

## COMMENTS AND ANALYSIS BY THE ADMINISTRATION ABOUT THE OPERATIONAL RESULTS AND FINANCIAL SITUATION OF THE COMPANY AT THE CLOSE OF THE THIRD QUARTER 2012

(FIGURES IN MILLIONS OF PESOS)

Million MXP: Millions of Pesos

Dollars: American Dollars

### **RESULTS FOR 3Q12**

**Total sales** during the 3Q12 amounted to \$5,095.0 Million MXP, representing an increase of 11.2% with respect to the close of 3Q11; the **same-store sales** increased by 4.9%, totaling \$4,733 Million MXP.

**Cost of sales** recorded during the third quarter of the year was \$ 3,243.8 Million MXP, which represented an 8.0% increase compared with the close of 3Q11. As percentage on sales it represented 64% compared to the 66% recorded in the same period of the previous year; this is due to better negotiations for the purchase of inventory in 2012.

As of the close of 3Q12, the **gross revenue** increased by 17.3% with respect to the 3Q11, recording as of the close of the period an amount of \$1,851.3 Million MXP, resulting with a gross margin of 36.0%.

**Operating Expenses** during the 3Q12 totaled \$1,321 Million MXP, which represents a 13.3% increase compared to those recorded as of the close of 3Q11. As a percentage on sales it represented 26.0% in both years. The variation in this item results mainly from the execution of the sales floor expansion strategy in the different business units.

**Operating Flows** defined as operating revenue plus depreciation and amortization summed \$670 Million MXP, which is 30.7% more than the previous year.

The **integral financing results** of the period were unfavorable for 31.4 Million MXP, recording a negative variation of 122.5% compared to that same period in 2011, closing at \$31.4 Million MXP, which is due to the volatility effect on the exchange rate showed in each period.

The **Consolidated Net Income for Continuous Operations** was \$374.4 Million MXP, which compared to the 3Q11 represented a decrease of 9.7%, arisen from the negative variation in the integral financing results.

The **Consolidated Net Income** in 3Q12 is \$361.8 Million MXP compared to the consolidated net revenue of \$403.7 Million MXP recorded in the same period of 2011. The diminishment was generated by the effect of the integral financing results in the period.

## **RESULTS AS OF SEPTEMBER 2012**

**Sales** as of September 2012 amounted \$14,110.2 Million MXP, having a variation of 11.7% compared to the \$12,628.7 Million MXP of the previous year. Grupo Gigante is making continuous efforts to generate growth in same-store sales; in terms of increasing the total sales, 5 units were opened during the third quarter of 2012.

At the close of September 2012, the **cost of sales** was \$8,944.3 Million MXP, 10.9% more than the figure recorded in 2011. The increase may be explained by the costs of sales of the units opened during the last months. In terms of total sales, it had levels of margin of 63%.

As of September, **gross profits** totaled \$5,165.9 Million MXP, an amount 13.1% more than the figure recorded during the same period in 2011. The increase is principally attributed to the increase in the sales of equivalent units and to the contribution of new units. The sales margin was kept at 37% in both years.

As of September 2012, the **integral financing results** recorded a negative variation of \$145.8 Million MXP.

**Operating Flows** at the close of September of the current year totaled \$1,798 Million MXP with a variation of 14.7% with respect to the previous year.

At the close of September 2012, there are **discontinued operations** recorded for the sale of the shares in Tiendas Super Precio.

The **Consolidated Net Revenue** as of September 2012 is \$701.5, compared to the consolidated net revenue of \$931.3 Million MXP in the same period of year 2011. The diminishment was generated mainly by the effect of the discontinued entries for the sale of one of its companies.

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**Units in Operation.** During the third quarter of 2012, a total of 5 units were opened: 1 Office Depot store, 2 Toks restaurants and 2 Panda Express restaurants. No closings were recorded at any subsidiary

By the inclusion of these openings and closings, the total number of units in operation at the close of the third quarter was 372 with a total of 342,845 m<sup>2</sup> of sales floor and 22,637 seats.

**Relevant Events.** As it was timely informed when relevant, Gigante (GG) executed a share purchase agreement regarding its business unit "Tiendas Super Precio" with the Tiendas Neto chain stores. Such agreement was subject to the approval by the Federal Competition Commission, who granted its approval; and having GG received the total consideration agreed by both parties, GG announces that this share purchase transaction has been satisfactorily concluded.

Grupo Gigante once again reiterates its commitment to timely inform the public about the relevant events according to the regulatory provisions through the electronic means made available for issuers by the National Banking and Securities Commission (CNBV) and the Mexican Stock Exchange (BMV).

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## FINANCIAL SITUATION SEPTEMBER 2012 VS. DECEMBER 2011

The Company did not execute significant transactions that were not registered in the balance sheet.

### Current Assets

**Cash and Cash Equivalents / Short-Term Investments.** At the close of the third quarter of 2012, the amount of these securities was \$3,828.5 Million MXP (including investments classified for negotiation purposes and available for sale), which figure is smaller by 12.7% than the amount recorded at the close of 2011. The reduction is principally due to tax payments of previous fiscal years, investments made, dividend payments, among others.

At the close of September, the entry of **clients and other accounts receivable** amounted to \$1,438.8 Million MXP, showing a variation of 14.2% compared to 2011, mainly caused by the increase on sales.

The **inventories** account shows a reduction of 13.9%, closing at \$2,964.9 Million MXP on September. This reduction compared to 2011 is due to the write-off of the inventory for the sale of its Tiendas Super Precio subsidiary.

### Current Liabilities

The **suppliers** account shows a reduction of 17.2% arisen from the write-off of inventories in 2012 due to the sale of the Tienda Super Precio subsidiary.

**Bank Credits.** The increase of 57.1% arises from the enforceable portion of the bank credits executed with Banco Santander on June 2010.

**Discontinued Operations.** There is a decrease due to the cancellation of the tax payable provision made on December 2011.

The **other non-current assets** (mainly rents collected on advance and grace periods) show an increase of \$51.5 Million MXP, which represents a variation of 24.3% compared to the previous year. The foregoing, due to the increase of the security deposits and grace periods received from the lease of premises.

## FINANCIAL SITUATION SEPTEMBER 2012 VS. DECEMBER 2010

**Cash and Cash Equivalents / Short-Term Investments.** This account decreased by 7.5%, due to real estate projects, tax and dividend payments, among others.

**Clients / Other Accounts Receivable.** At the close of the third quarter of 2012, this item totaled \$1,438.8 Million MXP, observing a variation of 17.8% compared to the close of December 2010, caused by the increase on sales.

**Other Non-Current Assets.** At the close of September 2012, this heading recorded an increase of 65% compared to December 2010, which is due to the contributions made this year to the trust incorporated for purposes of a real estate project.

**Suppliers.** At the close of the third quarter of 2012, \$2,220.3 Million MXP were recorded, representing a negative variation of 9.5% compared to the close of the 2010 tax year. This variation resulted from the write-off of inventories in 2012 due to the sale of its Tienda Super Precio subsidiary.

**Bank Credits.** An increase of \$40 Million MXP was recorded compared to the close of the 2010 tax year. The increase resulted from the increase in the current portion of the bank credits executed with Banco Santander.

The **Other Non-Circulating Liabilities** (mainly rents collected on advance and grace periods) show an increase of \$54 Million MXP, representing a variation of 37.6% compared to the previous year. This variation was due to the increase on the security deposits and grace period received from the lease of premises.

### Financial Ratios

**Total liabilities to total assets.** At the close of 3Q12, this proportion equaled 0.21 times vs. the figure obtained in December 2011 of 0.24 times.

**Total liabilities to net worth.** At the close of 3Q12, this ratio was equivalent to 0.27 times vs. the figure obtained in December 2011 of 0.32 times.

**Current assets to current liabilities.** At the close of 3Q12, this proportion was 2.52 times vs. the figure obtained in December 2011 of 2.20 times.

**Current assets minus inventories to current liabilities.** At the close of 3Q12, this entry equaled 1.63 times vs. the figure obtained in December 2011 of 1.38 times.

**Current assets to total liabilities.** At the close of 3Q12, this ratio was equivalent to 1.47 times vs. the figure obtained in December 2011 of 1.39 times.

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### SOURCES OF LIQUIDITY AND CAPITAL RESOURCES

In addition to generating a cash flow from the operation, the subsidiaries of the Group have taken out revolving credits and letters of credit with banking institutions in order to cover the working capital needs.

**Letters of credit:** At the close of the third quarter 2012, the subsidiaries had letters of credit for 19 Million US dollars available to them. The percentage used from the total available was 12.1%.

**Revolving Credits and Simple Credits.** At the close of the third quarter 2012, the subsidiaries had lines of credit in Pesos and US Dollars available to them. However, only 65.1% of the line of credit in Pesos was used and no amount of the line of credit in Dollars was used.

### **Policies Governing the Treasury**

The banking conciliations are carried out on a monthly basis and are reviewed by a different area than the one that generated the movements.

Investments are made, previous analysis of the cash excess and the purchase, and sale conditions and the expiration of same, as well as the authorization by the finance departments or areas, pursuant to the policies and procedures established. Investment operations are recorded once the fund transfer is made to the selected financial institution, that is, in the period corresponding to it. Interests accrued on the investments are recorded in the period of accrual and are compared with the bank statements through banking conciliations.

Financing requests are approved by the authorized attorneys-in-fact and by the authorized directors, and if applicable, by the Finance and Planning Committee and/or by the Board of Directors, pursuant to the policies and procedures established.

Once the credit is obtained, it is recorded in the loan books, pursuant to the agreements executed. Records for interests and payments made are periodically made, pursuant to the transfers made to the financial institutions and they are conciliated periodically with support documentation. Compliance with the clauses set forth in the executed loan agreements is constantly reviewed.

The management is not authorized to hire derivative financial instruments. The Finance and Planning Committee is the body in charge of analyzing and, if applicable, of approving the hiring of these financial instruments.

### **Currencies of Cash and Temporary Investments**

The Company has cash and cash equivalents invested in Mexican currency and in Dollars, both in checking accounts and on investments in securities; classified as investments with negotiation purposes and available for sale.

The cash and cash equivalents will continue to be invested pursuant to the policies established with basis on the strategic plan approved by the Board of Directors and pursuant to the guidelines of the Finance and Planning Committee.

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### **Material Tax Credits or Liabilities**

At the close of 3Q12, the Company is up to date with its tax obligations.

The internal controls of the Company are focused on the safeguard of assets, on the compliance of the policies and procedures established, on the detection and prevention of fraud and on the generation of reliable financial information.

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### **Financial Analyst**

“IXE Casa de Bolsa” is following up and covering the analysis of the Company’s securities.

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### **GENERAL INFORMATION**

Grupo Gigante, S.A.B. DE C.V.  
BMV Ticker Code: Gigante\*  
[www.grupogigante.com.mx](http://www.grupogigante.com.mx)

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**GRUPO GIGANTE, S.A.B DE C.V.**

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**GRUPO GIGANTE S.A.B. DE C.V.**

Consolidated Balance Sheets  
As of september 30, 2012; december 2011 and 2010  
(In Millions of Mexican Pesos)

<b>Concept</b>	<b>3Q2012</b>	<b>2011</b>	<b>2010</b>
<b>Total Assets</b>	<b>27,034</b>	<b>27,375</b>	<b>25,508</b>
Current Assets	8,364	9,224	8,780
Investment in Shares	2	2	2
Property and Equipment - Net	7,960	7,790	7,101
Investment Properties	10,391	10,096	9,345
Uncollected accrued income	37	32	33
Goodwill and other intangible assets - Net	280	231	247
<b>Total Liabilities</b>	<b>5,700</b>	<b>6,629</b>	<b>5,704</b>
Current Liabilities	3,314	4,200	3,443
Long - Term Bank Loans	489	524	553
Deferred Taxes	1,700	1,741	1,564
Others	156	126	105
Employee Benefits	41	38	39
<b>Stockholders' Equity</b>	<b>21,334</b>	<b>20,746</b>	<b>19,804</b>

GRUPO GIGANTE, S.A.B DE C.V.

GRUPO GIGANTE S.A.B. DE C.V.

Consolidated Statements of Income  
From January 1 to september 30, 2012 and 2011  
(In Millions of Mexican Pesos)

Concept	2012	2011
Revenue	14,110	12,629
Cost of Sales	8,944	8,063
<b>Gross Revenue</b>	<b>5,166</b>	<b>4,566</b>
Operating Expenses	3,733	3,364
<b>Operating Income</b>	<b>1,433</b>	<b>1,202</b>
Net Comprehensive Financing	53	-93
<b>Income from Continuing Operations before Income Taxes</b>	<b>1,380</b>	<b>1,295</b>
Expensive Taxes	381	324
<b>Income from Continuing Operations</b>	<b>999</b>	<b>971</b>
Discontinued Operations	297	40
<b>Consolidated Net Income</b>	<b>702</b>	<b>931</b>
Net Income of Majority Stockholders	301	268
Net Income of Minority Stockholders	400	663

GRUPO GIGANTE S.A.B. DE C.V.

Consolidated Statements of Income  
From July 1 to September 30, 2012 and 2011  
(In Millions of Mexican Pesos)

Concepto	2012	2011
Revenue	5,095	4,582
Cost of Sales	3,244	3,003
<b>Gross Revenue</b>	<b>1,851</b>	<b>1,579</b>
Operating Expenses	1,321	1,166
<b>Operating Income</b>	<b>530</b>	<b>413</b>
Net Comprehensive Financing	31	-140
<b>Income from Continuing Operations before Income Taxes</b>	<b>499</b>	<b>553</b>
Expensive Taxes	125	138
<b>Income from Continuing Operations</b>	<b>374</b>	<b>415</b>
Discontinued Operations	13	11
<b>Consolidated Net Income</b>	<b>361</b>	<b>404</b>
Net Income of Majority Stockholders	131	103
Net Income of Minority Stockholders	230	301