QUALITY THAT TRANSCENDS BORDERS



2018 ANNUAL REPORT

CHEDRAUI
cuesta menos







CONTENTS

Financial highlights	03
Presence in Mexico and the United States	04
Message to our shareholders	06
Chedraui today	10
Chedraui's experience	12
At a glance	14
Retail in Mexico	16
Retail in the United States	20
Real Estate segment	24
Sustainability	26
Management's discussion and analysis	32
Management Team	35
Board of Directors	37
Audit and Corporate Practices Committee Report	38
Consolidated Financial Statements	41

FINANCIAL HIGHLIGHTS

CONSOLIDATED INCOME STATEMENT

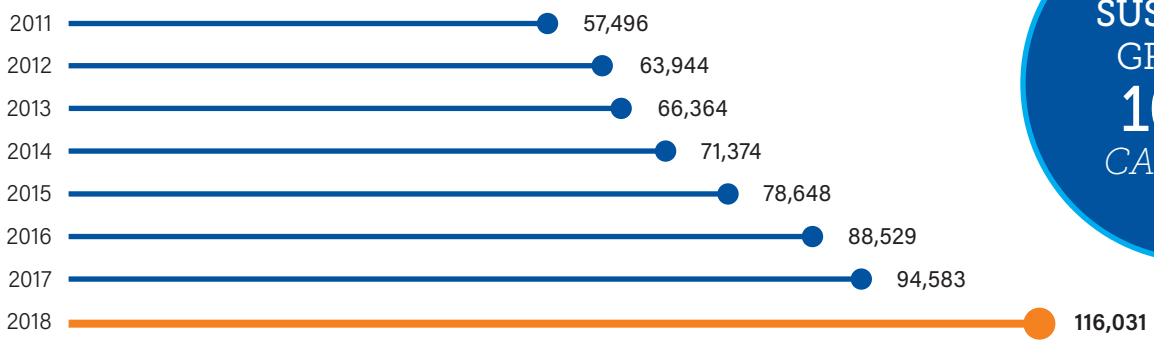
Figures in millions of pesos	2017	2018	Var.
Net Sales	94,583	116,031	22.7%
Gross Profit	19,666	24,528	24.7%
Operating Expenses	13,627	17,988	32.0%
EBITDA	6,039	6,541	8.3%
Net Majority Income	2,079	2,064	-0.7%
Basic Earning per Share	2.16	2.14	-0.9%
Outstanding Shares	963,917,211	963,917,211	
Share Price (Dec 31)	36.1	39.4	9.2%

CONSOLIDATED BALANCE SHEET

Figures in millions of pesos	2017	2018	Var.
Cash	1,522	1,252	-17.8%
Inventories	9,654	13,084	35.5%
Fixed Assets (Net)	30,829	34,476	11.8%
Total Assets	55,006	68,244	24.1%
Suppliers	12,905	17,427	35.0%
Total Liabilities	26,574	38,680	45.6%
Majority Shareholder Investment	28,150	29,324	4.2%

CAGR SALES

Figures in millions of pesos



SUSTAINED GROWTH
10.6%
CAGR Sales

PRESENCE IN **MEXICO**



297 STORES

193	TIENDAS CHEDRAUI
62	SUPER CHEDRAUI
31	SUPERCITO
11	SUPER CHE
7	DISTRIBUTION CENTERS

CHEDRAUI cuesta menos

Súper Chedraui cuesta menos

Súper Che Chedraui cuesta menos

Supercito Chedraui cuesta menos

PRESENCE IN THE **U.S.**



125 STORES

63	TEXAS
52	CALIFORNIA
6	ARIZONA
3	NEVADA
1	NEW MEXICO
1	DISTRIBUTION CENTER

Fiesta®

EL Super
cuesta menos



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





Dear Shareholders,

For many years, Chedraui quality has transcended borders. In 2018, the Group took the most significant step to date in its international expansion strategy with the acquisition of Fiesta Mart, one of the leading food retail chains in the United States.

The Mexican Gross Domestic Product grew 2.0% in 2018, performing slightly below the rate of 2.1% in 2017. The food retail sector posted total sales growth of 7.2%, surpassing the behavior of the Mexican economy. Meanwhile, in 2018 the consolidated sales of Chedraui grew to $116,031 million, up 22.7% from the previous fiscal year.

In 2018 Chedraui posted a growth of 4.1% in same-stores and 6.8% in total stores in Mexico, consolidating our position as the third largest food retail chain nationwide. During that period, we achieved a 6.1% increase in the retail sales floor in Mexico as a result of the inauguration of 35 net stores between Tiendas Chedraui, Super Chedraui, and Supercitos, our newest format, which grew to 31 units in its second year of operation. This allowed our network in Mexico to grow to 297 stores.

However, the most significant event this year was achieved in our retail in the United States segment, with the acquisition of Fiesta Mart, one of the niche food retail chains with the most representation in the southern part of the country. It has 61 stores in three cities in the state of Texas.

For several years, El Super has met the needs of consumers of Mexican descent in the states of California, Arizona, Nevada, New Mexico and parts of Texas. With the arrival of Fiesta, Chedraui has made clear inroads into one of the most important markets in the southern US, such as Texas, with the goal of becoming ever closer to the customer.

The Fiesta brand is very well-positioned and is deeply rooted within its area of influence. In addition, it is a universal word that attracts consumers with Latino and other ethnic backgrounds, a feature that complements our current business. Therefore, in order to leverage the brand recognition and to capitalize on its value, we decided not to change the name of the acquired stores.

In addition to the projection that it offers us within a strategic US state, the transaction also introduces synergies in terms of merchandise purchasing. Now, we will be able to negotiate as a single buyer for all of the Fiesta and El Super stores, with all the associated savings and leverage.

The immediate challenge related to the purchase of this chain is its incorporation into the Chedraui culture. Therefore, our initial strategy included lowering prices across the board, consolidating the quality of our offering and maintaining optimal assortment store by store, especially in perishables, which was immediately reflected by increased sales volume and traffic in those categories.

The integration of these stores into the Chedraui network is ongoing. Our next steps include updating the store image and capturing the administrative and operational synergies that will help us to maximize business potential. Our months of working alongside the Fiesta team have improved our perspective on the potential of this asset and confirm that we chose the correct route to growth.

Meanwhile, El Super inaugurated five stores, reaching 64 units in total. In addition to the purchase of Fiesta, this means that our retail segment in the United States added 66 stores in 2018, bringing its network to a total of 125 units.

The acquisition of the Fiesta chain concentrated the majority of our capital expenditure investment in 2018, at $8,947 million. These resources were also allocated to opening new stores, maintaining existing stores, and state-of-the-art technology.

NET SALES

Millions of pesos



2018 growth
+ 22.7%

EBITDA

Millions of pesos



2018 growth
+ 8.3%

Our Real Estate division brings a double benefit for Chedraui. On the one hand, it complements our retail offering; on the other, it is an important generator of cash flow for the Company. In 2018, our Real Estate segment obtained healthy results, finishing the fiscal year with a Gross Leasable Area of 356,835 m^2 and an occupancy rate of 97.25%.

Sustainability forms an integral component of both our corporate vision and our business strategy. We operate under the premise that good economic results must match an equally solid performance in terms of society, so that the benefits of our operation reach those who need it most, and in terms of the environment, in order to leave a better planet for future generations.

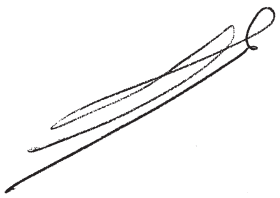
In 2018, we provided key support for educational initiatives through our three vocational training centers, the Liceos de Artes y Oficios, which serve students in the cities of Veracruz, Villahermosa, and Xalapa. This year, we launched the online education component, through which the Liceos, designed to produce graduates who are better prepared to continue their university studies, have benefited more than 1,850 students.

In terms of caring for the environment, our strategy has focused on minimizing energy consumption at our facilities. Therefore, in 2018 we achieved a reduction of 223,310 tons of CO_2, mainly due to our increased use of clean energy sources, such as wind energy, instead of traditional sources.

Our 40,256 employees in Mexico and 12,186 in the United States are the heart and soul of our Company. We know that their daily work and dedication are fundamental factors in Chedraui's success; therefore, we strive to repay their valuable efforts through our permanent commitment to providing a safe working environment that fosters their personal and professional development.

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

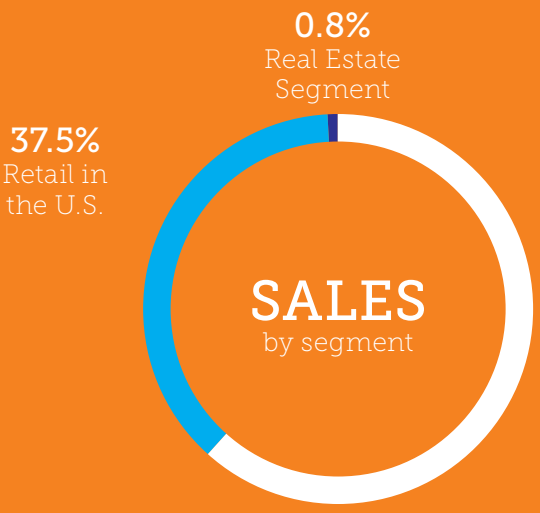
We would also like to thank our shareholders for their trust and recommendations, which are vital to the success of this company and so that today, more than ever, Chedraui quality transcends borders.

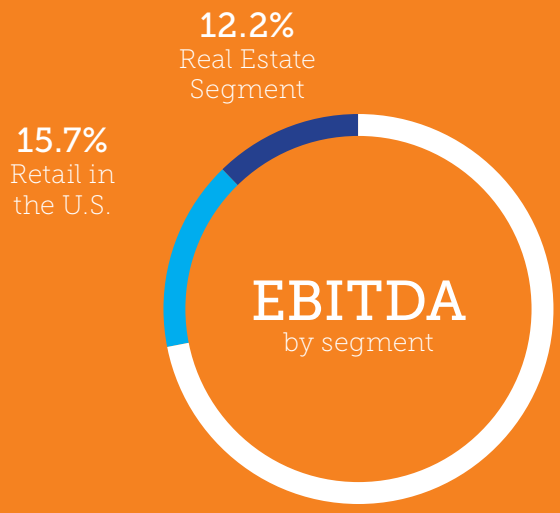


Alfredo Chedraui Obeso
Chairman of the Board of Directors



José Antonio Chedraui Eguía
Chief Executive Officer


0.8%
Real Estate
Segment
37.5%
Retail in
the U.S.
SALES
by segment
61.7%
Retail in
Mexico


12.2%
Real Estate
Segment
15.7%
Retail in
the U.S.
EBITDA
by segment
72.1%
Retail in
Mexico


Lácteos
YOGHURT LIGHT
YOGHURT BEBIBLE
YOGHURT FUNCIONAL

CHEDRAUI **TODAY**





CHEDRAUI

Chedraui is a publicly held company with variable capital incorporated as Grupo Comercial Chedraui, S.A.B. de C.V. In addition to the retail stores that it operates in Mexico and in the United States as its core business, the Company also has a real estate division that operates shopping centers. In 2018, Chedraui obtained total revenue of $116,031 million, an increase of 22.7% over the previous year.

Chedraui customers identify and value three characteristics that distinguish us from the competition: the lowest price, the best store by store assortment, curated by customer and region, and an optimal shopping experience. In addition to the above, our customers consistently value and acknowledge the cleanliness, level of comfort and proper signage at our facilities.

In 2018 we completed the acquisition of Fiesta Mart, one of the most important niche food retail chains in the US.

RETAIL IN MEXICO

After inaugurating 35 net stores in 2018 (equivalent to an increase of 6.1% in total sales floor), today Chedraui has a network of 297 stores in four formats: two traditional hypermarkets (193 Tiendas and 62 Super Chedraui) and two proximity stores (11 Super Che and 31 Supercitos). Our stores are present in 25 states in Mexico.

The formats differ in size and depth of assortment, among other factors. Selecto operates within the first two formats and targets customers with higher purchasing power. The above strategy has positioned us as the third largest food retail chain in the country.

Retail in Mexico is the Group's most important segment, both in size and in revenue. Same-store sales in this division increased 4.1% in 2018, and by 6.8% in total stores compared to 2017, contributing 61.7% of Chedraui's consolidated revenue.

RETAIL IN THE UNITED STATES

2018 was a year of significant growth for the retail segment in the United States. This was possible thanks to the purchase of Fiesta mart, one of the most important niche food retail chains in the US, with a network of 61 stores in three cities in Texas. With this acquisition, Chedraui took a historic step in terms of its international expansion strategy.

El Super, the food retail chain that the company has operated for several years in the United States, mainly caters to customers with Mexican heritage in the states of California, Arizona, Nevada, New Mexico, and Texas. Now, with Fiesta Mart, the Group has strengthened its presence in Texas and complements the range of customers who shop there, since Fiesta also satisfies customers who are not of Hispanic origin.

This operation offers important synergies for the Group in terms of purchasing merchandise, because it gives us leverage to negotiate as a single buyer for both El Super and Fiesta. After incorporating this acquisition into the Chedraui model, we strive to achieve the best blend of price, assortment and quality, in order to be able to capture the administrative and operational synergies that this asset can offer.

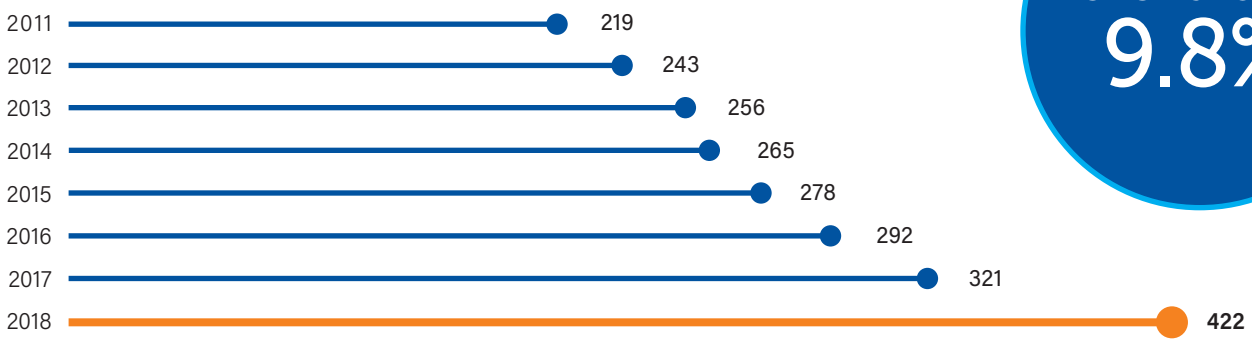
El Super inaugurated five stores in 2018, enlarging its network to 64 stores. These, in addition to the Fiesta Mart network, provide a total of 125 stores operated by our retail business in the United States. The segment contributed 37.5% of Chedraui's consolidated revenue this year.

REAL ESTATE BUSINESS

Chedraui also has a Real Estate division, which operates and maintains shopping centers anchored by one of its stores and manages the commercial spaces that the Group leases to third parties. This segment had another good year; as of 2018 its Gross Leasable Area was 356,835 m^2 and its occupancy rate was a healthy 97.25%. Both of these figures are higher than those posted at year-end 2017.

HISTORIC GROWTH

CAGR STORES



CAGR STORES
9.8%

CHEDRAUI EXPERIENCE





Chedraui offers the best price, quality and assortment in stores with world-class standards in terms of cleanliness, comfort, lighting, signage and parking space.







We want customers to live a Chedraui experience every time they visit one of our stores. That means that, no matter the format or location, each one will have a shopping experience that surpasses their expectations not only in terms of the best price, quality, and assortment, but also when it comes to world-class facilities in terms of cleanliness, comfort, lighting, signage and parking space.

We guarantee the best price by carrying out daily market checks on a wide variety of products in competitor stores at the central and local levels. This means that no matter which store they visit, the city they live in, or the products they purchase, our customers can always be sure that their grocery costs will be lower than in other establishments.

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

Chedraui has four store formats: two hypermarkets and two proximity stores.

In terms of the hypermarkets, Tiendas Chedraui offer an average of 99,000 product codes (SKUs), while the Super Chedraui has an average of around 46,000 SKUs. In terms of proximity stores, Super Che offer their customers 8,500 SKUs, while Supercitos provide an average of 2,700 SKUs.

All of our units, regardless of the format, handle utility and services payments, including electricity, property tax, cable TV, landline telephone, and other services. They also accept credit card payments, debit card withdrawals, and remittances from the United States.

Through our omnichannel strategy, we ensure that customers have the same shopping experience at every point of contact with Chedraui, whether it's in one of our stores, on-line shopping, or through one of our business partners. Omnichannel marketing also means recognizing the uniqueness of each customer in order to make personalized offers via cell phone, e-mail, in-store coupons, or other means. Unlike mass promotions, this makes our interactions with our clientele more specific, practical and functional.

CHEDRAUI AT A GLANCE

RETAIL IN MEXICO

Net Sales

Millions of pesos

2016	62,099
2017	67,027
2018	71,587

2018 growth
+ 6.8%



RETAIL IN THE UNITED STATES

Net Sales

Millions of pesos

2016	25,650
2017	26,707
2018	43,525

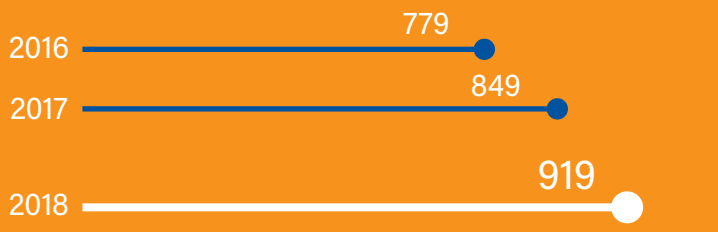
2018 growth
+ 63.0%



REAL ESTATE DIVISION

Net Sales

Millions of pesos



2018 growth
+ 8.3%





SUSTAINABILITY

- The Liceos de Artes y Oficios have trained more than 43,000 students over more than three decades.
- In 2018 we donated 7,840,354 kg of groceries to food banks and other institutions.
- In 2018, we were able to reduce our carbon footprint by 223,310 tons of CO_2, equivalent to planting nearly 12 million trees.
- In 2018, a total of 1,231,292 man-hours of training were given across all levels, with an investment of more than $3.5 million.







RETAIL IN **MEXICO**





EBITDA

Millions of pesos



2018 growth
+ 7.7%

Our retail business in Mexico is the biggest contributor to Chedraui's consolidated income. The segment consists of four formats and includes two hypermarkets, namely Tiendas Chedraui and Super Chedraui, and two proximity stores, Super Che and Supercitos. Each format has certain defining characteristics, such as size, depth of assortment and number of employees.

Selecto, meanwhile, is present in both hypermarket formats and caters to a segment of the population with higher purchasing power.

In 2018 we achieved significant growth of 35 net stores, with 14 Tiendas Chedraui, 5 Super Chedraui and 16 Super Ches and Supercitos, our newest format that we opened last year, and which we expect to contribute significant growth in the years to come.

This expansion produced an increase of 6.1% in our total sales floor and brought our store network up to 297 units, strategically distributed across 25 states in Mexico. This commercial infrastructure has positioned us as the third-largest food retail chain in the country.

At Chedraui, it is of utmost importance that our clients have a superior shopping experience each time they come into contact with one of our stores, regardless of the format or the city where it is located. Therefore, at all of our facilities they will encounter good signage, optimal assortment, the highest quality, and the best price guarantee.

The Retail in Mexico segment posted a same-store sales growth of 4.1% and achieved sales of $71,587 million, up 6.8% than our figures from 2017, which was equivalent to 61.7% of the Group's consolidated income. In turn, EBITDA in the segment was $4,715 million, 7.7% more than 2017, and equivalent to 72.1% of the Company's consolidated EBITDA.

STORE FORMATS

Located in cities with at least 100,000 inhabitants, Tiendas Chedraui have an average sales floor of 6,674 m^2 and a team of 26,825 employees at the close of 2018. They offer edible and inedible groceries, perishables, general merchandise, clothing, and electronic goods, and 17 of the 193 units operate under the Selecto concept.

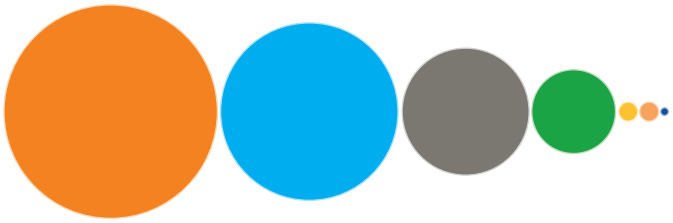
For their part, Super Chedraui are located in towns of at least 25,000 inhabitants and, in some cases, also are present in larger cities. They have an average sales floor of 2,088 m^2 and a total workforce of 5,189 and sell edible and inedible groceries, perishables, general merchandise and electronic goods. Four out of 62 Super Chedraui operate as Selecto.

Super Che is a proximity format present in large cities with an average sales floor of 896 m^2. At year end 2018, we had 11 units.

Opened in 2017, Supercitos are our fourth store format and second proximity store. Each unit has an area between 200 and 300 m^2, operates with a reduced and efficient workforce, and the network included 31 stores by the close of 2018.

STORES LOCATION

ANTAD'S CLASSIFICATION



34.3%	Southwest	3.4%	Northwest
29.0%	Metropolitan	3.4%	Northeast
17.5%	Center	1.3%	North
11.1%	Southeast		

ANTAD: Asociación Nacional de Tiendas de Autoservicio y Departamentales



DISTRIBUTION CENTERS

Our retail in Mexico are supplied by our seven distribution centers, which form an essential part of the Company's logistics and operational efficiency strategy. They handle 81.9% of dry merchandise, 58.3% of perishables and 68.9% of the fruits and vegetables that our stores sell to customers.



ZUMPANGO, STATE OF MEXICO

- Extension (m^2) 59,100 m^2
- Service capacity: 310 stores
- Merchandise: dry, refrigerated and frozen
- In 2018 it handled 74.1 million boxes of dry merchandise, 5.6 million boxes of fruit and vegetables and 10.3 million boxes of perishables
- Docks: 169

VILLAHERMOSA, TABASCO

- Extension (m^2) 60,457 m^2
- Service capacity: x stores
- Merchandise: dry, refrigerated and frozen
- In 2018 it handled 35.2 million boxes of dry merchandise, 4.2 million boxes of fruit and vegetables and 5.6 million boxes of perishables
- Docks: 169

MONTERREY, NUEVO LEÓN

- Extension (m^2) 883 m^2
- Service capacity: 18 stores
- Merchandise: Dry and fruit and vegetables
- In 2018 it handled 1 million boxes of dry merchandise, 1.3 million boxes of fruit and vegetables
- Docks: 16

LA PAZ, BAJA CALIFORNIA SUR

- Extension (m^2) 506 m^2
- Service capacity: 18 stores
- Merchandise: Frozen and imported merchandise
- In 2018 it handled 876 boxes of merchandise
- Docks: 10

GUADALAJARA, JALISCO

- Extension (m^2) 10,386 m^2
- Service capacity: 38 stores
- Merchandise: dry, refrigerated and frozen
- In 2018 it handled 8.4 million boxes of dry merchandise, 885 million boxes of fruit and vegetables and 886 million boxes of perishables
- Docks: 30

CANCÚN, QUINTANA ROO

- Extension (m^2) 4,807 m^2
- Service capacity: 32 stores
- Merchandise: Dry
- In 2018 it handled 3.9 million boxes of dry merchandise
- Docks: 14

VERACRUZ, VERACRUZ

- Extension 11,087 m^2
- Service capacity: 45 stores
- Merchandise: Dry
- In 2018 it handled 3.1 million boxes of dry merchandise
- Docks: 58



RETAIL IN THE **UNITED STATES**





In 2018, we reached a milestone in our retail business in the United States with the acquisition of Fiesta Mart, one of the leading niche retail food chains in the southern states.

With the incorporation of the 61 Fiesta Mart stores, this segment nearly doubled its network. This operation also strengthens our presence in Texas, one of the most important states in the country in economic terms, and expands the range of customers that we serve, because Fiesta attracts not only Latino customers, but also those from other backgrounds.

In order to integrate Fiesta into the Chedraui culture, which offers the lowest price guaranteed, one of our first strategies was to lower prices across the board, which immediately increased store traffic and the volume of articles sold in those categories.

Likewise, we ensure that we sell the highest quality products and have an optimal store by store assortment, so that our new stores meet Chedraui's longstanding commitment to its customers, regardless of their nationality.

The Fiesta name is very well positioned in the cities where it operates, is a word that is universally understood, and attracts customers from all backgrounds. Therefore, Chedraui decided not to unify the names of our establishments in the United States. As a result, El Super will continue to meet the needs of its clientele in the states of California, Arizona, Nevada, New Mexico, and part of Texas, while Fiesta Mart will remain focused on Texan customers.

In turn, El Super opened five new stores, bringing its network total to 64 units. When added to the 61 Fiesta stores, we have a total of 125 stores operated by our Retail segment in the United States. Our total sales floor was 358,591 m^2 as of December 31, 2018, with an average of 2,869 m^2 per store.

Fiesta Mart has a solid product offering. Meanwhile, El Super markets perishable products and high-quality groceries, 54% of which are supplied by our distribution center in Los Angeles, California, which has a total surface area of 27,871 m^2.

With the acquisition of Fiesta Mart, our Retail in the United States segment almost doubled its store network.

Our United States retail operation reported sales of $45,525 million in 2018, up 63.0% from the previous year, and equivalent to 37.5% of Chedraui's consolidated income. In turn, EBITDA in the segment was $1,030 million, 0.4% less than 2018, and equivalent to 15.8% of the Company's consolidated EBITDA.

If the outlook for our retail business in the United States was positive due to the country's economic stability and the yearly growth rate of the Hispanic population, the acquisition of Fiesta Mart and the subsequent months of working with the Fiesta team only reinforced our optimism. Therefore, we will continue with our organic growth strategy or, as in 2018, pursue acquisitions within our zone of influence.

EBITDA

Millions of pesos



2018 Growth
-0.4%

With Fiesta Mart, our outlook for the retail in the United States segment improved.




Low Price
4.29
89¢
99¢
TOLEDO

REAL ESTATE SEGMENT





Our Real Estate segment complements our business and diversifies our revenue sources.

The shopping centers operated by our Real Estate division, which feature a Chedraui anchor store, complement and add value to our retail locations. The segment's three most important activities are managing the properties owned and leased by the Company, building and remodeling its stores in Mexico, and marketing its Gross Leasable Area (GLA). As of December 31, 2018, the division's GLA was 356,835 m^2 and posted a very healthy occupancy rate of 97.25%.

In 2018, the revenue from our Real Estate segment totaled $919 million and its EBITDA was $796 million, which contributed 0.8% and 12.2% to total revenue and to the Group's consolidated EBITDA, respectively.

The Real Estate business has strategic value for Chedraui, because in addition to operating at optimum profitability, it also diversifies its revenue sources. Factors such as the country's demographic bonus and its economic activity, as well as the good location of our shopping centers and an optimal assortment in their products and services offering, confirm this segment as a long-term revenue generator.



SUSTAINABILITY





Sustainability es a fundamental part of our essence and a key feature in our way of doing business.

Chedraui knows that sustainability is more than just an option in its operations; rather, it is a fundamental part of its essence and is a primary feature of its business strategy. We believe that the Company's sustainability performance is just as important as its operational and financial performance.

CORPORATE GOVERNANCE

Our conviction that sustainability is indispensable to Chedraui's long-term starts with the 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. The Sustainability Committee meets regularly and ensures that its action plans are carried out.

The Risk Assessment Committee, comprised of Department Directors and chaired by the Deputy Director of Internal Audit, meets every four months to forecast, diagnose and decide how best to handle and reduce the risks faced by the Group.

Chedraui has identified the following stakeholder groups as the most important to its operation: shareholders, customers, employees, unions, suppliers, government authorities and communities. Our communication with each group is open, respectful and transparent, and our relationships with them are based on shared responsibility and mutual benefit.

The Code of Ethics reflects our concern and the actions we take to guarantee respect for and daily expression of Chedraui values, principles, and the human rights of our employees. The Code and its principles are shared and adhered to throughout the workforce, with emphasis on reporting any unlawful acts, such as bribery, money laundering and corruption, among others.

We make an anonymous tip line available to our employees, suppliers, drivers, and other members of the public, at https://www.tipsanonimos.com/chedrauiteescucha/View/Home/, or the 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.

SOCIAL RESPONSIBILITY

CHEDRAUI FOUNDATION

The Chedraui Foundation is responsible for executing the Group's social outreach programming in education, health, nutrition, housing, social welfare and persons affected by natural disasters.

EDUCATION

Providing a quality education to Mexican youth from the most vulnerable sectors of society is one of the most significant actions within our social responsibility strategy. We implement this through the Liceos de Artes y Oficios, A.C., which offer high school, vocational degrees and intensive courses in the cities of Xalapa, Veracruz, and Villahermosa.

These Liceos are designed to produce graduates who are better prepared to continue their studies at university, find better jobs, or open their own businesses, thereby improving the quality of life not only for the students, but for the general community.

The Liceos de Artes y Oficios have trained more than 43,000 students over more than three decades. In 2018, they trained 1,866 students. We plan to enhance the Liceo services through an online education option, so that more students may access classes. For more information, visit:
http://liceodeartesyoficios.org/

HEALTH

Chedraui addresses health issues with a team of specialized institutions that care for low-income patients who suffer from a wide range of medical conditions.

The organizations that we support include: Ayúdame Hermano, Tengo Cáncer (AHTECA); Hospital Infantil de México Federico Gómez; Hospital Civil Regional de Xalapa "Dr. Luis F. Nachón", Casa Nueva Foundation which serves people with addictions, and Fundación CIMA, which focuses on breast cancer awareness and prevention.

NUTRITION

Our employees participate in a volunteer program for edible food donation. The program is active in all Chedraui stores. In 2018, the 7,840,354 kg of donated food were delivered directly to food banks and to other institutions such as Fundación Emanuel, which serves persons deprived of their liberty and their families, homeless children and persons living in extreme poverty, as well as Vida y Familia, which serves women with high-risk pregnancies.

HOUSING

We maintain a partnership with the Provivah Trust to build decent housing for low-income families. In 2018, we partnered to rebuild housing that was affected by the 2017 earthquakes in Taxco, Guerrero and Iztapalapa, in Mexico City.

SOCIAL WELFARE

Through various institutions, Chedraui provides support to improve quality of life for low-income individuals. The institutions include Cáritas Mexicana, Cáritas Regionales, and civil society organizations, which in addition to the help they provide, also promote universal values such as comprehensive training, charity, and volunteering.



SUPPORT FOR PEOPLE AFFECTED BY NATURAL DISASTERS

We channeled efforts toward families affected by a natural disaster or phenomenon through various types of support ranging from food, medicine, personal hygiene items, cleaning, housing repair or reconstruction, and essential household goods.

ROUND UP FUNDRAISERS

All our branches carry out round up fundraisers to support various institutions. Thanks to the participation, trust, and goodwill of our customers, in 2018 we were able to raise $3,514,739, which were delivered in their entirety to each one of the institutions that we support.

In 2018, the combined actions of the Chedraui Foundation to support education, health, nutrition, housing, social welfare, and care for those affected by natural disasters, provided a total of $80,125,610 in aid.

ENVIRONMENT

Chedraui's main objectives toward the environment focus on reducing our carbon footprint as much as possible. This prompts our efficient use of energy resources, water, and feedstocks, and we also recycle various materials, including cardboard, paper, and plastics.

In 2018, we were able to reduce our carbon footprint by 223,310 tons of CO_2, equivalent to planting 11,165,528 trees, taking 93,046 cars out of circulation, or eliminating the consumption of 108,932 barrels of oil. This progress was made possible thanks to initiatives that substitute traditional energy sources for cleaner resources, such as wind energy, which supplied 80% of the energy requirements for our stores.

In terms of water management, in 2018 we saved more than 158 million liters by optimizing efficient sanitation services, water education campaigns, and our treatment plants.

In 2018 we also were able to recycle 31,115 tons of cardboard and 1,905 tons of plastic wrap, thanks to the collaboration and commitment of our workforce. These actions were the equivalent to planting 528,000 trees, eliminating 8.4 million m^3 of water, or saving nearly 227 million kW/h of electricity, enough to meet the annual needs of 75,000 Mexican families.

Furthermore, all our stores in Mexico and the United States separate waste properly and use recyclable/reusable bags with biodegradable technology.

In terms of our environmental actions in the United States, El Super has 59 hybrid vehicles that eliminate an annual average of 59 tons of CO_2. Proper waste disposal allowed us to generate, on the one hand, 218,393 kW/h of electricity, equivalent to the annual consumption of 20 households, and on the other, to reduce CO_2 by 823 tons.



OUR PEOPLE

As always, the Chedraui workforce was a distinguishing factor during this fiscal year. As of December 31, 2018, our team had 40,256 employees (45% women and 55% men) in Mexico.

This great workforce, the best in the business, receives training through Chedraui University. Its virtual classrooms provide online training to boost the personal and professional growth of our employees. In 2018, a total of 1,231,292 man-hours of training were given across all levels, with an investment of more than $3.5 million.

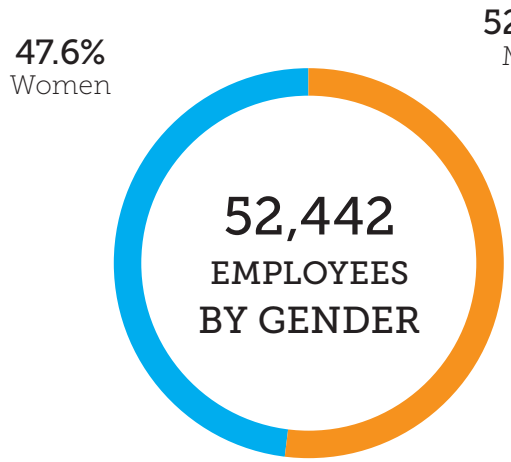
Our company values and promotes employee health and safety and implements employee health campaigns, providing Personal Protective Equipment (PPE) wherever needed. This has helped to keep workplace accidents to a minimum.

On the other hand, we believe in respecting and promoting human rights, diversity, and gender equality throughout the organization and in our business relationships. We do not discriminate based on race, gender, 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. We strictly prohibit hiring minors in any of our operations and all employees are given equal opportunities in terms of hiring, training, development and promotion.

In recognition of the above, in 2018 and for the seventh consecutive year, Chedraui earned an award from the Great Place To Work Institute Mexico. This year, we placed twelfth in the category of companies with more than 5,000 employees.

At the close of 2018, our stores in the United States had a workforce of 12,186 employees, with 56% women and 44% men.



Consolidated figures of Mexico and the United States.












El Super


Pico Rivera
El Super
Jose
Acevedo

MANAGEMENT DISCUSSION AND **ANALYSIS**





NET SALES

During 2018, the Group's revenue grew by 22.7% compared to 2017, rising from $94,583 million to $116,031 million in 2018. This growth was due to the results in the three business segments outlined below:

Retail in Mexico:
Retail operations in Mexico grew 6.8% compared to the previous year and rose from $67,027 million in 2017 to $71,587 million in 2018, due to growth in same store sales of 4.1% and the incorporation of 35 new stores during the year, representing a 6.1% increase in terms of sales floor.

Retail in the United States:
Retail operations in the United States reported growth of 63.0% compared to the previous year, rising from $26,707 million in 2017 to $43,525 million in 2018, resulting from the incorporation of five stores during the 2018 fiscal year, and an increase of growth in same store sales of 1.0% in dollars, as well as the acquisition of 61 Fiesta stores in Texas.

Real Estate Segment:
Operations in the real estate business grew by 8.3% compared to the previous fiscal year. They rose from $849 million in 2017 to $919 million in 2018, as the result of increases in leasing contracts that approximated inflation, a higher occupancy rate and 3.9% growth in leasable area.

GROSS PROFIT

Consolidated gross profit was $24,528 million and grew 24.7% compared to 2017, resulting in a gross profit margin of 21.1%, 35 basis points higher than the 20.8% obtained in 2017. This was a result of the following factors:

- In Mexico, we maintained our commercial assertiveness without reducing the gross margin

- Higher participation of retail in the United States, where the margin structure is higher than Mexico

OPERATING EXPENSES

Consolidated operating expenses, excluding depreciation and amortization, reached $17,998 million, 9.3% higher than the $13,627 million incurred in 2017. The growth in operating expenses was primarily impacted by the following factors:

- The adverse effects of the operating and pre-operating expenses of the 35 net stores that opened in Mexico and 66 in the United States within the past year, while the stores reach maturity.

- Complement to insurance provisions.

EBITDA

With the aforementioned results, consolidated EBITDA reached $6,541 million, up 8.3% compared to the $6,039 million achieved in 2017. The EBITDA margin was 5.6%, 75 basis points lower than the 2017 margin.

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

Retail in Mexico:
Retail in Mexico reached an EBITDA of $4,715 million, up 7.7% compared to the $4,379 million achieved in 2017. This represented a margin on sales of 6.6%, slightly higher than 2017.

Retail in the United States:
Retail in the United States reached an EBITDA of $1,030 million, 0.4% less than the $1,034 million achieved in 2017. This represented a margin on sales of 2.4%.

Real Estate Business:

The Real Estate segment reached an EBITDA of $796 million, up 27% compared to the $626 million achieved in 2017. This represented a margin on sales of 86.6%, higher than the 73.8% achieved in 2017.

FINANCIAL COST

The financial cost was $1.484 millions, 25.7% higher than the $1.181 millions achieved in 2017, and represented 1.3% on sales, slightly higher than the 1.2% on sales in 2017.

INCOME TAX

For the 2018 fiscal year, the official tax rate remained at 30% while the Group's tax rate reached 33.1% in 2018, lower than the 34.6% incurred in 2017. Income tax in 2018 was $1,013 million, 9.6% lower than the $1,120 million incurred in 2017.

NET PROFIT

Lastly, consolidated net profit reached $2,050 million, 3.2% less than the $2,117 million achieved in 2017. This represented a margin on sales of 1.8%.

DEBT AND CAPITAL EXPENDITURE

Net interest-bearing bank debt as of December 31, 2018 ended at $8,875 million, comprised of $410 million short-term, $9,716 million long-term, and $1,252 million in cash and equivalents, representing a Net Bank Debt/EBITDA ratio of 1.36 times.

Capital expenditure, including real estate, store and IT equipment and intangible assets, totaled $8,947 million and enabled us to open 35 net stores in Mexico and five in the United States, in addition to the acquisition of 61 Fiesta stores in Texas.



MANAGEMENT **TEAM**

JOSÉ ANTONIO CHEDRAUI EGUÍA

CHIEF EXECUTIVE OFFICER

José Antonio Chedraui Eguía has worked at Chedraui for the past 29 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.

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 24 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 18 years.

HUMBERTO TAFOLLA NÚÑEZ

CHIEF FINANCIAL OFFICER

Humberto Tafolla Núñez 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.

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 10 years.

SERGIO ESTRADA RENTERÍA

DIRECTOR OF HUMAN RESOURCES

Sergio Estrada Rentería graduated as a Biochemical Engineer from ITESM. He has extensive experience in the areas of Marketing and Operations. Mr. Estrada is Director of Human Resources since April, 2018.

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 32 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 29 years.

CARLOS SMITH MATAS

BODEGA LATINA'S CHIEF EXECUTIVE OFFICER

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 26 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 8 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.

JORGE RAMÍREZ BONILLA

DIRECTOR OF COMMERCIAL STRATEGY AND RESUPPLY

Jorge Ramírez Bonilla is a Civil Engineer from ITESM, has a Masters Degree in Business Management from IPADE, a Diploma in Management Skills from Anahuac-Harvard and executive perfection studies in Harvard and Chicago. Mr. Ramírez is Director of Commercial Strategy and Resupply since January, 2018, and has worked at Chedraui for 6 years.

MIGUEL CORTÉS MORALES

DIRECTOR OF LOGISTICS

Miguel Cortés Morales graduated as an Industrial Engineer from IPN, has a diploma in Executive Skills from ITESM and a specialization in Senior Management from IPADE. Mr. Cortés has worked at Chedraui for the last 7 years and is Director of Logistics since March, 2018.

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 Wainfeld [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

Ciudad de México, a 13 de marzo de 2019

TO THE BOARD OF DIRECTORS OF

GRUPO COMERCIAL CHEDRAUI, S.A.B. DE C.V.

Pursuant to the provisions of articles 42 and 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, currently named Code of Principles and Best Practices in Corporate Governance, 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 fiscal year that ended on December 31, 2018.

The Committee was duly composed by agreement from the Company's shareholders' meeting on April 5th, 2010; in compliance with the applicable laws, its members have been appointed or ratified, depending on the case, annually by the Company's shareholders decision, legally gathered in an meeting.

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, monitored the agreements taken by the Shareholders' Meeting and the Board of Directors, and invited the relevant Company officers to such meetings.

1. AUDITING ACTIVITIES PERFORMED

a. The Company and its affiliates have an internal audit department and an internal control system that were monitored and evaluated along 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 the Company and its affiliates' 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 and its affiliates' 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, 2018, 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 Erick Jonathan Calvillo Rello, 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, previously approved by the Board of Directors, 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 Mexican Stock Exchange (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. The Company's management has been responsible and diligent in the process of issuing the IFRS-based financial statements, has timely prepared the information given to investors, and has implemented the internal control systems needed to the effect.

e. During the year that ended on December 31, 2018, there were no modifications to the accounting policies approved for the period.

f. Furthermore, the Committee issued and subsequently presented to the Shareholders' Meeting, the opinion referenced in Article 28, section IV, paragraph c) of the Securities Market Law, relative to the audited consolidated financial statements of the Company and its affiliates as of December 31, 2018, ruled by the Company's External Auditors.

g. 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.

h. 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, the obstacles they face, and facilitate any private communication they wish to have with the Committee.

i. The Committee learned about the Company's compliance with the Code of Corporate Best Practices, currently named the Code of Principles and Best Practices in Corporate Governance, recommended by the Mexican Stock Exchange.

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

2. ACTIVITIES RELATED TO CORPORATE PRACTICES:

a. We were informed about 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, as they are in compliance with the Board of Directors' established 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.

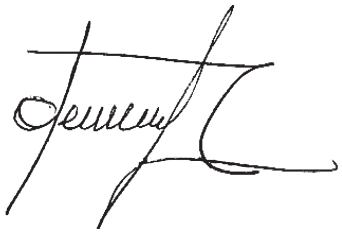
e. We reviewed and ratified the Company's corporate policies.

The Committee's actions, its activities and works related to its role in terms of Auditing and Corporate Practices have been duly documented in the minutes taken during every session, and they were timely reviewed and approved by its members.

Based on the previous reviews and comments and on 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 thereby reasonable. Therefore, it RECOMMENDS that the Board of Directors approve the Company's audited consolidated financial statements as of December 31, 2018, for their inclusion in the CEO's Annual Report for the 2018 fiscal year, which in turn will be presented to the Shareholders' 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, 2018 and 2017 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, 2018 and 2017, 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.

Notes 3 and 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 hedge the risk in relation to the impairment of long-lived assets included:

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 discussed in Note 9 to the consolidated financial statements, there were no impairment losses recognized during the year ended December 31, 2018.

Deferred income tax

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

Our audit procedures to cover this risk included the following:

We tested the reasonableness of the assumptions used to determine the financial projections and evaluated the probability that recognized deferred tax assets will be used in the future. We confirmed the arithmetical accuracy of the calculations made by management, and validated that the financial and tax projections prepared were based on historical results. The results of our audit procedures were reasonable.

The accounting policy applied by the Entity to recognize deferred taxes, and the related disclosures, are included in Notes 3 and 29, respectively, to the accompanying consolidated financial statements.

Information other than the Financial Statements and Auditor's Report

Management is responsible for the other information. The other information comprises two documents, the Entity's Annual Report and the information that will be incorporated in the Annual Report which the Entity is required to prepare in accordance with article 33Ib) of the fourth title, first chapter of the General Provisions Applicable to Issuers of Securities and Other Participants in the Securities Market in Mexico (the requirements). As of the date of our auditor's report we have not yet obtained these documents and they will be available only after the issuance of this Audit Report.

Our opinion of the consolidated financial statements does not cover the other information and we do not express any form of security about it.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether if the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. When we read the Annual Report we will issue the auditors' legend about the reading thereof, required in Article 33 Fraction I, subsection b) numeral 1.2. of the Provisions or if we conclude that it is materially misstated we would be required to report this fact.

Responsibilities of Management and those charged with governance for 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.

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

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

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

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

As part of an audit in accordance with IASs, we exercise professional judgment and maintain professional skepticism throughout 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.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair 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 communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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



Erick J. Calvillo Rello
Mexico City, March 14, 2019

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

Consolidated Statements of Financial Position

As of December 31, 2018 and 2017 (In thousands of Mexican pesos)

ASSETS	Notes	2018	2017
Current asset:			
Cash		$ 1,251,570	$ 1,521,746
Accounts and notes receivables – Net	5	1,335,029	1,011,609
Recoverable taxes	6	2,224,882	1,438,919
Accounts receivables from related parties	24	25,105	17,098
Derivative financial instruments	7	4,689	-
Inventories	8	13,084,244	9,653,730
Prepayments		485,830	288,213
Total current assets		18,411,349	13,931,315
Non-current assets:			
Property and equipment - Net	10	34,475,920	30,828,827
Investment property	11	8,679,203	6,855,626
Investment in associates		8,071	9,916
Other and intangible assets– Net	9	5,694,601	2,294,512
Long term related parties	24	37,035	37,035
Long-term accounts receivable	19	94,765	94,766
Derivative financial instruments	7	90,207	71,469
Deferred income tax asset	27	752,932	882,238
Total non-current assets		49,832,734	41,074,389
Total		$ 68,244,083	$ 55,005,704

The accompanying notes are part of the consolidated financial statements.

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

Consolidated Statements of Financial Position

As of December 31, 2018 and 2017 (In thousands of Mexican pesos)

EQUITY AND LIABILITIES	Notes	2018	2017
Current liabilities:			
Accounts and notes payable to suppliers	14	$ 17,427,136	$ 12,904,672
Factoring Corporativo, S.A. de C.V. – related party	14	1,371,207	1,692,238
Borrowings with financial institutions	16	72,616	150,000
Current portion of long-term liabilities	17	337,794	439,409
Current portion of lease obligations	15	79,389	80,302
Current portion obligations related to the right to collection trustor	20	122,412	112,993
Payable taxes		431,635	786,822
Accrued expenses and other liabilities		3,718,544	2,459,364
Total current liabilities		23,560,733	18,625,800
Non-current liabilities:			
Long-term debt	17	9,716,473	4,476,418
Leases obligations	15	90,568	152,802
Employee benefits	18	609,401	538,043
Collection rights of trust contracts	20	405,113	520,916
Deferred income tax liability	27	3,622,641	1,801,008
Other liabilities		675,460	458,543
Total non-current liabilities		15,119,656	7,947,730
Total liabilities		38,680,389	26,573,530
Stockholders' equity:			
Capital stock	21	252,120	252,120
Additional paid in capital	21	3,563,931	3,612,443
Retained earnings	23	24,872,364	23,668,102
Remeasurement of defined benefit obligations	22	(56,522)	(52,510)
Cumulative translation adjustment	22	617,304	612,541
Financial instruments measurement	22	74,434	56,871
Equity attributable to owners of the Entity		29,323,631	28,149,567
Non-controlling interest	24	240,063	282,607
Total stockholders' equity		29,563,694	28,432,174
Total		$ 68,244,083	$ 55,005,704

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

For the years ended December 31, 2018 and 2017 (In thousands of Mexican pesos)

	Notes	2018	2017
Revenues:			
Net sales	29	$ 116,030,879	$ 94,582,515
Cost of sales		91,502,544	74,916,439
Gross profit		24,528,335	19,666,076
Operating expenses:			
Wages and employee benefits		9,696,395	6,929,209
Professional services		2,065,132	1,792,358
Marketing expenses		1,290,131	952,131
Maintenance		993,530	753,254
Gas and electricity		1,597,954	1,360,449
Leases		1,230,385	1,032,906
Depreciation and amortization		1,993,770	1,620,817
Other expenses - net		1,114,142	806,675
Total operating expenses		19,981,439	15,247,799
Operating profit		4,546,896	4,418,277
Interest expense		(772,646)	(672,285)
Interest income		88,359	72,498
Exchange gain (loss) – Net		(10,985)	36,237
Other financing expenses		(788,611)	(617,181)
		(1,483,883)	(1,180,731)
Profit before tax		3,063,013	3,237,546
Income taxes	29	1,012,578	1,120,191
Profit for the year		$ 2,050,435	$ 2,117,355
Owners of the equity		$ 2,063,630	$ 2,079,120
Non-controlling interest	24	(13,196)	38,235
Consolidated profit for the year		$ 2,050,434	$ 2,117,355

Continued >

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

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the years ended December 31, 2018 and 2017 (In thousands of Mexican pesos)

	Notes	2018	2017
Other comprehensive income, net of income taxes:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations	22	$ (4,012)	$ (25,441)
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustment	22	4,763	(79,849)
Financial instruments measurement	22	17,563	54,523
Total comprehensive income for the year		$ 2,068,748	$ 2,066,588
Owners of the equity		$ 2,081,944	$ 2,028,353
Non-controlling interest	24	(13,196)	38,235
Total consolidated comprehensive income for the year		$ 2,068,748	$ 2,066,588

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

For the years ended December 31, 2018 and 2017 (In thousands of Mexican pesos)

	Notes	Stockholder' equity		
		Capital stock	Additional paid in capital	Retained earnings
Balance as of January 1, 2017		$ 252,120	$ 3,750,987	$ 21,939,589
Dividends paid	23	-	-	(318,093)
Comprehensive income for the year	22	-	-	2,079,120
Repurchase of shares		-	-	(17,461)
Movements of non-controlling interest	23 y 24	-	(138,544)	(15,053)
Balance as of December 31, 2017		252,120	3,612,443	23,668,102
SIBRA tax effect	29	-	-	(425,230)
Dividends paid	23	-	-	(376,633)
Comprehensive income for the year	22	-	-	2,063,630
Repurchase of shares		-	-	(33,195)
Movements of non-controlling interest	23 y 24	-	(48,512)	(24,310)
Balance as of December 31, 2018		$ 252,120	$ 3,563,931	$ 24,872,364

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

For the years ended December 31, 2018 and 2017 (In thousands of Mexican pesos)

Other items of comprehensive income				
Remeasurement of defined benefit obligations	Cumulative translation adjustment	Financial instruments measurement	Non-controlling interest	Total
$ (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
-	-	-	-	(425,230)
-	-	-	-	(376,633)
(4,012)	4,763	17,563	(13,196)	2,068,748
-	-	-	-	(33,195)
-	-	-	(29,348)	(102,170)
$ (56,522)	$ 617,304	$ 74,434	$ 240,063	$ 29,563,694

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017 (In thousands of Mexican pesos)

	2018	2017
Cash flow from operating activities:		
Profit before income tax	$ 3,063,013	$ 3,237,546
Adjustments for:		
Depreciation and amortization	2,007,084	1,636,626
Gain on revaluation of investment properties	(303,215)	(29,725)
Gain on disposal of property and equipment	4,733	22,668
Interest income	(88,359)	(72,498)
Measurement of derivative financial instruments	(5,863)	30,343
Interest expense	772,646	672,285
	5,450,039	5,497,245
Movements in working capital:		
Accounts and notes receivables – Net	(263,775)	(73,480)
Inventories	(2,221,144)	(764,278)
Other assets – Net	(956,234)	241,701
Increase (decrease) in:		
Accounts and notes payable to suppliers	3,705,714	652,543
Other account payables and taxes	(584,938)	(451,183)
Changes in benefit obligations	67,288	1,282
Net cash generated by operating activities	5,196,950	5,103,830
Investing activities:		
Business acquisition	(4,445,732)	-
Acquisitions of property and equipment	(4,271,489)	(2,994,798)
Proceeds from disposal of property and equipment	16,561	5,263
Acquisition of other assets	(229,655)	(183,293)
Dividends received	1,843	6,851
Interest received	88,359	72,498
Net cash used in investing activities	(8,840,113)	(3,093,479)

Continued >

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

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017 (In thousands of Mexican pesos)

	2018	2017
Financing activities:		
Repayment of loans	(956,417)	(1,684,649)
Proceeds on issuances of loans	6,016,851	1,563,015
Interest payment	(772,646)	(672,285)
Dividends paid	(376,633)	(318,093)
Finance leases payment	(68,358)	(62,340)
Payments for financial lease	5,212	94,711
Acquisition of non-controlling interest	(102,170)	(237,085)
Payment of obligations related to the right of trust contract collection	(106,378)	(108,144)
Repurchase of treasury shares	(33,195)	(17,461)
Net cash used in investing activities	3,606,266	(1,442,331)
Net (decrease) increase in cash	(36,897)	568,020
Effects of exchange rate changes on the balances of cash held in foreign currencies	(233,279)	10,841
Cash at the beginning of the year	1,521,746	942,885
Cash at the end of the year (*)	$ 1,251,570	$ 1,521,746

(*) Includes current restricted cash for $180,138

The accompanying notes are part of the consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017 (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).

The financial statements are presented in thousands of pesos and are rounded to the nearest monetary unit.

2. Adoption of new and revised International Financial Reporting Standards

Application of new and revised International Financing Reporting Standards ("IFRS" or "IAS") 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, 2018

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Entity has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. However, the Entity has elected to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Entity adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures about 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

I. The classification and measurement of financial assets and financial liabilities,
II. Impairment of financial assets, and
III. General hedge accounting.

Details of these new requirements as well as their impact on the Entity's consolidated financial statements are described below.

The Entity has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

a. Classification and measurement of financial assets

The date of initial application is 1 January 2018. Accordingly, the Entity has applied the requirements of IFRS 9 to instruments that continue to be recognized as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognized as at 1 January 2018.

All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortized cost;

- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- All other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the aforegoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Entity may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination in other comprehensive income; and

- The Entity may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Entity has not designated any debt investments that meet the amortized cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortized cost or at FVTOCI are subject to impairment. See (b) below.

Reviewed and assessed the Entity's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Entity's financial assets as regards their classification and measurement:

- The Entity's investments in redeemable notes were classified as available-for-sale financial assets under IAS 39 Financial Instruments: Recognition and Measurement. The notes have been reclassified as financial assets at amortized cost because they are held within a business model whose objective is to collect the contractual cash flows and they have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding;

- There is no change in the measurement of the Entity's investments in equity instruments that are held for trading; those instruments were and continue to be measured at FVTPL;

- Financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortized cost continue to be measured at amortized cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

None of the other reclassifications of financial assets have had any impact on the Entity's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

b. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

Specifically, IFRS 9 requires the Entity to recognize a loss allowance for expected credit losses on:

I. Debt investments measured subsequently at amortized cost or at FVTOCI,
II. Lease receivables,
III. Trade receivables and contract assets, and
IV. Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Entity to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Entity is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The result of the assessment is as follows:

Items existing as at 01/01/18 that are subject to the impairment provisions of IFRS 9	Credit risk attributes at 01/01/17 y 01/01/18	Cumulative additional loss allowance recognized on
Loans to related parties	The directors have concluded that it would require undue cost and effort to determine the credit risk of each loan on their respective dates of initial recognition. These loans are also assessed to have credit risk other than low. Accordingly, the Entity recognizes lifetime ECL for these loans until they are derecognized.	No impairment
Trade and other receivables	The Entity applies the simplified approach and recognizes lifetime ECL for these assets.	No impairment on finance lease receivables due to existence of collateral
Cash and bank balances	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.	

c. Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognized. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

In accordance with IFRS 9, an entity classifies all financial liabilities as measured after amortized cost, except for certain exceptions that are not applicable to the Entity, so the application of IFRS 9 has not had an impact on the classification and calculation of liabilities. financial statements of the entity.

d. General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Entity's risk management activities have also been introduced.

In accordance with IFRS 9's transition provisions for hedge accounting, the Entity has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 January 2018. The Entity's qualifying hedging relationships in place as at 1 January 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on 1 January 2018. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Entity has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39

IFRS 9 requires hedging gains and losses to be recognized as an adjustment to the initial carrying amount of non-financial hedged items (basis adjustment). In addition, transfers from the hedging reserve to the initial carrying amount of the hedged item are not reclassification adjustments under IAS 1 Presentation of Financial Statements and hence they do not affect other comprehensive income. Hedging gains and losses subject to basis adjustments are categorized as amounts that will not be subsequently reclassified to profit or loss in other comprehensive income. This is consistent with the Entity's practice prior to the adoption of IFRS 9.

Apart from this, the application of the IFRS 9 hedge accounting requirements has had no other impact on the results and financial position of the Entity for the current and/or prior years.

e. Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Entity had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Entity has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Entity has elected to designate as at FVTPL at the date of initial application of IFRS 9.

f. Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Entity has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Entity's consolidated financial statements are described below.

The Entity has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts in IFRS 15:C5(a), and (b), or for modified contracts in IFRS 15:C5(c) but using the expedient in IFRS 15:C5(d) allowing both non-disclosure of the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognize that amount as revenue for all reporting periods presented before the date of initial application, i.e. 1 January 2018.

The Entity's accounting policies for its revenue streams are disclosed in detail in Note 3 below. The application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Entity.

Impact of application of Other amendments to IFRS Standards and Interpretations

In the current year, the Entity has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IAS 40 (amendments) Transfers of Investment Property	The Entity has adopted the amendments to IAS 40 Investment Property for the first time in the current year. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).
IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue). The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, The Entity has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 16	*Leases*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Annual Improvements to IFRS Standards 2015–2017 Cycle	Amendments to IFRS 3 *Business Combinations,* IFRS 11 *Joint Arrangements,* IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*
Amendments to IAS 19 *Employee Benefits*	*Plan Amendment, Curtailment or Settlement*
IFRS 10 *Consolidated Financial Statements* and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
IFRIC 23	*Uncertainty over Income Tax Treatments*

The Administration do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Entity in future periods, except as noted below:

IFRS 16 Leases

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Entity will be 1 January 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The Entity will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Entity will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Entity has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Entity.

Impact on Lessee Accounting

Operating leases

IFRS 16 will change how the Entity accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Entity will:

a) Recognize right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;

b) Recognize depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortized as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Entity will opt to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

At the date of issuance of the financial statement, the Entity has not concluded with the valuation of the contracts and payment rights, however, a significant impact is foreseen due to the existing contracts to date.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Entity recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Entity will present equipment previously included in property, plant and equipment within the line item for right-of-use assets.

Based on an analysis of the Entity's finance leases as at 31 December 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that the impact of this change will not have an impact on the amounts recognized in the Entity's consolidated financial statements.

Impact on Lessor Accounting

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change the Entity will reclassify certain of its sublease agreements as finance leases. As required by IFRS 9, an allowance for expected credit losses will be recognized on the finance lease receivables. The leased assets will be derecognized and finance lease asset receivables recognized. This change in accounting will change the timing of recognition of the related revenue (recognized in finance income).

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Annual Improvements include amendments to four Standards.

IAS 12 Income Taxes

The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as an entity; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
    - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
    - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The Administration of the Entity do not anticipate that the application of the amendments in the future will have an impact on the Entity's consolidated financial statements.

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 (including structured 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.

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Entity considers all relevant facts and circumstances in assessing whether or not the Entity's voting rights in an investee are sufficient to give it power, including:

- The size of the Entity's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Entity, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, 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.

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.

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

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

Non-controlling interests in subsidiaries are identified separately from the Entity's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Total comprehensive income is attributed to non-controlling interest even if this results in the non-controlling interests having a deficit balance.

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.

When the Entity loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 297 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: 176 Tiendas Chedraui, 17 Tiendas Chedraui Selecto, 58 Super Chedraui, 4 Super Chedraui Selecto, 11 Super Che and 31 Supercito.
Real estate division	99.99%	Five companies engaged in the acquisition, construction, sale and lease of real property used for real estate activities.
Services division	99.99%	Seven companies providing administrative and personnel services
Bodega Latina Co.	89.98%	A chain of self-service stores with 64 units located in the southern of USA and which operate under the El Super commercial name. and 61 units located in Texas (USA) that operate under the commercial name of Fiesta Mart
Grupo Crucero Chedraui, S. A. de C. V.	100%	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	
		2018	2017	2018	2017	2018	2017
Bodega Latina Co.	USA	10.02%	11.11%	$ (17,151)	$ 38,957	$ 205,476	$ 259,113

(i) *The Entity owns 89.98% 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:

	2018	2017
Current assets	$ 3,740,876	$ 1,548,174
Non-current assets	8,913,659	4,190,863
Current liabilities	4,016,864	2,613,257
Non-current liabilities	6,587,009	793,527
Equity attributable to owners of the Entity	2,050,661	2,332,253
Non-controlling interest	222,627	259,113
Incomes	43,524,968	26,706,785
Cost, expenses and taxes	43,696,137	26,356,145
Net (loss) profit of the year	(171,169)	350,640
Net (loss) profit of the year to owners of the equity of the Entity	(154,018)	311,683
Net (loss) profit of the year to non-controlling interest	(17,151)	38,957
Net (loss) profit of the year	(171,169)	350,640

	2018	2017
Net cash flow from operating activities	$ 1,043,676	$ 1,095,081
Net cash flow from investing activities	(5,742,046)	(419,609)
Net cash flows from financing activities	5,106,370	(675,705)
Net (decrease) increase in cash flow	408,000	(233)

e. Financial instruments

Financial assets and financial liabilities are recognized in the Entity's statement of financial position when the Entity becomes a party to the contractual provisions of the instrument.

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

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.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Entity may make the following irrevocable election / designation at initial recognition of a financial asset:

- The Entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and

- The Entity may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

(i) Amortized cost and 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.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Entity recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in profit or loss and is included in the "finance income - interest income" line item.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Entity may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is 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 evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not being reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'finance income' line item in profit or loss.

The Entity has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9 (see Note 2).

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see (i) to (iii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Entity designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Entity has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses'. Fair value is determined in the manner described in Note 19

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses';
- For debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss in the 'other gains and losses'. Other exchange differences are recognized in other comprehensive income in the investments revaluation reserve;
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'other gains and losses'; and
- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the investments revaluation reserve.

See hedge accounting policy regarding the recognition of exchange differences where the foreign currency risk component of a financial asset is designated as a hedging instrument for a hedge of foreign currency risk.

Impairment of financial assets

The Entity recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Entity always recognizes lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Entity recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Entity measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Entity compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Entity considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Entity's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Entity's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Entity presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Entity has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Entity assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

I. The financial instrument has a low risk of default,
II. The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
III. Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Entity considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Entity considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverables:

- When there is a breach of financial covenants by the debtor; or

- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Entity, in full (without taking into account any collateral held by the Entity).

Irrespective of the above analysis, the Entity considers that default has occurred when a financial asset is more than 90 days past due unless the Entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a. Significant financial difficulty of the issuer or the borrower;
b. A breach of contract, such as a default or past due event (see (ii) above);
c. The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
d. It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
e. The disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Entity writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Entity's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Entity's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Entity in accordance with the contract and all the cash flows that the Entity expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

If the Entity has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Entity measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Entity recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Entity derecognizes a financial asset only 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 entity. 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 collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Entity has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

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.

Equity instruments

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 the Entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company'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 Company's own equity instruments.

g. Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Entity, are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing 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, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of an Entity 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 IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (Note 19) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Entity that are designated by the Entity as at FVTPL are recognized in profit or loss.

Fair value is determined in the manner described in note 19

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently 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 (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 financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in profit or loss (note 19) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

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.

When the Entity exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Entity accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

h. Derivative financial instruments

The Entity enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in notes 19

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Entity has both legal right and intention to offset.

i. Hedge accounting

The Entity designates certain derivatives as hedging instruments in respect of interest rate risk in fair value hedges, cash flow hedges.

At the inception of the hedge relationship, the Entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Entity actually hedges and the quantity of the hedging instrument that the Entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Entity adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Entity designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Note 19 sets out details of the fair values of the derivative instruments used for hedging purposes.

Movements in the hedging reserve in equity are detailed in note 22.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Entity expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Entity discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognized in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

j. 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.

k. 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.

l. 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.

m. 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.

n. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (see Note 13).

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation.

o. 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.

p. 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 36 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.

q. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Entity, liabilities incurred by the Entity to the former owners of the acquiree and the equity interests issued by the Entity in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Entity entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share Based Payments at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

The non-controlling interests that are shareholdings and that grant their holders a proportional share of the Entity's net assets in the event of liquidation, can be measured initially at either fair value or at the value of the proportional participation of the non-controlling interest. in the recognized amounts of the net identifiable assets of the acquired company. The base measurement option is performed in each transaction. Other types of non-controlling interests are measured at fair value or, when applicable, based on what is specified by another IFRS.

When a business combination is achieved in stages, the Entity's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

r. 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.

  Payments for leases of operating leases are charged to income using the straight-line method, during the term corresponding to the lease.

s. 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.

t. 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).

u. 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.

v. 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, 2018 and 2017, PTU is determined based on taxable income, according to it is established by legislation.

w. 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.

   The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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 recognized any deferred taxes on changes in fair value of the investment properties.

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.

x. 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.

y. Revenue recognition

The entity recognizes income from the following sources:

- Sales of goods and dividend income.
- Income from the rental of premises.
- Sales of goods

  The Entity sells clothes, general merchandise, electronic goods, groceries and perishable foods, mainly as retail sales and directly with customers through its points of sale.

  Revenues are recognized when the benefits and risks of the goods have been transferred to the buyer. The buyer has the right to return the goods within 15 days after the sale. The Entity uses its historical experience to estimate the number of products returned to a portfolio level using an expected value method. It is considered highly probable that there will not be a significant reversal in the accumulated income recognized, consequently, a provision for refunds is not recognized.

- Loyalty programs

  The Entity operates the 'Monedero Chedraui' and 'Cupones Chedraui' loyalty programs through which customers accumulate benefits in goods purchases or receive discount coupons, which provides them with a discount on future purchases. These points provide a discount to customers, which they would not receive if they did not buy the goods sold by the entity (they have a material right). The promise to give customers a discount is a separate performance obligation

  The selling prices for points are valued, based on the discounts granted when the benefits are exchanged by the client, considering the probability of redemption, being evidence of this, the historical experience of the Entity. A liability is recognized by income related to the loyalty program at the point of the initial sale. The loyalty program income is recognized when the benefits are exchanged by the client. The liabilities generated by the loyalty program are determined at fair value in proportion to the pattern of rights exercised by customers. As of December 31, 2018, a balance of $ 218,562 is included in the balance sheet in creditors and accumulated expenses.

- 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).

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 estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Determining the deferred income tax

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.

Valuations of derivative financial instruments

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

Estimation of useful life

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.

Fair value of investment properties

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.

Fair value measurements and valuation processes

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

	2018	2017
Costumers	$ 1,249,890	$ 967,683
Allowance for doubtful accounts	(26,958)	(23,464)
	1,222,932	944,219
Sundry debtors	93,028	49,683
Notes receivable	19,069	17,707
	$ 1,335,029	$ 1,011,609

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:

	2018	2017
Up to 30 days	$ 54,651	$ 86,742
31 – 60 days	23,367	13,321
61 – 90 days	15,599	12,401
More than 90 days	124,599	22,523
Total	$ 218,216	$ 134,987

The reserve of uncollectible accounts as of December 31 is integrated as follows:

	2018	2017
Balance at the beginning of the year	$ (23,464)	$ (18,376)
Reserve increases	(9,231)	(6,623)
Reservation application	5,737	1,535
Balance at the end of the year	$ (26,958)	$ (23,464)

6. Recoverable taxes

	2018	2017
Income tax	$ 305,079	$ 126,636
Tax credits, mainly value added tax (VAT)	1,780,192	1,110,822
Recoverable tax for production and services (IEPS)	139,611	201,461
Total	$ 2,224,882	$ 1,438,919

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 $1,004 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

	2018	2017
Finished goods	$ 12,698,425	$ 9,306,442
Raw materials	284,861	255,780
Productions in process	15,093	15,151
Others	85,865	76,357
	$ 13,084,244	$ 9,653,730

9. Other and intangible assets

	2018	2017
Guarantee deposits	$ 493,804	$ 363,156
Goodwill [1] – Note 13	2,258,108	1,203,533
Other long-terms receivables	11,397	11,397
Other non-current assets, mainly prepaid expenses	331,275	193,964
	3,094,584	1,772,050
Intangibles:		
Software and licenses	2,248,982	1,932,092
Accumulated software and licenses amortization	(1,571,984)	(1,409,630)
	676,998	522,462
Fiesta Mart trademark	1,923,019	-
Total other and intangible assets – Net	$ 5,694,601	$ 2,294,512

[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, and 61 store located in Texas, so they have been considered as an asset intangible. Goodwill is subject to impairment testing at least annually. At December 31, 2018 and 2017, 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	2018	2017
Balance at beginning of January 1	$ 1,932,092	$ 1,763,624
Property and equipment transfers	-	62
Acquisitions	229,950	-
Acquisition of Fiesta Mart	86,940	168,406
Balance as of December 31	$ 2,248,982	$ 1,932,092

Amortization	2018	2017
Balance at beginning of January 1	$ (1,409,630)	$ (1,263,511)
Amortization cost	(162,354)	(146,119)
Balance as of December 31	$ (1,571,984)	$ (1,409,630)

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 as of January 1, 2017	$ 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
Acquisitions	1,733,444	854,594	172,617	239,603	1,184,145	23,303	4,207,706
Net effect of foreign currency exchange differences	1,145	1,663	45	28	17	-	2,898
Acquisitions of Fiesta Mart	535,957	763,201	58,156	25,775	1,889	-	1,384,978
Disposals	(12,351)	(75,899)	(91,703)	(12,604)	(1,685)	286	(193,956)
Transfers	626,914	549,886	49,493	541	(1,523,410)	213,879	(82,697)
Balances at December 31, 2018	$ 25,932,906	$ 12,957,235	$ 2,719,126	$ 532,596	$ 847,931	$ 6,278,769	$ 49,268,563

Depreciation	Building	Store equipment	Furniture and fixtures	Vehicles	Construction in process	Land	Total
Balance at January 1, 2017	$ (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)
Depreciation expenses	(667,217)	(912,159)	(239,285)	(26,069)	-	-	(1,844,730)
Transfers	-	38	(34)	(4)	-	-	-
Disposals	6,305	65,682	90,703	10,204	-	-	172,894
Balances at December 31, 2018	$ (5,982,211)	$ (6,370,332)	$ (2,249,786)	$ (190,314)	$ -	$ -	$ (14,792,643)
Total at December 31, 2017	$ 17,726,498	$ 5,339,897	$ 429,348	$ 104,808	$ 1,186,975	$ 6,041,301	$ 30,828,827
Total at December 31, 2018	$ 19,950,695	$ 6,586,903	$ 469,340	$ 342,282	$ 847,931	$ 6,278,769	$ 34,475,920

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

	2018	2017
Fair value of investment properties	$ 8,679,203	$ 6,855,626
Balances as of the beginning of the year	$ 6,855,626	$ 6,420,225
Acquisitions	63,783	97,659
Disposals	(242)	-
Transfers from property and equipment	1,456,821	308,017
Net gains on property revaluation	303,215	29,725
Balances as of year end	$ 8,679,203	$ 6,855,626

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	11.15%	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: 3.8%	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. Business combinations

a. *Subsidiaries acquired*

Entity name	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
Fiesta Mart, LLC. (Fiesta)	Self-service stores - Retail	April 30, 2018	89.98%	4,951,445

Fiesta was acquired to continue with the expansion activities of the Entity in the United States.

b. *Assets acquired and liabilities recognized at the date of acquisition*

	Fiesta Mart, L.L.C. 2018
Current assets	
Cash and & cash equivalents (*)	$ 505,713
Accounts receivable from clients	164,575
Other accounts receivable	71,265
Inventories	1,146,912
Non-current assets	
Plant and equipment	1,314,739
Intangibles (**)	1,908,025
Deposits in guarantee	72,321
Current liabilities	
Trade and other payables	(1,120,076)
Non-current liabilities	
Other payables	(112,193)
	$ 3,951,281

(*) Includes restricted cash for $ 197,721 as of April 30, 2018 for short-term

(**) Includes the Fiesta Mart patent for $ 1,825,495 as of April 30, 2018

For fiscal purposes, it is required that the fiscal values of Fiesta assets be readjusted based on market values and other factors. As of the date of completion of these financial statements, the necessary market valuations and other calculations have been completed.

The accounts receivable acquired (which are composed mainly of accounts receivable from customers) include balances with a fair value of $ 164,575 that had gross contractual amounts of $ 172,091. The best estimate at the acquisition date of the contractual cash flows that are not expected to be collected amounts to $ 7,516.

c. *Goodwill arising on acquisition*

		Fiesta Mart, L.L.C.
Consideration transferred	$	4,951,445
Less: fair value of identifiable net assets acquired		3,951,281
Goodwill arising on acquisition	$	1,000,164

The goodwill arising from the acquisition of Fiesta represents amounts in relation to the benefits of the expected synergies, revenue growth, future market development and the work force that has gathered from Fiesta. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill that arose from the acquisition is amortizable to 15 years for tax purposes.

d. *Net cash flows over the acquisition of subsidiaries*

		2018
Consideration paid in cash	$	4,951,445
Less: cash and cash equivalent balances acquired		505,713
	$	4,445,732

e. *Net cash outflow on acquisition of subsidiaries*

Included in the net income (loss) is $273,285 attributable to the additional business generated by Fiesta. Revenue for the year includes $15,420,826 million in respect of Fiesta Mart.

Had these business combinations been effected at January 1, 2018, the revenue of the Entity from continuing operations would have been $123,486,729 and the income (loss) from operations would have been $1,909,558. Management considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Entity on an annualized basis and to provide a reference point for comparison in future periods.

In determining the 'pro-forma' revenue and profit of the Entity Fiesta Mart been acquired at the beginning of the current year, management has:

- Calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements;

- Calculated borrowing costs on the funding levels, credit ratings and debt/equity position of the Entity after the business combination.

13. Goodwill

	2018	2017
Cost		
Balance at the beginning of the year	$ 1,203,533	$ 1,250,329
Additional amounts recognized from business combinations occurring during the year	1,000,164	-
Effect of foreign currency exchange differences	54,411	(46,796)
Balance at the end of the year	$ 2,258,108	$ 1,203,533

a. *Allocation of goodwill to cash-generating units*

Goodwill has been allocated for impairment testing purposes to the following cash-generating units.

14. 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, 2018 and 2017 the Entity's debt obligation is composed as follows:

	2018	2017
Current	$ 7,456,501	$ 5,014,344
Up to 30 days	6,311,744	5,163,850
Up to 60 days	2,376,416	2,169,839
Up to 90 days	2,236,904	1,827,866
More than 90 days	416,778	421,011
	$ 18,798,343	$ 14,596,910

15. Lease obligations

The Entity contracted an operating equipment lease, with approximately 1 year remaining, and an electronic equipment lease for a period of 4 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	
	2018	2017	2018	2017
One year	$ 85,742	$ 88,280	$ 79,389	$ 80,302
Between two and three years	70,319	116,436	63,254	106,650
More than three years	28,610	49,646	27,314	46,152
	184,671	254,362	169,957	233,104
Less future financing charges	(14,714)	(21,258)	-	-
Current value of minimum lease payments	$ 169,957	$ 233,104	$ 169,957	$ 233,104

16. Borrowings with financial institutions

	2018	2017
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
Credit line contracted by Tiendas Chedraui, S.A. of C.V. with Banco Santander S.A., contracted as on December 31, 2018, at an annual rate of TIIE + 1.25%. The rate as of December 31 was 9.85%. Its expiration date is January 2, 2019.	72,616	-
More circulating portion(*)	337,794	439,409
	$ 410,410	$ 589,409

17. Long-term debt

	2018	2017
Loan entered into 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.	$ 480,000	$ 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, 2018 and 2017 was 9.13% and 8.36%, respectively.	1,331,596	1,478,655

	2018	2017
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, 2016 and payment of principal beginning on September 12, 2018. The rate as of December 31, 2018 and 2017 was 9.48% and 8.68%, respectively.	610,936	625,000
Loan entered into 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 December 8, 2018, ending on September 8, 2023. The rate as of December 31, 2018 and 2017 was 9.68% and 8.71%, respectively.	487,500	500,000
Loan entered into 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 as of November 2017 and payments of principal as of December 10, 2019. The rate as of December 31, 2018 and December 31, 2017 was 9.48% and 8.68 respectively. This was paid on May 26, 2018	1,200,000	1,200,000
Loan entered into 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
Loan entered into by Bodega Latina Co. with Wells Fargo Bank for an amount of US $ 15,000,000, due in February 2020. The rate as of December 31 was 3.53%. This was paid on May 26, 2018	-	294,944
Loan entered into 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%. This was paid on May 26, 2018	-	104,213
Line of Credit entered into by Bodega Latina Co. with Bank of América, N.A. for $ 60,000,000 US dollars, due in April 2021. The rate as of December 31, 2018 is Libor + 1,125%	1,023,510	-
Syndicated Loan (intervention of 8 banks) entered into by Bodega Latina Co. with Bank of America, N.A. with endorsement granted by Grupo Comercial Chedraui, S.A.B de C.V., Tiendas Chedraui, S.A. de C.V., Inmobiliaria Kira, S.A. of C.V. and Fiesta Mart, L.L.C. at a Libor rate plus 1.25% with the first amortization as of October 30, 2021 and with a term of 5 years.	4,920,725	-
Long-term liabilities	10,054,267	4,915,827
Less - current portion	337,794	439,409
	$ 9,716,473	$ 4,476,418

At December 31, 2018 and 2017, 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, 2018	Acquisitions	Payments	Balance as of December 31, 2018
Borrowings	$ 5,065,827	$ 6,016,851	$ (955,795)	$ 10,126,883
Leases obligations	233,104	5,212	(68,358)	169,957
	$ 5,298,931	$ 6,022,063	$ (1,024,153)	$ 10,296,841

18. 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 $65,433 and $59,382, 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. *Nominal rates used in actuarial calculations are as follows:*

	2018	2017
	%	%
Discount of the projected benefit obligation at present value	9.75%	9.25%
Salary increase	4.5%	4.50%
Salary increase (minimum by law)	3.5%	3.50%

Unamortized items are applied during the year.

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

	2018	2017
Service cost:		
Current service cost	$ 49,915	$ 45,615
Net interest expense	46,411	39,905
	$ 96,326	$ 85,520
Remeasurement on the net defined benefit liability:		
Actuarial gains arising from changes in demographic assumptions	$ -	$ -
Actuarial losses (gains) arising from experience adjustments	5,885	18,957
Total	$ 5,885	$ 18,957

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

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

	2018	2017
Present value of the defined benefit obligation as of January 1,	$ 538,043	$ 453,664
Current service cost	96,326	85,520
Payments made against the reserve	(30,853)	(20,098)
Cost recognized through comprehensive income	5,885	18,957
Present value of the defined benefit obligation as of December 31,	$ 609,401	$ 538,043

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 100 basis points lower, the defined benefit obligation would have increased by $43,087.

If the expected salary growth had decreased by 100 basis points, the defined benefit obligation would have decreased by $33,966.

If the life expectancy had increased by one year for both men and women, the defined benefit obligation would have increased by $741.

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.

19. 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 2017.

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 note 17 offset by cash and cash equivalents) and equity of the Entity (comprising issued capital, reserves, and retained earnings as detailed in Note 21)

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:

	2018	2017
Debt [i]	$ 10,126,883	$ 5,065,827
Cash	1,251,570	1,521,746
Net debt	$ 8,875,313	$ 3,544,081
Controlling interest [ii]	$ 29,323,631	$ 28,149,567
Net debt to equity ratio	30.3%	12.6%

[i] *Debt is defined as long- and short-term borrowings, as described in Notes 17 and 16.*

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

b. Financial instruments categories

	2018	2017
Financial assets		
Cash	$ 1,251,570	$ 1,521,746
Loans and receivables:		
Accounts and notes receivable - Net	1,365,817	1,035,073
Current accounts receivable from related parties	25,105	17,098
Non-current accounts receivable from related parties	37,035	37,035
Long-term accounts receivable	94,765	94,766
Guarantee deposits	493,804	363,156
At fair value		
Current derivative financial instruments	4,689	-
Long term derivative financial instruments	90,207	71,469
Financial liabilities		
At amortized cost:		
Accounts and notes payable to suppliers	$ 18,798,343	$ 14,596,910
Other accounts payables [*]	2,801,652	2,186,232
Current borrowing with financial institutions	72,616	150,000
Current portion of long-term debt	337,794	439,409
Current portion of lease obligations	79,389	80,302
Long-term debt	9,716,473	4,476,418
Collection rights of trust contracts	527,525	633,909
Lease obligations	90,568	152,802

[*] *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:

	2018	2017
Assets	$ 211,114	$ 101,543
Liabilities	(558,830)	(187,110)
Net US dollar liabilities	$ (347,716)	$ (85,567)
Year-end exchange rate ($ per 1 dollar)	19.7	19.6

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:

	2018	2017
Assets	$ 13,263	$ 19,035
Liabilities	(19,386)	(13,851)
Net US dollar assets (liabilities)	$ (6,123)	$ 5,184
Year-end exchange rate ($ per 1 dollar)	19.7	19.6

- Approximately 2.37% and 2.46% of goods inventories were imported by the Entity in 2018 and 2017, respectively.
- Transactions in thousands of US dollars as of December 31, 2018 and 2017 include import purchases of $83,122 and $77,910, 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 $24,104 and ($20,463) for the years ended December 31, 2018 and 2017, 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.

f. 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 $5,220 and $28,223 as of December 31, 2018 and 2017, 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.

g. 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, 2018 and 2017 is $2,168,032 and $1,606,528, respectively.

h. 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 17.

- Interest and liquidity risk tables

The following tables as of December 31, 2018 and 2017 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.

2018	One year	Two years	Three years	More than three years	Total
Borrowings with financial institutions	$ 72,655	$ -	$ -	$ -	$ 72,655
Long-term liabilities (including current portion) (*)	960,729	1,139,127	2,895,037	7,473,471	12,468,364
Various debtors	2,801,652	-	-	-	2,801,652
Accounts and notes payable to suppliers	18,798,343	-	-	-	18,798,343
Collection rights of trust contracts (*)	186,876	119,096	82,479	405,532	793,983
Lease obligations	85,759	42,411	27,908	28,594	184,672
Total	$ 22,906,014	$ 1,300,634	$ 3,005,424	$ 7,907,597	$ 35,119,669

(*) *TIIE 8.87% and LIBOR 1.78% for interest projection plus spread of each credit.*

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 1.37% for interest projection plus spread of each credit.*

The following tables as of December 31, 2018 and 2017 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.

2018	Less than 1 year	More than 1 year and less than 5	More than 5 years	Total
Derivative financial instruments	$ (39,057)	$ (70,585)	$ -	$ (109,642)

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)

i. 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.

	2018	2017
Financial Assets		
Long term receivables	$ 94,765	$ 94,766
Current accounts receivable from related parties	25,105	17,098
Non-current accounts receivable from related parties	37,035	37,035
Financial Liabilities		
Collection rights of trust contracts	527,525	633,909
Borrowings with financial institutions	72,616	150,000
Current portion of long-term liabilities	337,794	439,409
Long-term debt	9,716,473	4,476,418

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, 2018:

Type of derivative contract or value	Notional amount	Reference variable	Fair Value	Amount due by year	Collateral
Interest rate TIIE Swap	$ 487,5000	TIIE at 28 days	$ 26,838	$ 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.

Type of derivative contract or value	Notional amount	Reference variable	Fair Value	Amount due by year	Collateral
Interest rate TIIE Swap	288,549	TIIE at 28 days	10,680	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	4,690	$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	992,390	TIIE at 28 days	40,145	$ 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.
Interest rate TIIE Swap	669,332	TIIE at 28 days	11,984	$ 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	TIIE at 28 days	559	$ 653,855 in 2019	No collateral while the credit line or "Threshold" is not exceeded $27 million of US dollars.
Total			$ 94,896		

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.

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	TIIE at 28 days	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		

20. 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, 2018 and 2017, the Entity had recorded collection rights of $527,525 and $633,909, respectively, and a long-term account receivable as of December 31, 2018 and 2017 of $94,765 and $94,766, respectively.

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

21. Stockholders' equity

Common stock as of December 31, 2018 and 2017 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 2, 2018 approved a cash dividend payable to the Entity's shareholders in the amount of $0.39 (thirty-nine 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 $376,633.

b. 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.

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, 2018 and 2017, 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:

	2018	2017
Contributed capital account (CUCA)	$ 6,818,330	$ 6,504,178
Net tax profit account (CUFIN)	10,296,863	10,354,355

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, 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.

At December 31, 2018, Bodega Latina Co. subsidiary of the Group, has reduced its capital in 250,049 shares, which generated a premium reduction in capital of $48,512 for the overpayment on such shares.

22. Other comprehensive income

	2018	2017
Cumulative translation adjustment	$ 617,304	$ 612,541
Financial instruments measurement, net of deferred taxes	74,434	56,871
Remeasurement of defined benefit obligations, net of deferred taxes	(56,522)	(52,510)
Total	$ 635,216	$ 616,902

a. Cumulative translation adjustment

	2018	2017
Balance at beginning of the year	$ 612,541	$ 692,390
Cumulative translation adjustment	4,763	(79,849)
Balance at end of the year	$ 617,304	$ 612,541

b. Effect for financial instruments measurement

	2018	2017
Balance at beginning of the year	$ 56,871	$ 2,348
Net profit for financial instruments measurement	25,090	77,890
Income taxes related to valuation of derivative instruments	(7,527)	(23,367)
Balance at end of the year	$ 74,434	$ 56,871

c. Remeasurement of defined benefit obligations

	2018	2017
Balance at beginning of the year	$ (52,510)	$ (27,069)
Remeasurement of defined benefit obligations	(5,733)	(36,344)
Income taxes related to remeasurement of defined benefit obligations	1,721	10,903
Balance at end of the year	$ (56,522)	$ (52,510)

23. Retained earnings

	2018	2017
Balance at beginning of the year	$ 23,668,102	$ 21,939,589
Net income attributable to owners of the Entity	2,063,630	2,079,120
Dividends paid	(376,633)	(318,093)
SIBRA tax effect	(425,230)	-
Purchase of non-controlling interest	(33,195)	(17,461)
Changes on non-controlling interest	(24,310)	(15,053)
Balance at end of the year	$ 24,872,364	$ 23,668,102

24. Non-controlling interest

	2018	2017
Balance at beginning of year	$ 282,607	$ 327,860
Participation in comprehensive income	(13,196)	38,235
Acquisition of non-controlling interest	(29,348)	(83,488)
Balance at end of the year	$ 240,063	$ 282,607

25. Earnings per share

	2018	2017
	Earnings per share	Earnings per share
Basic and diluted earnings per share	$ 2.14	$ 2.16

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

	2018	2017
Net income attributable to owners of the Entity	$ 2,063,630	$ 2,079,120
Weighted average number of ordinary shares for the purposes of basic earnings per share	963,917,211	963,917,211
Treasury shares as of December 31,	3,014,173	$ 2,210,647

26. Transactions and balances with related parties

The balances and transactions between the Entity and its subsidiaries, which are related parties of the Entity, have been eliminated in the consolidation and are not disclosed in this note. The transactions between the Entity and other related parties are detailed below.

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

	2018	2017
Leases revenues	$ 2,673	$ 3,116
Administrative revenues	4,319	4,334
Financial portal revenues	6,240	7,646
Air transportation revenues	20,355	8,488
Concrete sale revenues	2,521	5,142
Interest revenues	-	26
Leases expenses	(32,535)	(31,007)
Maintenance expenses	(142,467)	(131,703)
Interest expenses	(527)	(272)

b. Balances receivable from related parties are as follows:

	2018	2017
Operadora de Inmobiliarias del Sureste, S. A. de C. V.	$ 63	$ 110
SIBRA Sureste, S. A. de C. V.	127	219
Others	32,932	30,698
Total	$ 33,122	$ 31,027

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

	2018	2017
Operadora de Inmobiliarias del Sureste, S. A. de C. V.-	$ 37,035	$ 37,035
Total	$ 37,035	$ 37,035

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

	2018	2017
Supervisión y Mantenimiento de Inmuebles, S. A. de C. V	$ 7,971	$ 13,929
Hípico Coapexpan, S. A. de C. V.	46	-
Total	$ 8,017	$ 13,929
Accounts receivables from related parties	$ 25,105	$ 17,098

e. Accounts receivables from related parties:

	2018	2017
Direct benefits	$ 532,933	$ 411,689
Variable benefits	226,458	214,536
	$ 759,391	$ 626,225

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

27. 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 $1,772,504 and $1,301,612 as of December 31, 2018 and 2017, respectively.

Operating lease commitments not subject to cancellation

	2018	2017
No more than 1 year	$ 1,378,843	$ 1,280,297
More than 1 year and no more than 5 years	3,958,972	3,657,566
More than 5 years	5,766,940	5,141,790
	$ 11,104,755	$ 10,079,653

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 $898,292 and $815,657, as of December 31, 2018 and 2017, respectively.

The operating expenses related to the rental income earned from the investment properties amounted to $110,493 and $198,213 as of December 31, 2018 and 2017, respectively.

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

	2018	2017
No more than one year	$ 760,945	$ 666,762
More than 1 year and no more than 5 years	1,379,515	1,170,766
More than 5 years	912,182	820,364
	$ 3,052,642	$ 2,657,892

This includes obligations related to trust receivables for $527,525 and $633,909 in 2018 and 2017, respectively.

28. Financing cost

In 2018 and 2017, acquired qualifying assets amounted to $2,111,802 and $1,880,641, respectively, and capitalized comprehensive financing cost was $32,565 and $68,181, respectively. The capitalization of comprehensive financing cost was determined using an annualized average rate of 8.51% and 7.44% and in 2018 and 2017, respectively.

29. Income taxes

The Entity is subject to ISR. According to the Income Tax Law, the rate for 2018 and 2017 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 December 31, 2018, the Entity completed the review process that the tax authority opened in two subsidiaries that applied fiscal stimulus on real estate contributions to investment companies in real estate (SIBRA).

The cash flows of payments related to income tax increased during the year ended December 31, 2018 were $1,318,287, which are presented within operating activities in the statement of cash flows.

The foreign subsidiary is subject to a federal income tax of 21% with no change foreseen for subsequent years; however, the state taxes of California, Texas, New Mexico, Nevada and Arizona (locations with presence of their stores) represent; on average, an additional rate of 5%, which may vary in subsequent years depending on the business loans for employment and incentives granted by the state government. The average state rate for 2017 was 8%.

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

	2018	2017
ISR expense:		
Incurred	$ 843,443	$ 313,523
Deferred	169,135	806,668
	$ 1,012,578	$ 1,120,191

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:

	2018	2017
Legal rate	30%	30%
Effects of inflation	(3%)	(9%)
Not deductible	7%	7%
Others, mainly expiration of tax loss carryforwards	(1%)	7%
Effective rate	33%	35%

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

	2018	2017
Deferred ISR asset:		
Effect of tax loss carryforwards	$ 354,635	$ 795,484
Allowance for doubtful accounts	8,763	8,182
Inventories	42,442	73,119
Accrued expenses	1,161,236	1,165,640
Deferred ISR asset	$ 1,567,076	$ 2,042,425
Deferred ISR liability:		
Other assets	(376,909)	(483,349)
Property and equipment	(4,059,876)	(2,477,846)
Deferred ISR liability	$ (4,436,785)	$ (2,961,195)
Total liability	$ (2,869,709)	$ (918,770)
Deferred tax assets	$ 752,932	$ 882,238
Deferred tax liabilities	(3,622,641)	(1,801,008)
Total liability	$ (2,869,709)	$ (918,770)

As of December 31, 2018 and 2017, 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 2018, 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, 2017, 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, 2018, are:

Expiration year	Tax loss carryforwards
2021	$ 36,210
2022	56,969
2023	131,225
2024	415,348
2025	188,876
2026	132,050
2027	180,858
2028	40,579
Total	$ 1,182,115

30. Contingencies

a. As of December 31, 2018 and 2017, 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. 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.

31. Reportable segments

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:

Segment	Revenues	
	2018	2017
Domestic supermarkets	$ 71,587,204	$ 67,027,184
US supermarkets	43,524,968	26,706,785
Real estate	918,707	848,546
Consolidated	$ 116,030,879	$ 94,582,515

There are no individual clients that have contributed on 10% or more of the Entity's revenues for 2018 and 2017.

Segment	Profit before financing cost, and income taxes 2018	2017
Domestic supermarkets	$ 3,444,545	$ 3,178,303
US supermarkets	313,468	620,836
Real estate	788,883	619,138
Consolidated	$ 4,546,896	$ 4,418,277

Segment	Total assets 2018	2017
Domestic supermarkets	$ 44,052,352	$ 37,898,703
US supermarkets	10,731,530	5,698,759
Real estate	8,924,786	7,122,303
Non-assignable items	4,535,415	4,285,939
Consolidated	$ 68,244,083	$ 55,005,704

Segment	Depreciation and amortization 2018	2017
Domestic supermarkets	$ 1,270,384	$ 1,200,319
US supermarkets	716,715	413,186
Real estate	6,671	7,312
Consolidated	$ 1,993,770	$ 1,620,817

Segment	Net fixed asset investments 2018	2017
Domestic supermarkets	$ 2,007,695	$ 912,736
US supermarkets	1,641,911	(23,891)
Real estate	446,920	477,584
Non-assignable items	29	69
Consolidated	$ 4,096,555	$ 1,366,498

32. Authorization to issue the consolidated financial statements

The issuance of the accompanying consolidated financial statements was authorized on March 14, 2019 by 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.

* * *

CORPORATE HEADQUARTERS

MEXICO HEADQUARTERS
Avenida Constituyentes 1150
Colonia Lomas Altas
11950 Mexico City, Mexico
Phone +52 (55) 1103 8000

XALAPA HEADQUARTERS
Privada Antonio Chedraui Caram 248
Colonia Encinal
91180 Xalapa, Veracruz
Phone +52 (228) 842 1100

STOCK EXCHANGE
Mexican Stock Exchange (BMV):
ticker CHDRAUI

AUDITOR
Galaz Yamazaki, Ruiz Urquiza, S.C.
(Deloitte Touche Tohmatsu)

INVESTOR RELATIONS
Jesús Arturo Velázquez Díaz
Head of Investor Relations
Phone +52 (228) 842 1117
avelazquez@chedraui.com.mx



CHDRAUI

DESIGN & PHOTOGRAPHY | 33VISUAL

This annual report may contain future projections about Grupo Comercial Chedraui S.A.B. de C.V. and its subsidiaries based on assumptions made in good faith by management. Such information, as well as any statements about future events and expectations, are subject to risks and uncertainties as well as factors that could cause the results, performance or profits of the company to be completely different at any time in the future. Such factors include changes in general economic conditions, domestic and international governmental and/or business policies as well as changes in interest rates, inflation and volatility in foreign exchange rates, etc.

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.