

**COMMENTS AND ANALYSIS BY THE ADMINISTRATION ABOUT THE  
OPERATIONAL RESULTS AND FINANCIAL SITUATION OF THE COMPANY  
AT THE END OF THE SECOND QUARTER 2014**

(FIGURES IN MILLIONS OF PESOS)

*Million MXP: millions of mexican pesos*

*US dollars: currency of the US*

### RESULTS FOR 2Q14

**Total sales** during the 2Q14 amounted to \$4,722.1 Million MXP, representing an increase of 4.9% with respect to 2Q13.

Regarding **same-store sales**, there was a decrease of 3.5%, totaling \$4,228.3 Million MXP.

**Cost of sales** recorded during the second quarter of the year was \$ 2,822.0 Million MXP. As percentage on sales it represented 59.8% in 2Q14 compared to 60.6% recorded in the same period during the previous year.

In 2Q14, the **gross revenue** increased by 7.2% with respect to the 2Q13; therefore, at the close of the period, the amount of \$1,900.1 Million MXP was recorded, which represents 40.0% of the gross margin compared to 39.0% in 2Q13.

**Operating Expenses** as of the 2Q14 total \$1,411.7 Million MXP, which represents an increase of 9.2% compared to those recorded in 2Q13. As a percentage on sales it represents 29.9% in 2014 compared to 28.7% recorded in the same period of the previous year.

**Operating Flows** defined as operating revenue plus depreciation, amortization and changes in the reasonable value of the investment properties, totaled \$530.7 Million MXP in the quarter, which is 5.8% less than in the same quarter of the previous year.

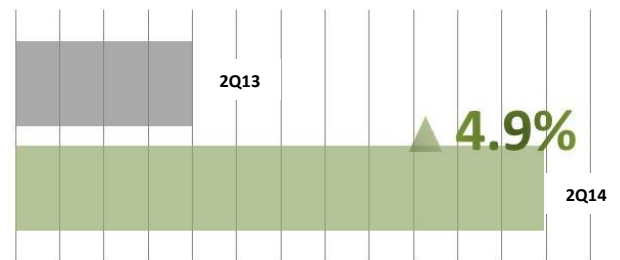
The **Financial Cost** loss recorded in the quarter was for \$136.4 Million MXP, with an increase of 561.3% compared to the same period in 2013. This variation is due to the interests of the bridge loan entered into by Grupo Gigante for the acquisition of the remaining 50% of the shares in Office Depot de México and the interests of the bond in international markets.

The **Income Taxes** account shows a 47.6% decrease with respect to the second quarter of year 2013, totaling \$102.3 Million MXP, which is due to a decrease in the tax basis.

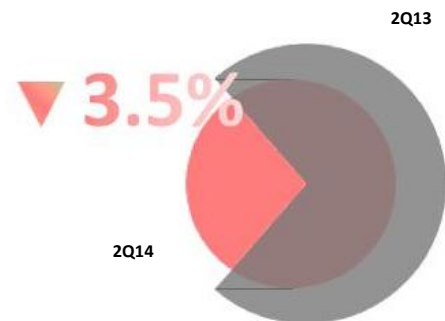
The **Consolidated Net Revenue** was \$251.0 Million MXP, recording a 34.3% decrease compared to the 2Q13. The main reason for this result is derived in the financial cost.

The **Non-Controlling Interest account** decreases by 97.8%, which is due to the acquisition in the Office Depot de México transaction, on July 2013; as of this moment, the non-controlling interest is acknowledged as a controlling interest.

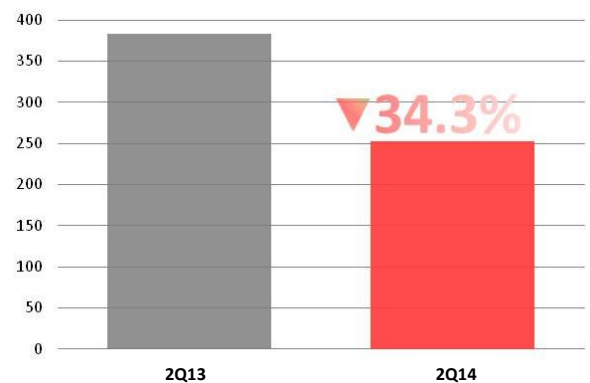
#### TOTAL SALES



#### SAME STORE SALES



#### CONSOLIDATED NET REVENUE



## RESULTS AS OF 2Q14

**Total sales** accrued as of 2Q14 summed \$9,615.9 Million MXP. This amount represents a 4.7% increase compared to the same period in 2013.

Regarding **same-store sales**, there was a 1.1% decrease, totaling \$8,863.9 Million MXP.

The **cost of sales** recorded as of the second quarter of the year was \$5,755.9 Million MXP. As a percentage on sales it represented 59.9% in 2Q14, compared to 61.5% recorded in the same period of the previous year.

As of the 2Q14, **gross profits** increased by 9.2% compared to the same period of the previous year. As of the close of the period, an amount of \$3,860.0 Million MXP was recorded, representing 40.1% of gross margin compared to the 38.5% of gross margin recorded as of 2Q13.

Operating expenses as of 2Q14 total \$2,688.5 Million MXP, which represents an increase of 3.9% compared to those recorded as of the 2Q13. As a percentage on sales, it represented 28.0% in 2014 compared to 28.2% for the same period in the previous year.

**Operating Flows**, defined as operating revenues plus depreciation, amortization and changes in the reasonable value of the investment properties, totaled \$1,184.3 Million MXP as of June 2014, which represents an increase of 0.8% compared to the quarter of the previous year.

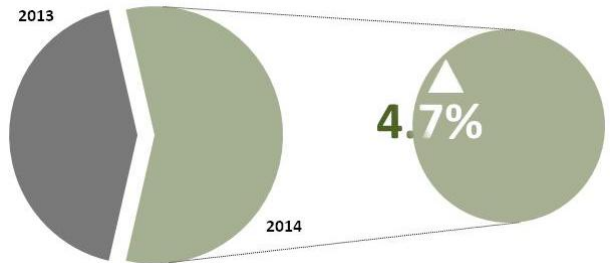
The loss recorded for **financial cost** recorded a variation of \$275.6 Million MXP, compared to the same period in 2013. This variation is due to the interests of the bridge loan entered into by Grupo Gigante for the acquisition of the remaining 50% of the shares in Office Depot de México and the interests of the bond placed in international markets.

The **Income Taxes** account recorded a decrease of 22.7% compared to the accrued amount of the second quarter for year 2013, totaling \$269 Million MXP, which is due to a decrease in the tax basis.

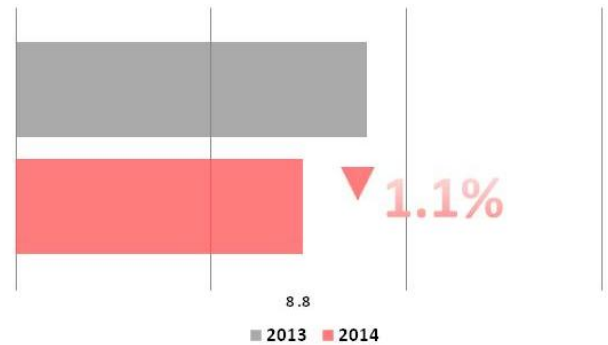
The **Consolidated Net Revenue** was \$628.1 Million MXP which recorded a decrease of 6.0% compared to the same period of 2Q13.

The **Non-Controlling Interest** account recorded a decrease of 97.1%, which is due to the acquisition in the Office Depot de México transaction on July 2013; as of this moment, the non-controlling interest is acknowledged as a controlling interest.

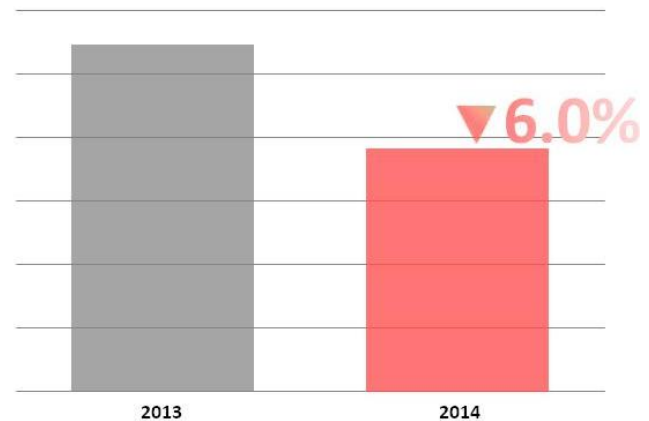
### TOTAL SALES



### SAME STORE SALES

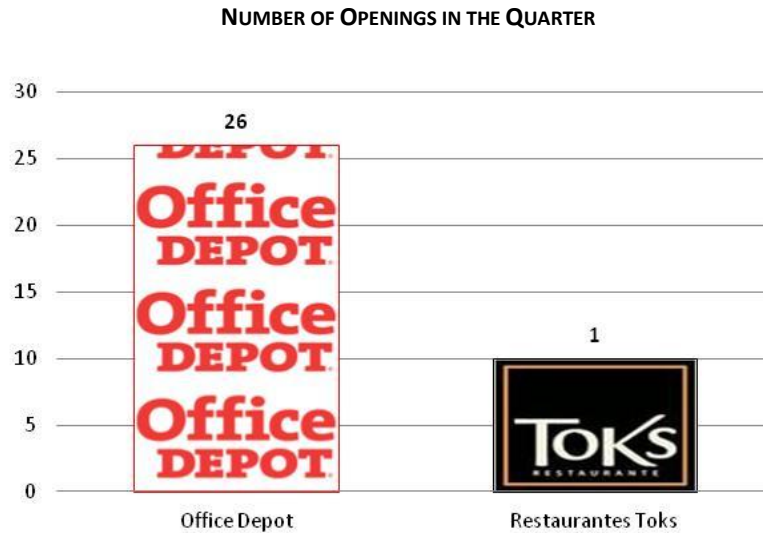


### CONSOLIDATED NET REVENUE



## Units in operation.

During the second quarter of 2014, we opened:



During the second quarter of 2014, a total of 1 Restaurante Toks and 26 Office Depot stores were opened, of which 23 were acquired on April from Casa Marchand. Additionally, under the joint venture program, a Petco store was opened.

By the opening and closing these stores and restaurants, the total number of units in operation at the close of the second quarter was **456** with a total number of **388,603 m<sup>2</sup>** of sales floor and **26,850 seats**, and under the joint venture program, a total of 3 units of Petco.

## Relevant events.



Grupo Gigante did not make any significant relevant events during the quarter.

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](http://www.grupogigante.com.mx)).

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**FINANCIAL SITUATION JUNE 2014 VS DECEMBER 2013**

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

***Current assets***

**Cash and financial instruments.** This account records a 17.1% decrease, which is mainly due to the loss of value on the investments classified for sale, as well as other investments made during the period.

**Inventories.**- This account is at levels of 22.6% with respect to the 4Q13. The increase is due to the inventory incorporated into Office Depot de México as a result of the purchase of Casa Marchand stores on April of this year, as well as to seasonal purchases.

**Other Current Assets.** At the end of the second quarter of 2014, this item showed an increase of 14.3% with respect to the closing on December 2013, caused by advanced annual payments, such as insurance and taxes.

***Long-term assets***

**Investments in Associates and Joint Businesses.** This account recorded an increase of 50.2%, arisen from the investment made in the company "Mascotas" (Petco México) during 2014.

***Current liabilities***

**Suppliers.** This account records an increase of 24.6% due to the inventory incorporated into Office Depot de México as a result of the acquisition of the Casa Marchand Stores on April 2014, as well as of the seasonal purchases.

***Long term liabilities***

**Long-term Bank Loans.** There is an increase of 8.2% with respect to December 2013 due to the credit drawdown during the period, used to develop real estate developments.

**Other long-term liabilities.-** As of the closing of the second quarter of 2014, this item showed a decrease of 34.6% with respect to the closing of December 2013, caused by the Income Tax reclassified to current liability, which will be paid in 2015.

***Shareholders' Equity***

The **Shareholders' Equity account of the Non-Controlling Interest** shows a 4.2% increase that corresponds to the revenues generated in the period by a real estate company, with a non-controlling interest.

## FINANCIAL RATIOS

	TO JUN 2014	TO DEC 2013	VAR
Total liabilities to total assets	0.52	0.52	0.00
Total liabilities to net worth	1.10	1.07	0.03
Current assets to current liabilities	1.18	1.28	-0.10
Current assets minus inventories to current liabilities	0.67	0.83	-0.16
Current assets to total liabilities	0.60	0.63	-0.03

\* 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 second quarter 2014, the subsidiaries had letters of credit on US dollars available to them. The percentage used from the total available was:

**20.7%**

**Revolving credits and simple credits in pesos.** At the close of the second quarter 2014, the subsidiaries had lines of credit in Pesos; the percentage used from the total available was:

**100.0%**

**Term debt securities.** At the second quarter 2014, 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.

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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 2Q14, 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.

Consolidated Balance Sheets

As of June 30, 2014 and December 31, 2013

(In Millions of Mexican Pesos)

Concept	2014	2013
<b>Total Assets</b>	<b>31,628.8</b>	<b>31,223.5</b>
Current Assets	9,966.6	10,104.8
Investment in Shares	50.0	33.3
Property and Equipment - Net and Investment Properties	20,480.8	20,063.8
Uncollected accrued income	59.8	58.3
Goodwill and other intangible assets - Net	1,071.6	963.3
<b>Total Liabilities</b>	<b>16,557.8</b>	<b>16,128.6</b>
Current Liabilities	8,460.7	7,907.6
Long - Term Bank Loans	1,392.7	1,286.8
Term Debt Securities	4,452.8	4,467.8
Deferred Taxes	1,684.7	1,706.5
Tax by fiscal desconsolidation	299.0	536.3
Others	204.2	209.9
Employee Benefits	63.7	13.8
<b>Stockholders' Equity</b>	<b>15,071.0</b>	<b>15,094.9</b>



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

Consolidated Statements of Income  
From april 1 to june 30, for each year.  
(In Millions of Mexican Pesos)

Concept	2014	2013
Revenue	4,722.1	4,501.2
Cost of Sales	2,822.0	2,728.9
<b>Gross Revenue</b>	<b>1,900.1</b>	<b>1,772.3</b>
Operating Expenses	1,411.7	1,292.7
<b>Operating Income</b>	<b>488.4</b>	<b>479.6</b>
Financial Cost	-136.4	29.5
Result in Associates	1.2	-0.8
<b>Income from Continuing Operations before Income Taxes</b>	<b>353.2</b>	<b>508.3</b>
Expensive Taxes	102.3	195.4
<b>Income from Continuing Operations</b>	<b>250.9</b>	<b>312.9</b>
Discontinued Operations	0.0	-69.1
<b>Consolidated Net Income</b>	<b>250.9</b>	<b>382.0</b>
Net Income of Minority Stockholders	1.8	85.4
Net Income of Majority Stockholders	249.1	296.6





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

Consolidated Statements of Income  
From January 1 to June 30, for each year.  
(In Millions of Mexican Pesos)

Concept	2014	2013
Revenue	9,615.9	9,180.3
Cost of Sales	5,755.9	5,645.6
<b>Gross Revenue</b>	<b>3,860.0</b>	<b>3,534.7</b>
Operating Expenses	2,688.6	2,587.1
<b>Operating Income</b>	<b>1,171.5</b>	<b>947.6</b>
Financial Cost	274.5	-1.1
Result in Associates	0.2	-1.7
<b>Income from Continuing Operations before Income Taxes</b>	<b>897.1</b>	<b>947.0</b>
Expensive Taxes	269.0	347.9
<b>Income from Continuing Operations</b>	<b>628.1</b>	<b>599.1</b>
Discontinued Operations	0.0	-69.1
<b>Consolidated Net Income</b>	<b>628.1</b>	<b>668.2</b>
Net Income of Minority Stockholders	5.0	174.6
Net Income of Majority Stockholders	623.1	493.6