# COMMENTS AND ANALYSIS BY THE ADMINISTRATION ABOUT THE OPERATIONAL RESULTS AND FINANCIAL SITUATION OF THE COMPANY AT THE END OF THE FOURTH QUARTER 2013

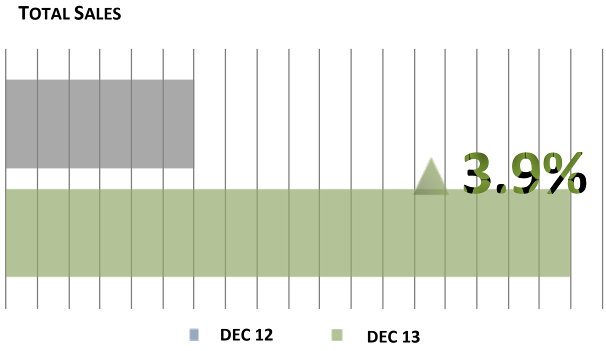
(FIGURES IN MILLIONS OF PESOS)

***Million MXP: millions of mexican pesos***
***US dollars: currency of the US***

## *RESULTS FOR 4Q13*

**Total sales** during the 4Q13 reached $4,935.9 Million MXP, representing a 3.9% increase with respect to 4Q12.

Regarding **same-store sales,** they decreased by 0.1%, totaling $4,589.0 Million MXP.



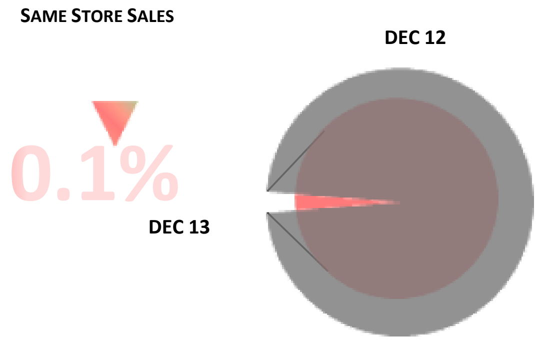

**Cost of sales** recorded during the fourth quarter of the year was $2,874.7 Million MXP. As a percentage on sales, it represented 58.2% compared to the 58.7% recorded in the same period of the previous year.

During the 4Q13, the **gross revenue** increased by 5.0% with respect to the 4Q12; therefore, at the close of the period, the amount of $2,061.2 Million MXP was recorded, representing 42% of gross margin with respect to 41% recorded in the 4Q12.

**Operating Expenses** as of 4Q13 totaled $1,218.4 Million MXP, which represents a 4.1% decrease compared to those recorded in 4Q12. In terms of the sales percentage, it represented 24.7% in 2013 compared to 26.7% of the same period of the previous year.

**Operating Flows** defined as operating revenue plus depreciation and amortization and (+/-) reasonable value of the investment properties, totaled $793.1 Million MXP in the quarter, which represents 12.9% more than those in same quarter of the previous year.

**Financial costs** recorded a loss in the quarter for $125.4 Million MXP, with a variation of 635.7% with respect to the same period in 2012. The loss is due to greater payments made in 2013 for bank interests, arisen, mostly, from the bridge loan entered into by Grupo Gigante for the acquisition of the remaining 50% of the shares in Office Depot de México, in addition to the loss for the fluctuation in the exchange rates mainly resulting from the increase of monetary liabilities in the quarter applied to the bonus in international markets placed by such subsidiary.



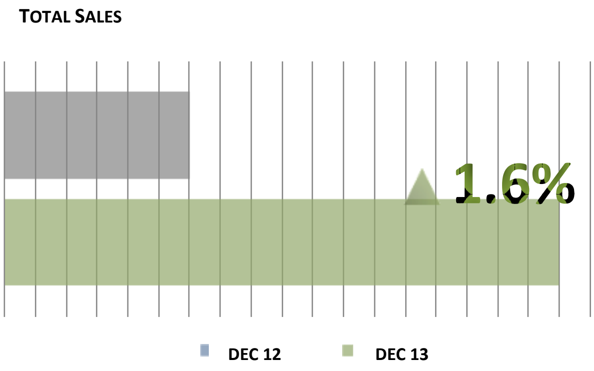

The **revenue tax** account shows a 66.0% decrease with respect to year 2012, totaling 62.9 Million MXP. The foregoing is due to the tax losses effect arisen from the tax deconsolidation effect during the quarter.

The **Consolidated Net Revenue for Continuous Operations** was $655.7 Million MXP, which compared to the 4Q12 represented a 33.6% increase.

The **Consolidated Net Revenue** for the 4Q13 totaled $666.5 Million MXP, which represents a 66.3% increase compared to the same period in 2012.

The **Non-Controlling Interest** account shows a 101.3% decrease, which is due to the acknowledgment of the "non-controlling interest" as "controlling interest" from the month of June 2013, of the remaining 50% of the shares of one of the shares in Office Depot de México held by other investors.

## *RESULTS AS OF 4Q13*




As of 4Q13, **total sales** amounted $19,165.6 Million MXP, which amount represents a 1.6% increase with respect to the same period in 2012.

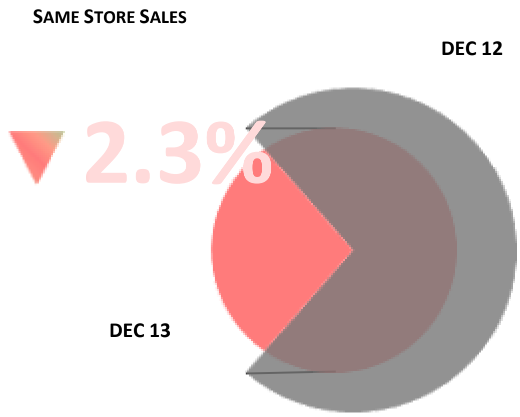
Regarding **same-store sales,** it recorded a 2.3% decrease, totaling $17,965.7 Million MXP.

As of the fourth quarter of the year, the accumulated **Cost of Sales** was $11,601.2 Million MXP. As percentage on sales it represented 60.5% in 4Q13 compared to the 62.2% recorded in the same period of the previous year.

As of the 4Q13, **Gross Profits** increased by 6.1% compared to the 4Q12, recording as of the close of the period an amount of $7,564.4 Million MXP, representing a 39.5% of gross margin compared to 37.8% as of the 4Q12.

As of 4Q13, **Operating Expenses** totaled $4,968.8 Million MXP, which represents a 0.7% negative variation compared with those recorded as of 4Q12. As a percentage on sales it represents 25.9% compared to 26.5% in the same period of the previous year.

**Operating Flows,** defined as operating revenue plus depreciation, amortization and (+/-) reasonable value of the investment properties, totaled as of December 2013, $2,733.4 Million MXP, which represents a 9.3% increase with respect to the previous year.




The **Financial Cost** account showed a variation of $260.9 Million MXP, which represents 371.2% compared to the same period in 2012. This is due to greater payments made in 2013 for bank interests, which arose, mostly, from the bridge loan entered into by Grupo Gigante and due to the loss from fluctuations in the exchange rate that resulted from the increase of monetary liabilities. Such increase was generated from the placement of the bond in international markets made by the Office Depot de México subsidiary.

The **Revenue Taxes** account shows a 4.4% decrease with respect to year 2012, totaling $541.2 Million MXP. The foregoing is due to the tax losses effect arisen from the tax deconsolidation effect during the quarter.

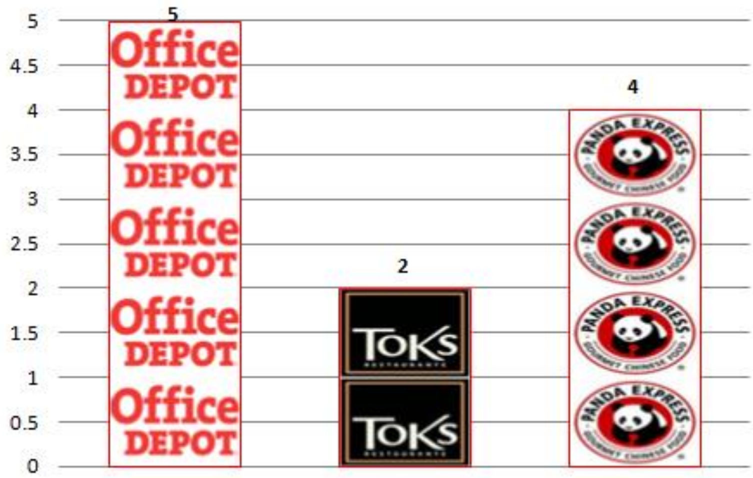
**Consolidated Net Revenue from Continued Operations** totaled $1,720.2 Million MXP, recording a 15.5% increase compared to the same period in the previous year.

**Consolidated Net Revenue** as of 4Q13 totaled $1,746.3 Million MXP, which represents a 58.4% increase compared to the same period in 2012.

## Units in operation.

During the fourth quarter of 2013, we opened:

**NUMBER OF OPENINGS IN THE QUARTER**




1 Office Depot store was closed in the period. Additionally, under the joint venture program, a Petco store was opened.

By the inclusion and closing of these stores and restaurants, the total number of units in operation at the close of the fourth quarter was **428** with a total number of **359,172 m$^2$** of sales floor and **26,577 seats.**

## Relevant events.

GIGANTE

On December 7, 2013, upon the execution of its 2008-2013 strategic business plan, Grupo Gigante informed to the public investors the approval by the Board of Directors of the second phase of its business corporate restructuring towards the grouping of its businesses according to their specialty.

After having regrouped the real estate business of the Company last year, the specialized retail businesses will be controlled by one holding, a subsidiary of Grupo Gigante named Gigante Retail, and its restaurant businesses will also be regrouped at the same time under its subsidiary Hospitalidad y Servicios Especializados Gigante.

Grupo Gigante once again reiterated its commitment to timely inform the public about the relevant events according to the regulatory provisions through the electronic means made available for issuers of the National Banking and Securities Commission (CNBV), the Mexican Stock Exchange (BMV) as well as its web site (www.grupogigante.com.mx).

## FINANCIAL SITUATION DECEMBER 2013 VS DECEMBER 2012

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

### *Current assets*

**Other accounts receivable – Net.** At the close of the fourth quarter of 2013, this item had an 18.3% increase with respect to the closing of December 2012, mainly due to the account receivable from the SHCP (Ministry of Finance and Public Credit) for withholdings.

**Inventory- Net.** At the close of the fourth quarter of 2013, this item showed a 6.1% decrease with respect to the closing of December 2012, which was mainly caused by a decrease in purchases of inventory for stationery and office supplies.

**Other Current Assets.** This account shows a 16.4% growth with respect to the same period in 2012, arisen from advanced payments for insurance.

### *Current liabilities*

**Short Term Bank Loans**. There is a 1,308.7% increase due to the bridge loan entered into with Bancomer and Credit Suisse, as well as the prepayment of same during the month of September 2013; furthermore, due to expenses for the issue of loans pending accrual.

**Suppliers.** There is a 18.0% decrease with respect to the closing of fiscal year 2012, due to smaller inventory purchases.

### *Long-term assets*

**Investments in Associates and Joint Businesses.** This account showed a decrease of 18.1% arisen from the acknowledgment of the contribution of a trust in 2012 as property in 2013, as well as from the initial contribution to the company “Mascotas”.

The **Non-current Assets** account shows a 1,782.2% growth due to the several advances for real estate projects and business acquisitions, as well as to licenses of the SAP system in a subsidiary.

### *Long term liabilities*

**Long Term Bank Credits**. It records an increase of 87.0% due to the execution of a bank credit in March 2013, in addition to the renegotiation on May of the two credits with the same banking institution for real estate projects for a 7-year term.

The **Securities Credits** account shows a variation of $4,467.8 Million MXP, arisen from the placement of a 7-year bond in international markets by Office Depot de México, subsidiary of the Company.

### *Net Worth*

The **Net Worth of the Controlling Interest** shows a 18.7% decrease, mainly due to the effect for the acquisition of 50% of the shares in Office Depot de México

The **Net Worth of the Non-Controlling Interest** shows a 96.5% decrease which is due to the acknowledgment of the “non-controlling interest” as “controlling interest” for the acquisition of 50% of the shares in such subsidiary as of July 2013.

## FINANCIAL RATIOS

| | TO MAR 2014 | TO DEC 2013 | VAR |
|---|---|---|---|
| Total liabilities to total assets | 0.52 | 0.23 | 0.29 |
| Total liabilities to net worth | 1.07 | 0.30 | 0.77 |
| Current assets to current liabilities | 1.28 | 2.34 | -1.06 |
| Current assets minus inventories to current liabilities | 0.83 | 1.40 | -0.57 |
| Current assets to total liabilities | 0.63 | 1.39 | -0.76 |

* Information expressed in times

## 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 fourth quarter 2013, the subsidiaries had letters of credit on US dollars available to them. The percentage used from the total available was: | 40.9% |
| **Revolving credits and simple credits in pesos.** At the close of the fourth quarter 2013, the subsidiaries had lines of credit in Pesos; the percentage used from the total available was: | 94.6% |
| **Revolving credits and simple credits in US Dollars.** At the close of the fourth quarter 2013, the subsidiaries had lines of credit in US Dollars; the percentage used from the total available was: | 100.0% |
| **Term debt securities**. At the fourth quarter 2013, one of the subsidiaries of the Company has a term debt securities on US dollars. The percentage used from the total available was: | 100.0% |

## 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.

## MATERIAL TAX CREDITS OR LIABILITIES

At the close of 4Q13, 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.

## FINANCIAL ANALYST

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

## GENERAL INFORMATION

Grupo Gigante, S.A.B. DE C.V.
BMV Ticker Code: Gigante*
www.grupogigante.com.mx

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

Consolidated Balance Sheets
As of december 31, 2013 and 2012
(In Millions of Mexican Pesos)

| Concept | 2013 | 2012 |
|---|---|---|
| **Total Assets** | **31,223.5** | **28,467.8** |
| Current Assets | 10,104.8 | 9,268.4 |
| Investment in Shares | 33.3 | 40.7 |
| Property and Equipment - Net and Investment Properties | 20,063.8 | 18,924.8 |
| Uncollected accrued income | 58.3 | 45.2 |
| Goodwill and other intangible assets - Net | 963.3 | 188.7 |
| **Total Liabilities** | **16,128.6** | **6,651.2** |
| Current Liabilities | 7,907.6 | 3,957.2 |
| Long - Term Bank Loans | 1,286.8 | 688.2 |
| Term Debt Securities | 4,467.8 | 0.0 |
| Deferred Taxes | 1,706.5 | 1,733.6 |
| Tax by fiscal desconsolidation | 536.3 | 0.0 |
| Others | 209.9 | 180.0 |
| Employee Benefits | 13.8 | 92.2 |
| **Stockholders' Equity** | **15,094.9** | **21,816.7** |

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

Consolidated Statements of Income
From october 1 to december 31, of each year
(In Millions of Mexican Pesos)

| Concept | 2013 | 2012 |
|---|---|---|
| Revenue | 4,935.9 | 4,750.7 |
| Cost of Sales | 2,874.7 | 2,787.4 |
| **Gross Revenue** | **2,061.2** | **1,963.3** |
| Operating Expenses | 1,218.4 | 1,270.2 |
| **Operating Income** | **842.8** | **693.0** |
| Financial Cost | 125.4 | 17.0 |
| Result in Associates | -1.2 | 0.0 |
| **Income from Continuing Operations before Income Taxes** | **718.6** | **676.0** |
| Expensive Taxes | 62.9 | 185.2 |
| **Income from Continuing Operations** | **655.7** | **490.8** |
| Discontinued Operations | -10.8 | 90.0 |
| **Consolidated Net Income** | **666.5** | **400.8** |
| Net Income of Minority Stockholders | -1.4 | 111.4 |
| Net Income of Majority Stockholders | 667.9 | 289.4 |

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

Consolidated Statements of Income
From january 1 to december 31, 2013 and 2012.
(In Millions of Mexican Pesos)

| Concept | 2013 | 2012 |
|---|---|---|
| Revenue | 19,165.6 | 18,860.8 |
| Cost of Sales | 11,601.2 | 11,731.7 |
| **Gross Revenue** | **7,564.4** | **7,129.1** |
| Operating Expenses | 4,968.8 | 5,003.5 |
| **Operating Income** | **2,595.6** | **2,125.7** |
| Financial Cost | 331.1 | 70.3 |
| Result in Associates | 3.0 | 0.0 |
| **Income from Continuing Operations before Income Taxes** | **2,261.4** | **2,055.4** |
| Expensive Taxes | 541.2 | 566.0 |
| **Income from Continuing Operations** | **1,720.2** | **1,489.5** |
| Discontinued Operations | -26.1 | 387.2 |
| **Consolidated Net Income** | **1,746.3** | **1,102.3** |
| Net Income of Minority Stockholders | 170.8 | 411.7 |
| Net Income of Majority Stockholders | 1,575.5 | 690.6 |