders' Meeting for approval.

Sincerely,
Auditing and Corporate Practices Committee



Clemente Ismael Reyes-Retana Valdés
Chairman

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF GRUPO COMERCIAL CHEDRAUI, S. A. B. DE C. V.

Opinion

We have audited the consolidated financial statements of Grupo Comercial Chedraui, S. A. B. de C. V. and Subsidiaries (the Entity) which include the consolidated statements of financial position as of December 31, 2017 and 2016 and the related consolidated statements of profit or loss and other comprehensive income, changes in stockholders' equity and cash flows for the years then ended, as well as the explanatory notes to the consolidated financial statements, which include a summary of the significant accounting policies applied.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Entity as of December 31, 2017 and 2016, as well as their financial performance and their cash flows for the years then ended, in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB").

Bases for the opinion

We have performed our audits in conformity with International Auditing Standards (IAS). Our responsibilities under these standards are explained more extensively in the section Auditors' *responsibilities in relation to the audit of the consolidated financial statements* of our report. We are independent from the Entity in conformity with the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA Code of Ethics) and that issued by the Mexican Institute of Public Accountants (IMCP Code of Ethics), and we have complied with the other ethical responsibilities in conformity with the IESBA Code of Ethics and the IMCP Code of Ethics. We believe that the audit evidence obtained provides a sufficient and adequate basis for our opinion.

Key audit matters

The key audit matters are those matters which, in our professional judgment, have been most important in our audit of the consolidated financial statements for the current period. These matters have been dealt with in the context of our audit of the consolidated financial statements taken as a whole and in the formation of our opinion on the latter, and we do not issue a separate opinion on these matters. We have determined that the matters described below are the key audit matters which should be communicated in our report.

Investment properties

To determine the fair value of the investment properties in accordance with International Accounting Standard 40 ("IAS 40"), certain judgments were used by management. There is a risk that the determination of the assumptions used by management to calculate future cash flows may not be reasonable based on current and future foreseeable conditions.

Our audit procedures to cover this risk included the following:

Controls and substantive testing over the financial projections that were used to determine the fair value of the investment properties, for which we ascertained the reasonability of the revenues and expenses used to determine the discounted future cash flows, also, we ascertained the arithmetical accuracy of the projections, and evaluated the assumptions used by the Entity to determine them, and confirmed, based on our knowledge of the Entity and the audited historical information, that any nonrecurring effect will be normalized so that such effects will not be considered in the financial projections. Additionally, we evaluated the reasonableness of the discount rate used, for which purpose we consulted with our financial advisory specialists. The results of our audit procedures were reasonable.

Note 3 & 11 to the consolidated financial statements include the Entity's disclosures regarding investment properties.

Impairment of long-lived assets

The Entity has identified that the minimum cash generating units are the stores, for which an analysis is made as established in International Auditing Standard 36 ("IAS 36"), in which discounted future cash flows are calculated to determine if the value of the assets has been impaired and whether it is necessary to have appraisals conducted by an independent expert. There is a risk that the determination of the assumptions used by management to calculate future cash flows, as well as the appraisal value determined by the independent expert, may not be reasonable based on current and future foreseeable conditions.

Our audit procedures to cover this risk included the following:

Controls and substantive testing where we detail tested the projected income and expenses, and based on discounted cash flows; we further verified, based on our knowledge of the Entity and the audited historical information, that any nonrecurring effect will be normalized in the financial projections. We also evaluated the reasonableness of the discount rate used, for which purpose we consulted with our financial advisory specialists. The results of our audit procedures were reasonable.

With regard to the appraisals performed by independent experts, based on selective tests and the support of our valuation specialists, we confirmed the reasonableness of the values determined by the independent experts. The results of our audit procedures were reasonable.

As disclosed in note 9 to the consolidated financial statements, the Entity did not present impairment effects as of December 31, 2017 that required adjustments to the values of its long-lived assets.

Deferred income tax

In conformity with International Accounting Standard 12 ("IAS 12"), when determining deferred taxes on income, the Entity estimates the probability of generating a taxable basis in future periods in order to be able to apply the deferred assets generated on the tax loss carryforwards and recoverable tax on assets. There is a risk that the determination of the assumptions used by management to calculate the future tax results may not be reasonable based on current and foreseeable conditions in the future.

Our audit procedures to cover this risk included the following:

We ascertained the reasonableness of the assumptions used to determine the financial projections and evaluated the probability that available tax losses will be applied in the future, as well as the recoverability of tax on assets for which a deferred asset has been recognized in the consolidated financial statements of the Entity. We confirmed the arithmetical accuracy of the calculations made by management, and validated that the financial and tax projections prepared were based on the actual results obtained at year´s end close. The results of our audit procedures were reasonable.

The accounting policy applied by the Entity to record deferred taxes, and the related disclosures, are included in Notes 3 and 27, respectively, to the accompanying consolidated financial statements.

Other matters

Management is responsible for the other information. The other information includes information that will be included in the annual report containing the consolidated financial statements and our audit report. We expect that the annual report will be available for reading after the date of this audit report.

Our opinion on the consolidated financial statements will not cover the other information and we will not express any form of assurance in this regard.

In relation to our audit of the consolidated financial statements, it will be our responsibility to read the other information, when it is available, and when we do so, to consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or that it appears to contain a material misstatement. If based on the work performed we will conclude that there is a material misstatement in the other information, we would have to report such fact. We have nothing to report on this matter.

The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico.

Responsibility of management and of the persons responsible for the Entity's governance in relation to the consolidated financial statements

Management is responsible for the preparation and reasonable presentation of the accompanying consolidated financial statements in conformity with the IFRS, and for any internal control that management believes necessary to enable the preparation of the consolidated financial statements free from material misstatement due to fraud or error.

When preparing the consolidated financial statements, management is responsible for evaluating the Entity's ability to continue as a going concern by disclosing, as the case may be, the questions related to the Entity's continued operation and using the accounting principle of going concern, unless management intends to liquidate the Entity or suspend its operations, or if there is no other realistic alternative.

The persons responsible for the Entity's governance are responsible for supervising the financial reporting process of the Entity.

Auditor's responsibilities in relation to the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance that the consolidated financial statements taken as a whole are free from material misstatement, due to fraud or error, and to issue an audit report that contains our opinion. Reasonable assurance is a high level of assurance but does not guarantee that an audit performed in accordance with IAS will always detect a material misstatement when it exists. Misstatements may be due to fraud or error and are considered material if, individually or in aggregate, it can be reasonably established that they influence the economic decisions which users make based on the consolidated financial statements.

As part of an audit performed in conformity with IAS, we exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. We also:

- Identify and evaluate the risks of material misstatements in the consolidated financial statements, due to fraud or error, by designing and applying audit procedures which respond to these risks, and by obtaining audit evidence which is sufficient and appropriate to provide the basis for our opinion. The risk of not detecting material misstatements resulting from fraud is greater than those resulting from an error, because fraud may involve collusion, forgery, deliberate omissions, intentionally erroneous declarations or the evasion of internal control.

- We obtained an understanding of the internal control relevant for the audit in order to design audit procedures which are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- We assessed the adequacy of the accounting policies used and the reasonableness of the accounting estimates and the respective disclosures made by management.

- We conclude on the adequacy of management's use of the accounting standard for going concern and, based on the audit evidence obtained, we concluded whether or not there is a material uncertainty related to facts or conditions which may generate significant doubts about the Entity's ability to continue as a going concern. If we conclude that there is a material uncertainty, we are required to call attention in our audit report to the respective information disclosed in the financial statements or, if such disclosures are not adequate, we are required to express a modified opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may mean that the Entity will cease operating as a going concern.

- We evaluated the general presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements present the relevant transactions and events in such a way that they achieve a reasonable presentation.

- We obtained sufficient and adequate audit evidence related to the financial information of the entities and business activities which comprise the Entity in order to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the entities comprising the Entity. We are the only persons responsible for our audit opinion.

We informed the persons responsible for the Entity's governance in relation to, among other matters, the planned scope and timeliness of the audit and the audit findings, as well as any internal control findings that we identified during the course of the audit.

We also provided the persons responsible for the Entity's governance with a declaration that we have complied with the applicable ethical requirements in relation to independence and we have informed them about all the relations and other questions which may be reasonably expected to affect our independence and, as the case may be, the respective safeguards.

Among the matters which have involved communication with the persons responsible for the Entity's governance, we determined which were the most important in the audit of the consolidated financial statements for the current period and which are, consequently, the key audit matters. We describe those matters in this audit report, except when legal or regulatory provisions bar their public disclosure or, in extremely rare circumstances, we may determine that a matter should not be communicated in our report because there is a reasonable expectation that the negative effects of doing so would exceed the related public interest benefits.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited



C. P. C. Juan Antonio Rodríguez Espínola
Mexico City, February 26, 2018

Grupo Comercial Chedraui, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Al 31 de diciembre de 2017 y 2016 *(In thousands of Mexican pesos)*

ASSETS	Notes	2017	2016
Current asset:			
Cash		$ 1,521,746	$ 942,885
Accounts and notes receivables – Net	5	1,011,609	951,731
Recoverable and creditable taxes	6	1,438,919	1,709,977
Accounts receivables from related parties	24	17,098	22,328
Derivative financial instruments	7	-	21,715
Inventories	8	9,653,730	8,941,537
Total current assets		13,643,102	12,590,173
Non-current assets:			
Property and equipment - Net	10	30,828,827	29,897,731
Investment property	11	6,855,626	6,420,225
Investment in associates		9,916	16,767
Other assets – Net	9	2,582,725	2,585,516
Long term related parties	24	37,035	37,035
Long-term accounts receivable	18	94,766	94,370
Derivative financial instruments	7	71,469	39,357
Deferred income tax asset	27	882,238	1,597,792
Total non-current assets		41,362,602	40,688,793
Total		$ 55,005,704	$ 53,278,966

The accompanying notes are part of the consolidated financial statements.

EQUITY AND LIABILITIES	Notes	2017	2016
Current liabilities:			
Accounts and notes payable to suppliers	12	$ 12,904,672	$ 12,212,402
Factoring Corporativo, S.A. de C.V. – related party	12	1,692,238	1,805,120
Borrowings with financial institutions	14	150,000	204,946
Current portion of long-term liabilities	15	439,409	1,107,077
Current portion of lease obligations	13	80,302	63,784
Payable taxes and contributions		786,822	777,088
Accrued expenses and various creditors		2,459,364	2,248,578
Total current liabilities		18,512,807	18,418,995
Non-current liabilities:			
Financial borrowings	15	4,476,418	3,926,522
Leases obligations	13	152,802	136,949
Employee benefits	16	538,043	453,664
Collection rights of trust contracts	18	633,909	741,657
Deferred income tax liability	27	1,801,008	1,723,771
Income tax	27	-	493,930
Other liabilities		458,543	445,253
Total non-current liabilities		8,060,723	7,921,746
Total liabilities		26,573,530	26,340,741
Stockholders' equity:			
Capital stock	19	252,120	252,120
Share placement premium	19	3,612,443	3,750,987
Retained earnings	21	23,668,102	21,939,589
Remeasurement of defined benefit obligations	20	(52,510)	(27,069)
Cumulative translation adjustment	20	612,541	692,390
Financial instruments measurement	20	56,871	2,348
Equity attributable to owners of the Entity		28,149,567	26,610,365
Non-controlling interest	22	282,607	327,860
Total stockholders' equity		28,432,174	26,938,225
Total		$ 55,005,704	$ 53,278,966

The accompanying notes are part of the consolidated financial statements.

Grupo Comercial Chedraui, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

As of December 31, 2017 and 2016 *(In thousands of Mexican pesos)*

	Notes	2017	2016
Revenues:			
Net sales	29	$ 94,582,515	$ 88,528,580
Cost of sales		74,916,439	70,312,733
Gross profit		19,666,076	18,215,847
Operating expenses:			
Wages and employee benefits		6,929,209	6,323,997
Professional services		1,792,358	1,715,924
Marketing expenses		952,131	897,814
Maintenance		753,254	720,154
Energetics		1,360,449	1,186,539
Leases		1,032,906	971,656
Depreciation and amortization		1,620,817	1,492,601
Other expenses		806,675	652,779
Total operating expenses		15,247,799	13,961,464
Operating profit	29	4,418,277	4,254,383
Interest expense		(672,285)	(647,263)
Interest income		72,498	67,848
Exchange gain (loss) – Net		36,237	(8,848)
Other financing expenses		(617,181)	(593,330)
		(1,180,731)	(1,181,593)
Profit before tax		3,237,546	3,072,790
Income taxes	27	1,120,191	1,063,123
Profit for the year		$ 2,117,355	$ 2,009,667
Owners of the equity		$ 2,079,120	$ 1,952,699
Non-controlling interest	22	38,235	56,968
Consolidated profit for the year		$ 2,117,355	$ 2,009,667

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	Notes	2017	2016
Other comprehensive income, net of income taxes:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations	20	(25,441)	7,225
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustment	20	(79,849)	317,503
Financial instruments measurement	20	54,523	73,558
Total comprehensive income for the year		$ 2,066,588	$ 2,407,953
Owners of the equity		$ 2,028,353	$ 2,350,985
Non-controlling interest	22	38,235	56,968
Total consolidated comprehensive income for the year		$ 2,066,588	$ 2,407,953

The accompanying notes are part of the consolidated financial statements.

Grupo Comercial Chedraui, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

As of December 31, 2017 and 2016 *(In thousands of Mexican pesos)*

	Notes	Stockholder' equity		
		Capital stock	Net share placement premium	Retained earnings
Balance as of January 1, 2016		$ 252,120	$ 3,953,387	$ 20,314,623
Dividends paid	19	-	-	(246,088)
Comprehensive income for the year	20	-	-	1,952,699
Repurchase of shares		-	-	(62,901)
Movements of non-controlling interest	19 and 22	-	(202,400)	(18,744)
Balance as of December 31, 2016		252,120	3,750,987	21,939,589
Dividends paid	19	-	-	(318,093)
Comprehensive income for the year	20	-	-	2,079,120
Repurchase of shares		-	-	(17,461)
Movements of non-controlling interest	19 and 22	-	(138,544)	(15,053)
Balance as of December 31, 2017		$ 252,120	$ 3,612,443	$ 23,668,102

The accompanying notes are part of the consolidated financial statements.

Other items of comprehensive income				
Remeasurement of defined benefit obligations	Cumulative translation adjustment	Financial instruments measurement	Non-controlling interest	Total
$ (34,294)	$ 374,887	$ (71,210)	$ 299,930	$ 25,089,443
-	-	-	-	(246,088)
7,225	317,503	73,558	56,968	2,407,953
-	-	-	-	(62,901)
-	-	-	(29,038)	(250,182)
(27,069)	692,390	2,348	327,860	26,938,225
-	-	-	-	(318,093)
(25,441)	(79,849)	54,523	38,235	2,066,588
-	-	-	-	(17,461)
-	-	-	(83,488)	(237,085)
$ (52,510)	$ 612,541	$ 56,871	$ 282,607	$ 28,432,174

Grupo Comercial Chedraui, S. A. B. de C. V. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

As of December 31, 2017 and 2016 *(In thousands of Mexican pesos)*

	2017	2016
Cash flow from operating activities:		
Profit before income tax	$ 3,237,546	$ 3,072,790
Adjustments for:		
Depreciation and amortization	1,636,626	1,527,552
Adjustment on revaluation of investment properties	(29,725)	52,883
Loss (gain) on disposal of property and equipment	22,668	(15,149)
Interest income	(72,498)	(67,848)
Measurement of derivatives financial instruments	30,343	3,569
Interest expense	672,285	647,263
	5,497,245	5,221,060
Movements in working capital:		
Accounts and notes receivables – Net	(73,480)	(120,795)
Inventories	(764,278)	(1,290,430)
Other assets – Net	241,701	(141,435)
Increase (decrease) in:		
Accounts and notes payable to suppliers	652,543	844,792
Other account payables and taxes	(451,183)	(1,098,766)
Changes in benefit obligations	1,282	24,557
Net cash generated by operating activities	5,103,830	3,438,983
Investing activities:		
Acquisitions on property and equipment	(2,994,798)	(3,280,565)
Proceeds from disposal property and equipment	5,263	1,678
Acquisition on other assets	(183,293)	(146,956)
Interest received	72,498	67,848
Net cash used in investing activities	(3,100,330)	(3,357,995)

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	2017	2016
Financing activities:		
Loans payment	(1,684,649)	(1,721,655)
Proceeds from loans	1,563,015	1,941,389
Interest payment	(672,285)	(647,263)
Dividends paid	(318,093)	(246,088)
Leases payment	32,371	(68,027)
Acquisition of shares in non-controlling interest	(237,085)	(250,182)
Payment of obligations related to the right of trust contract collection rights	(108,144)	(97,503)
Repurchase of shares	(17,461)	(62,901)
Other items	6,851	9,233
Net cash used in investing activities	(1,435,480)	(1,142,997)
Net (decrease) increase in cash	568,020	(1,062,009)
Effects of exchange rate changes on the balance of cash held in foreign currencies	10,841	(43,045)
Cash at the beginning of the year	942,885	2,047,939
Cash at the end of the year	$ 1,521,746	$ 942,885

The accompanying notes are part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2017 and 2016 *(In thousands of Mexican pesos)*

1. ACTIVITIES

Grupo Comercial Chedraui, S. A. B. de C. V. and Subsidiaries (the Entity or the Group) are engaged in the operation of self-service stores and real estate companies; they specialize in the sale of electronic goods, perisables, clothing, groceries and general merchandise.

The Entity is incorporated in Mexico; its domicile is located at Constituyentes No. 1150, Col. Lomas Altas, Mexico City, Miguel Hidalgo C.P. 11950 and conducts its business primarily in Mexico and the United States of America (USA).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

a. Application of new and revised International Financing Reporting Standards ("IFRS" or "IAS") and interpretations that are mandatorily effective for the current year.

In the current year, the Entity has applied a number of amendments to IFRS issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2017.

Amendments to IAS 7, Disclosure Initiative

The Entity has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Entity's liabilities arising from financing activities consist of lease obligations (Note 13), borrowings with financial institutions (Note 14) and long term borrowings (Note 15). A reconciliation between the opening and closing balances of these items is provided in note 15.

Amendments to IAS 12, Recognition of Deferred Tax Assets for Unrealized Losses

The Entity has applied these amendments in the current year for the first time. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Entity's consolidated financial statements as the Entity already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to IFRSs 2014-2016 Cycle

The Entity has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Entity (see note 2b).

IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Entity's consolidated financial statements as none of the Entity's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

b. New and revised IFRSs in issue but not yet effective.

IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers (and the related Clarifications[2]
IFRS 16	Leases[3]

The directors of the Entity anticipate that the application of the new IFRS may have a significant impact on the amounts reported with respect to the Entity's financial assets and liabilities. However, it is not practical to provide a reasonable estimate of this effect until a detailed review has been completed.

Amendments:

To IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
To IFRS 10 & AS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
To IAS 40	Transfers of Investment Property[1]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]

[1] Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.
[3] Effective for annual periods beginning on or after a date to be determined.

c. Reclassification - Certain amounts in the consolidated financial statements as of and for the year ended December 31, 2016 have been reclassified to conform to the presentation of the 2017 consolidated financial statements.

d. Operating profit – Operating profit is the result of subtracting cost of sales and general expenses from net sales. While IFRS, does not require inclusion of this line item within results, it has been included for a better understanding of the Entity's economic and financial performance.

3. SIGNIFICANT ACCOUNTING POLICES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards released by IASB.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment property and financial instruments, that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

i. Historical cost

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

ii. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2, Inventories or value in use in IAS 36, Impairment of assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Entity and entities controlled by the Entity and its subsidiaries. Control is achieved when the Entity:

— Has power over the investee;
— Is exposed, or has rights, to variable returns from its involvement with the investee; and
— Has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity losses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary, according to the case.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Entity and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Entity and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Entity's accounting policies.

All material intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Entity are eliminated in full on consolidation.

Changes in the Entity's ownership interests in existing subsidiaries

Changes in the Entity's ownership interests in subsidiaries that do not result in the Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Entity.

Subsidiaries listed below are companies incorporated and operating in Mexico, except for Bodega Latina Co., which has its registered and operations in the United States of America (USA).

The shareholding in its capital during presented periods for which country of incorporation and operations is Mexico is listed below:

Company or Group	Participation rate	Activity
Tiendas Chedraui, S. A. de C. V.	99.88%	A chain of 262 self-service stores specializing in the sale of groceries, perishables, electronic goods, clothing and general merchandise. These stores operate under the followings types of stores: 164 Tiendas Chedraui, 15 Tiendas Chedraui Selecto, 53 Super Chedraui, 4 Super Chedraui Selecto, 12 Super Che and 14 Supercito.
División Inmobiliaria	99.99%	Five companies engaged in the acquisition, construction, sale and lease of real property used for real estate activities.
División Servicios	99.99%	Seven companies providing administrative and personnel services.
Bodega Latina Co.	88.89%	A chain of self-service stores with 59 units located in the southern of USA and which operate under the El Super commercial name.
Grupo Crucero Chedraui, S. A. de C. V.	99.99%	Sub-holding company.
Fundación Antonio Chedraui Caram, A.C.		A foundation whereby the Entity has control and is established to help create institutes, scholarships and support the humanistic, scientific, educational, art and teaching activities related to health and social assistance.

d. Detail of the subsidiaries not completely owned but whereby the Entity has a significant non-controlling interest

Name of the subsidiary	Place of registration and operation	Proportion of shareholding and voting rights of the non-controlling interest		Assigned income to the non-controlling interest		Retained non-controlling interest	
		2017	2016	2017	2016	2017	2016
Bodega Latina Co.	USA	11.11%	13.15%	$ 38,957	$ 48,202	$ 259,113	$ 301,813

(i) *The Entity owns 88.89% of the equity of Bodega Latina Co. and based on the contractual arrangements between the Entity and other investors, the Entity has the power to appoint and remove a majority of the Board of Bodega Latina Co. the relevant activities of Bodega Latina Co. are determined by the Board of Bodega Latina Co. based on a simple majority vote. Therefore, Bodega Latina Co. is controlled by the Entity and is consolidated into these consolidated financial statements.*

A summary of the Bodega Latina Co.'s financial information before intercompany eliminations is detailed below:

	2017	2016
Current assets	$ 1,548,174	$ 1,627,096
Non-current assets	$ 4,190,863	$ 4,446,776
Current liabilities	$ 2,613,257	$ 2,506,365
Non-current liabilities	$ 793,527	$ 1,272,352
Equity attributable to owners of the Entity	$ 2,332,253	$ 2,295,155
Non-controlling interest	$ 259,113	$ 301,813

	2017	2016
Incomes	$ 26,706,785	$ 25,650,406
Cost, expenses and taxes	26,356,145	25,283,848
Net profit of the year	$ 350,640	$ 366,558
Net profit of the year to owners of the equity of the Entity	$ 311,683	$ 318,356
Net profit of the year to non-controlling interest	38,957	48,202
Net profit of the year	$ 350,640	$ 366,558

	2017	2016
Net cash flow from operating activities	$ 1,095,081	$ 811,405
Net cash flow from investing activities	$ (419,609)	$ (566,683)
Net cash flows from financing activities	$ (675,705)	$ (237,782)
Net (decrease) increase in cash flow	$ (233)	$ 6,940

e. *Financial instruments*

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

f. Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

1. Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. Financial assets at FVTPL

Financial assets are classified as of FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as of FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as of FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as of FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income (expenses) - Net' line item. Fair value is determined in the manner described in Note 3.

3. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Entity has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to maturity investments are measured at amortized cost using the effective interest method less any impairment.

4. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables, bank balances and cash, are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

5. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficultie.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

6. Derecognition of financial assets

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralize borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

g. Inventories and cost of goods sold

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of indirect fixed and variable costs are assigned to inventories by using the method most applicable to the inventory in question, which is valued at its average cost. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

h. Property and equipment

Property and equipment are initially recorded at cost.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. After the adoption of IFRS, the buildings are valued at historical cost and depreciated on a straight line.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

i. Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

j. Intangible assets

1. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

2. Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and separately recognized from goodwill, its initial cost will be their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3. Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

k. Goodwill

Goodwill originated from a business acquisition is recognized at cost determined at the business acquisition date (see Note 9) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Entity's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

As of the issue date of the consolidated financial statements, there is no indication of impairment that requires adjustment to the goodwill value.

l. Investment in associates

An associate is an entity over which the Entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Entity's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Entity's investment in an associate. When necessary, the entire carrying amount of the investment including goodwill is tested for impairment in accordance with IAS 36, as a single asset by comparing its recoverable amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases

As of the issue date of the consolidated financial statements, it not has been necessary to recognize an impairment loss with respect to the investment in associates.

m. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

— The Entity as lessor

The income under operating leases are recognized using the straight-line method over the lease term.

— The Entity as lessee

Assets held under finance leases are initially recognized as assets of the Entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

n. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except when they arise from exchange rate differences arising from transactions related to exchange rate risks.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period.

The adjustments corresponding to the goodwill and the fair value of identifiable acquired assets and assumed liabilities generated in the acquisition of an operation abroad are considered as assets and liabilities of said operation and are converted at the exchange rate in effect at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income.

o. Conversion of financial statements of subsidiaries in foreign currency

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Currency Units using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

p. Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Employee benefits

Retirement benefits costs from termination benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements).
- Net interest expense or income, and
- Remeasurement.

The Entity presents the first two components of defined benefit costs in profit or loss in the line item. Gains and losses for reduction of service are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the actual deficit or surplus in the Entity's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognizes any related restructuring costs.

Short-term employee benefits and others long-term benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Entity in respect of services provided by employees up to the reporting date.

Statutory employee profit sharing ("PTU")

PTU is recorded in the results of the year in which it is incurred and is presented in operating expenses in the consolidated statement of profit or loss and other comprehensive income.

As established by the Income Tax Law ("LISR"), as of December 31, 2017 and 2016, PTU is determined based on taxable income, according to Section I of Article 9 of the LISR.

r. Income taxes

Income tax expense represents the sum of the tax currently payable and deferred taxes.

1. Current tax

Current income tax (ISR) is recognized in the results of the year in which is incurred.

2. Deferred income tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, the Entity has not recognized any deferred taxes on changes in fair value of the investment properties as the Entity is not subject to any income taxes on the fair value changes of the investment properties on disposal.

3. Current and deferred tax

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. Tax on assets

The tax on assets ("IMPAC" for its name in Spanish) expected to be recovered is recorded as a tax credit and is presented in the consolidated balance sheet in the deferred taxes line item.

s. Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the cash value over time is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

t. Financial liabilities and equity instruments

1. Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2. Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Entity's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Entity's own equity instruments.

3. Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

4. Financial liabilities at FVTPL

A financial liability at FVTPL is a financial liability which is classified for trading purposes or designated at FVTPL.

Derivatives financial instruments, are classified for trading purposes except those that are designated and are effective as a hedge.

The Entity has no financial liabilities at FVTPL.

5. Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

6. Derecognition of financial liabilities

The Entity derecognizes financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

u. Derivative financial instruments

The Entity obtains financing under different conditions. Consequently, when obtaining financing at a variable rate, it contracts these instruments to reduce its exposure to interest rate volatility risks. Other instruments are used when the contracted financing is denominated in foreign currency. Accordingly, the Entity mitigates its exposure to these risks by contracting derivative financial instruments involving interest or exchange rate swaps which convert its interest payment profile from variable to fixed or from foreign currency to Mexican pesos. The Entity only performs transactions involving derivative financial instruments with institutions of recognized solvency and based on the individual limits established with each. The Entity's policy is not to perform transactions with derivative financial instruments for speculative purposes.

The Entity recognizes all assets or liabilities generated by transactions involving derivative financial instruments at their fair value in the balance sheet, regardless of the reason for which these instruments were acquired. Fair value is determined based on the prices of recognized markets; however, when these instruments are not quoted on markets, their fair value is determined by using the valuation techniques accepted by the finance community.

When derivative instruments are contracted to hedge risks and fulfill hedging requirements, the designation is documented at the start of the hedge transaction by describing the purpose, characteristics, accounting recognition and how transaction effectiveness will be measured.

Derivative instruments designated as hedges recognize valuation changes according to the nature of each particular hedge: (1) in the case of fair value hedges, fluctuations affecting the derivative instrument and hedged item are valued at their fair value and recognized in results; (2) in the case of cash flow hedges, the effective portion is temporarily recognized in comprehensive income and applied to results when affected by the hedged item; the ineffective portion is immediately recognized in profit or loss.

The Entity suspends its hedge accounting when the derivative has expired, is sold, canceled, exercised, when it fails to reach the high effectiveness level needed to offset changes in the fair value or cash flows of the hedged item, or when the entity decides to cancel the hedge designation.

When the Entity suspends its hedge accounting, in the case of cash flow hedges, the amounts recorded under stockholders' equity as part of comprehensive income remain in equity until the effects of the forecast transaction or agreed commitment affect results. When it is unlikely that the agreed commitment or forecast transaction will take place, the gains or losses accrued to the comprehensive income account are immediately recognized in profit or loss. When the hedge of a forecasted transaction has proven satisfactory, but subsequently fails to meet the test of effectiveness, accumulated effects in other comprehensive income in stockholders' equity, are proportionately recognized in profit or loss, to the extent that the forecasted asset or liability affect the profit or loss.

v. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

— Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Sales of goods resulting from customer credit incentives based on the Entity's electronic wallet scheme are recorded as transactions with income composed by multiple elements, while the fair value of the received or receivable payment is distributed among the delivered goods and incentive credits. The payment assigned to incentive credits is valued according to its fair value – the amount for which these incentive credits can be separately sold. This payment is not recognized as income when the sale transaction initially takes place. However, the respective income is deferred and recognized once the incentive credits are applied and the Entity's obligations have been fulfilled.

— Dividends and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

— Rental income

Rental income is recorded as accrued.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

When applying the Entity's accounting policies, as described in Note 3, the Entity's management must utilize its judgment, estimates and assumptions regarding the book values of assets and liabilities. These estimates and assumptions are based on historical experience and other significant factors, although actual results may differ from these estimates.

Underlying estimates and assumptions are periodically reviewed. Accounting estimate reviews are recognized in the review period and future periods if they affect current and future periods.

a. Essential judgments when applying accounting policies

Below we present essential judgments, apart from those involving estimates, made by management during the application of the Entity's accounting policies, and which have a significant effect on the consolidated financial statements.

— The Entity has entered into lease agreements, as lessor, the store operating assets are maintained in contracts which remaining period is one year, whereas electronic equipment is leased for five years. Both types of assets contemplate a purchase option at market values when the lease ends and have fulfilled certain characteristics, therefore the Entity does not believe it complies with the definition of an operating lease.

— The defined benefit obligation of the Entity is discounted at a rate set at market rates of high quality corporate bonds at the end of the reporting period. Are required to use professional judgment in establishing criteria for the bonuses it must include on the population from which the yield curve is derived. The most important criteria considered for the selection of bonds include the size of the issuance of corporate bonds, the classification and identification of atypical bonds are excluded.

— The calculation of the use value to perform the impairment tests requires the Entity's base on its judgments to determine the future cash flows that should arise from the cash generating units and an appropriate discount rate to calculate the present value. Goodwill is assigned to each of the Entity's cash generating units which expects to obtain benefits from the synergies of this combination.

b. Key sources of uncertainty in the estimates

Below are the basic assumptions regarding the future and other key sources of uncertainty in the estimates at the end of the reporting period, which have a significant risk of causing significant adjustments in the book values of the assets and liabilities in the subsequent year.

- In determining the deferred income tax, the Entity estimates the probability of generating taxable income in future periods to take benefit of the deferred tax assets generated by losses and asset taxes. The conclusion reached by the periods presented is that there will be tax base and therefore mostly recognizes the deferred taxes generated and asset tax losses. Its impact is in the business of deferred tax liability and expense for the period.

- The Entity prepares valuations of its financial derivatives which are contracted to mitigate the risk of interest rate volatility and exchange fluctuations.

- The Entity reviews the estimate of the useful life, residual value and amortization method for its fixed assets at the end of each reporting period and the effect of any change in the estimate is recognized prospectively. Furthermore, at the end of each reporting period the Entity reviews the book values of its tangible and intangible assets to determine whether there is any indication that they have suffered a loss from impairment.

- The Entity reviews the fair value of the investment properties based on future cash flows, applying an appropriate discount rate. At the end of each period, if applicable, it makes the respective adjustments in results for the year.

- In estimating the fair value of an asset or a liability, the Entity uses observable market data to the extent they are available. When the input data of level 1 are not available, the Entity hires qualified professional to perform independent valuation appraiser.

5. ACCOUNTS AND NOTE RECEIVABLE – NET

	2017	2016
Customers	$ 967,683	$ 904,268
Allowance for doubtful accounts	(23,464)	(18,376)
	944,219	885,892
Sundry debtors	49,683	49,882
Notes receivable	17,707	15,957
	$ 1,011,609	$ 951,731

a. Accounts receivable from customers

The accounts receivable from customers detailed in the above table are classified as accounts receivable and valued at their amortized cost, which is similar to its book value.

The accounts receivable from customers detailed in the preceding paragraphs include the amounts overdue at the end of the reporting period (see aging analysis below) for which the Entity has recognized an allowance for doubtful accounts because it is highly likely that customers will default on their payments. This provision is recorded following its determination, while the reserve amount is updated at least on every reporting date. The additional disclosures required by IFRS 7, “Presentation of financial instruments”, for estimating the allowance for doubtful accounts have not been included as they are considered to be immaterial.

The accounts receivable aging past due but not fully included in the reserve is as follows:

	2017	2016
Up to 30 days	$ 86,742	$ 43,893
31 – 60 days	13,321	9,380
61 – 90 days	12,401	2,438
More than 90 days	22,523	33,351
Total	$ 134,987	$ 89,062

6. RECOVERABLE AND CREDITABLE TAXES

	2017	2016
Income tax	$ 126,636	$ 48,820
Tax credits, mainly value added tax (VAT)	1,055,638	868,604
Recoverable value added tax (VAT)	55,183	336,036
Recoverable tax for production and services (IEPS)	201,462	456,517
	$ 1,438,919	$ 1,709,977

7. DERIVATIVE FINANCIAL INSTRUMENTS

The Entity has contracted derivatives to manage the loan interest rate risk, while also controlling the movement of the debt from fixed to variable rates and vice versa.

In November 2016, two swaps were contracted to fix the TIIE rate and cover part of the non-current loan that was held at that date with variable rate, the first of it is maturing in September 2023 with a notional of $500 million pesos and a fixed rate of 6.33% that covers a credit in one of the Group subsidiaries, while the second has a maturity in November 2022 with a notional of $500 million pesos and a fixed rate of 6.31%, which cover part of a non-current loan contracted by the Group.

In October 2017, three derivatives were contracted to fix the TIIE rate and cover long-term loans that were held at that date, with a variable rate; the first is a Swap with a notional amount of $1,003 million due on November 12, 2022 and a fixed rate of 7.15%. The second is a Swap with a notional amount of $669 million, due on November 12, 2022 and a fixed rate of 7.95%. The third derivative refers to a Swaption with which the option to cancel the Swap at a rate of 7.95% was acquired on March 11, 2019 at no cost to the Entity.

Finally, during the month of December 2017, a Swap with a notional of $1,200 million pesos was contracted, with a maturity date of June 10, 2019 and a fixed rate of 7.80%, this derivative covers a credit for the same amount as the notional, but only for part of the term of the credit.

The Entity obtains financing under different conditions, when they are floating rate, in order to reduce their exposure to risks of volatility in interest rates and foreign currency, the entity contracts financial derivatives instruments to interest rate that convert the profile interest payments from variable to fixed converting the foreign currency debt into local currency rate. The negotiations with derivatives are conducted only with institutions of recognized solvency and limits have been established for each institution. The policy or the Entity is to not trade for speculative purposes.

In case of any of its subsidiaries does not have necessary conditions to be able to contract a derivative that mitigates an exchange rate or interest risk rate, will be Grupo Comercial Chedraui, S. A. B. de C. V. who will contract it.

8. INVENTORIES

	2017	2016
Finished goods	$ 9,306,442	$ 8,625,659
Raw materials	255,781	243,443
Productions in process	15,151	14,435
Others	76,356	58,000
	$ 9,653,730	$ 8,941,537

9. OTHER ASSETS – NET

	2017	2016
Guarantee deposits	$ 363,156	$ 440,505
Goodwill [1]	1,203,533	1,250,329
Other non-current assets, mainly prepaid expenses	482,177	383,171
Other long-terms receivables	11,397	11,398
	2,060,263	2,085,403
Intangibles:		
Software and licenses	1,908,879	1,740,411
Accumulated software and licenses amortization	(1,386,417)	(1,240,298)
	522,462	500,113
	$ 2,582,725	$ 2,585,516

[1] *Represents the excess of the price paid for the market value of the assets and assumed liabilities of 29 stores located in southern Los Angeles California, and 3 stores located in Baja California Sur, Mexico, so they have been considered as an asset intangible. Goodwill is subject to impairment testing at least annually. At December 31, 2017 and 2016, there were no indications of impairment, the change shown is related to the current year exchange rate fluctuation.*

The reconciliation of intangibles is as follows:

Cost	2017	2016
Balance at beginning of January 1,	$ 1,740,411	$ 1,543,119
Property and equipment transfers	62	80
Acquisitions	168,406	197,212
Balance as of December 31,	$ 1,908,879	$ 1,740,411

Amortization	2017	2016
Balance at beginning of January 1,	$ (1,240,298)	$ (1,117,777)
Amortization cost	(146,119)	(122,521)
Balance as of December 31,	$ (1,386,417)	$ (1,240,298)

10. PROPERTY AND EQUIPMENT – NET

a. The reconciliation of property and equipment is as follows:

Cost	Building	Store equipment	Furniture and fixtures	Vehicles	Construction in process	Land	Total
Balance at January 1, 2016	$ 20,827,365	$ 9,276,995	$ 2,210,683	$ 258,428	$ 658,188	$ 5,536,456	$ 38,768,115
Acquisitions	1,053,116	457,755	113,403	21,918	1,184,115	439,456	3,269,763
Net effect of foreign currency exchange differences	210,563	231,357	7,434	2,069	11,087	-	462,510
Disposals	(40,040)	(158,313)	(26,840)	(21,702)	-	-	(246,895)
Transfers	(187,338)	458,059	47,578	15,248	(700,587)	(178,207)	(545,247)
Balances at December 31, 2016	21,863,666	10,265,853	2,352,258	275,961	1,152,803	5,797,705	41,708,246
Acquisitions	1,038,519	526,213	201,843	12,794	1,103,314	14,514	2,897,197
Net effect of foreign currency exchange differences	(58,037)	(76,449)	(2,861)	(1,509)	(907)	-	(139,763)
Disposals	(11,828)	(145,386)	(40,372)	(8,685)	(1,699)	-	(207,970)
Transfers	215,477	293,559	19,650	692	(1,066,536)	229,082	(308,076)
Balances at December 31, 2017	$ 23,047,797	$ 10,863,790	$ 2,530,518	$ 279,253	$ 1,186,975	$ 6,041,301	$ 43,949,634

Depreciation	Building	Store equipment	Furniture and fixtures	Vehicles	Construction in process	Land	Total
Balance at January 1, 2016	$ (4,316,935)	$ (4,413,888)	$ (1,734,109)	$ (161,332)	$ -	$ -	$ (10,626,264)
Depreciation expenses	(511,105)	(673,962)	(202,273)	(17,691)	-	-	(1,405,031)
Transfers	-	(2,241)	2,241	-	-	-	-
Disposals	27,380	149,107	26,851	17,442	-	-	220,780
Balances at December 31, 2016	(4,800,660)	(4,940,984)	(1,907,290)	(161,581)	-	-	(11,810,515)
Depreciation expenses	(529,140)	(712,374)	(228,057)	(20,765)	-	-	(1,490,336)
Transfers	-	656	(652)	(4)	-	-	-
Disposals	8,501	128,809	34,829	7,905	-	-	180,044
Balances at December 31, 2017	$ (5,321,299)	$ (5,523,893)	$ (2,101,170)	$ (174,445)	$ -	$ -	$ (13,120,807)
Total at December 31, 2016	$ 17,063,006	$ 5,324,869	$ 444,968	$ 114,380	$ 1,152,803	$ 5,797,705	$ 29,897,731
Total at December 31, 2017	$ 17,726,498	$ 5,339,897	$ 429,348	$ 104,808	$ 1,186,975	$ 6,041,301	$ 30,828,827

b. The following useful lives are used in the calculation of depreciation:

	Years
Buildings	60
Store equipment	12 in average
Furniture and fixtures	10
Computer equipment [1]	3
Vehicles	4
Air equipment [2]	15

[1] *Presented within the furniture and fixtures heading*

[2] *Presented within the vehicles heading*

11. INVESTMENT PROPERTY

	2017	2016
Fair value of investment properties	$ 6,855,626	$ 6,420,225
Balances at the beginning of the year	$ 6,420,225	$ 5,878,718
Acquisitions	97,659	49,173
Disposals	-	-
Transfers from property and equipment	308,017	545,217
Net gains on property revaluation	29,725	(52,883)
Balances at year end	$ 6,855,626	$ 6,420,225

All the Entity's investment properties are free from third-party interests.

There has been no change in valuation technique on the current year. The fair value of the Entity's investment properties, considered the highest and best use of the property in its current use.

The following information is relevant to investment properties classified as Level 3 fair value hierarchy:

Property	Fair Value hierarchy	Valuation Technique	Significant unobservable inputs	Value / Range	Relationship unobservable inputs of fair value
Land and construction	Level 3	Cash flows	Discount rate	11.60%	At higher discount rate, lower fair value
			Earnings before interest, taxes, depreciation and amortization	Based on the contractual rent at market price	At higher earnings before interest , taxes, depreciation and amortization, fair value increased
			Growth rates	Mexico: 3.47%	At higher inflation rate, higher fair value
			Occupation factor	97%, depending on location	At higher percentage of occupation, higher fair value

There were no transfers between levels of the fair value hierarchy during the year.

12. ACCOUNTS AND NOTES PAYABLE TO SUPPLIERS

The amount recognized for suppliers is based on source documentation, whether the amount indicated by the respective receipt or contract at the balance sheet date, or the disbursement required to settle the current obligation. The Entity has implemented financial risk management policies to ensure that all accounts payable are settled according to pre-agreed credit terms.

The debt with suppliers (including liabilities to affiliated parties related to suppliers) is calculated according to agreed contractual maturities. At December 31, 2017 and 2016 the Entity's debt obligation is composed as follows:

	2017	2016
Current	$ 5,014,344	$ 3,698,553
Up to 30 days	5,163,850	5,583,628
Up to 60 days	2,169,839	2,566,893
Up to 90 days	1,827,866	1,631,056
More than 90 days	421,011	537,392
	$ 14,596,910	$ 14,017,522

13. LEASE OBLIGATIONS

The Entity contracted an operating equipment lease, with approximately 1 year remaining, and an electronic equipment lease for a period of 5 years.

The Entity's lease obligations are guaranteed by its ownership title to the goods in question.

a. Capital leases liabilities

	Minimum lease payments		Current value of minimum payments	
	2017	2016	2017	2016
One year	$ 88,280	$ 65,869	$ 80,302	$ 63,784
Between two and three years	116,436	117,616	106,650	115,311
More than three years	49,646	22,150	46,152	21,638
	254,362	205,635	233,104	200,733
Less future financing charges	(21,258)	(4,902)	-	-
Current value of minimum lease payments	$ 233,104	$ 200,733	$ 233,104	$ 200,733

14. BORROWINGS WITH FINANCIAL INSTITUTIONS

	2017	2016
Credit line contracted by Tiendas Chedraui, S. A. de C.V. with Banco Nacional de México, S. A., contracted on December 29, 2017 at an annual fixed rate of 7.62%, due on January 2, 2018.	$ 150,000	$ -
Promissory note from BBVA Bancomer, S.A. which allows the Entity to make acquisitions of working capital, at an annual fixed rate of 6.76%, due on January 2, 2017.	-	190,000
Credit line contracted with Santander Mexicano S.A. which allows the Entity to make acquisitions of working capital, at an annual fixed rate of 7.36%, due on January 2, 2017.	-	14,946
	$ 150,000	$ 204,946

15. LONG TERM BANK

	2017	2016
Loan from Scotiabank Inverlat, S.A. warranted by Tiendas Chedraui, S. A. de C. V. at an annual rate of TIIE plus 0.55%, with payment of principal beginning on August, 2015, with expiration on August 2, 2017. The rate as of December 31, 2017 and 2016 was 7.92% and 5.66%, respectively.	$ -	$ 700,000
Loan celebrated by Tiendas Chedraui, S. A. de C. V. warranted by Grupo Comercial Chedraui S.A.B. de C.V. and Inmobiliaria Kira S.A de C.V. from Scotiabank Inverlat, S.A., at an annual fixed rate of 7.65%, with payment of principal beginning on August, 2018, with expiration on July 27, 2023.	500,000	500,000
Loan from Banco Nacional de Comercio Exterior, S. N. C. warranted by Tiendas Chedraui, S. A. de C. V. and Inmobiliaria Kira, S. A. de C. V. at an annual rate of TIIE plus 0.98% with expiration on 10 years, with payment of principal beginning on July 4, 2017. The rate as of December 31, 2017 and 2016 was 8.36% and 6.09%, respectively.	1,478,655	1,548,330
Loan from Banco Nacional de Comercio Exterior, S. N. C. warranted by Tiendas Chedraui, S. A. de C. V. and Inmobiliaria Kira, S. A. de C. V. at an annual rate of TIIE plus 1.30% with expiration on 10 years from September, 2017 and payment of principal beginning on September 12, 2018. The rate as of December 31, 2017 and 2016 was 8.68% and 6.50%, respectively.	625,000	625,000
Loan celebrated by Tiendas Chedraui, S. A. de C. V. from Banco Nacional de México, S.A., at an annual rate TIIE plus 1.33%, with two year grace period for payments of principal as of August 12, 2018, ending on September 8, 2023. The rate as of December 31, 2017 and 2016 was 8.71% and 6.44%, respectively.	500,000	500,000
Loan celebrated by Comercial Chedraui, S.A.B. de C.V. from Banco Nacional de Comercio Exterior, S. N. C, warranted by Tiendas Chedraui, S. A. de C. V. at an annual rate TIIE plus 1.30%, with ten year grace period for payments of principal as of December 10, 2019. The rate as of December 31, 2017 was 8.68%.	1,200,000	-
Loan obtained by Bodega Latina Co. with Wells Fargo Bank for US$15,000 with expiration in February 2020. The rate as of December 31, 3017 was 3.53%.	294,944	-
Loan obtained by Bodega Latina Co. with Wells Fargo Bank for US$22,500 with expiration in December 2019. The rate as of December 31, 3017 was 3.53%	213,015	-

Continue >

	2017	2016
Loan obtained by Bodega Latina Co. with Wells Fargo Bank for US$60,000 with expiration in August 2019. The rate as of December 31, 3017 was 3.47%.	104,213	-
Loan obtained by Bodega Latina Co. with Wells Fargo Bank for US$50,000 with expiration in June 2017. The rate as of December 31, 3016 was 2.27%.	-	1,101,229
Loan with Bank of America, S.A., warranted by Tiendas Chedraui, S.A. de C.V. at a rate of LIBOR plus 1.5% with a first repayment on April 24, 2014 for 4 years. The rate as of April 30, 2017 and December 31, 2016 was 7.82% and 6.76%, respectively.	-	59,040
Long-term liabilities	4,915,827	5,033,599
Less - current portion	439,409	1,107,077
	$ 4,476,418	$ 3,926,522

At December 31, 2017 and 2016, the Entity was in compliance with the covenants set forth in each of the contracts.

a. Reconciliation of obligations derived from financing activities

	Balance as of January 1, 2017	Acquisitions	Payments	Saldo al 31 de diciembre de 2017
Borrowings (Notes 14 and 15)	$ 5,238,545	$ 1,563,015	$ (1,735,733)	$ 5,065,827
Leases obligations (Note 13)	200,733	93,297	(60,926)	233,104
	$ 5,439,278	$ 1,656,312	$ (1,796,659)	$ 5,298,931

16. EMPLOYEE BENEFITS

a. Defined contribution plans

The Entity by law make payments equivalent to 2% of wage workers integrated (ceiling) plan defined contribution savings system of retirement establish by the law. The related expense was $59,382 and $55,651, respectively.

b. Defined benefit plans

The Entity maintains a defined benefit pension plan which covers all employees who reach 65 and 60 years of age, according to the benefit plan defined by the Entity's.

This plan also provides seniority premium benefits, which consist of a lump sum payment of 12 days wage for each year worked, calculated using the most recent salary, not to exceed twice the minimum wage established by law. The related liability and annual cost of such benefits are calculated by an independent actuary on the basis of formulas defined in the plans using the projected unit credit method.

The plans typically expose the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced investment in equity securities, debt instruments and real estates.
Interest risk	A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investments.
Longevity risk	The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

The present value of the defined benefit obligation and the labor cost of the current service and past service cost were calculated using the method of projected unit credit.

The main assumptions used for the purposes of actuarial valuation are the following:

c. *Nominals rates used in actuarial calculations are as follows:*

	2017	2016
	%	%
Discount of the projected benefit obligation at present value	9.25%	9.25%
Salary increase	4.50%	4.50%
Salary increase (minimum by law)	3.50%	3.50%

Unamortized items are applied during the year.

d. The amounts recognized in the results of these defined benefits plan, are:

	2017	2016
Service cost:		
Current service cost	$ 45,615	$ 43,169
Net interest expense	39,905	32,861
	$ 85,520	$ 76,030
Remeasurement on the net defined benefit liability:		
Actuarial (gains) arising from changes in demographic assumptions	$ -	$ (45,853)
Actuarial losses (gains) arising from experience adjustments	18,957	35,571
Total	$ 18,957	$ (10,282)

The remeasurement of the net defined benefit liability is included in other comprehensive income.

e. Changes in present value of the defined benefits obligations:

	2017	2016
Present value of the defined benefit obligation as of January 1,	$ 453,664	$ 433,302
Current service cost	85,520	76,030
Payments made against the reserve	(20,098)	(45,385)
Cost recognized through comprehensive income	18,957	(10,283)
Present value of the defined benefit obligation as of December 31,	$ 538,043	$ 453,664

The Entity engaged independent professionals to measure the present value of the defined benefit obligation and the market value of the respective assets for the pension plan, death or disability and seniority premium.

The appointed consultants issued their report in conformity with the guidelines of IFRS (see Note 4a).

Adjustments to actuarial assumptions, including the change in the discount rate for valuing employee benefits, are recognized directly in other comprehensive income in stockholders' equity without affecting profit or loss.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate had been 150 basis points lower, the defined benefit obligation would have increased by $52,161.

If the expected salary growth had decreased by 1%, the defined benefit obligation would have decreased by $31,857.

If the life expectancy had increased by one year for both men and women, the defined benefit obligation would have increased by $2,621.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

17. FINANCIAL INSTRUMENTS

a. Capital management risk

The Entity manages its capital to ensure that the Entity and its subsidiaries will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Entity's overall strategy remains unchanged from 2016.

The Entity's management reviews the capital structure when presenting his financial projections as part of the business plan to the Board of Directors and shareholders of the Entity. As part of this review, the Board considers the cost of capital and the associated risks.

The Entity is constituted as a S.A.B. de C.V. according to the terms of the Mexican Securities Exchange Commission and in accordance with the General Law of Commercial Companies; the fixed minimum capital is $183,436.

The capital structure of the Entity consists of net debt (borrowings as detailed in notes 14 and 15 offset by cash and cash equivalents) and equity of the Entity (comprising issued capital, reserves, and retained earnings as detailed in Note 19)

The Entity is not subject to any externally imposed capital requirements.

The Entity's Boards of Directors reviews the capital structure of the Entity on a quarterly basis.

1. Gearing ratio

The gearing ratio at end of the reporting period was as follows:

	2017	2016
Debt [i]	$ 5,065,827	$ 5,238,545
Cash	1,521,746	942,885
Net debt	$ 3,544,081	$ 4,295,660
Controlling interest [ii]	$ 28,149,567	$ 26,610,365
Net debt to equity ratio	12.6%	16.1%

[i] *Debt is defined as long- and short-term borrowings, as described in Notes 14 and 15.*

[ii] *The controlling interest includes all capital and reserves of the Group that are managed as capital*

b. Financial instruments categories

	2017	2016
Financial assets		
Cash	$ 1,521,746	$ 942,885
Loans and receivables:		
Accounts and notes receivable - Net	1,035,073	970,107
Current accounts receivable from related parties	17,098	22,328
Non-current accounts receivable from related parties	37,035	37,035
Long-term accounts receivable	94,766	94,370
Guarantee deposits	363,156	440,505
At fair value		
Derivative financial instruments	71,469	61,072

Continue >

	2017	2016
Financial liabilities		
At amortized cost:		
Accounts and notes payable to suppliers	$ 14,596,910	$ 14,017,522
Other accounts payables (*)	2,186,232	2,055,077
Current borrowing with financial institutions	150,000	204,946
Current portion of long-term debt	439,409	1,107,077
Current portion of lease obligations	80,302	63,784
Long-term bank loan	4,476,418	3,926,522
Collection rights of trust contracts	633,909	741,657
Lease obligations	152,802	136,949
At fair value:		
Derivative financial instruments assets	-	13,783

(*) *Included in the balance into the accrued taxes and expenses.*

c. *Financial risk management objectives*

The activities carried out by the Entity expose it to a number of financial risks, including market risk (which encompasses foreign exchange, interest rate and price risks – such as investment in share certificates and commodity prices futures), credit risk and liquidity risks.

The Entity seeks to minimize the potential negative effects of these risks on its financial performance through an overall risk management program. Both, financial risk management and the use of derivative and non-derivative financial instruments are ruled by Entity policies approved by the Board of Directors and are carried out by the Entity's treasury, identifying, evaluating and covering the financial risks in cooperation with its subsidiaries.

In addition, the Board of Directors has approved the permissible limits associated losses.

d. *Market risk*

The Entity's activities mainly expose it to exchange rate and interest rate financial risks.

e. *Exchange risk management*

The Entity carries out transactions in foreign currency, thereby generating exposure to exchange rate fluctuations, which are handled within the parameters of the approved policies using foreign currency forwards.

The book values of the foreign currency-denominated monetary assets and liabilities at the end of the reporting period are as follows:

	2017	2016
Assets	$ 101,543	$ 91,330
Liabilities	(187,110)	(204,515)
Net US dollar liabilities	$ (85,567)	$ (113,185)
Year-end exchange rate ($ per 1 dollar)	19.6	20.6

The book values of the foreign currency-denominated monetary assets and liabilities different its functional currency at the end of the reporting period are as follows:

	2017	2016
Assets	$ 19,035	$ 7,880
Liabilities	(13,851)	(21,255)
Net US dollar assets (liabilities)	$ 5,184	$ (13,375)
Year-end exchange rate ($ per 1 dollar)	19.6	20.6

— Approximately 2.46% and 2.58 % of goods inventories were imported by the Entity in 2017 and 2016, respectively.

— Transactions in thousands of US dollars as of December 31, 2017 and 2016 include import purchases of $77,910 and $78,089, respectively.

Foreign currency sensitivity analysis

The Entity performs transactions in different currencies; however, its most significant exposure is with the US dollar.

The following analysis details the Entity's sensitivity to an increase and/or decrease of 20% in the exchange rate of the Mexican peso against the US dollar. Such fluctuation represents management's assessment of the possible reasonable change in the exchange rate.

The sensitivity analysis includes only the monetary position at the close of the period, eliminating the commitments covered with financial instruments, and the transactions performed in a functional currency comparable with the dollar.

When the peso appreciates, the results and stockholders' equity will increase; conversely, when the peso depreciates it would result in a decrease in results and stockholders' equity.

The exchange parity variance results in an adjustment of ($20,463) and $42,260 for the years ended December 31, 2017 and 2016, respectively.

The sensitivity analysis may not be representative of the exchange risk during the period due to variances in the net foreign currency-denominated position.

The most important commitments carried out in foreign currency are covered by a cash flow hedge instrument; consequently, the Entity does not expect significant adverse effects even if the exchange rate suffers major changes. Additionally, the Entity maintains a "natural" hedge when maintaining operations in areas whose operating currency is equivalent to that of exposure.

— *Interest rate risk management*

The Entity is exposed to interest rate risks because it obtains loans at both fixed and variable interest rates. The risk is managed by the Entity by maintaining an appropriate combination of fixed rate and variable rate loans and by using interest rate collars. Hedging activities are regularly assessed to align them with interest rates and the defined risk appetite, ensuring the application of more profitable hedging strategies.

The Entity's exposures to the interest rates of financial assets and liabilities are detailed in the following liquidity risk management section in this note.

— *Interest rate sensitivity analysis*

The following sensitivity analyses have been determined based on the exposure to interest rates both for the derivative instruments and non-derivative instruments at the end of the reporting period. For variable-rate liabilities, an analysis is prepared on the basis that the liability amount remains in effect at the close of the period.

Management evaluates the rates based on the historical behavior of the market and projections obtained from public and private financial institutions. Based on these and the cash flows generated by its operation, it visualizes risks when the rates have a variance of 15% (equivalent to 100 basis points) above the average annual rate handled.

If the exchange rates had been 100 points above or below the real rate obtained and all the other variables remained constant, the result and stockholders' equity would have varied by $28,223 and $24,534 as of December 31, 2017 and 2016, respectively, if such a situation should arise, the management would have to evaluate the option of contracting an instrument to cover the rates contracted or seek to renegotiate different payment or collection conditions.

The sensitivity analysis may not be representative of the interest rate risk during the period due to variances in debt balances.

f. Credit risk management

Credit risk refers to the risk that the counterparties may default on their contractual obligations, resulting in a loss for the Entity. The main credit risk relates to cash and cash equivalents, accounts receivable and derivative financial instruments. The Entity's policy is to only execute transactions with renowned institutions with a high credit rating, thereby minimizing the exposure to risks derived from cash and cash equivalents and derivative financial instruments.

The Entity only carries out transactions with entities that have a risk rating equivalent to the investment grade or higher. This information is provided by independent rating agencies and, if not available, the Entity uses other publicly available financial information and its own business records to qualify its principal customers. The Entity's exposure and the credit ratings of its counterparties are continuously monitored and the cumulative value of the completed transactions is distributed among the approved counterparties. The credit exposure is controlled by the counterparty limits that are reviewed and approved annually by the risk management committee.

In regard to accounts receivable, the Entity has credit and collection policies which include the periodic review and the creation of allowances in accordance with such policies. The maximum exposure to credit risk as of December 31, 2017 and 2016 is $1,606,528 and $1,618,439, respectively.

g. Liquidity risk management

The Entity manages liquidity risk by maintaining adequate reserves and bank loans, by continuously supervising projected and actual cash flows. Long-term debt maturities are presented in Note 15.

— Interest and liquidity risk tables

The following tables as of December 31, 2017 and 2016 show the Entity's remaining contractual maturities for non-derivative financial liabilities with agreed-upon payment periods. The tables have been designed based on the non-discounted cash flows of the financial liabilities as of the most recent date on which the Entity must make payments. The tables include both cash flows of interest and capital. To the extent that interest is at a variable rate, the undiscounted amount is derived from the curves in the interest rate at the end of the reporting period. The contractual maturity is based on the minimum date on which the Entity must make the payment.

2017	One year	Two years	Three years	More than three years	Total
Borrowings with financial institutions	$ 150,127	$ -	$ -	$ -	$ 150,127
Long-term liabilities (including current portion) (*)	824,453	1,038,834	880,739	3,943,475	6,687,501
Various debtors	2,186,232	-	-	-	2,186,232
Accounts and notes payable to suppliers	14,596,910	-	-	-	14,596,910
Collection rights of trust contracts (*)	167,580	169,454	108,914	451,201	897,149
Lease obligations	88,280	76,065	40,371	49,646	254,362
Total	$ 18,013,582	$ 1,284,353	$ 1,030,024	$ 4,444,322	$ 24,772,281

(*) *TIIE 7.65% and LIBOR 1.78% for interest projection plus spread of each credit.*

2016	One year	Two years	Three years	More than three years	Total
Borrowings with financial institutions	$ 205,062	$ -	$ -	$ -	$ 205,062
Long-term liabilities (including current portion) (*)	1,384,362	1,090,022	680,768	3,099,826	6,254,978
Various debtors	2,055,077				2,055,077
Accounts and notes payable to suppliers	14,017,521	-	-	-	14,017,521
Collection rights of trust contracts (*)	154,051	157,679	161,529	535,183	1,008,442
Lease obligations	65,869	57,666	59,950	22,150	205,635
Total	$ 17,881,942	$ 1,305,367	$ 902,247	$ 3,657,159	$ 23,746,715

(*) *TIIE 6% and LIBOR 1.37% for interest projection plus spread of each credit.*

The following tables as of December 31, 2017 and 2016 presents the liquidity analysis of the Entity's derivative financial instruments. The table has been designed based on non-discounted contractual cash inflows and outflows which are settled on a net basis, and non-discounted gross cash inflows and outflows of those derivatives that require a gross settlement. When the amount payable or receivable is not fixed, the amount disclosed was determined in reference to projected interest rates, as shown by the yield curves as of the end of the reporting period.

2017	Less than 1 year	More than 1 year and less than 5	More than 5 years	Total
Derivative financial instruments	$ (12,120)	$ (32,814)	$ (740)	$ (45,674)

2016	Less than 1 year	More than 1 year and less than 5	More than 5 years	Total
Derivative financial instruments	$ 8,188	$ (39,594)	$ (7,331)	$ (38,737)

h. Fair value of financial instruments

1. Fair value of financial instruments recorded at amortized cost

Except for what is detailed in the following table, Entity's management believe that the book values of the financial assets and liabilities recognized at amortized cost in the consolidated financial statements are approximate to fair value.

	2017	2016
Financial Assets		
Long term receivables	$ 94,766	$ 94,370
Current accounts receivable from related parties	17,098	22,328
Non-current accounts receivable from related parties	37,035	37,035
Financial Liabilities		
Collection rights of trust contracts	633,909	741,657
Borrowings with financial institutions	150,000	204,946
Current portion of long-term liabilities	439,409	1,107,077
Long term liabilities	4,476,418	3,926,522

2. Valuation techniques and assumptions used to determine fair value

Financial instruments are shown at market value indicated by the financial institution with whom it was hired at the end of the year by which it is reported.

As of December 31, 2017:

Type of derivative contract or value	Notional amount	Reference variable	Fair Value	Amount due by year	Collateral
Interest rate TIIE Swap	$ 500,000	TIIE at 28 days	$ 22,953	$ 12,500 in 2018 56,250 in 2019 81,250 in 2020 106,250 in 2021 131,250 in 2022 112,500 in 2023	No collateral while the credit line or "Threshold" is not exceeded $27 million of US dollars.
Interest rate TIIE Swap	430,325	TIIE at 28 days	11,715	141,776 in 2018 90,056 in 2019 64,062 in 2020 70,313 in 2021 64,118 in 2022	No collateral while the credit line or "Threshold" is not exceeded $27 million of US dollars.
Interest rate TIIE Swap	1,200,000	TIIE at 28 days	1,868	1,200,000 in 2019	No collateral while the credit line or "Threshold" is not exceeded $27 million of US dollars.
Interest rate TIIE Swap	1,003,998	TIIE at 28 days	25,807	11,608 in 2018 78,143 in 2019 106,798 in 2020 116,106 in 2021 691,343 in 2022	No collateral while the credit line or "Threshold" is not exceeded $27 million of US dollars.

Continue >

Type of derivative contract or value	Notional amount	Reference variable	Fair Value	Amount due by year	Collateral
Interest rate TIIE Swap	$ 669,332	TIIE at 28 days	(1,806)	$ 7,738 in 2018 52,095 in 2019 71,198 in 2020 77,404 in 2021 460,897 in 2022	No collateral while the credit line or "Threshold" is not exceeded $27 million of US dollars.
Swaption	$ 653,855	LIBOR + 1.50 points, TIIE + 1.18 points	10,932	$ 653,855 in 2019	No collateral while the credit line or "Threshold" is not exceeded $27 million of US dollars.
Total			$ 71,469		

As of December 31, 2016:

Type of derivative contract or value	Notional amount	Reference variable	Fair Value	Amount due by year	Collateral
Interest rate TIIE Collar	$ 700,000	TIIE at 28 days	$ (13,783)	$ 700,000 in 2017	No collateral while the credit line or "Threshold" is not exceeded $27 million of US dollars.
Cross Currency Swap	2,900dlls	LIBOR + 1.50 points, TIIE + 1.18 points	21,715	2,900 dlls in 2017	No collateral while the credit line or "Threshold" is not exceeded $27 million of US dollars.
Interest Rate TIIE Swap	$ 500,000	TIIE at 28 days	25,930	$50,000 in 2019 $75,000 in 2020 $100,000 in 2021 $125,000 in 2022 $150,000 in 2023	No collateral while the credit line or "Threshold" is not exceeded $27 million of US dollars.
Interest Rate TIIE Swap	$ 500,000	TIIE at 28 days	13,427	$58,000 in 2017 $142,000 in 2018 $96,000 in 2019 $63,000 in 2020 $70,000 in 2021 $70,000 in 2022	No collateral while the credit line or "Threshold" is not exceeded $27 million of US dollars.
Total			$ 47,289		

18. COLLECTION RIGHTS OF TRUST CONTRACTS

The Entity together with six group subsidiaries (trustors) established a non-business trust with Supervisión y Mantenimiento de Inmuebles, S.A. de C.V. (Supermant), in which a multiple banking institution was designated as the trustee and was instructed by Supermant to execute a loan with another multiple banking institution and to acquire a loan by subscribing the trustor assignment agreement, the accounts receivable, the existing and future collection rights of certain lease, advertising, and parking contracts.

The trust requires the creation of a cash reserve which will be recovered when the contract is concluded. Such reserve is presented under noncurrent assets as a long-term account receivables.

Per the trust contract, as the collection rights are realized, the resources obtained will be used to cover the trust's expenses, such as, mainly, manager fees, taxes incurred, commissions and interest on the agreed-upon debt; the remnant will be applied to advance payments of the contracted debt. If such remnant does not cover the minimum debt payment, the difference is obtained from the cash reserve discussed above, which must be replenished with the realization of future collection rights; if the reserves are insufficient, the trustors may, but are not obligated to, assign and contribute in favor of the trustee the eligible collection rights necessary to replenish such shortage.

As of December 31, 2017 and 2016, the Entity had recorded collection rights of $633,909 and $741,657, respectively, and a long-term account receivable as of December 31, 2017 and 2016 of $94,766 and $94,370, respectively.

Revenues are recorded in the results of each year in the proportion in which such collection rights are earned or materialized.

19. STOCKHOLDERS' EQUITY

Common stock as of December 31, 2017 and 2016 is composed of 963,917,211 no-par value common shares. Fixed capital shares are non with draw able and variable capital may not exceed ten times the fixed capital.

a. A Stockholders' Ordinary General Meeting held on April 3, 2017 approved a cash dividend payable to the Entity's shareholders in the amount of $0.33 (thirty-three cents) for each share released and outstanding at the dividend payment date. The payment was made against the net tax income account of the Entity, through S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores, and the dividend amount paid was $318,093.

b. A Stockholders' Ordinary General Meeting held on April 4, 2016 approved a cash dividend payable to the Entity's shareholders in the amount of $ 0.26 (twenty-six cents) for each share released and outstanding at the dividend payment date. The payment was made against the net tax income account of the Entity, through S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores, and the dividend amount paid was $246,088.

c. Retained earnings include the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value. The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2017 and 2016, the legal reserve at par value was $36,687.

d. Stockholders' equity, except for restated paid-in capital and tax retained earnings will be subject to income tax payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income tax of the year in which the tax on dividends is paid and the following two fiscal years, against the tax of the year and the provisional payments thereof.

e. The balance of the tax income account as of December 31, are:

	2017	2016
Contributed capital account (CUCA)	$ 6,504,178	$ 6,091,766
Net tax profit account (CUFIN)	10,354,355	443,093
Total	$ 16,858,533	$ 6,534,859

f. Capital risk management

The Entity manages its capital to ensure that it will continue as a going concern while maximizing stockholder profits by optimizing its capital structure.

The Entity's management reviews the capital structure when presenting its financial projections as part of the business plan to the Board of Directors and the Entity's stockholders. As part of this review, the Board of Directors considers the cost of capital and the associated risks.

The Entity is incorporated as an "S.A.B. de C.V." (Public Stock Entity with variable capital) pursuant to the Mexican Securities Act and, in conformity with the General Corporate Law, the minimum fixed capital is $183,436.

g. In 2010, the Entity signed an agreement with the minority shareholders of its subsidiary Bodega Latina Co., for the purchase of its shares to acquire all of them, starting in 2010 for USD $14 million and from 2012 for an amount of USD $10 million. The agreement does not require the sale of shares and only constitutes an offer to purchase.

At December 31, 2016, Bodega Latina Co. subsidiary of the Group, has reduced its capital in 503,781 shares, which generated a premium reduction in capital of $202,400 for the overpayment on such shares.

At December 31, 2017, Bodega Latina Co. subsidiary of the Group, has reduced its capital in 488,552 shares, which generated a premium reduction in capital of $138,544 for the overpayment on such shares.

20. OTHER COMPREHENSIVE INCOME

	2017	2016
Cumulative translation adjustment	$ 612,541	$ 692,390
Financial instruments measurement, net of deferred taxes	56,871	2,348
Remeasurement of defined benefit obligations, net of deferred taxes	(52,510)	(27,069)
	$ 616,902	$ 667,669

a. Cumulative translation adjustment

	2017	2016
Balance at beginning of the year	$ 692,390	$ 374,887
Cumulative translation adjustment	(79,849)	317,503
Balance at end of the year	$ 612,541	$ 692,390

b. Effect for financial instruments measurement

	2017	2016
Balance at beginning of the year	$ 2,348	$ (71,210)
Net profit for financial instruments measurement	77,890	105,084
Income taxes related to valuation of derivative instruments	(23,367)	(31,526)
Balance at end of the year	$ 56,871	$ 2,348

c. Remeasurement of defined benefit obligations

	2017	2016
Balance at beginning of the year	$ (27,069)	$ (34,294)
Remeasurement of defined benefit obligations	(36,344)	10,321
Income taxes related to remeasurement of defined benefit obligations	10,903	(3,096)
Balance at end of the year	$ (52,510)	$ (27,069)

21. RETAINED EARNINGS

	2017	2016
Balance at beginning of the year	$ 21,939,589	$ 20,314,623
Net income attributable to owners of the Entity	2,079,120	1,952,699
Dividends paid	(318,093)	(246,088)
Purchase of non-controlling interest	(17,461)	(62,901)
Changes on non-controlling interest	(15,053)	(18,744)
Balance at end of the year	$ 23,668,102	$ 21,939,589

22. NON-CONTROLLING INTEREST

	2017	2016
Balance at beginning of year	$ 327,860	$ 299,930
Participation in comprehensive income	38,235	56,968
Acquisition of non-controlling interest	(83,488)	(29,038)
Balance at end of the year	$ 282,607	$ 327,860

23. EARNINGS PER SHARE

	2017	2016
	Earnings per share	Earnings per share
Basic and diluted earnings per share	$ 2.16	$ 2.03

The utility and weighted average numbers of ordinary shares used in calculating basic and diluted earnings per share are as follows :

	2017	2016
Net income attributable to owners of the Entity	$ 2,079,120	$ 1,952,699
Weighted average number of ordinary shares for the purposes of basic earnings per share	963,917,211	963,917,211

24. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a. Transactions with related parties, carried out in the ordinary course of business were as follows:

	2017	2016
Interest revenues	$ 26	$ -
Leases revenues	3,116	1,014
Administrative revenues	4,334	4,387
Financial portal revenues	7,646	5,839
Air transportation revenues	8,488	17,691
Concrete sale revenues	5,142	1,709
Leases expenses	(31,007)	(14,666)
Maintenance expenses	(131,703)	(122,120)
Interest expenses	(272)	(187)

b. Balances receivable from related parties are as follows:

	2017	2016
Operadora de Inmobiliarias del Sureste, S. A. de C. V.	$ 110	$ 123
Hípico Coapexpan, S. A. de C. V.	-	42
SIBRA Sureste, S. A. de C. V.	219	-
Supervisión y Mantenimiento de Inmuebles, S. A. de C. V.	-	1,180
Others	30,698	20,983
	$ 31,027	$ 22,328

c. Balances receivable from related parties long-term are as follows:

	2017	2016
Operadora de Inmobiliarias del Sureste, S. A. de C. V.-	$ 37,035	$ 37,035

d. Balances payables to related parties short-term are as follows:

	2017	2016
Supervisión y Mantenimiento de Inmuebles, S. A. de C. V	$ 13,929	$ -

e. Average employee benefits granted to the Entity's key personnel were as follows:

	2017	2016
Direct benefits	$ 184,846	$ 155,529
Variable benefits	146,789	128,171
	$ 331,635	$ 283,700

The compensation of the directors and key executives is determined by the compensation committee based on the performance of the individuals and market trends.

25. OPERATING LEASE AGREEMENTS

The Entity has entered into operating leases for buildings and equipment operation. Some of these contracts require that the fixed portion of income is reviewed annually; waiting for contracts to expire will be renewed or replaced by similar agreements.

a. *The Entity as Lessee*

Lease agreements

Operating leases are related to the lease of land and buildings with lease periods of up to 30 years with the possibility of renewal for up to 15 additional years. All operating lease agreements include clauses to adjust the rent for inflation and there is a variable lease component on the revenues generated.

Additionally, are maintained rents for transportation equipment with 3 years of maturity and an aircraft for 11 years.

The Entity is not obligated to purchase the leased real property and equipment at the end of the lease periods but it does have right of first refusal on possible offers made by the lessor

The Entity has recognized lease expenses of $1,301,612 and $1,225,658 as of December 31, 2017 and 2016, respectively.

Operating lease commitments not subject to cancellation

	2017	2016
No more than 1 year	$ 1,280,297	$ 1,246,782
More than 1 year and no more than 5 years	3,657,566	3,576,878
More than 5 years	5,141,790	4,960,589
	$ 10,079,653	$ 9,784,249

b. *The Entity as Lessor*

Lease agreements

Operating leases relate to leases of investment properties owned by the Entity with lease terms from 1 to 20 years, with the option of extending them for up to 20 additional years. All operating lease agreements include market and inflation lease review clauses with a variable rent for all the revenues generated. The lessee has no option to purchase the property at the date of expiry of the lease period.

The properties rental income earned by the Entity on its investment properties, all of which are leased under operating leases, amounted to $815,657 and $745,527, as of December 31, 2017 and 2016, respectively.

The operating expenses related to the rental income earned from the investment properties amounted to $198,213 and $152,374 as of December 31, 2017 and 2016, respectively.

– The Entity has non-cancellable operating leases receivable, as follows:

	2017	2016
No more than one year	$ 666,762	$ 538,853
More than 1 year and no more than 5 years	1,170,766	833,008
More than 5 years	820,364	392,418
	$ 2,657,892	$ 1,764,279

This includes obligations related to trust receivables for $633,909 and $741,657 in 2017 and 2016, respectively.

26. FINANCING COST

In 2017 and 2016, acquired qualifying assets amounted to $1,880,641 and $1,299,824, respectively, and capitalized comprehensive financing cost was $68,181 and $25,151, respectively. The capitalization of comprehensive financing cost was determined using an annualized average rate of 7.44% and 4.84% and in 2017 and 2016, respectively.

27. INCOME TAXES

The Entity is subject to ISR. According to the Income Tax Law, the rate for 2017 and 2016 was 30% without foreseen changes for subsequently years. As a result of repeal of Income Tax Law in effect until December 31, 2013, the tax consolidation regime was eliminated, therefore, the Entity and its subsidiaries has the obligation of pay the deferred income tax determined at that date during the following next five years as of 2014, as follows:

Pursuant to Transitory Article 9, section XV, subsection d) of the 2014 Tax Law, given that as of December 31, 2013, the Entity was considered to be a holding company and was subject to the payment scheme contained in Article 4, Section VI of the transitory provisions of the ISR law published in the Federal Official Gazette on December 7, 2009, or article 70-A of the ISR law of 2014 which was repealed, it must continue to pay the tax that it deferred under the tax consolidation scheme in 2007 and previous years based on the aforementioned provisions, until such payment is concluded.

As of 2008, the Asset Tax Law (LIMPAC) was eliminated, but under certain the amount of this tax paid in the 10 years immediately prior to that in which ISR is first paid may be recovered in accordance with applicable tax provisions.

a. Income taxes for the year ended December 31, are as follows:

	2017	2016
ISR expense:		
Incurred	$ 313,523	$ 168,628
Deferred	806,668	894,495
	$ 1,120,191	$ 1,063,123

b. The reconciliation of the legal and effective ISR rates expressed as a percentage of profit before taxes as of December 31 is as follows:

	2017	2016
Legal rate	30%	30%
Effects of inflation	(9%)	(9%)
Not deductible	7	6
Others, mainly expiration of tax loss carryforwards	7	8
Effective rate	35%	35%

c. The main items that give rise to the deferred ISR liability are:

	2017	2016
Deferred ISR asset:		
Effect of tax loss carryforwards	$ 795,484	$ 2,587,112
Allowance for doubtful accounts	8,182	7,316
Inventories	73,119	20,336
Accrued expenses	1,165,640	1,292,379
Deferred ISR asset	2,042,425	3,907,143
Deferred ISR liability:		
Other assets	(483,349)	(531,634)
Derivative financial instruments	(2,477,846)	(3,675,317)
Property and equipment	(2,961,195)	(4,206,951)
Recoverable IMPAC paid	-	384,517
Allowance for IMPAC	-	(210,688)
Total liability	$ (918,770)	$ (125,979)

As of December 31, 2017 and 2016, the subsidiaries of the Entity, based on their tax-projections, recorded a deferred income tax asset corresponding to the tax loss carryforwards, because it's more likely than not that with the future fiscal profits, the deferred income tax recorded will be recovered. For the tax loss carryforwards for which the benefit was lost during the year 2017, this effect was recognized in income for the period under the income tax, and its effect is shown in the reconciliation of the ISR rate and the effective rate. As of December 31, 2016, there was no effect for tax losses pending amortization on which the benefit would have been lost.

The benefits of restated tax loss carryforwards and recoverable IMPAC for which the deferred ISR asset and tax credit, respectively, have been recognized, can be recovered subject to certain conditions. Expiration dates and restated amounts as of December 31, 2017, are:

Expiration year	Tax Loss Carryforwards
2021	$ 667,680
2022	54,349
2023	350,795
2024	655,614
2025	207,303
2026	513,677
2027	202,197
	$ 2,651,615

d. As of December 31, 2017, the Entity has review processes by tax authorities in some of its subsidiaries on the application of a fiscal incentive whose purpose was the promotion of investment in the real estate sector through real estate investment companies known as SIBRAS, at the date of issuance of the consolidated financial statements, these review processes had not been completed.

28. CONTINGENCIES

a. As of December 31, 2017 and 2016, the Entity has filed some protections lawsuits and proceedings for annulment challenging the rulings of various tax administrations and against some provisions arising from the 2014 tax reform, including the elimination of incentives provided by the law of the applicable income tax until December 31, 2014.

b. The Entity, as well as its assets, are not subject, with exception as indicated in the preceding paragraphs, to any legal action other than owns of its routing and activity.

c. According to Income Tax Law, companies that carry out transactions with related parties are subject to limitations and fiscal obligations, in the determination of agreed prices, since these must be equivalent to the prices used between independent parties in similar transactions. As of December 31, the Entity prepared an study with an independent third party to ensure that the transactions between related parties are equivalent.

d. As a result of supposed difference in the payment of real estate property tax for the period from 2009 through 2013 of a real property owned by the company Crucero Chedraui, S.A. de C.V., the Direct Audit Department of the Mexico City Treasury assessed a due and payable tax liability for $23,541, against which a motion for reconsideration was filed, whose result confirmed the validity of the aforementioned tax liability. For this reason, on September 10, 2016, the company Crucero Chedraui, S. A. de C. V. filed an action for annulment, which has yet to be resolved.

e. The Entity is involved in many lawsuits and claims, arising from the normal course of its operations, which are expected that not have material effects in its financial position and future operating profit.

29. BUSINESS SEGMENT INFORMATION

IFRS 8 requires the classification of segments of operation identified based on internal reports about components of the Entity, which are regularly reviewed by the officer making the operational decisions of the Entity in order to allocate resources to the segments and assessing their performance. As a result, following the adoption of IFRS 8 did not alter the identification of segments of the Entity used in previous years, on which it has to be informed.

The Entity's main business is the sale of electronic goods, groceries, and general goods in its stores, as well as operating real property.

a. Analytical information by operating segment:

	Revenues	
Segments	2017	2016
Domestic supermarkets	$ 67,027,184	$ 62,099,156
US supermarkets	26,706,785	25,650,406
Real estate	848,546	779,018
Consolidated	$ 94,582,515	$ 88,528,580

There are no individual clients that have contributed on 10% or more of the Entity's revenues for 2017 and 2016.

	Profit before financing cost, and income taxes	
Segments	2017	2016
Domestic supermarkets	$ 3,178,303	$ 2,930,322
US supermarkets	620,836	727,920
Real estate	619,138	596,141
Consolidated	$ 4,418,277	$ 4,254,383

	Lease - Intersegments	
Segments	2017	2016
Domestic supermarkets	$ 1,574,240	$ 1,595,865
Real estate	(1,574,240)	(1,595,865)
Consolidated	$ -	$ -

Total assets

Segments	2017	2016
Domestic supermarkets	$ 37,898,703	$ 36,005,349
US supermarkets	5,698,759	5,889,293
Real estate	7,122,303	6,737,084
Non-assignable items	4,285,939	4,647,240
Consolidated	$ 55,005,704	$ 53,278,966

Depreciation and amortization

Segments	2017	2016
Domestic supermarkets	$ 1,200,319	$ 1,122,254
US supermarkets	413,186	365,799
Real estate	7,312	4,548
Consolidated	$ 1,620,817	$ 1,492,601

Net fixed asset investments

Segments	2017	2016
Domestic supermarkets	$ 912,736	$ 1,533,942
US supermarkets	(23,891)	191,894
Real estate	477,584	571,569
Non-assignable items	69	(18)
Consolidated	$ 1,366,498	$ 2,297,387

30. AUTHORIZATION TO ISSUE THE CONSOLIDATED FINANCIAL STATEMENTS

The issuance of the accompanying consolidated financial statements was authorized on February 26, 2018 by the Lic. Humberto Tafolla Núñez, Chief Financial Officer; consequently these consolidated financial statements does not include the events occurred after that date, is subject to the approval of the Entity's ordinary stockholders' meeting, where they may be modified, based on provisions set forth in the Mexican General Corporate Law.

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Because of these risks and factors, actual results could vary materially from the estimates presented in this document. Grupo Comercial Chedraui, S.A.B. de C.V. does not accept responsibility for any such changes.



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