CHEDRAUI
cuesta menos



2016 ANNUAL REPORT









OUR SIGHT ON THE **SAME GOAL**

OUR CLIENT

CONTENT

1 *Financial highlights*
2 *Presence in Mexico and the United States*
4 *Message to our shareholders*
8 *Chedraui today*
10 *Chedraui's strategy and experience*
12 *Retail in Mexico*
14 *Retail in the United States*
16 *Real estate segment*
26 *Sustainability*
20 *Report in extense*
32 *Management's discussion and analysis*
35 *Management Team*
37 *Board of Directors*
38 *Auditing and Corporate Practices Committee Report*
42 *Consolidated Financial Statements*



FINANCIAL HIGHLIGHTS

CONSOLIDATED INCOME STATEMENT

figures in millions of pesos (*) (**)	2015	2016	%
Net Sales	78,648	**88,529**	12.6
Gross Profit	15,580	**18,216**	16.9
Operating Expenses	10,599	**12,469**	17.6
EBITDA	4,981	**5,747**	15.4
Net Majority Income	1,740	**1,953**	12.3
Basic Earning per Share *	1.80	**2.03**	12.8
Share Price (Dec 31) *	45.9	**37.1**	-19.2
Outstanding Shares**	963,917,211	**963,917,211**	

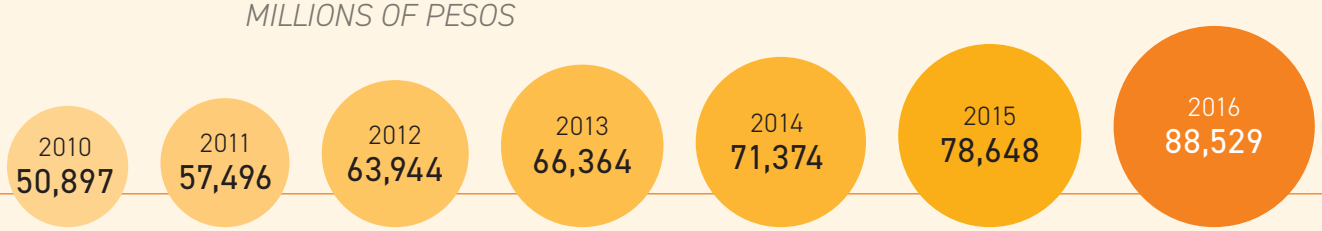
** figures in pesos ** figures in units*

CONSOLIDATED BALANCE SHEET

figures in millions of pesos	2015	2016	%
Cash	2,048	**943**	-54.0
Inventories	7,495	**8,942**	19.3
Fixed Assets (net)	28,142	**29,898**	6.2
Total Assets	50,708	**53,279**	5.1
Suppliers	11,266	**12,212**	8.4
Total Liabilities	25,619	**26,341**	2.8
Mayority Shareholder Investment	24,790	**26,610**	7.3

SUSTAINED GROWTH 9.7%

CAGR SALES
MILLIONS OF PESOS



PRESENCE IN MEXICO

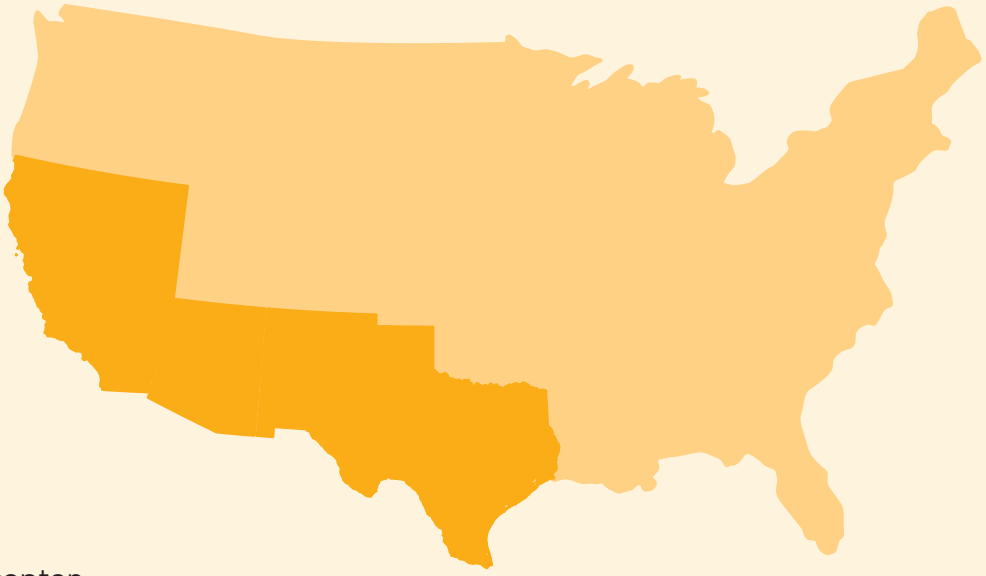




- 173 Chedraui stores
- 54 Súper Chedraui
- 7 Súper Che
- 6 Distribution centers

234 STORES

PRESENCE IN
THE UNITED STATES



- 5 Arizona
- 47 California
- 3 Nevada
- 1 New Mexico
- 2 Texas
- 1 Distribution center

58 STORES



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



DEAR SHAREHOLDERS:

As always, Chedraui's goal in 2016 was our customers. We continue to strengthen our knowledge of our consumers to continue offering them a superior and differentiated shopping experience that will exceed their expectations.

The Mexican economy saw a growth of 2.3%, slightly below last year's 2.5%. The behavior of the retail sector surpassed once again the economy. Chedraui recorded a growth in Mexico of 7.4%, firmly establishing our position as the third largest food retailer in the country.

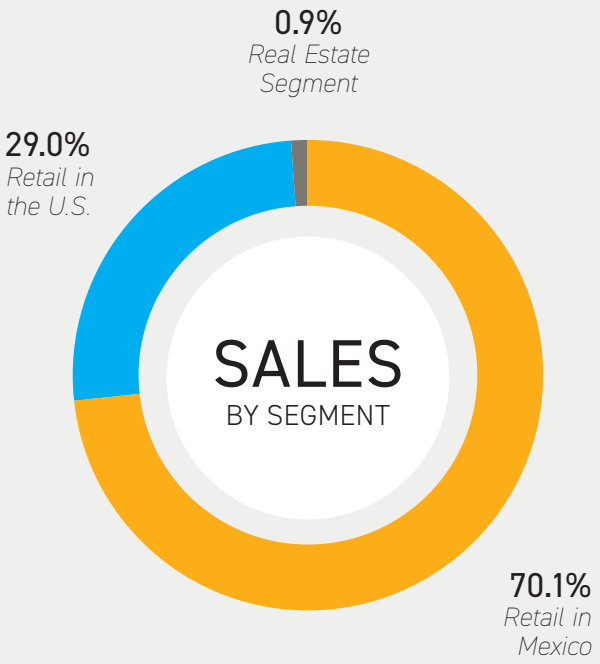
In 2016, our consolidated sales were $88,529 million, that is, a 12.6% increase over 2015. In addition to our income, we increased our total sales floor area by 3.4%, opening 14 new stores and bringing the number to 292. We achieved this through total capital expenditure (Capex) of $3,427 million, going mainly to store openings, maintenance of existing stores and cutting-edge technology.

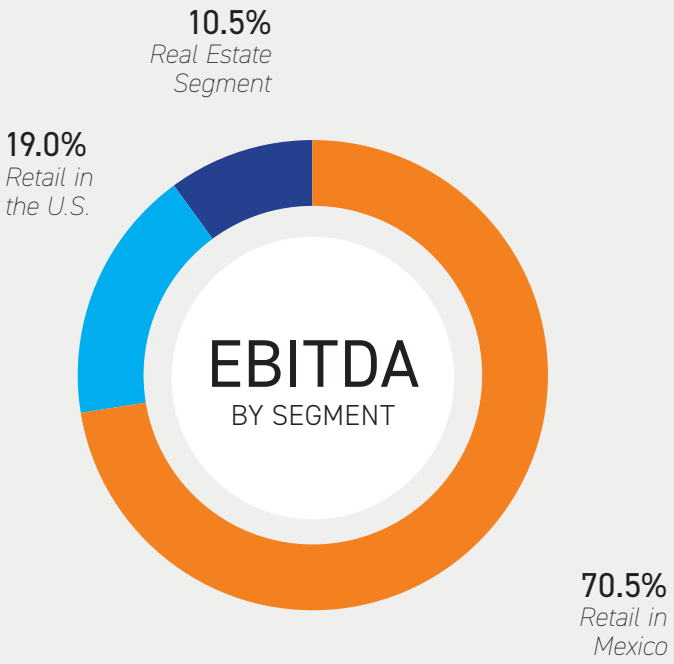
We believe that a large part of our long-term growth and profitability will depend directly on our knowledge of our customers. That is why we launched Mi Chedraui in 2016, a program aimed at deepening the analysis of customers' shopping behaviors and habits, to offer them specific and more valuable products and promotions in their preferred channel.

Mi Chedraui is based on a robust technology platform that identifies customers based on variables such as shopping habits and frequency, age, family status and several factors that enable us to tailor our campaigns.

This is closely related to omnichannel sales, which mean offering our customers the same shopping experience each time they come into contact with Chedraui and making it extraordinary, regardless of the channel they choose. Of course this involves having the mechanisms to bring customers their preferred products through their preferred channels.

SEGMENT SHARE

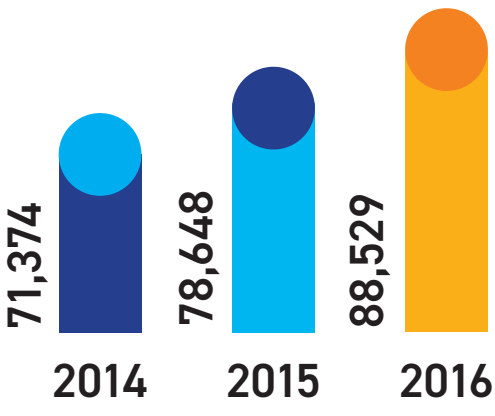






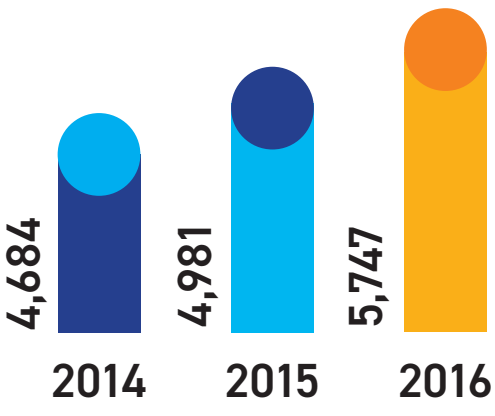
NET SALES
millions of pesos

12.6% ↑



EBITDA
millions of pesos

15.4% ↑



But we go beyond that, we also want to know what they think of us.

That is why we assess their perception at least twice a year, asking them about their shopping experience and obtaining performance indicators that are valuable for our continuous improvement.

For their part, our retail stores in the United States, which serve mainly first, second and third generation Mexican-American consumers, recorded outstanding results. As part of its growth strategy, El Super opened four stores in California, Texas and New Mexico, reaching 58 in all, penetrating new markets that bring new growth opportunities for the future.

The shopping centers managed by our Real Estate Division and anchored by one of our stores, recorded once again a positive year with a 97.9% occupancy rate. The Real Estate Division is extremely important to the Company because it complements our retail offer and generates significant flow.

Our sustainability model is based on achieving profitability while generating social and environmental benefits, because we believe that part of our responsibility is leaving a better country and a better planet for future generations.

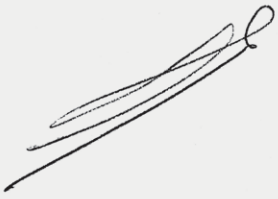
The Chedraui Foundation is our community liaison mechanism, and its work in the areas of health, housing, nutrition, education, welfare and assistance to people affected by natural disasters is essential for the communities involved. For their part, the Liceos de Artes y Oficios offer courses, high school and technical programs to young people in Veracruz, Villahermosa and Xalapa. In 2016 alone, they served more than 1,900 students.

In terms of the environment, we adopt measures aimed at reducing our carbon footprint, such as using clean sources of energy, such as wind, instead of traditional sources. During 2016, we recorded a reduction of 175,433 tons of CO_2 thanks to the use of wind power, a decrease equivalent to planting a total of 8,771,627 trees. As every year, these measures were additional to our recycling and power, water, paper, carton and plastic saving campaigns.

The blood that runs through Chedraui's veins and brings it to life is its 39,193 employees in Mexico and 5,821 in the United States; they are the key to our success. Our goal is to reward their committed and professional work by offering them a healthy work environment that promotes personal, social and professional growth.

Thanks to this, Chedraui was recognized for the fifth year in a row as one of the best companies to work for by the Great Place to Work Institute Mexico.

Our stockholders also play an essential role in these results. The Board of Directors would like to thank them for their trust, opinions and suggestions, which push us to maintain our direction and continue living by our mission: "To provide our customers with outstanding value, by offering the products they desire, at the lowest possible price."



Alfredo Chedraui Obeso

CHAIRMAN OF THE BOARD OF DIRECTORS



José Antonio Chedraui Eguía

CHIEF EXECUTIVE OFFICER

CHEDRAUI TODAY

Chedraui is a publicly owned company with variable capital created under the name Grupo Comercial Chedraui, S.A.B. de C.V., that operates hypermarkets and supermarkets in Mexico and the United States and has a real estate division. In 2016, Chedraui recorded income of $88,529 million, a 12.6% increase over the previous year.

Chedraui stands out from its competitors in three main areas: providing the lowest prices; having the best and most diverse store by store assortment; and offering the most complete shopping experience for all customers at any point of contact with the Company, through comfortable, clean and well-signed stores.

RETAIL IN MEXICO

Chedraui is the third largest food reatiler in Mexico, where it has 234 stores located in 25 states, under three different formats: Tienda Chedraui (173), Súper Chedraui (54) and Súper Ché (7), which vary, among other things, in size and assortment. The Selecto concept, aimed at customers with higher purchasing power, is present in the two first formats.

Súper Ché stores are an innovative concept that operate as proximity stores with surfaces ranging between 1,000 and 1,200 m^2, which enable us to complement our value offer. The retail segment in Mexico, our most important segment in terms of size and income, increased its sales by 7.4% compared to 2015. It is worth noting that this segment contributed with 70.1% of Chedraui's consolidated income.

RETAIL IN THE UNITED STATES

Located in five southwestern states in the United States, our supermarkets in that country serve first, second and third generation Mexican-American consumers. In 2016, El Super opened four locations in the states of California, Texas and New Mexico, reaching a total of 58 stores.

El Super offers perishables, edible and inedible groceries. The segment recorded a significant 27.4% sales increase and accounted for 29% of Chedraui's consolidated income. We continue to strengthen our strategy to grow organically or through acquisitions where the market so demands in our area of influence

CHEDRAUI OFFERS THE LOWEST PRICE AND PROVIDES THE MOST COMPLETE SHOPPING EXPERIENCE FOR ALL CUSTOMERS, THROUGH COMFORTABLE, CLEAN AND WELL-SIGNED STORES.

REAL ESTATE BUSINESS

Our shopping centers, anchored by one of our stores, are an essential part of our product and service portfolio. At the close of 2016, the Real Estate Division recorded a 97.9% occupancy rate and accounted for 0.9% of Chedraui's consolidated income.



RETAIL IN MEXICO THIS SEGMENT OPERATES 234 STORES IN 25 STATES IN MEXICO



RETAIL IN THE U.S. SEGMENT'S SALES INCREASED 27.4% IN 2016

HISTORIC GROWTH 7.4%

CAGR STORES

2010	2011	2012	2013	2014	2015	2016
190	219	243	256	265	278	292

CHEDRAUI
STRATEGY AND EXPERIENCE



OUR STRATEGY FOCUSES ON OFFERING THE MOST COMPLETE SHOPPING EXPERIENCE FOR ALL OUR CUSTOMERS

The main principle of Chedraui's commercial strategy is to offer each of our customers an extraordinary shopping experience that exceeds their expectations.

To do so we strive to have clean, comfortable and well-signed stores that offer high-quality products at the lowest prices and with the best assortment. In Chedraui we carry out daily market checks in the competitors' stores, covering a wide variety of products, both locally and centrally.

This enables us to guarantee our customers that they will find the best prices, regardless of their location or the store they visit.

We offer the best store by store assortment. We know this because we offer a product mix based on our customers' preferences and needs, nearby competitors and the region where each store is located, so our offer satisfies all customer types and economies.

Tiendas Chedraui have, on average, 75,000 SKUs, while Súper Chedraui and Súper Che stores offer approximately 23,000 and 7,500 SKUs, respectively.

As an added service, each of our stores can receive payment of electricity, property tax and cable TV, as well as credit cards, cash withdrawal on debit cards, and remittances from the United States.

In addition, all our stores have high standards of cleanliness, lighting, signage and parking space.

Mi Chedraui is the new element of our strategy to offer the best shopping experience for our customers.

The goal of the program is to increase our knowledge of our customers by analyzing their shopping behavior and habits, to offer them specific products and promotions through their preferred channel.

Mi Chedraui is an essential part of our focus on omnichannel sales.

A vital part of omnichannel sales is recognizing each customer's particular characteristics and consumer behaviors, so that we can send them personalized offers, whether via mobile phone, email, store coupon or any other means.

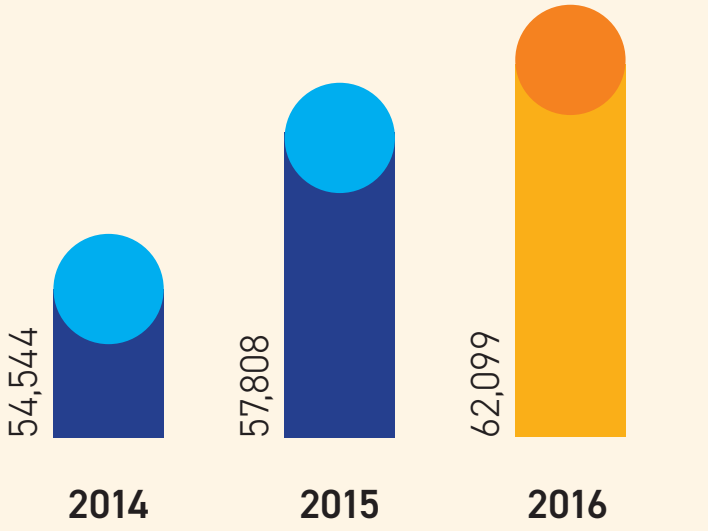
We believe this way of interacting with customers will gradually replace mass promotions, that is why in the short and medium term we will continue to invest in initiatives such as Mi Chedraui and others related to omnichannel sales.

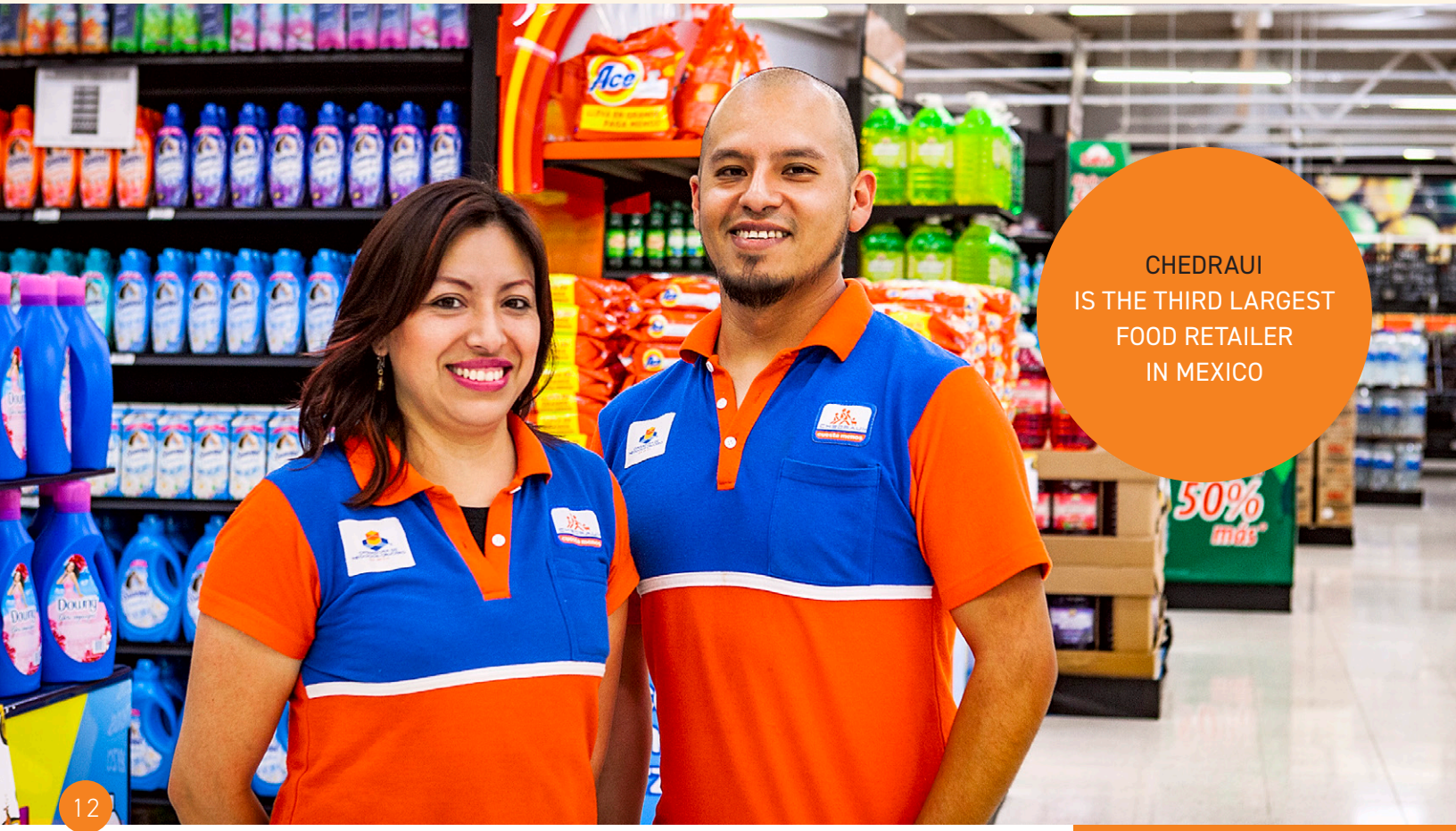


RETAIL IN MEXICO

NET SALES
millions of pesos

VAR. 7.4% ↑





CHEDRAUI
IS THE THIRD LARGEST
FOOD RETAILER
IN MEXICO



WE HAVE A NETWORK OF 234 STORES, OF WHICH 173 ARE CHEDRAUI STORES, 54 ARE SÚPER CHEDRAUI AND 7 ARE SÚPER CHE

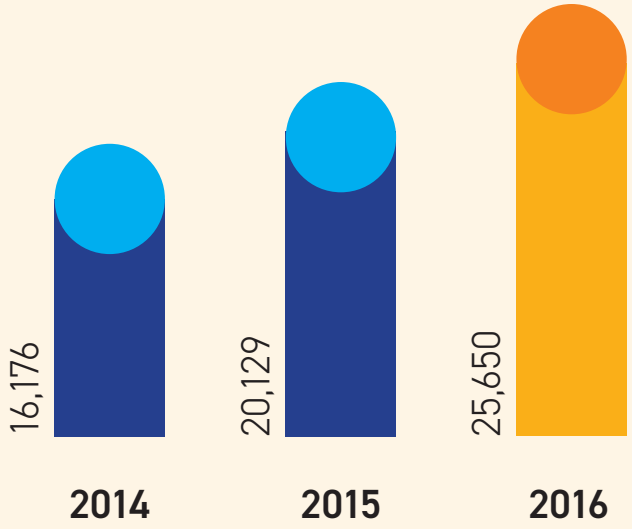
SIXTEEN OF OUR STORES OPERATE UNDER THE SELECTO CONCEPT

RETAIL IN MEXICO CONTRIBUTED 70.5% OF CHEDRAUI'S CONSOLIDATED EBITDA IN 2016

RETAIL IN THE UNITED STATES

NET SALES
millions of pesos

VAR. 27.4% ↑





IN 2016 WE OPENED FOUR NEW STORES, ONE IN CALIFORNIA, TWO IN TEXAS AND ONE IN NEW MEXICO



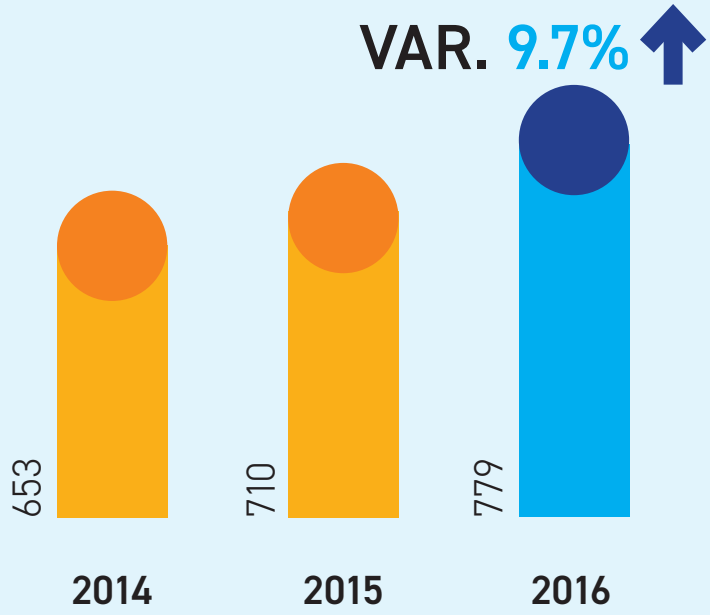
OUR NETWORK CONSISTS OF 58 STORES IN SOUTHWEST U.S.

EL SUPER HOLDS A LEADERSHIP POSITION IN LOS ANGELES, CALIFORNIA AND SUBURBS

THE LOS ANGELES DISTRIBUTION CENTER HAS A SURFACE OF 27,871 M^2

REAL ESTATE DIVISION

NET INCOME
millions of pesos





THE REAL ESTATE DIVISION HAS A GROSS LEASABLE AREA OF 328,486 M^2



THE REAL ESTATE SEGMENT MANAGES, BUILDS AND REFURBISHES CHEDRAUI'S PROPERTIES, BOTH OWNED AND LEASED

THE REAL ESTATE DIVISION IS AN IMPORTANT SOURCE OF REVENUES FOR THE COMPANY

SEGMENT'S OCCUPANCY RATE AT YEAR END WAS 97.9%

CHEDRAUI SUSTAINABILITY



WE DECREASED OUR CARBON FOOTPRINT, RECORDING A REDUCTION OF 175,433 TONS OF CO_2



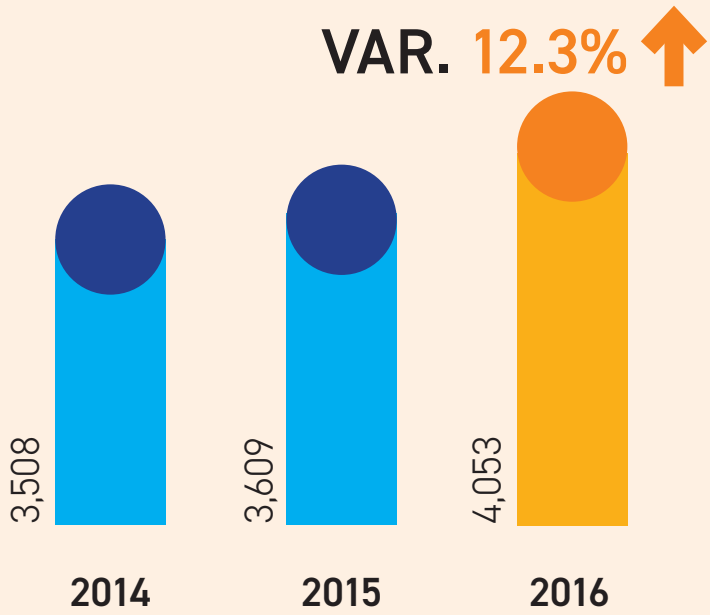
SINCE ITS FOUNDATION, THE *LICEOS DE ARTES Y OFICIOS* HAVE TRAINED MORE THAN 40,000 STUDENTS


WE INVESTED NEARLY $13 MILLION IN EMPLOYEE TRAINING, EQUIVALENT TO 824,490 MAN-HOURS
THE SUPPORT GIVEN BY THE CHEDRAUI FOUNDATION IN 2016 AMOUNTED TO $46,607,277 IN SOCIAL INVESTMENT

EXTENDED REPORT
RETAIL IN MEXICO



EBITDA
millions of pesos



Chedraui's primary business is retail in Mexico, including three formats, Tienda Chedraui, Súper Chedraui and Súper Che, which differ in size and assortment.

Selecto, in turn, is a concept that exists in the Tiendas Chedraui and Súper Chedraui formats and serves customers with greater purchasing power than the average population.

In 2016 we opened four new Tiendas Chedraui and six new Súper Chedraui —a 2.8% increase in our sales floor surface— for a total of 234 stores in Mexico (173 Tiendas Chedraui, 54 Súper Chedraui and 7 Súper Che).

With this network, Chedraui is now present in 25 states in Mexico and is the third largest food retailer in the country.

Because our commitment to our customers has always been an essential part of our commercial strategy, we want them to always have a superior experience. That is why, regardless of the location or the city, our customers can be sure that Chedraui stores are always well signed and have the best assortment, the highest quality and affordable prices.

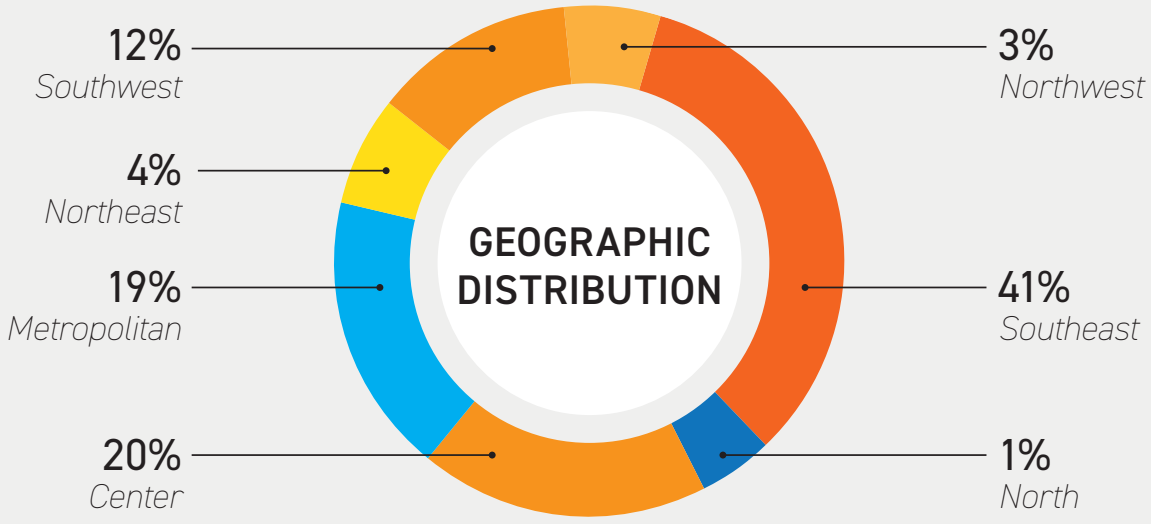
In 2016, we launched the Mi Chedraui program with the goal of learning more about our customers. It enables us to make a deeper analysis of our consumers' shopping behavior and habits.

We can then tailor our offer and promotions, regardless of the channel they use to come in contact with Chedraui.

Mi Chedraui operates on a technology platform that identifies individual customers based on attributes such as shopping habits, frequency of their visits, age, family situation and other variables that enable us to customize our offers with products they need.

Mi Chedraui strengthens our omnichannel sales concept, aimed at offering our customers a unique shopping experience in their preferred channel.

STORES LOCATION



ANTAD'S CLASSIFICATION

ANTAD: Asociación Nacional de Tiendas de Autoservicio y Departamentales



In 2016, our retail segment in Mexico recorded 4.5% growth in same-store sales, for a total of $62,099 million.

This was 7.4% higher than the previous year and accounted for 70.1% of Chedraui's consolidated income.

Retail in Mexico generated $4,053 million in EBITDA, that is, 12.3% higher than 2015, and accounted for 70.5% of the Group's consolidated EBITDA.

STORE FORMATS

Tiendas Chedraui are located in cities of at least one hundred thousand inhabitants, have an average sales floor of 6,838m^2 and had a total of 29,558 employees at the close of 2016.

They sell edible and inedible, perishable groceries, clothing, general and electronic goods and, of the 173 Tiendas Chedraui that operate nationwide, 12 do it under the Selecto concept.

Súper Chedraui stores are located in cities of at least 25,000 inhabitants and large cities as a proximity format, have an average sales floor of 2,166 m^2 and, at year end 2016, had 5,394 employees. They sell edible and inedible, perishable groceries, general and electronic goods and, of the 54 Súper Chedraui that operate nationwide, four do it under the Selecto concept.

Finally, the company has seven Súper Ché stores, which operate in large cities as a proximity format and have an average sales floor of 1,000m^2.

DISTRIBUTION CENTERS

Our six distribution centers handle 81% of the dry merchandise, 54% of the perishables and 68% of the produce we buy, therefore playing an important role in Chedraui's operation.

Zumpango, State of Mexico

- Surface: 59,100m^2
- Service capacity: 235 stores
- Merchandise: dry, refrigerated and frozen
- In 2016 it handled 70.4 million boxes of dry merchandise, 5.1 million boxes of produce and 9.3 million boxes of perishable goods
- Docks: 169

Villahermosa, Tabasco

- Surface: 60,457 m^2
- Service capacity: 122 stores
- Merchandise: dry, refrigerated and frozen
- In 2016 it handled 31.7 million boxes of dry merchandise, 3.6 million boxes of produce and 4.7 million boxes of perishable goods
- Docks: 169

Monterrey, Nuevo León

- Surface: 883 m^2
- Service capacity: 18 stores
- Merchandise: produce
- In 2016 it handled 2.4 million boxes
- Docks: 16

La Paz, Baja California Sur

- Surface: 506 m^2
- Service capacity: 10 stores
- Merchandise: frozen and imported products
- In 2016 it handled 256,000 boxes of merchandise
- Docks: 4

Guadalajara, Jalisco

- Surface: 10,386 m^2
- Service capacity: 36 stores
- Merchandise: dry, refrigerated and frozen
- In 2016 it handled 8 million boxes of dry merchandise, 836 million boxes of produce and 742 million boxes of perishable goods
- Docks: 30

Cancún, Quintana Roo

- Surface: 4,807 m^2
- Service capacity: 38 stores
- Merchandise: Dry
- In 2016 it handled 3.2 million boxes
- Docks: 14



EXTENDED REPORT
RETAIL IN THE UNITED STATES



Our retail business in the United States serves mainly first, second and third generation Mexican-American consumers. It offers the same commitment to the best prices, assortment and quality as our stores in Mexico. Our network of stores north of the border saw an increase of four new units in 2016, one in California, two in Texas and one in New Mexico.

This brings our total number of stores in the U.S. to 58 and a total sales floor surface of 150,292m^2, with an average of 2,591m^2 per store. Furthermore, El Super is the leader in the Hispanic market in Los Angeles, California.

El Super chain offers high-quality groceries and perishables that are supplied mainly from our Los Angeles distribution center, which has a total surface of 27,871m^2 and manages 54% of our network's total purchases.

This was a favorable year for our retail service in the U.S.; sales totaled $25,650 million, 27.4% higher than in 2015 and accounted for 29.0% of Chedraui's consolidated income.

The Hispanic population in the states where we have presence continues to grow significantly and the economic activity in the U.S. continues to be solid, favoring the future of this segment.

That is why we will continue to implement our commercial strategy in the country, whether by acquiring more stores or growing organically in our area of influence.

EXTENDED REPORT
REAL ESTATE SEGMENT

Chedraui's real estate segment has three main tasks: manage the Group's owned and leased properties; building and remodeling our stores in Mexico; and marketing and leasing our shopping centers. For this reason and the diversification it provides us in terms of income, the real estate segment is strategic for the Company. This segment now operates shopping centers anchored by a Tienda Chedraui or Súper Chedraui.

In total, it has a gross leasable area of 328,486m^2, and at year end 2016 the occupancy rate was 97.9%.

Our real estate segment recorded sales of $779 million and EBITDA of $601 million, which accounted for 0.9% of total income and 10.5% of Chedraui's consolidated EBITDA, respectively.

Because of the ideal mixture of variety offered in our shopping centers and our country's economic activity and demographic bonus, our expectations for this segment are positive.

Therefore, in Chedraui we are confident that the Real Estate Division will continue to be an important source of income for the Company.



EXTENDED REPORT
CHEDRAUI SUSTAINABILITY



SUSTAINABILITY

In Chedraui we are convinced that economic profitability and social and environmental performance are equally important. We are aware that sustainability is the only way we can guarantee a long-term presence and contribute to creating a better planet for future generations.

CORPORATE GOVERNANCE

Our commitment to sustainability begins with the Board of Directors and permeates throughout the company. A member of the Board is responsible for this matter, and there is a Sustainability and Social Responsibility Director. The Risk Assessment Committee oversees and determines the major risks facing the Group so they can be properly addressed.

Our Code of Ethics reflects our concern, attention and conduct to defend our company's values and principles, as well as our employees' human rights. We spread our Code of Ethics among our personnel so they comply with it and with all our policies; we also emphasize the importance of reporting any act that goes against our policies and preventing acts of corruption, bribery, money laundering, etc.

As one of the leaders in the sector, Chedraui interacts with various stakeholder groups: stockholders, customers, employees, suppliers, government authorities and communities in strict compliance with applicable laws. Our relationships with them are based on honesty, transparency, respect and joint responsibility. For more information on Corporate Governance, visit:

www.grupochedraui.com.mx

ENVIRONMENT

Our environmental strategy is based mainly on reducing our carbon footprint, making efficient use of resources such as energy, water and gas, and recycling materials such as cardboard, paper and plastics.

During 2016, we continued to solidify our initiatives to reduce our carbon footprint, recording a reduction of 175,433 tons of CO_2 thanks to the use of wind power. Such decrease is equivalent to planting a total of 8,771,627 trees, or to stop using 73,097 cars, or even to not consuming up to 85,577 oil barrels. We achieved this by continuing to use clean energy sources—such as wind power, which supplies 72% of power to our stores in Mexico—instead of traditional sources.

This is how we ratify our commitment to Mexico, to Mexicans and to the environment.

Our environmental commitment also includes saving water, a liquid that is vital for our own existence. During the year we saved more than 131 million liters of water thanks to our efficient sanitary services, several campaigns to educate people on the use and importance of water, and our treatment plants, which recycled 301,570,180 liters.

In 2016, thanks to the committed participation of all our employees, we also recycled 30,520 tons of cardboard and 1,733 tons of plastic wrap. The impact of these environmental actions can be better understood when we compare it to planting 534,222 trees, not consuming 8,308,437 m^3 of water, and power savings of up to 222,354,563 kW, which are enough to meet the power needs of 74,118 Mexican families in one year.

Additionally, both the Mexico and United States stores properly separate waste and handle recyclable/reusable bags with biodegradable technology.

Our supermarket segment in the United States also recorded significant environmental results. El Super strengthened its initiative to substitute traditional lighting with LED in its stores, saving 821,281 kW of electricity.



AHTECA AC (*Ayudame Hermano Tengo Cancer AC*)

Furthermore, through our internal campaigns we saved 16,373 tons of paper and cardboard, equivalent to planting 280,157 trees or satisfying the power needs of 38,469 families in a year.

SOCIAL RESPONSIBILITY

CHEDRAUI FOUNDATION

The Foundation's actions in the areas of education, health, nutrition, welfare, housing and attention to people affected by natural disasters are our community liaison mechanism, which is highly valuable for the communities involved.

Our health strategy is based on working alongside institutions that specialize in serving people in poverty.

The health institutions that we worked with during 2016 were *Ayúdame Hermano Tengo Cáncer*, A.C. (AHTECA) and the Federico Gómez Children Hospital.



Federico Gómez Children Hospital

During the year, we strengthened our collaboration with the Provivah Trust to provide decent homes to Mexican families. We contributed with the construction of housing in the states of Mexico and Chiapas, to the benefit of low-income families and those without access to credit for the purchase of housing.

For some time, our retail stores have been implementing food donation programs for families living in extreme poverty and suffering from malnutrition. In 2016, these initiatives resulted in donations of 6,442,996 kilos through food banks and other non-profit organizations. Furthermore, we were able to collect $2,838,521 through our traditional in-store rounding campaigns.

Overall, in 2016 Chedraui Foundation invested a total of $ 46,607,277 to support the various actions we undertake in favor of education, health, nutrition, welfare, housing and assistance in case of natural disasters.

In terms of community liaison actions, in the retail segment in the United States, El Super donated 721,400 pounds of food and granted $25,000 USD in scholarships in 2016, partnering with authorities, NGOs and education institutions.



Food Banks


Provivah Trust



Liceo de Artes y Oficios, A.C. Plantel Villahermosa.

LICEOS DE ARTES Y OFICIOS, A.C.

Our three Liceos de Artes y Oficios, located in Veracruz, Villahermosa and Xalapa, offer high-school education, technical degrees and intensive courses that provide students with the tools they require to continue their college education, find a new job, improve their current jobs or open their own businesses, all with the goal of improving their level of life.

Our faculty is highly skilled and our offer meets our students' current needs with optimal facilities that promote the best learning. Since their opening, the Liceos have trained over 40,000 students. In 2016 alone, more than 1,900 students enrolled and all of them received a well-rounded education covering the academic aspect as well as values and principles, to make them upright individuals.

OUR PEOPLE

In a retail company like ours, which is in constant contact with customers, having employees who are committed, trained and responsible is crucial.

We believe that our 39,193 employees in Mexico and 5,821 in the United States (at year end 2016)—of which 44% were women and 56% men in Mexico, and 53% women and 47% men in the United States—are the best team in the sector.

That is why training is vital. The Chedraui University is an outstanding institution in this sense; our employees receive the necessary training and instruction in its virtual classrooms to perform to their fullest extent. During 2016, $12,960,000 were invested in this area, representing a total of 824,490 man-hours of training.

We strive for our operations to be conducive to the health and safety of our collaborators. We are constantly working on health campaigns aimed at our employees. Furthermore, we provide them with personal protection equipment (PPE). We also promote a precautionary culture and keep accident rates to a minimum, based on assessments by the relevant authorities.

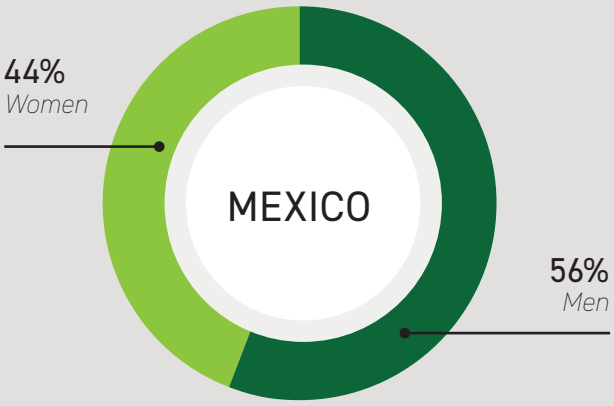
We pursue a balance in the work, social and personal lives of our employees by promoting family life as part of a good quality of life.

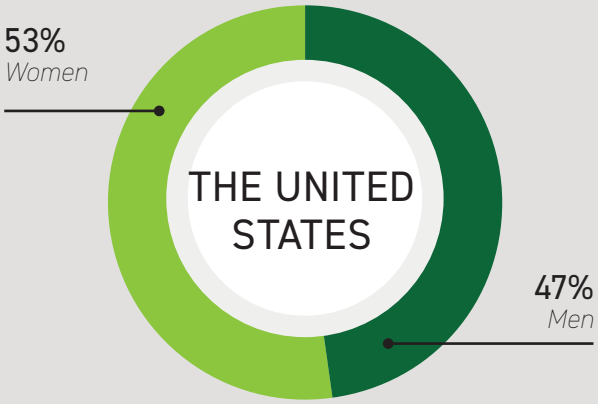
Being a leader in its sector and as part of our social commitment, diversity, gender equality and respect for human rights are essential values in Chedraui. That is why we make no distinction whatsoever for race, gender, religion, age, sexual orientation, disability or nationality among our employees or our customers.

We pay fair and equal salaries in compliance with the applicable laws. All our employees are over 18 years old and we guarantee equal hiring, training, development and promotion opportunities for all. In addition, we offer all our employees a career plan in the company based on their abilities, potential and expectations.

In recognition of Chedraui's excellence in human resources, in 2016 and for the fifth consecutive year we earned certification as one of the best companies to work for by Great Place To Work Institute Mexico, ranking 12th in the category of companies with more than 5,000 employees.

EMPLOYEES BY GENDER







MANAGEMENT DISCUSSION AND ANALYSIS

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

Figures expessed in pesos, unless otherwise stated



NET SALES

During the 2016 fiscal year the Group's revenue grew by 12.6% compared to 2015, going from $78.648 million to $88,529 million in 2016. This growth is due to the results recorded in the three business segments discussed below:

- Retail in Mexico:
  Sales in our retail operations in Mexico grew 7.4% over the previous year, rising from $57,808 million in 2015 to $62,099 million in 2016, due to a 4.5% increase in same-store sales and the addition of ten new stores during the year which meant a growth of 2.8% in the sales floor.

- Retail in the United States:
  Retail operations in the United States reported 27.4% growth over last year's figures, going from $20,129 million in 2015 to $25,650 million in 2016, as a result of the addition of four new stores during the year and a decrease in same-store sales over the same weeks equal to 0.5% in dollars.

- Real Estate Segment:
  Operations in the real estate business grew 9.7% compared to the previous year, going from $710 million in 2015 to $779 million in 2016, due to increases in leasing contracts that approximated inflation, a higher occupancy rate and a growth of 8.9% in gross leasable area.

GROSS PROFIT

Consolidated gross profit was $18,216 million and grew by 16.9% compared to 2015, resulting in a gross profit margin of 20.6%, 77 basis points above the 19.81% obtained in 2015, due to the following effects:

- The reclassification of production costs into operating expenses that began during the third quarter of 2016, due to the reassignment of staff from production areas to customer service areas.

- Retail's higher share in the United States with an improved mixture in the categories.

- Better management of the promotions that took place during the period, which led to slight improvements in the gross margin in Mexico.

OPERATING EXPENSES

Consolidated operating expenses, excluding depreciation and amortization, reached $12,469 million, 17.6% higher than the $10,599 million paid in 2015. The increase in operating expenses was affected mainly by the following:

- The adverse effect of operating and preoperating expenses of the ten stores opened in Mexico and the four stores opened in the United States in the last 12 months, and the fact that those stores have not yet reached maturity.



- The reclassification of expenditures that is the result of the cost of sales explained in the Gross Profit.

- The favorable effect of a trial won in the Real Estate Division that led to an extraordinary $37 million cut in expenses.

EBITDA

With the aforementioned results, consolidated EBITDA reached $5,747 million, a 15.4% increase over the $4,981 million recorded in 2015. EBITDA margin was 6.5%, 16 bps higher than 2015.

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

- **Retail in Mexico:**
  The EBITDA achieved in retail in Mexico was $4,053 million, higher by 12.3% than the $3,609 million of 2015, and represented a margin on sales of 6.5%, higher than the 6.2% achieved in 2015.

- **Retail in the United States:**
  The retail division in the United States recorded EBITDA of $1,094 million, 24.4% higher than the $879 million recorded in 2015, with a 4.3% margin on sales, slightly lower than the 4.4% recorded in 2015.

- **Real Estate Business:**
  EBITDA recorded in the real estate division was $601 million, 21.9% higher than the $493 million obtained in 2015, and represented a margin on sales of 77.1%, higher than the 69.4% obtained in 2015.

FINANCING COST

The financing cost reached $1,182 million, 13.7% up on the $1,039 million of 2015, and accounted for 1.3% of sales, unchanged from 2015.

INCOME TAX

For the 2016 fiscal year, the official tax rate remained at 30%, while the Group's tax rate went from 32.2% in 2015 to 34.6% in 2016. Income taxes in 2016 were $1,063 million, 25.1% above the $850 million generated in 2015.

NET PROFIT

Lastly, consolidated net profit reached $2,010 million, up 12.3% compared to the $1,790 million obtained in 2015, with a margin on sales of 2.3%.

DEBT AND CAPITAL EXPENDITURE

Net bank debt as of Saturday, December 31, 2016 ended at $4,296 million, recording a $1,491 million increase compared to the figure of 2015, representing a Net Debt/EBITDA ratio of 0.75 times.

Capital expenditures, including real estate, store and IT equipment and intangible assets, amounted to $3,427 million, and allowed us to open ten stores in Mexico and four in the United States.



MANAGEMENT TEAM

José Antonio Chedraui Eguía
CHIEF EXECUTIVE OFFICER

José Antonio Chedraui Eguía has worked at Chedraui for the past 27 years and has been a member of the Board and CEO since January 1995. Prior to this position, he served as CEO of our Galas division. Mr. José Antonio Chedraui Eguía has a Degree in Accounting and Finance from Universidad Anáhuac.

Edgar Iván Mondragón Millán
DIRECTOR OF OPERATIONS AND REAL-ESTATE ADMINISTRATION

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

José Ramón Chedraui Eguía
DIRECTOR OF PRIVATE LABEL AND BODEGA LATINA

José Ramón Chedraui Eguía holds a Degree in Business Administration from Newport University. Mr. Chedraui has been Director of Private Label since January 2007 and has worked at Chedraui for 22 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 16 years.

Rafael Contreras Grosskelwing
CHIEF FINANCIAL OFFICER

Rafael Contreras Grosskelwing graduated as an Industrial Engineer from Universidad Panamericana, has a Diploma in Accounting and Finance from ITAM, a specialization in senior management from IPADE, and a Diploma in Financial Securities from ITAM. Mr. Contreras has served as CFO since September 2000 and has worked at Chedraui for the past 17 years.

Eduardo Fuentes Durán
DIRECTOR OF INNOVATION AND OTHER CHANNEL SALES

Eduardo Fuentes Durán holds a Degree in Electronic Systems Engineering from ITESM and has a specialization in Senior Management from IPADE. Mr. Fuentes has been the Director of Innovation and Other Channel Sales since June 2016, and has worked at Chedraui for 16 years.

Ignacio González Quirasco
DIRECTOR OF SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Ignacio González Quirasco has a bachelor's degree in Communication Sciences and an MBA from Universidad Anáhuac. Mr. González has been Director of Sustainability and Social Responsibility since September 2014 and has worked at Chedraui for 8 years.

Eduardo Guiot de la Garza
DIRECTOR OF HUMAN RESOURCES

Eduardo Guiot de la Garza holds a Degree in Industrial Relations from Universidad Iberoamericana, completed his graduate studies in Labor Law and Marketing at ITAM, and has an MBA from the School of Business Administration and Management ("ESADE"). Mr. Guiot has been the Director of Human Resources since August 1993 and has worked at Chedraui for the past 23 years.

Alejandro Rafael Lara Hakim
DIRECTOR OF CONSTRUCTION

Alejandro Rafael Lara Hakim graduated as an Architect from Universidad Veracruzana. Mr. Lara has been Director of Construction since August 1986 and has worked at Chedraui for 30 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 27 years.

Carlos Smith Matas
CEO BODEGA LATINA

Carlos Smith Matas holds a degree in Engineering Management from the Southern Methodist University. Mr. Smith has served as CEO of Bodega Latina since 1997 and has worked at Chedraui for the past 24 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 6 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.

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
Olegario Vázquez Aldir [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
Guillermo Ortiz Martínez [1]	DIRECTOR
José Antonio Fernández Guerra	DIRECTOR
José Ramón Chedraui Eguía	SECRETARY OF THE BOARD OF DIRECTORS

AUDIT AND CORPORATE PRACTICES COMMITTEE

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

(1) *Independent Director as specified by the Securities Market Law.*

AUDITING AND CORPORATE PRACTICES COMMITTEE REPORT

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

PRESENTE

Pursuant to the provisions of article 43 of the Securities Market Law (Ley del Mercado de Valores), the Articles of Association and the recommendations contained in the Code of Corporate Best Practices (Código de Mejores Prácticas Corporativas), in my capacity as Chairman of the Auditing and Corporate Practices Committee (hereinafter the "Committee") of Grupo Comercial Chedraui, S.A.B. de C.V., I would like to report to you on the relevant activities carried out by the Committee during the financial year that ended on December 31, 2016.

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

1. AUDITING ACTIVITIES PERFORMED:

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

b. The performance of the external auditing firm that issued an opinion on the financial information for the year that ended on December 31, 2016, and its compliance with its accounting standards were evaluated taking into account the fact that Galaz, Yamazaki, Ruiz Urquiza, S.C., a member of Deloitte Touche Tohmatsu, and its partner Juan Antonio Rodríguez Espíndola, who was in charge of the audit, meet the professional quality requirements and have the action, intellectual and economic independence required to issue an opinion on the financial statements of the Company and its affiliates.

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

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

e. Furthermore, the Committee issued the opinion referenced in Article 28, section IV, paragraph c) of the Law of the Securities Market, for to the audited consolidated financial statements of the Company and its affiliates as of December 31, 2016, ruled by the Company's External Auditors, to subsequently present them to the Stockholders' Meeting.

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

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

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

i. We have received reports issued functionally by the Company's internal audit department with regards to the fulfillment of its obligations.

j. The annual work plan for the Company's internal audit department was approved and said department provided periodic reports to monitor its implementation and progress.

k. We note that the Company complies with applicable law as established in the Securities Market Law and other regulations applicable to stock investment promotion corporations.

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

2. ACTIVITIES RELATED TO CORPORATE PRACTICES:

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

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

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

d. We reviewed the terms and conditions of the succession plan for relevant executives and the various compensation and incentive plans that focus on talent retention for the Company's prominent officials and executives.

e. 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.

f. We reviewed the Policies of the Company's share buyback plan approved by the ordinary general stockholders' meeting of April 2016, and we issued a recommendation to the General Management and the Board of Directors for their reactivation.

g. We requested that management analyze and update, if necessary, the Company's main corporate policies that were ratified by the Board of Directors.

Based on the previous reviews and comments and the External Auditor Galaz, Yamazaki, Ruiz Urquiza, S.C.'s opinion on the financial information, the Committee believes that Grupo Comercial Chedraui, S.A.B. de C.V. has correctly applied the accounting policies and criteria and that its financial information is reasonable. Therefore, it RECOMMENDS that the Board of Directors approve the Company's audited consolidated financial statements as of December 31, 2016, for their inclusion in the CEO's Annual Report for the 2016 fiscal year, which in turn will be presented to the Stockholders' Meeting for approval.

Sincerely,

Auditing and Corporate Practices Committee



Clemente Ismael Reyes-Retana Valdés
Chairman

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

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, 2016 and 2015 and the related consolidated statements of profit or loos 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, 2016 and 2015, as well as their financial performance and their cash flows for the years then ended, in conformity with International Financial Reporting Standards (IFRS).

Bases for the opinion

We performed our audits in conformity with International Auditing Standards (IAS). Our responsibilities under these standards are explained more extensively in the section Responsibilities of the auditor 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.

Risk that management may disregard the controls

During the period, accounting entries were recorded manually in the system, such as the estimates and provisions to the Entity's consolidated financial statements, which require certain management judgments for purposes of their calculation and recording. We believe there is a risk that management may disregard the controls established for the recording of this type of items, because, inasmuch as they are not automatic records or do not come from operations with a proper review and authorization process, they might not be exact or complete and generate a misstatement in the financial information.

Furthermore, there is a risk of inappropriate segregation of functions, because some users have special privileges, without adequate oversight of the use of these privileges, which increases the risk of unauthorized access which may compromise the integrity, modification or improper recording of information.

Our audit procedures to cover the risk that management may disregard the controls included the following:

1. Based on a statistical sample, we performed a selection of the manual vouchers which were recorded by management in the accounting periods we considered relevant. Of the manual vouchers selected, we ascertained that they were prepared, reviewed and authorized by the appropriate hierarchical levels, which thus ensured that there is a control in place to guarantee the integrity of the accounting records. Also, we validated that such accounting records had the necessary support documentation, to ensure the validity and accuracy of such records.

2. Furthermore, to cover the risk of inappropriate segregation of functions, we identified, together with our IT specialists, the existence of controls to mitigate this risk based on observation and inspection tests applied selectively. Also, during the audit process we substantiated that such control activities operated effectively. The results of our audit procedures were reasonable.

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 foreseeable conditions in the future.

Our audit procedures to cover this risk included the following:

We obtained from management 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 flows. Also, we ascertained the arithmetical accuracy of the projections, and evaluated the assumptions used by the Entity to determine them, and confirmed, based on our knowledge of the Entity and the audited historical information, that any nonrecurring effect will be normalized so that such effects will not be considered in the financial projections. Additionally, we evaluated the reasonableness of the discount rate used, for which purpose we consulted with our financial advisory specialists. The results of our audit procedures were reasonable.

Note 11 to the consolidated financial statements includes 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, and in those where there is indication of impairment, an analysis is made as established in International Auditing Standard 36 ("IAS 36"), in which discounted future 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 foreseeable conditions in the future.

Our audit procedures to cover this risk included the following:

We obtained from management the financial projections that were used to determine the fair value of long-lived assets, and substantiated the reasonableness of the revenues and expenses used to determine the discounted future flows. Furthermore, we ascertained the arithmetical accuracy of such 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 in the financial projections. We also evaluated the reasonableness of the discount rate used, for which purpose we consulted with our financial advisory specialists.

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.

Income tax

During the year, the review process of the 2010 results was concluded by the tax authorities, which resulted in the correction of the tax loss as of December 31, 2010 in one of the Entity's subsidiaries, generating a modification in the income tax that had been determined as of December 31, 2014, due to the effects of the Tax Reform of that year and the elimination of the tax consolidation incentive. Such modification was recognized in the Entity's financial statements during the year ended December 31, 2016.

Our audit procedures to cover this risk included the following:

We reviewed the respective supporting documentation for the modification of the 2010 tax loss of the subsidiary, as well as the calculations to determine income tax as of December 31, 2014, based on the effects of the Tax Reform of that year and the elimination of the tax consolidation incentive, by our tax specialists. Similarly, we reviewed the accounting effects due to the reduction in the income tax determined for these short- and long-term effects, which were recognized in the Entity's consolidated financial statements during the year 2016. The results of our audit procedures were reasonable.

Note 27 to the accompanying consolidated financial statements includes the disclosures related to income taxes.

Deferred income tax

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

Our audit procedures to cover this risk included the following:

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

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

Contingencies

In the regular course of operations, the Entity faces a series of lawsuits for which, in most cases, given the incipient nature of the actions and the impossibility of determining a provision, no reserves have been established, and the fact that in the past experience of the Entity's management in similar lawsuits, the respective ruling did not significantly affect the consolidated financial position or the consolidated result of operations. There are currently a number of Amparo lawsuits and actions for annulment which have been filed to challenge rulings by different tax administrations against certain provisions resulting from the 2014 Tax Reform, including the elimination of the incentives contained in the Income Tax Law in effect up to December 31, 2014.

Our audit procedures included the following measures: i) we analyzed the status of the lawsuit, for which purpose we obtained confirmations from the outside attorneys responsible for advising the Entity to challenge the unpaid tax liabilities assessed, and ii) we held meetings with the Entity's legal department to ascertain and corroborate the status of the lawsuit, on which basis we had sufficient elements to evaluate the reasonableness of the sufficiency of the allowance recorded, so as to cover the risk of an adverse judgment in the legal action. The results of our audit procedures were reasonable.

The Entity's accounting policy for the recording of provisions, as well as the disclosure contingencies, are included in Notes 3 and 28, respectively, to the accompanying consolidated financial statements.

Other matters

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

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

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

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

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

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

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

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

Responsibilities of the auditor in relation to the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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



C. P. C. Juan Antonio Rodríguez Espínola

Mexico City, February 23, 2017

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2016 and 2015

(In thousands of Mexican pesos)

Assets	Notes	2016	2015
Current asset:			
Cash		$ 942,885	$ 2,047,939
Accounts and notes receivables – Net	5	951,731	794,740
Recoverable and creditable taxes	6	1,709,977	1,405,303
Accounts receivables from related parties	24	22,328	7,692
Derivative financial instruments	7	21,715	-
Inventories	8	8,941,537	7,494,804
Total current assets		12,590,173	11,750,478
Non-current assets			
Property and equipment - Net	10	29,897,731	28,141,851
Investment property	11	6,420,225	5,878,718
Investment in associates		16,767	18,776
Other assets – Net	9	2,585,516	2,465,429
Long term related parties	24	37,035	37,035
Long-term accounts receivable	18	94,370	94,370
Derivative financial instruments	7	39,357	77,287
Deferred income tax asset	27	1,597,792	2,244,017
Total non-current assets		40,688,793	38,957,483
Total		$ 53,278,966	$ 50,707,961

The accompanying notes are part of the consolidated financial statements.

Equity and liabilities	Notes	2016	2015
Current liabilities:			
Accounts and notes payable to suppliers	12	$ 12,212,402	$ 11,266,278
Factoring Corporativo, S.A. de C.V. – supplier related party	12	1,805,120	1,668,342
Borrowings with financial institutions	14	204,946	-
Current portion of long-term liabilities	15	1,107,077	1,960,240
Current portion of lease obligations	13	63,784	117,253
Taxes, accrued expenses and other liabilities		3,025,666	2,981,478
Total current liabilities		18,418,995	17,993,591
Non-current liabilities:			
Financial borrowings	15	3,926,522	2,892,618
Leases obligations	13	136,949	151,507
Employee benefits	16	511,320	478,023
Derivative financial instruments	7	-	99,945
Collection rights of trust contracts	18	741,657	839,160
Deferred income tax liability	27	1,723,771	1,476,179
Income tax	27	493,930	1,326,843
Other liabilities		387,597	360,652
Total non-current liabilities		7,921,746	7,624,927
Total liabilities		26,340,741	25,618,518
Stockholders' equity:			
Capital stock	19	252,120	252,120
Share placement premium	19	3,750,987	3,953,387
Retained earnings	21	21,939,589	20,314,623
Remeasurement of defined benefit obligations	20	(27,069)	(34,294)
Exchange differences on translating foreign operations	20	692,390	374,887
Financial instruments measurement	20	2,348	(71,210)
Equity attributable to owners of the Entity		26,610,365	24,789,513
Non-controlling interest	22	327,860	299,930
Total stockholders' equity		26,938,225	25,089,443
Total		$ 53,278,966	$ 50,707,961

The accompanying notes are part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2016 and 2015

(In thousands of Mexican pesos)

	Notes	2016	2015
Revenues:			
Net sales	29	$ 88,528,580	$ 78,647,865
Cost of sales		70,312,733	63,068,195
Gross profit		18,215,847	15,579,670
Operating expenses:			
Wages and employee benefits		6,323,997	4,934,702
Professional services		1,715,924	1,508,465
Marketing expenses		897,814	800,234
Maintenance		720,154	611,082
Electricity		1,186,539	1,113,264
Leases		971,656	865,970
Depreciation and amortization		1,492,601	1,302,622
Other expenses		652,779	764,852
Total operating expenses		13,961,464	11,901,191
Operating profit	29	4,254,383	3,678,479
Interest expense		(647,263)	(542,518)
Interest income		67,848	34,516
Exchange loss – Net		(8,848)	(5,340)
Other financing expenses		(593,330)	(525,945)
		(1,181,593)	(1,039,287)
Profit before tax		3,072,790	2,639,192
Income taxes	27	1,063,123	849,664
Profit for the year		$ 2,009,667	$ 1,789,528
Owners of the equity		$ 1,952,699	$ 1,739,588
Non-controlling interest	22	56,968	49,940
Consolidated profit for the year		$ 2,009,667	$ 1,789,528

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	Notes	2016	2015
Other comprehensive income, net of income taxes:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit obligations		7,225	(5,330)
Items that may be reclassified subsequently to profit or loss:			
Exchanges differences on translating foreign operations	20	317,503	202,414
Financial instruments measurement	20	73,558	82,088
Total comprehensive income for the year		$ 2,407,953	$ 2,068,700
Owners of the equity		$ 2,350,985	$ 2,018,760
Non-controlling interest	22	56,968	49,940
Total consolidated comprehensive income for the year		$ 2,407,953	$ 2,068,700

The accompanying notes are part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2016 and 2015

(In thousands of Mexican pesos)

	Notes	Stockholder' equity		
		Capital stock	Net share placement premium	Retained earnings
Balance as of January 1, 2015		$ 252,120	$ 4,079,399	$ 18,807,561
Dividends paid	19	-	-	(240,979)
Profit income for the year	20	-	-	1,739,588
Movements of no-controlling interest	18 and 22	-	(126,012)	8,453
Balance as of December 31, 2015		252,120	3,953,387	20,314,623
Dividends paid	19	-	-	(246,088)
Profit income for the year	20	-	-	1,952,699
Repurchase of shares		-	-	(62,901)
Movements of non-controlling interest	18 and 22	-	(202,400)	(18,744)
Balance as of December 31, 2016		$ 252,120	$ 3,750,987	$ 21,939,589

The accompanying notes are part of the consolidated financial statements.

Other items of comprehensive income					
Remeasurement of defined benefit obligations	Exchange differences on translating foreign operations	Financial instruments measurement	Non-controlling interest	Total
$ (28,964)	$ 172,473	$ (153,298)	$ 239,848	$ 23,369,139
-	-	-	-	(240,979)
(5,330)	202,414	82,088	49,940	2,068,700
-	-	-	10,142	(107,417)
(34,294)	374,887	(71,210)	299,930	25,089,443
-	-	-	-	(246,088)
7,225	317,503	73,558	56,968	2,407,953
-	-	-	-	(62,901)
-	-	-	(29,038)	(250,182)
$ (27,069)	$ 692,390	$ 2,348	$ 327,860	$ 26,938,225

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015

(In thousands of Mexican pesos)

	2016	2015
Cash flow from operating activities:		
Profit before income tax	$ 3,072,790	$ 2,639,192
Adjustments for:		
Depreciation and amortization	1,527,552	1,322,829
Adjustment on revaluation of investment properties	52,883	(26,088)
(Gain) loss on disposal of property and equipment	(15,149)	121,006
Interest income	(67,848)	(34,516)
Measurement of derivatives financial instruments	3,569	(31,350)
Interest expense	647,263	542,518
	5,221,060	4,533,591
Movements in working capital:		
Accounts and notes receivables – Net	(120,795)	(106,433)
Inventories	(1,290,430)	(357,689)
Other assets – Net	(141,435)	84,616
Increase (decrease) in:		
Accounts and notes payable to suppliers	844,792	1,049,369
Other account payables and taxes	(1,098,766)	(864,395)
Changes in benefit obligations	24,557	80,830
Net cash generated by operating activities	3,438,983	4,419,889
Investing activities:		
Acquisitions on property and equipment	(3,280,565)	(2,860,729)
Proceeds from disposal property and equipment	1,678	221,313
Acquisition on other assets	(146,956)	(129,875)
Interest received	67,848	34,516
Net cash used in investing activities	(3,357,995)	(2,734,775)

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	2016	2015
Financing activities:		
Loans payment	(7,250,350)	(3,356,088)
Proceeds from loans	7,470,084	3,934,578
Interest payment	(647,263)	(542,518)
Dividends paid	(246,088)	(240,979)
Leases payment	(68,027)	(47,005)
Acquisition of shares in non-controlling interest	(250,182)	(107,417)
Payment of obligations related to the right of trust contract collection rights	(97,503)	(51,680)
Repurchase of shares	(62,901)	-
Other items	9,233	(3,993)
Net cash used in investing activities	(1,142,997)	(415,102)
Net (decrease) increase in cash	(1,062,009)	1,270,012
Effects of exchange rate changes on the balance of cash held in foreign currencies	(43,045)	(15,235)
Cash at the beginning of the year	2,047,939	793,162
Cash at the end of the year	$ 942,885	$ 2,047,939

The accompanying notes are part of the consolidated financial statements.

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 marketing of electronic goods, groceries and general merchandise.

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

2. Application of new and revised International Financial Reporting Standards

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

In the current year, the Entity has applied a number of amendments to IFRSs and new Interpretation issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2016.

Amendments to IAS 1, Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

The application of these amendments to IAS 1 did not have impacts on the Entity's consolidated financial statements.

Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) When the intangible asset is expressed as a measure of revenue; or

b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, the Entity uses the straight-line method for depreciation and amortization for its property, and equipment. The management of the Entity believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the application of these amendments to IAS 16 and IAS 38.

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

The Entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9, *Financial instruments*[2]
IFRS 15, *Revenue from contracts with sostumers*[2]
IFRS 16, *Leases*[3]
Amendments to IAS 12, *Income taxes*[1]
Amendments to IAS 7, *Statement of cash flow*[1]
Amendments to IFRS 2, ***Classification and measurement of share based payments***[1]

[1] Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.

[2] Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

[3] Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

c. ***Reclassifications*** - The followings items in the consolidated financial statements for the year ended December 31, 2015, have been reclassified to conform to the presentation of the 2016, as well as to present the deferred income tax in aggregated basis for each subsidiaries, and not to present as a net in the consolidated financial statement. In note 27, the item is disclosed net.

		Reclassifications		
	Originally reported balances as of December 31, 2015	Debit	Credit	Reclassified balances as of December, 31-2015
Assets				
Derivative financial instruments	-	77,287	-	77,287
Deferred income tax asset	767,838	1,476,179	-	2,244,017
Liabilities				
Taxes, accrued expenses	3,020,083	38,605	-	2,981,478
Derivative financial instruments	22,658	-	77,287	99,945
Deferred income tax liability	-	-	1,476,179	1,476,179
Other non-current liabilities	322,047	-	38,605	360,652

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

3. Significant accounting polices

a. *Statement of compliance*

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

b. *Basis of preparation*

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

i. Historical cost

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

ii. Fair value

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

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

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

c. *Basis of consolidation*

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

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

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

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

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

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

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

Changes in the Entity's ownership interests in existing subsidiaries

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

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

The shareholding in its capital during presented periods is listed below:

Company or Group	Participation rates	Activity
Tiendas Chedraui, S. A. de C. V.	99.88%	A chain of 234 self-service stores specializing in the marketing of groceries, clothing and general goods. This stores operate under the followings types of stores: 161 Tiendas Chedraui, 12 Tiendas Chedraui Selecto, 57 Super Chedraui and 4 Super Chedraui Selecto.
División Inmobiliaria	99.99%	Five companies engaged in the acquisition, construction, marketing and lease of real property used for real estate activities.
División Servicios	99.99%	Seven companies providing administrative, goods transportation and personnel services
Bodega Latina Co.	86.85%	A chain of self-service stores with 58 units located in the southern of USA and which operate under the El Super commercial name.
Grupo Crucero Chedraui, S. A. de C. V.	99.99%	Sub-holding company.
Fundación Antonio Chedraui Caram, AC		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	
		2016	2015	2016	2015	2016	2015
Bodega Latina Co.	USA	86.85%	84.85%	$ 48,202	$ 50,042	$ 301,813	$ 282,030

i. The Entity owns 86.85% 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 are consolidated in these consolidated financial statements.

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

	2016	2015
Current assets	$ 1,627,096	$ 1,218,322
Non-current assets	$ 4,446,776	$ 3,618,945
Current liabilities	$ 2,506,365	$ 2,008,171
Non-current liabilities	$ 1,272,352	$ 968,054
Equity attributable to owners of the Entity	$ 2,295,155	$ 1,861,042
Non-controlling interest	$ 301,813	$ 282,030

	2016	2015
Incomes	$ 25,650,406	$ 20,129,140
Cost, expenses and taxes	25,283,848	19,798,924
Net profit of the year	$ 366,558	$ 330,216
Net profit of the year to owners of the equity of the Entity	$ 318,356	$ 280,174
Net profit of the year to non-controlling interest	48,202	50,042
Net profit of the year	$ 366,558	$ 330,216

	2016	2015
Net cash flow from operating activities	$ 811,405	$ 497,769
Net cash flow from investing activities	$ (566,683)	$ (502,932)
Net cash flows from financing activities	$ (237,782)	$ (70,805)
Net decrease in cash flow	$ 6,940	$ (75,968)

e. *Financial instruments*

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

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

f. *Financial assets*

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

1. Effective interest method

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

2. Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

3. Held-to-maturity investments

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

4. Loans and receivables

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

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

5. Derecognition of financial assets

The Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset.

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

g. *Inventories*

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

h. *Property and equipment*

Property and equipment are initially recorded at cost.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation (January 1, 2011), 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. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term.

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

i. *Investment property*

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

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

j. *Intangible assets*

1. Intangible assets acquired separately

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

2. Derecognition of intangible assets

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

k. *Goodwill*

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

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

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

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

l. *Investments in associates*

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

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

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

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

m. *Leasing*

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

— The Entity as lessor

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

— The Entity as lessee

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

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

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

n. *Foreign currencies*

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

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).

o. *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.

p. *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 and is determined based on the taxable income under section I of 9 article of the Income Tax Law.

q. *Income taxes*

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

1. Current tax

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

2. Deferred income tax

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

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

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

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

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

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

3. Current and deferred tax

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

4. Tax on assets

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

r. *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 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.

s. *Financial liabilities and equity instruments*

1. Classification as debt or equity

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

2. Equity instrument

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

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

3. Financial liabilities

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

4. Financial liabilities at FVTPL

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

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

The Entity has no financial liabilities at FVTPL.

5. Other financial liabilities

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

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

6. Derecognition of financial liabilities

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

t. *Derivative financial instruments*

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

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

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

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

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

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

u. *Revenue recognition*

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

- Sale of goods Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:
- The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Entity.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

— Dividends and interest income

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

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

— Rental income

Rental income is recorded as accrued.

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

a. *Essential judgments when applying accounting policies*

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

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

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

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

b. *Key sources of uncertainty in the estimates*

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

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

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

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

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

— In estimating the fair value of an asset or a liability, the Company 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

	2016	2015
Costumers	$ 904,268	$ 736,168
Allowance for doubtful accounts	(18,376)	(14,574)
	885,892	721,594
Sundry debtors	49,882	58,223
Notes receivable	15,957	14,923
	$ 951,731	$ 794,740

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.

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:

	2016	2015
Up to 30 days	$ 43,893	$ 22,437
31 – 60 days	9,380	32,450
61 – 90 days	2,438	9,325
More than 90 days	33,351	32,779
Total	$ 89,062	$ 96,991

6. Recoverable and creditable taxes

	2016	2015
Income tax	$ 48,820	$ 51,064
Tax credits, mainly value added tax (VAT)	868,604	1,045,376
Recoverable value added tax (VAT)	336,036	182,961
Recoverable tax for production and services (IEPS)	456,517	125,902
	$ 1,709,977	$ 1,405,303

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. On December 3, 2009, the Entity contracted four interest rate collars under this scheme, through which it pays or receives amounts calculated according to a fixed interest rate floor and ceiling linked to the 28-day TIIE rate. As of December 31, 2016, there are only one current collars, the first one for a notional amount of $1,750 million pesos, expiring on August 4, 2017. The notional amounts and expiration dates of these derivative financial instruments are related to the hedged loans.

During 2016, for the interest rate collars discussed above, the Entity paid an 11.12% rate and received a 4.47% interest rate. The difference was recorded in profit or loss, thereby offsetting the variable interest rate effect of the hedged loan

In April 2015, the Entity contracted a dollar loan maturing on April 24, 2017 and a floating interest rate in dollars, so it took on a cross currency swap to convert the floating rate for converting to TIIE and also for convert the commitment of capital payment in dollars to pesos. The derivative has a notional amount of US $20 million.

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.

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, in order to reduce the risk of currency fluctuations, the entity contracts financial derivatives instruments swaps 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.

The Entity recognizes all assets or liabilities arising from derivative transactions in the balance sheet at fair value, regardless of the purpose for holding financial instruments. Fair value is determined based on recognized market prices, and when they not are listed in a market, market prices are determined based on valuation techniques accepted in the financial field.

When derivatives are contracted to coverage risks purposes, and meet all coverage requirements , their designation at the beginning of the coverage is documented, describing the objective, characteristics, accounting treatment and how it will perform the measurement effectiveness, applicable to that operation.

Derivatives designated as coverage recognize changes in valuation according to the type of coverage involved: (1) when they are of fair value, changes in both the derivative and the covered item are recognized at fair value and are recognized in income, (2) when cash flows, the effective portion is temporarily recognized in comprehensive income and reclassified to current earnings when the hedged item affects, the ineffective portion is recognized immediately in income;

The Entity suspends hedge accounting when derivatives has expired, has been sold, canceled or exercised, when the derivative is not highly effective to offset the changes in the fair value or cash flow of the hedged item, or when the Entity decides to cancel the designation of the hedge item.

When suspending hedge accounting; in the case of the cash flow hedge, the amounts that have been recorded in stockholders' equity as a part of the comprehensive income, remain in the equity until the effects of the forecast transactions affect the profit and losses In the event that the firm commitment or the forecasted transaction is no longer likely to occur, the gains or losses that were accumulated in the comprehensive income account are recognized immediately in profit or loss. When the hedge of a forecasted transaction was satisfactory and subsequently does not comply with the effectiveness test, the cumulative effects on the comprehensive income in stockholders' equity are carried out in proportional way in the profit and losses, to the extent that the forecast asset or liability affect the profit and losses.

8. Inventories

	2016	2015
Finished goods	$ 8,625,659	$ 7,204,177
Raw materials	243,443	221,783
Productions in process	14,435	11,652
Others	58,000	57,192
	$ 8,941,537	$ 7,494,804

9. Other assets - Net

	2016	2015
Guarantee deposits	$ 440,505	$ 410,102
Goodwill [1]	1,250,329	1,085,419
Other non-current assets, mainly prepaid expenses	383,171	544,566
Other long-terms receivables	11,398	-
	2,085,403	2,040,087
Intangibles:		
Software and licenses	1,752,925	1,555,633
Accumulated software and licenses amortization	(1,252,812)	(1,130,291)
	500,113	425,342
	$ 2,585,516	$ 2,465,429

[1] *Represents the excess of the price paid on the market value of the assets and assumed liabilities of 29 stores located in southern Los Angeles California, and 3 stores located in Baja California Sur, Mexico, so they have been considered as an asset intangible. Goodwill is subject to impairment testing at least annually. At December 31, 2016 and 2015, there were no indications of impairment.*

During 2015, the Entity acquired 3 stores in the United States, whose acquisition values were as follows.

	Amount as of December 31, 2015
Fixed asset, net	$ 53,584
Intangibles asset	1,715
	55,299
Acquisition price of the assets	105,214
Goodwill	$ 49,915

The conciliation of intangibles is as follows:

Cost	2016	2015
Balance at beginning of January 1,	$ 1,555,633	$ 1,409,703
Property and equipment transfers	30	-
Acquisitions	197,262	145,930
Balance as of December 31,	$ 1,752,925	$ 1,555,633

Amortization	2016	2015
Balance at beginning of January 1,	$ (1,130,291)	$ (995,792)
Amortization cost	(122,521)	(134,499)
Balance as of December 31,	$ (1,252,812)	$ (1,130,291)

10. Property and equipment – Net

The reconciliation of property and equipment is as follows:

Cost	Building	Store equipment	Furniture and fixtures	Vehicles	Construction in process	Land	Total
Balance at January 1, 2015	$ 19,640,566	$ 8,385,043	$ 1,925,310	$ 134,173	$ 637,452	$ 5,634,884	$ 36,357,428
Acquisitions	986,996	603,859	290,092	80,419	796,112	63,145	2,820,623
Net effect of foreign currency exchange differences	154,544	149,123	3,884	1,570	321	-	309,442
Disposals	(231,722)	(104,922)	(42,045)	(10,433)	24	(64,490)	(453,588)
Transfers	276,981	243,892	33,442	52,699	(775,721)	(97,083)	(265,790)
Balances at December 31, 2015	20,827,365	9,276,995	2,210,683	258,428	658,188	5,536,456	38,768,115
Acquisitions	1,053,116	457,755	113,403	21,918	1,184,115	439,456	3,269,763
Net effect of foreign currency exchange differences	210,563	231,357	7,434	2,069	11,087	-	462,510
Disposals	(40,040)	(158,313)	(26,840)	(21,702)	-	-	(246,895)
Transfers	(187,338)	458,059	47,578	15,248	(700,587)	(178,207)	(545,247)
Balances at December 31, 2016	$ 21,863,666	$ 10,265,853	$ 2,352,258	$ 275,961	$ 1,152,803	$ 5,797,705	$ 41,708,246

Depreciation	Building	Store equipment	Furniture and fixtures	Vehicles	Construction in process	Land	Total
Balance at January 1, 2015	$ (3,883,517)	$ (3,936,379)	$ (1,613,307)	$ (102,004)	$ -	$ -	$ (9,535,207)
Depreciation expenses	(453,051)	(585,164)	(162,117)	(15,138)	-	-	(1,215,470)
Transfers	-	48,806	1,667	(50,473)	-	-	-
Disposals	19,633	58,849	39,648	6,283	-	-	124,413
Balances at December 31, 2015	$ (4,316,935)	$ (4,413,888)	$ (1,734,109)	$ (161,332)	$ -	$ -	$ (10,626,264)
Depreciation expenses	(511,105)	(673,962)	(202,273)	(17,691)	-	-	(1,405,031)
Transfers	-	(2,241)	2,241	-	-	-	-
Disposals	27,380	149,107	26,851	17,442	-	-	220,780
Balances at December 31, 2016	$ (4,800,660)	$ (4,940,984)	$ (1,907,290)	$ (161,581)	$ -	$ -	$ (11,810,515)
Totals at December 31, 2015	$ 16,510,430	$ 4,863,107	$ 476,574	$ 97,096	$ 658,188	$ 5,536,456	$ 28,141,851
Total at December 31, 2016	$ 17,063,006	$ 5,324,869	$ 444,968	$ 114,380	$ 1,152,803	$ 5,797,705	$ 29,897,731

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

	2016	2015
Fair value of investment properties	$ 6,420,225	$ 5,878,718
Balances at the beginning of the year	$ 5,878,718	$ 5,559,877
Acquisitions	49,173	40,106
Disposals	-	(13,143)
Transfers from property and equipment	545,217	265,790
Net gains on property revaluation	(52,883)	26,088
Balances at year end	$ 6,420,225	$ 5,878,718

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 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	11.56%	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: 3.44%	At higher inflation rate, higher fair value.
			Occupation factor	93%, depending on location	At higher percentage of occupation, higher fair value

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

12. Accounts and notes payable to suppliers

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

The debt with suppliers (including liabilities to affiliated parties related to suppliers) is calculated according to agreed contractual maturities. At December 31, 2016 and 2015 the Entity's debt obligation is composed as follows:

	2016	2015
Current	$ 3,698,553	$ 4,541,923
Up to 30 days	5,583,628	4,648,002
Up to 60 days	2,566,893	1,964,399
Up to 90 days	1,631,056	1,414,594
More than 90 days	537,392	365,702
	$ 14,017,522	$ 12,934,620

13. Lease obligations

The Entity has celebrate operating equipment leasing, whose remaining is 1 year approximately, and electronic equipment for a period of 5 years.

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

Capital leases liabilities

	Minimum lease payments		Current value of minimum payments	
	2016	2015	2016	2015
One year	$ 65,869	$ 121,217	$ 63,784	$ 117,253
Between two and three years	117,616	91,956	115,311	89,430
More than three years	22,150	62,696	21,638	62,077
	205,635	275,869	200,733	268,760
Less future financing charges	(4,902)	(7,109)	-	-
Current value of minimum lease payments	$ 200,733	$ 268,760	$ 200,733	$ 268,760

14. Borrowings with financial institutions

	2016	2015
Promissory note from BBVA Bancomer, S.A. which allows the Entity to make acquisitions of working capital, at an annual rate of 6.76%, due on January 2, 2017.	$ 190,000	$ -
Credit line contracted with Santander Mexicano S.A. which allows the Entity to make acquisitions of working capital, at an annual fix rate of 7.36%, due on January 2, 2017.	14,946	-
	$ 204,946	$ -

15. Long term bank

	2016	2015
Loan from Scotiabank Inverlat, S.A. warranted by Tiendas Chedraui, S. A. de C. V. at an annual rate of TIIE plus 0.55%, with payment of principal beginning on August, 2015, with expiration on August 2, 2017. The rate charged as of December 31, 2016 and 2015 was 5.66% and 3.85%, respectively.	$ 700,000	$ 1,400,000
Loan celebrated by Tiendas Chedraui, S. A. de C. V. warranted by Grupo Comercial Chedraui S.A.B. de C.V. and Inmobiliaria Kira S.A de C.V. from Scotiabank Inverlat, S.A., at an annual fix rate of 7.65%, with payment of principal beginning on August, 2018, with expiration on July 27, 2023.	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 charged as of December 31, 2016 and 2015 was 6.09% and 4.28%, respectively.	1,548,330	1,548,330
Loan from Banco Nacional de Comercio Exterior, S. N. C. warranted by Tiendas Chedraui, S. A. de C. V. and Inmobiliaria Kira, S. A. de C. V. at an annual rate of TIIE plus 1.30% with expiration on 10 years from September, 2016 and payment of principal beginning on September 12, 2018. The rate charged as of December 31, 2016 was 6.50%.	625,000	-
Loan from BBVA Bancomer, S.A., warranted by Tiendas Chedraui, S. A. de C. V. at a rate of TIIE plus 1.10%, by simple opening credit of $ 1,500 with one-year grace period for payment of principal as of March 29, 2013. The expiration of contract is for 5 years, ending on December 30, 2016 payable by 16 quarterly installments at an annual rate of TIIE plus 1.1%. The rate charged as of December 31, 2016 and 2015 was 6.66% and 4.42%, respectively.	-	780,000
Loan celebrated by Tiendas Chedraui, S. A. de C. V. from Banco Nacional de México, S.A., at an annual rate TIIE plus 1.33%, with two years grace period for payments of principal as of August 12, 2018, ending on September 8, 2023. The rate as of December 31, 2016 was 6.44%.	500,000	-
Loan from Bank of America, S.A. warranted by Tiendas Chedraui, S.A. de C.V. at a rate of Libor plus 1.32 % with a first repayment on May 16, 2013 and matures in 5 years. The rate charged as of December 31, 2015 and 2014 was 6.48% in both years, according to contracted derivative instrument.	-	127,820
Loan obtained by Bodega Latina Co. with Wells Fargo Bank for US$50,000 with expiration on June, 2017. The rate charged as of December 31, 3016 and 2015 was 2.27 in both periods.	1,101,229	849,224
Loan with Bank of America, S.A., warranted by Tiendas Chedraui, S.A. de C.V. at a rate of LIBOR plus 1.5% with a first repayment on April 24, 2014 and a validity of 4 years. The rate charged as of December 31, 2016 and 2015 was 6.76% and 4.51%, respectively.	59,040	147,484
Long-term liabilities	5,033,599	4,852,858
Less - current portion	1,107,077	1,960,240
	$ 3,926,522	$ 2,892,618

At December 31, 2016 and 2015, the Entity was in compliance with the covenants set forth in each of the contracts.

16. Employee benefits

a. *Defined contribution plans*

The Entity by law make payments equivalent to 2% of wage workers integrated (ceiling) plan defined contribution savings system of retirement establish by the law. The related expense was $55,651 and $51,915 and, 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.

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

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

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

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

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

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

	2016	2015
	%	%
Discount of the projected benefit obligation at present value	9.25%	8.00%
Salary increase	4.50%	4.50%
Salary increase (minimum by law)	3.50%	3.50%

Unamortized items are applied during the year.

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

	2016	2015
Service cost:		
Current service cost	$ 56,103	$ 56,417
Net interest expense	32,861	26,728
	$ 88,964	$ 83,145
Remeasurement on the net defined benefit liability:		
Actuarial (gains) arising from changes in demographic assumptions	$ (45,853)	$ (8,587)
Actuarial losses (gains) arising from experience adjustments	35,571	22,259
Total	$ (10,282)	$ 13,672

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

e. *Present value of these obligations are:*

	2016	2015
Defined benefit obligation	$ 453,664	$ 433,302
Bodega Latina Co. liabilities	57,656	44,721
Net projected liability	$ 511,320	$ 478,023

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

	2016	2015
Present value of the defined benefit obligation as of January 1,	$ 478,023	$ 392,708
Current service cost	88,964	83,145
Payments made against the reserve	(45,385)	(11,502)
Cost recognized through comprehensive income	(10,282)	13,672
Present value of the defined benefit obligation as of December 31,	$ 511,320	$ 478,023

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 IFRSs.

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 is 125 basis points lower, the defined benefit obligation would increase by $45,853.

If the expected salary growth decreases by 1%, the defined benefit obligation would decrease by $27,779.

If the life expectancy increases by one year for both men and women, the defined benefit obligation would increase by $1,502.

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 statement of financial position.

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

17. Financial instruments

a. *Capital management risk*

The Entity manages its capital to ensure that the Entity and its subsidiaries will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Entity's overall strategy remains unchanged from 2015.

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. in terms of the Mexican Securities Exchange Commission and in accordance with the General Law of Commercial Companies; the fixed minimum capital is $183,436.

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

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

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

1. Gearing ratio

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

	2016	2015
Debt (i)	$ 5,238,545	$ 4,852,858
Cash	942,885	2,047,939
Net debt	$ 4,295,660	$ 2,804,919
Controlling interest (ii)	$ 26,610,365	$ 24,789,513
Net debt to equity ratio	16.1%	11.3%

i. Debt is defined as long- and short-term borrowings, as described in Notes 14 and 15.
ii. The controlling interest includes all capital and reserves of the Group that are managed as capital.

b. *Financial instruments categories*

	2016	2015
Financial assets		
Cash	$ 942,885	$ 2,047,939
Loans and receivables:		
Accounts and notes receivable - Net	951,731	794,740
Current accounts receivable from related parties	22,328	7,692
Non-current accounts receivable from related parties	37,035	37,035
Long-term accounts receivable	94,370	94,370
Guarantee deposits	440,505	410,102
Financial liabilities		
At amortized cost:		
Accounts and notes payable to suppliers	$ 14,017,522	$ 12,934,620
Other accounts payables (*)	2,055,077	1,819,198
Current borrowing with financial institutions	204,946	-
Current portion of long-term debt	1,107,077	1,960,240
Current portion of lease obligations	63,784	117,253
Long-term bank loan	3,926,522	2,892,618
Collection rights of trust contracts	741,657	839,160
Lease obligations	136,949	151,507
At fair value:		
Derivative financial instruments assets	61,072	77,287
Derivative financial instrument	(13,783)	(99,945)

(*) *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:

	2016	2015
Assets	$ 91,330	$ 112,270
Liabilities	(204,515)	(210,114)
Net US dollar liabilities	$ (113,185)	$ (97,844)
Year-end exchange rate ($ per 1 dollar)	20.6	17.2

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:

	2016	2015
Assets	$ 7,880	$ 18,415
Liabilities	(21,255)	(37,566)
Net US dollar liabilities	$ (13,375)	$ (19,151)
Year-end exchange rate ($ per 1 dollar)	20.6	17.2

— Approximately 2.58% and 1.97% of goods inventories were imported by the Entity in 2016 and 2015, respectively.

— Transactions in thousands of US dollars as of December 31, 2016 and 2015 include import purchases of $78,089 and $72,576, 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 represent 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 $42,260 and $10,843 for the years ended December 31, 2016 and 2015, 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 if the exchange rate suffers changes in excess of the 20% used for the aforementioned sensitivity test.

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 20% (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 $24,534 and $15,311 as of December 31, 2016 and 2015, 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, 2016 and 2015 is $1,498,004 and $1,299,212, 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 15.

— Interest and liquidity risk tables

The following tables as of December 31, 2016 and 2015 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.

2016	One year	Two years	Three years	More than three years	Total
Borrowings with financial institutions	$ 205,062	$ -	$ -	$ -	$ 205,062
Long-term liabilities (including current portion) (*)	1,384,362	1,090,022	680,768	3,099,826	6,254,978
Accounts and notes payable to suppliers	14,017,521	-	-	-	14,017,521
Collection rights of trust contracts (*)	154,051	157,679	161,529	535,183	1,008,442
Lease obligations	65,869	57,666	59,950	22,150	205,635
Total	$ 15,826,865	$ 1,305,367	$ 902,247	$ 3,657,159	$ 21,691,638

(*) TIIE 6%, LIBOR 0.3% for interest projection plus spread of each credit.

2015	One year	Two years	Three years	More than three years	Total
Long-term liabilities (including current portion) (*)	$ 2,128,629	$ 1,467,491	$ 254,601	$ 1,561,968	$ 5,412,689
Accounts and notes payable to suppliers	12,934,620	-	-	-	12,934,620
Collection rights of trust contracts (*)	134,505	139,898	145,678	656,886	1,076,967
Lease obligations	121,217	45,978	45,978	62,697	275,870
Total	$ 15,318,971	$ 1,653,367	$ 446,257	$ 2,281,551	$ 19,700,146

(*) TIIE 4%, LIBOR 0.2% for interest projection plus spread of each credit.

The following tables as of December 31, 2016 and 2015 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.

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

2015	Less than 1 year	More than 1 year and less than 5	More than 5 years	Total
Derivative financial instruments	$ 87,639	$ 22,828	$ -	$ 110,467

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.

	2016	2015
Financial Assets		
Long term receivables	$ 94,370	$ 94,370
Current accounts receivable from related parties	22,328	7,692
Non-current accounts receivable from related parties	37,035	37,035
Financial Liabilities		
Collection rights of trust contracts	741,657	839,160
Borrowings with financial institutions	204,946	-
Current portion of long-term liabilities	1,107,077	1,960,240
Long term liabilities	3,926,522	2,892,618

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, 2016:

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

As of December 31, 2015:

Type of derivative contract or value	Notional amount	Reference variable	Fair Value	Amount due by year	Collateral
Interest rate TIIE Collar	$ 1,400,000	TIIE of 28 days	$ (91,958)	$700,000 - 2016 and $700,000 in 2017	No collateral while the credit line or "Threshold" is not exceeded $27 million of US dollars.
Interest rate TIIE Collar	$ 195,350	TIIE of 28 days	(8,000)	162,825 in 2016 and $32,532 2017	No collateral while the credit line or "Threshold" is not exceeded $27 million of US dollars.
Cross Currency Swap	$ 127,820	Libor + 1.32 points, of TIIE + 1.04 points	42,000	$127,820 in 2016	No collateral while the credit line or "Threshold" is not exceeded $27 million of US dollars.
Cross Currency Swap	$ 147,484	Libor + 1.50 points, of TIIE + 1.18 points	36,000	$98,323 in 2016 and $49,161 in 2017	No collateral while the credit line or "Threshold" is not exceeded $27 million of US dollars.
Interest Rate Swap	$ 86,691	Fix rate of 6.48%	(700)	$86,691 in 2016	No collateral while the credit line or "Threshold" is not exceeded $27 million of US dollars.
Total			$ (22,658)		

18. Collection rights of trust contracts

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

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

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

As of December 31, 2016 and 2015, the Entity had recorded collection rights of $741,657 and $839,160, respectively, and a long-term account receivable as of December 31, 2016 and 2015 of $94,370 in both periods.

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

19. Stockholder's equity

Common stock as of December 31, 2016 and 2015 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 4, 2016 approved a cash dividend payable to the Entity's shareholders in the amount of $ 0.26 (twenty six cents) for each share released and outstanding at the dividend payment date. The payment was made against the net tax income account of the Entity, through S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores, and the dividend amount paid was $246,088.

b. A Stockholders' Ordinary General Meeting held on March 30, 2015 approved a cash dividend payable to the Entity's shareholders in the amount of $ 0.25 (twenty five 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 $240,980.

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, 2016 and 2015, 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:

	2016	2015
Contributed capital account (CUCA)	$ 184,606	$ 178,604
Net tax profit account (CUFIN)	443,093	518,106
Total	$ 627,699	$ 696,710

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.

Entity 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, 2015, Bodega Latina Co. subsidiary of the Group, has reduced its capital in 388,750 shares, which generated a premium reduction in capital of $126,012 by the overpayment on such shares.

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

20. Other comprehensive income

	2016	2015
Exchanges differences on translating foreign operations	$ 692,390	$ 374,887
Financial instruments measurement, net of deferred taxes	2,348	(71,210)
Remeasurement of defined benefit obligations, net of deferred taxes	(27,069)	(34,294)
	$ 667,669	$ 269,383

a. Exchanges differences on translating foreign operations

	2016	2015
Balance at beginning of the year	$ 374,887	$ 172,473
Exchange differences on translating foreign operations effects	317,503	202,414
Balance at end of the year	$ 692,390	$ 374,887

b. Effect for financial instruments measurement

	2016	2015
Balance at beginning of the year	$ (71,210)	$ (153,298)
Net profit for financial instruments measurement	105,084	117,269
Income taxes related to valuation of derivative instruments	(31,526)	(35,181)
Balance at end of the year	$ 2,348	$ (71,210)

21. Retained earnings

	2016	2015
Balance at beginning of the year	$ 20,314,623	$ 18,807,561
Net income attributable to owners of the Company	1,952,699	1,739,588
Dividends paid	(246,088)	(240,979)
Purchase of non-controlling interest	(62,901)	-
Changes on non-controlling interest	(18,744)	8,453
Balance at end of the year	$ 21,939,589	$ 20,314,623

22. Non-controlling interest

	2016	2015
Balance at beginning of year	$ 299,930	$ 239,848
Participation in comprehensive income	56,968	49,940
Increase on non-controlling interest		20,294
Acquisition of non-controlling interest	(29,038)	(10,152)
Balance at end of the year	$ 327,860	$ 299,930

23. Earnings per share

	2016	2015
	Earnings per share	Earnings per share
Basic and diluted earnings per share	$ 2.03	$ 1.80

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

	2016	2015
Net income attributable to owners of the Entity	$ 1,952,699	$ 1,739,588
Weighted average number of ordinary shares for the purposes of basic earnings per share	963,917,211	963,917,211

24. Transactions and balances with related parties

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

	2016	2015
Interest revenues	$ -	$ 1,393
Leases revenues	1,014	2,973
Administrative revenues	4,387	13,652
Financial portal revenues	5,839	5,599
Air transportation revenues	17,691	-
Concrete sale revenues	1,709	-
Leases expenses	(3,313)	(3,231)
Maintenance expenses	(122,120)	(116,770)
Interest expenses	(187)	(235)

b. Balances receivable from related parties are as follows:

	2016	2015
Operadora de Inmobiliarias del Sureste, S. A. de C. V.	$ 123	$ 304
Hípico Coapexpan, S. A. de C. V.	42	388
Supervisión y Mantenimiento de Inmuebles, S. A. de C. V.	1,180	2,953
Others	20,983	4,047
	$ 22,328	$ 7,692

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

	2016	2015
Operadora de Inmobiliarias del Sureste, S. A. de C. V.-	$ 37,035	$ 37,035

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

	2016	2015
Direct benefits	$ 155,529	$ 137,612
Variable benefits	98,798	91,255
	$ 254,327	$ 228,867

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

25. Operating lease agreements

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

a. *The Entity as Lessee*

Lease agreements

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

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

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

The Entity has recognized lease expenses of $1,225,658 and $1,033,863 as of December 31, 2016 and 2015, respectively.

Operating lease commitments not subject to cancellation

	2016	2015
No more than 1 year	$ 1,246,782	$ 1,027,467
More than 1 year and no more than 5 years	3,576,878	2,987,019
More than 5 years	4,960,589	4,306,434
	$ 9,784,249	$ 8,320,920

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 $745,527 and $661,582, as of December 31, 2016 and 2015, respectively.

The operating expenses related to the rental income earned from the investment properties amounted to $152,374 and $185,022 as of December 31, 2016 and 2015, respectively.

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

	2016	2015
No more than one year	$ 538,853	$ 508,062
More than 1 year and no more than 5 years	833,008	746,765
More than 5 years	392,418	296,769
	$ 1,764,279	$ 1,551,596

26. Financial cost

In 2016 and 2015, qualifying assets amount of $1,299,824 and $1,436,487, respectively, were acquired; and capitalized comprehensive financing cost (FC) was $25,151 and $20,697, respectively. The capitalization of FC was determined using an annualized average rate of 4.84% and 3.62% and in 2016 and 2015, respectively.

27. Income taxes

The Entity is subject to ISR. According to the Income Tax Law, the rate for 2016 and 2015 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 2015 Tax Law, given that as of December 31, 2014, the Entity was considered to be a holding company and was subject to the payment scheme contained in Article 4, Section VI of the transitory provisions of the ISR law published in the Federal Official Gazette on December 7, 2009, or article 70-A of the ISR law of 2014 which was repealed, it must continue to pay the tax that it deferred under the tax consolidation scheme in 2007 and previous years based on the aforementioned provisions, until such payment is concluded.

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

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

	2016	2015
ISR expense:		
Incurred	$ 168,628	$ 316,856
Deferred	894,495	532,808
	$ 1,063,123	$ 849,664

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:

	2016	2015
Legal rate	30%	30%
Effects of inflation	(9)	(4)
Not deductible	6	6
Others, mainly expiration of tax loss carryforwards	8	-
Effective rate	35%	32%

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

	2016	2015
Deferred ISR asset:		
Effect of tax loss carryforwards	$ 2,587,112	$ 3,465,660
Allowance for doubtful accounts	7,316	5,267
Inventories	20,336	111,432
Accrued expenses	1,292,379	522,313
Deferred ISR asset	3,907,143	4,104,672
Deferred ISR liability:		
Other assets	(531,634)	(117,331)
Derivative financial instruments	(3,675,317)	(3,240,721)
Property and equipment	(4,206,951)	(3,358,052)
Recoverable IMPAC paid	384,517	456,474
Allowance for IMPAC	(210,688)	(435,256)
Total (liability) asset	$ (125,979)	$ 767,838

As of December 31, 2016 and 2015, 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 2016, 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, 2015, there was no effect for tax losses pending amortization on which the benefit would have been lost.

d. ISR liability as of December 31, 2016 related to the effects for benefits and tax deconsolidation will be paid in the following years:

Year	Amount
2017	$ 493,930
2018	493,930
	$ 987,860

Deferred payments to which reference is made in the preceding paragraph, shall be updated each year, starting from May 2015 based on current tax legislation.

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, 2016, are:

	Tax loss	Recoverable
Expiration year	Carryforwards	IMAPC
2017	$ 609,061	$ 384,517
2018	239,038	-
2020	3,539,087	-
2021	2,031,352	-
2022	82,183	-
2023	499,389	-
2024	815,841	-
2025	229,647	-
2026	578,109	-
	$ 8,623,707	$ 384,517

28. Contingencies

a. As of December 31, 2016 and 2015, 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 2015 tax reform, including the elimination of incentives provided by the law of the applicable income tax until December 31, 2015.

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. 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.

d. In accordance with the current tax legislation, the authorities have the power to review up to five fiscal years prior to the last annual income tax report field. As of December 31, 2016, the Entity has review process by tax authorities in one of its subsidiaries about the application of a tax incentive whose propose was the promotion of investment in the real state sector which real estate investment companies know as SIBRAS, at the issue date of the consolidated financial statements, has not yet be concluded.

e. 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.

f. As a result of supposed difference in the payment of real estate property tax for the period from 2009 through 2013 of a real property owned by the company Crucero Chedraui, S.A. de C.V., the Direct Audit Department of the Mexico City Treasury assessed a due and payable tax liability for $23,541, against which a motion for reconsideration was filed, whose result confirmed the validity of the aforementioned tax liability. For this reason, on September 10, 2015, the company Crucero Chedraui, S. A. de C. V. filed an action for annulment, which has yet to be resolved

29. Business segment information

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

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

a. Analytical information by operating segment:

	Revenues	
Segments	2016	2015
Domestic supermarkets	$ 62,099,156	$ 57,808,443
US supermarkets	25,650,406	20,129,140
Real estate	779,018	710,282
Consolidated	$ 88,528,580	$ 78,647,865

There are no individual clients that have contributed on 10% or more of the Entity's revenues for 2016 and 2015.

	Profit before financing cost, and income taxes	
Segments	2016	2015
Domestic supermarkets	$ 2,930,322	$ 2,580,582
US supermarkets	727,920	607,733
Real estate	596,141	490,164
Consolidated	$ 4,254,383	$ 3,678,479

Segments	Lease - Intersegments 2016	2015
Domestic supermarkets	$ 1,595,865	$ 1,035,192
Real estate	(1,595,865)	(1,035,192)
Consolidated	$ -	$ -

Segments	Total assets 2016	2015
Domestic supermarkets	$ 36,005,349	$ 33,748,862
US supermarkets	5,889,293	4,714,713
Real estate	6,737,084	6,167,681
Non-assignable items	4,647,240	6,076,705
Consolidated	$ 53,278,966	$ 50,707,961

Segments	Depreciation and amortization 2016	2015
Domestic supermarkets	$ 1,122,254	$ 1,028,563
US supermarkets	365,799	271,600
Real estate	4,548	2,459
Consolidated	$ 1,492,601	$ 1,302,622

Segments	Net fixed asset investments 2016	2015
Domestic supermarkets	$ 1,533,942	$ 1,003,946
US supermarkets	191,894	241,941
Real estate	571,569	392,607
Non-assignable items	(18)	(23)
Consolidated	$ 2,297,387	$ 1,638,471

30. Authorization to issue the consolidated financial statements

The issuance of the accompanying consolidated financial statements was authorized on February 23, 2017 by the Engineer Rafael Contreras Grosskelwing, Legal Representative; consequently these consolidated financial statements does not include the events occurred after that date, is subject to the approval of the Entity's ordinary stockholders' meeting, where they may be modified, based on provisions set forth in the Mexican General Corporate Law.

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CORPORATE HEADQUARTERS

MEXICO HEADQUARTERS
Av. Constituyentes 1150
Colonia Lomas Altas
11950, Mexico, D.F., Mexico
Phone: +52 (55) 1103 8000

XALAPA HEADQUARTERS
Priv. Antonio Chedraui Caram 248
Colonia Encinal
91180, Xalapa, Ver., Mexico
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

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.

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