



Grupo Sanborns



ANNUAL REPORT

2021



# CORPORATE PROFILE

Grupo Sanborns is a leading company in the retail sales market in Mexico, with a unique portfolio of formats that includes department stores with sections for electronics and entertainment, convenience items, luxury items and restaurants. It carries highly recognized brands, such as Sears, Sanborns, iShop-MixUp, Dax, Sanborns Café and Saks Fifth Avenue. Grupo Sanborns has a presence in 62 cities in Mexico, with 433 stores and a sales floor area of approximately 1.191 million square meters, offering a wide variety of value to its customers, including 4.699 million cardholders.

## MISSION, VISION, AND VALUES

### MISSION:

To offer products and services of the highest quality to our customers at a fair price in pleasant surroundings, providing them with the most complete satisfaction through our flawless personalized service. Our customers are the *raison d'être* of our work.

### VISION:

Our outlook is to maintain the leadership of our Group in the market, integrating and consolidating the objectives of our customers, personnel, suppliers, and shareholders.

### VALUES:

**Work:** Work is a value; because only through work can we meet our needs, grow as individuals and serve our fellow human beings. Therefore, we must seek to make our work become a factor in our personal and professional development and in our emotional satisfaction.

**Growth:** Growth means increasing and improving our skills and personal knowledge so that together with the Group we can increase our capacity to offer more and better products, along with excellent service to our customers.

**Social responsibility:** This responsibility consists in doing our work well, reaffirming our ethical values, meeting our commitments with our customers and providers, observing the laws, and conserving natural resources and the environment.

**Efficiency:** Efficiency means observing austerity in the care and utilization of our resources, spending only on what is necessary and avoiding anything that is useless or superfluous.

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# RELEVANT FIGURES

(Thousand pesos at December 31 of each year\*)

<b>GSanborns</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Change% 2021-2020</b>
<b>Income</b>				
Total Sales	52,842	39,205	<b>52,939</b>	35.0%
Retail Sales	49,314	35,618	<b>49,849</b>	40.0%
Credit Income	3,975	3,587	<b>3,091</b>	-13.8%
Gross Profit	20,334	13,609	<b>17,499</b>	28.6%
Operating Income	4,699	1,681	<b>2,683</b>	59.6%
Operating Margin	8.8%	4.2%	<b>5.1%</b>	0.9 pp
EBITDA	6,789	2,041	<b>4,724</b>	131.5%
EBITDA Margin	12.7%	5.2%	<b>8.9%</b>	3.7 pp
Controlling Participation in Net Income	2,949	727	<b>1,819</b>	150.0%
Net Margin	5.5%	1.8%	<b>3.4%</b>	1.6 pp
<b>Balance</b>				
Total Assets	56,692	52,555	<b>55,175</b>	5.0%
Total Liabilities	23,536	19,247	<b>19,949</b>	3.6%
Consolidated Stockholders' Equity	33,156	33,308	<b>35,226</b>	5.8%
Capital Expenditures (CapEx)	895	467	<b>369</b>	-21.0%
Total Debt	0	0	<b>0</b>	0.0%
Net Debt	-1,690	-3,991	<b>-7,305</b>	83.1%
<b>Credit</b>				
Credit Portfolio	12,909	10,227	<b>11,032</b>	7.9%
% Non-Performing Loans	3.6%	5.2%	<b>2.9%</b>	-2.3 pp
Credit Cards issued	4,409,392	4,478,251	<b>4,699,707</b>	4.9%
<b>Other indicators</b>				
Net Debt/EBITDA	-0.25	-1.96	<b>-1.55</b>	-20.9%
CapEx/Sales	1.7%	1.2%	<b>0.7%</b>	-0.5 pp
Total Area (Sq meters)	1,234,254	1,200,799	<b>1,191,306</b>	-0.8%
Compounded Average number of outstanding Shares (thousand)	2,262,933	2,260,053	<b>2,248,324</b>	-0.6%
Earnings per Share**	1.00	0.28	<b>0.85</b>	0.0%
Closing year stock price***	24.50	19.26	<b>28.50</b>	48.0%

\* Except outstanding shares, earnings per share and number of credit cards.

\*\* Controlling Participation in Net Income divided by the compounded average number of outstanding shares.

\*\*\* Started quoting in the MSE on February 8th, 2013.

pp: Variation in percentage points.

EBITDA: Income before income taxes, plus depreciation and amortization, financial income and expenses, gain from changes in the fair value of investment properties, equity in income of subsidiaries and joint ventures, valuation effect of pension and retirement fund and impairment of real estate. Conciliation in Note 26 to the Financial Statements.



# FORMATS AND BRANDS



## Sears

- Fashion, white lines and domestic appliances, furniture, home improvements and electronics.

**97**  
stores

**46%**  
% of sales in 2021

**856,402**  
sales floor  
area m<sup>2</sup>



## Sanborns\*

- Books, magazines, health and beauty, pharmacy, electronics, toys, music, videos, jewelry, photography, cell phones, clothing, candy and gifts.
- Bar and restaurant service.

**194**  
stores

**26%**  
% of sales in 2021

**283,475**  
sales floor  
area m<sup>2</sup>



## Mixup and iShop

- Apple products and related accessories; music, videos, movies and video games.

**141**  
stores

**27%**  
% of sales in 2021

**43,772**  
sales floor  
area m<sup>2</sup>



## Other formats and Eliminations\*\*

- Perfumes and cosmetics.
- Traditional Mexican food.
- High quality clothing and accessories.
- Shopping Centers.
- Online Commerce Platform

**1**  
store

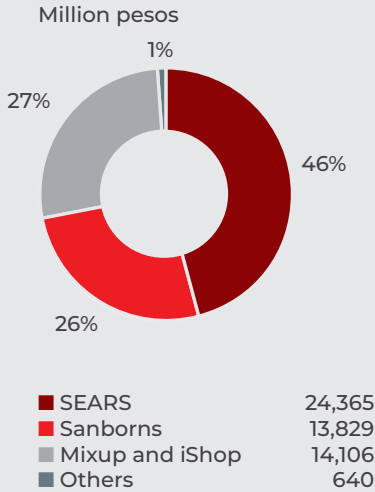
**1%**  
% of sales in 2021

**7,657**  
sales floor  
area m<sup>2</sup>

• Includes Sanborns restaurant-stores; DAX stores; Sanborns Home&Fashion store; Sanborns Café, and Saks Fifth Avenue.

• \*\* Other formats include a Sears store in El Salvador.

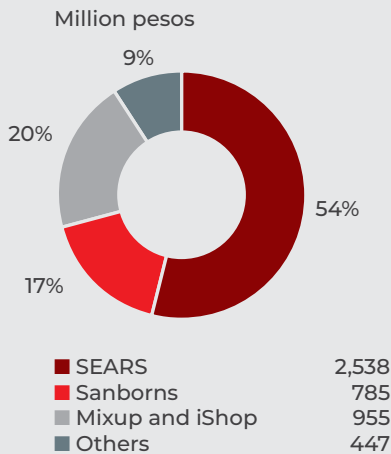
### Share of Sales by Subsidiaries



**52,939**

Million pesos

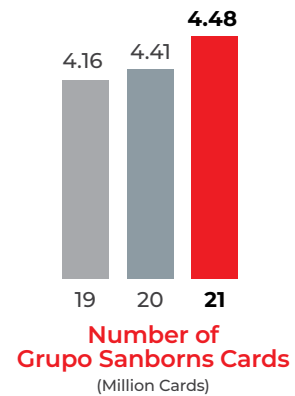
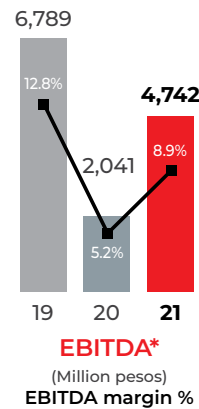
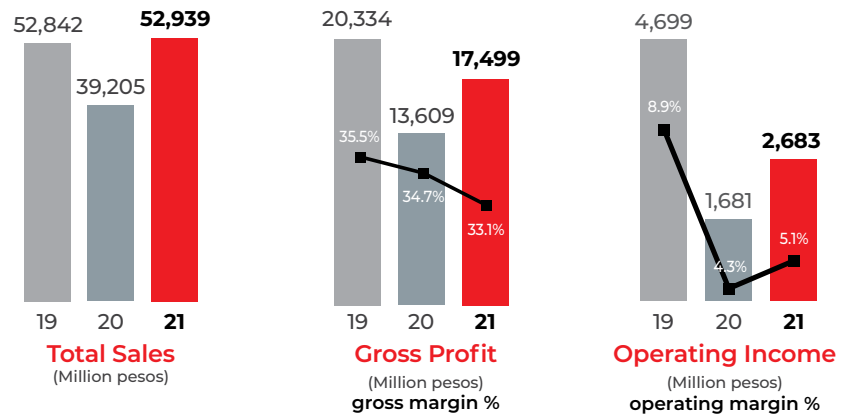
### Share of EBITDA by Subsidiaries



**4,742**

Million pesos

Grupo Sanborns has a wide geographic presence, focused primarily on Mexico. Our network of stores has a presence in 62 cities of the Republic.



For 2019, Financial Expenses for \$92 million pesos derived from changes in the reasonable value of investment properties were not considered, nor the \$117 million pesos share in the results of subsidiaries and joint businesses. For 2020, \$1,489 million pesos from the valuation of the pension fund and retirements, as well as \$26 million pesos for the deterioration of real estate were not considered. For 2021, \$33 million pesos of gain derived from changes in the reasonable value of investment properties was not considered. See the conciliation of the EBITDA in Note 26 of the Financial Statements.

# LETTER FROM THE CHAIRMAN

OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS OF GRUPO SANBORNS



## Economic panorama in 2021

After the year of 2020, severely affected by the COVID-19 pandemic, in which the world GDP experienced a drop of 3.1%, 2021 began with a gradual recovery, thanks to the progress of a vaccination plan and a greater knowledge of the treatment of the disease, in addition to an unprecedented stimulus program. According to the FMI, the world's GDP grew by 5.9% in 2021.

The United States economy grew by 5.7% in 2021, after an adjustment of 3.5% the previous year, driven primarily by personal consumption and fixed gross investment, which increased by 7.9% and 7.8%, respectively, compensating for a greater commercial deficit and a lower governmental expenditure.

In Mexico, the GDP grew by 5.0%, after having dropped 8.4% in 2020, driven by secondary activities, which rose 6.8%, and highlighting a 9.0% recovery in the manufacturing industry and a rise of 7.3% in construction. Tertiary activities grew by 4.2%, with a strong recovery of 10.7% in commercial activity, compensating for a 3.4% drop in financial services.

The Mexican peso closed at \$20.58 against the dollar for a depreciation of 3.2% and fluctuating between \$19.60 and \$21.92 during the year. The difference in interest rates between Mexico and the United States became increasingly greater throughout the year. The Bank of Mexico raised the reference rate six times, bringing it from 4.25% in 2020 to 6.00% at the end of 2021, while the United States interest rate remained unchanged.

# 2021

started with a gradual recovery, thanks to the progress of the vaccination plan.





In Mexico, the GDP grew by 5.0%, after having dropped 8.4% in 2020, driven by secondary activities, which rose 6.8%, and highlighting a 9.0% recovery in the manufacturing industry and a rise of 7.3% in construction.

Inflation, driven by the commercial disputes with China, has pressured the Central Banks into raising the interest rate. In Mexico, inflation closed at 7.4% due to the increase in the prices of raw materials and oil on a worldwide level. The core component increased by 5.9% while the non-underlying component increased by 11.7%. In the United States, on the other hand, inflation increased to 7.04%.

In 2021 the commercial balance had a deficit of \$11,491 MDD [million dollars], compared to a surplus of \$34,013 MDD the previous year. The petroleum balance reached a deficit of \$24,926 MDD, which is greater than in 2020 by \$11,002 MDD, and the non-petroleum balance decreased its surplus by \$34,503 MDD to end at \$13,435. In exports, manufacturing rose by 16.7% and imports increased in every sector, with an increase of 34.9% in consumption goods. The worldwide shortage of semiconductor chips was the reason Mexico exported only 2.7 million vehicles in 2021, 0.94% greater than in 2020, but still 20.1% less than in 2019. The price of Mexican oil products rose from \$35.8 USD per equivalent barrel to \$64.60 USD/barrel in 2021.

Public finances continued healthy, thanks to greater revenues from the economic recovery and the containment of expenditures by the government's austerity policies. The public balance had a deficit of -757,790 million pesos, like the equivalent of 2.9% of the GDP in 2020. The national debt as a percentage of the GDP diminished from 51.7% in 2020 to 50.1% in 2021.





As we move forward, we will continue to work on e-commerce initiatives as well as regarding our physical stores, which represent the principal means of face-to-face interchange with our customers.



The challenges have continued in 2022 with its first months complicated by the Russian invasion of Ukraine, which has caused an increase in the price of energy, food, and raw materials on a worldwide level, causing additional inflationary pressures and uncertainty regarding world growth during the year.

#### Grupo Sanborns

In Grupo Sanborns, although the year began with restrictions on the percentages of customers in restaurants and department stores, social mobility and the influx of customers gradually increased until sales increased 35%, reaching a total of \$52,939 million pesos.

Sears recorded an increase of 37.5% in total sales, Sanborns, 31.4%, and MixUp/iShop an increase of 36.6%. Big ticket items and technology continued to be strong categories because of the tendency towards connectivity that presently exists, with a greater demand for tablets, cell phones and accessories for remote work, virtual education, virtual meetings, and entertainment. Sales in fashion, which had been growing in a constant manner in Sears, reduced during the COVID-19 pandemic, and therefore we focused our efforts on clothing and footwear throughout the year, to offer our customers both casual and formal wear, as a return to the work place and to public events is taking place.





In the Sanborns restaurants we also endeavored to have certain food products more available for our customers, and a recovery in food and beverages was observed, closing the year with figures similar to those of 2019.

In 2021 we have continued to invest in the e-commerce platforms. Online sales grew 3.5 times compared to the previous year. Important improvements were realized in the Claroshop Marketplace, enabling a greater number of providers, and a greater delivery speed was achieved with an average of 2-3 days in Sanborns and 3-4 days in Sears. Progress was made in various projects, such as in the “click and collect” modality, which reduces the delivery time and the cost. Towards the end of the year we also launched the Sears and Sanborns Apps, in which, besides making purchases through mobile devices, the account balance can be accessed and payments can be made.

In coordination with the management of Sears and Sanborns, additional measures of optimization were introduced: the inventory was optimized, the stores were consolidated, and costs and expenses were reduced. Changes that were made in the medium-term strategy included an overhaul of operations in order to make the shopping experience of the customers more pleasant. The departments that were the most profitable were restructured in order to produce a greater profit per square meter. The restaurants continued to improve their packaging, especially regarding take-out orders.

As we move forward, we will continue to work on e-commerce initiatives as well as about our physical stores, which represent the principal means of face-to-face interchange with our customers and that will continue to be an important element in that regard. We expect to make working capital investments in logistics, a distribution center, and the delivery fleet, in order to deliver our customers' orders from the closest store rapidly, at a lesser cost and with better service, always endeavoring to make the multi-channel experience of our customers as satisfactory as possible.

Sincerely,

**Carlos Slim Domit**

Chairman of the Board of Directors of Grupo Sanborns, S.A.B. de C.V.

**3.5**

times growth  
in online sales  
compared to  
the previous  
year.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

2021 was a year that saw a recovery in sales for Grupo Sanborns, a year highlighted by a better performance in our various commercial formats. Consolidated sales increased by 35.0%, reaching a total of \$52,939 million pesos, \$13,735 million pesos more than in the previous year.

In addition to the recovery of sales in the physical stores, during 2021 we continued our progress in the technology and logistics projects to improve the service to our e-commerce customers, a venue that increased as a percentage of total sales. As a result of the change in dynamics after the pandemic, the sale of take-out food in the restaurants increased, and we observed an improvement in the mix of products, mainly in fashion and footwear as well as in the restaurants, which faced a challenge during the first half of the year due to the limitations on the admission of diners.

The credit portfolio totaled \$11,032 million pesos, increasing by 7.9%. Credit was closely monitored during the pandemic and a close communication was maintained with our card holders. Revenues from credit decreased, and therefore an increase is expected during the coming months as a result of promotions and a preference towards portfolios that produce interest. A healthy portfolio on a consolidated level was maintained during 2021, in which the level of default decreased significantly from 5.2% to 2.9%.

Operating profit increased by 59.6%, reaching a total of \$2,683 million pesos. This was attributable to multi-channel sales (e-commerce and physical stores), in which a greater share of technology and electronics items was observed in the mix of products. Operating expenses increased by 12.0%, but they were reduced from 34.7% to 33.1% as a percentage of sales. More support was carried out in relation to advertising and other administrative and sales expenses, such as wages and maintenance of the stores.

EBITDA improved by \$2,684 million pesos in 2021, a significant growth of 131.5%, going from \$2,041 to \$4,724 million pesos. EBITDA margin rose from 5.2% to 8.9% due to the good result of operations in all our formats.

As for financial results, these produced an expense of \$212 million pesos, decreasing by 55.1% due to lesser net interest paid, compared to \$472 million paid in 2020.

The net controlling profit of Grupo Sanborns was \$1,819 million pesos, compared to a net loss of \$761 million pesos in 2020.

## \$2,683

million pesos  
the operating  
income,  
attributable to  
multi-channel  
sales in 2021.





Capital investments by the Company were for a total of \$467 million pesos and included the maintenance of stores and restaurants and the opening of the iShop units. On December 31 of 2021 we had 433 units with a commercial area of 1,191,000 square meters.

During the year, and as the conclusion of the consolidation-of-stores strategy under the criterion of profitability and improved operation, 6 Sanborns, one Dax and one iShop stores were closed. The opening-of-stores program was halted for Sears and Sanborns, but iShop continued to expand, with the opening of three stores: the Encuentro Oceania store and the Patio Tlalpan store, both in Mexico City, and the La Perla store in Guadalajara, Jalisco.

Grupo Sanborns had no debt on 31 December 2021. Cash on hand was \$7,305 million pesos, compared to \$3,991 million at the end of December, 2020. This increase of \$3,314 million pesos was attributable to the better operating results, the recovery of the portfolio, and the financial revenue.

Sincerely,

**Patrick Slim Domit**

Director General of Grupo Sanborns, S.A.B. de C.V.

“

In terms of capital expenditures, this totals \$467 million pesos and includes the maintenance of stores and restaurants and the opening of three iShop units, two in Mexico City and one in Guadalajara.





# SEARS

*Se entiende*



# 856,402

square meters of  
commercial area of our  
stores at the end of 2021



Sears is the second largest department store chain in Mexico. In 2021 it reached a figure of **3.6 million of own credit cards**, thereby maintaining its position as one of the largest non-bank players in the country. During 2021 the stores that had been limited in the percentage of customers that could be allowed entry due to the COVID-19 pandemic began to relax their rules and to recover their customers.



**SEARS**  
*Se entiende*



**The focus on profitability in the physical stores was maintained and in online commerce the number of items offered through the [www.sears.com.mx](http://www.sears.com.mx) was increased.**

With the availability of online shopping and the collection of the purchased items in the stores through the “Click and Collect” modality, the categories with the highest performance were linen, computers, and furniture. An increase in the sale of perfumes, footwear and sports clothing was also observed.

Improvements in the Marketplace continue, with support initiatives towards our providers and the stocking of more products, added to in-store collection to reduce packaging and delivery costs. This channel experienced a significant growth during the year. Looking forward we see further reductions in costs by promoting collection in the stores and other developments in the websites and Apps.

Investment in the expansion of new Sears and Boutique stores was halted, and at the end of the year there were 97 units with a total of 856,402 square meters of commercial area.

**97**

stores totaling  
856,402 square  
meters of  
commercial  
area.



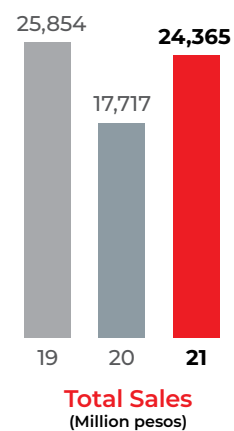


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# \$24,365

million pesos in sales, contributing to the 46% of total sales and 54% of consolidated EBITDA of Grupo Sanborns.

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*Sanborns*



*Sanborns  
Cafe*


*Saks  
Fifth  
Avenue*






# 283,475

square meters of commercial area of our own stores at the end of 2021

A woman with dark hair and glasses, wearing a blue vest over a white shirt, stands in a store aisle. She is holding a book titled "Antes de Diciembre". The background shows shelves stocked with various books and magazines.

Sanborns is a highly successful retail sales concept in Mexico. It is the leader in the sale of multiple categories of products and services, such as books, photographic equipment, cell phones and telephone accessories, perfumes, and cosmetics. Additionally, it is the largest chain in bars and restaurants.

A woman with long, dark, curly hair is seen from the back, wearing a red backpack. She is standing in a store aisle, looking at products on a shelf.

During 2021 Sanborns continued its efficiency measures to compensate for the fewer customers in its stores during the first half of the year due to the limitations imposed in the admittance of customers into the stores. Online sales and the home delivery of food were promoted, new products were launched, and the control of expenses in general was implemented in the stores as well as in the restaurants.





194

stores and 283,475 square meters of commercial space.



**Due to the merger of Sanborns Café, Dax and Saks Fifth Avenue into Sanborn Hermanos, S.A. de C.V in June 2020, along with their respective services companies and the administration of the Sanborns and MixUp credit card, the performance of those formats is included in this report.**

The growth in online sales was important, and an ongoing effort to greatly increase the speed of delivery and to reduce the shipping costs is in progress. The Sanborns Application was launched, and improvements were carried out in the “Click and Collect” modality, to thereby increase the flow of customers in the stores and generate a better shopping experience for the customers. All this within the context of a high demand in performance and the closure of six Sanborns stores that were not meeting the profitability objectives during the year.

DAX offers convenience items, opportunity items, perfumes, cosmetics, personal care items and household items by direct sales to final consumers, while Saks Fifth Avenue carries products and services like those in Saks Fifth Avenue

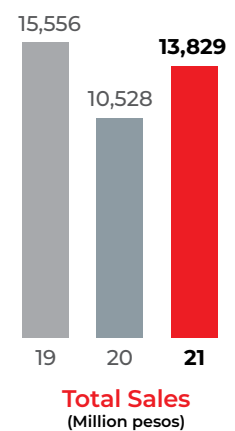
in the United States, adapted to local preferences. In both formats the perception of the customers and their repeat business, the level of self service in Dax and of personalized service in Saks Fifth Avenue continue to be improved. The adjustments and logistical considerations to guarantee the appropriate hygienic conditions were maintained, while online sales continue to be promoted. In Dax one store was closed during the year.

At the end of the year Sanborns had 194 stores and 283,475 square meters of commercial space, including the Dax stores, Sanborns Home&Fashion stores, Sanborns Café restaurants and Saks Fifth Avenue stores.



**\$13,829**

million pesos in sales, contributing to 26% of total sales and 17% of consolidated EBITDA of Grupo Sanborns.







# 43,772

square meters of commercial area in our stores at the end of 2021



MixUp is the largest music and video retail chain in Mexico, while iShop is the largest chain of stores selling Apple products and accessories in Mexico. Both formats operate under the company name of Promotora Musical S.A. de C.V. (Promusa).



iShop



As for the MixUp and iShop stores, at the end of the year they had 141 units and 43,772 square meters of commercial space.

141

units and 43,772 square meters of commercial area.

With the continuation of the trend towards remote work, virtual meetings and online events, the demand for technology and electronics continued to generate a greater demand for Apple products and accessories. The launching of the iPhone at the end of the year took place with promotional support and online sales.

Promusa contributed to the results with 27% of the total sales and 20% of the consolidated EBITDA of Grupo Sanborns. During 2021 iShop opened 3 new branches: Encuentro Oceanía and Patio Tlalpan in Mexico City, and the La Perla store in Guadalajara, while closing one store in Gran Sur.

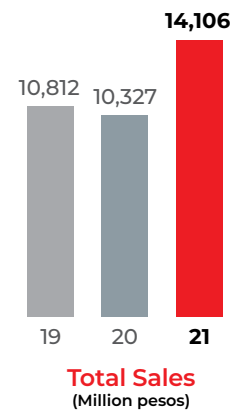


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# \$14,106

million pesos in sales, contributing to 27% of total sales and 20% of consolidated EBITDA in Grupo Sanborns.

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# SUSTAINABILITY ACTIVITIES



FUNDACIÓN  
*Carlos Slim*

# +100

programs and projects in 13 areas in sustainability topics developed in the Carlos Slim Foundation



## Social Performance

In matters pertaining to sustainability the Carlos Slim Foundation developed more than 100 programs and projects in 13 different areas including education, employment, health, sports, the environment, and culture, reaching millions of beneficiaries in Mexico and other countries of Latin America.

CARRERA DE LA AMISTAD  
GRUPO CARSO





The principal focus with its collaborators was on the promotion of vaccination, which reached 18,128 fully vaccinated persons. In the program for vaccination against the flu, 9,217 collaborators were vaccinated.

The Company, with the support of the Carlos Slim Foundation, continued to **promote health care and prevention actions to address and minimize the effects of the COVID-19 pandemic** through the 5 principal avenues of awareness, prevention, containment, supervision, and continuous improvement. During 2021 a strict control was maintained over the return to the new normalcy protocol and the principal focus with its collaborators was on the promotion of vaccination, which reached 18,128 fully vaccinated persons. In the program for vaccination against the flu, 9,217 collaborators were vaccinated. In

the MIDO COVID program 4,814 persons were tested; in the application of the COVID PCR and antigens test we carried out 6,589 diagnoses and more than 72,000,000 persons were tested with the sanitary filters test. With these actions and others, the requirements of various authorities were met, and safe spaces in which to carry out their work and their purchases were provided to our employees, clients, customers and suppliers. The training of our personnel for a safe return to their work was carried out by means of the IMSS platform, so that they could thereby serve our customers during the pandemic.

**18,128**

collaborators  
vaccinated  
against  
COVID-19.

### Environmental Performance

One of Grupo Sanborns' characteristics is its scrupulous compliance with the environmental standards to which it is subject. It takes great care in ensuring, in each of the units or establishments in which it operates, that all the corresponding authorizations have been obtained and that all the environmental requirements are being observed. It pays special attention to matters concerning the control and management of residual waters, emissions into the atmosphere, and the management and final disposal of solid residues and dangerous materials when they must necessarily be generated in the operation of its business. Towards these effects, it normally contracts the services of specialized companies, duly authorized by the respective environmental or sanitary authorities. In this sector Grupo Sanborns has a low environmental impact.

### Performance in Labor, Health and Safety

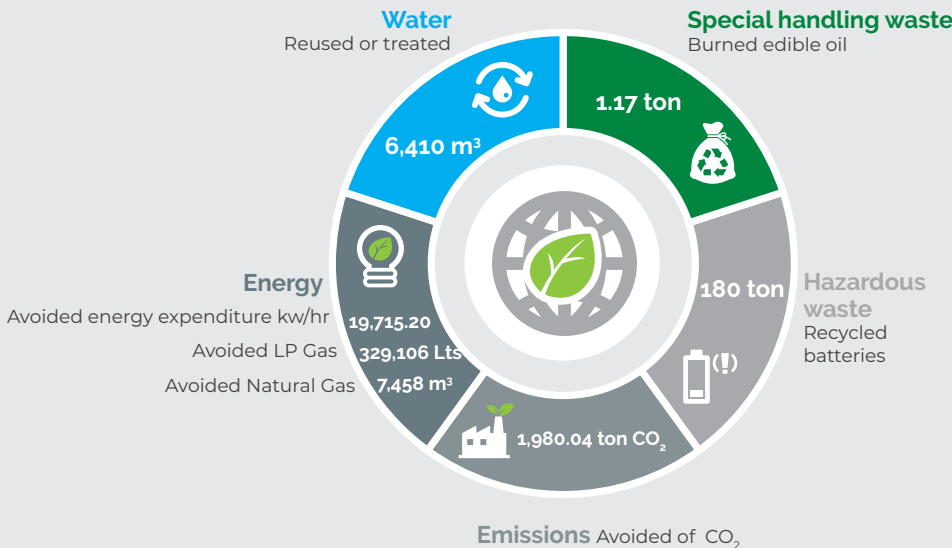
Grupo Sanborns is a source of employment for 42,187 full and part-time workers in Mexico, Latin America and some countries in Europe. In 2021, the number of jobs increased by 3.2% compared to the previous year. The Group's employees have salaries that are in accordance with the laws, market, performance and level of responsibility within the areas in which they are employed.

For Grupo Sanborns the most important consideration is to contribute to the integral development of all its employees in all the stores, distribution centers, and technical and credit administration services by helping them to acquire skills and knowledge by means of training plans and programs, focusing on 3 different bases: inductive, educational, and social development.

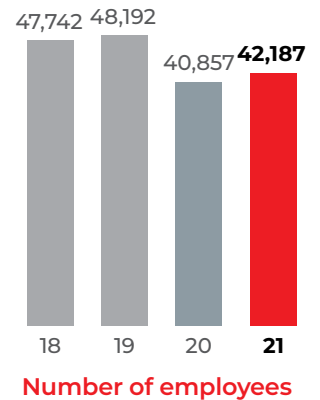
# 42,187

full and part-time workers in Grupo Sanborns, an increase of 3.2% compared to the previous year.

### Environmental Activities in 2021



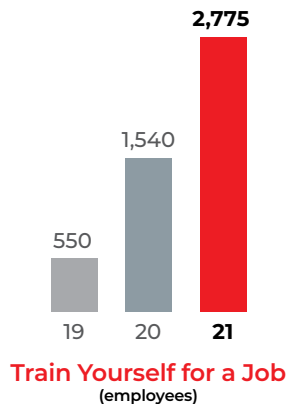
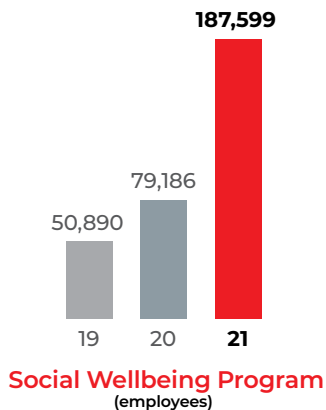
Note: The increase and decrease were due to COVID-19 pandemic closures, not savings but avoided expenses.





# 187,599

collaborators and its families who participated in 381 virtual conferences of Social Wellbeing, an increase of 136.9% vs. the previous year.



### Courses on technical, operational, academic, developmental, and safety and health training.

Were held during the year for a total of **5,863 courses, completed by 340,469 participants** from Sears, Sanborns, Promotora Musical, Dax and Saks Fifth Avenue.

Customer service programs were carried out focused on improving the quality of our interactions with customers and our customer service, based on the premise that the customer is always right, in addition to courses on product awareness, constant training about updates in the inventory systems, e-commerce, and point of sale.

The development of middle management through the development of leadership skills was carried out by means of the **Carso Train Yourself platform** for the training of Sales Managers and Supervisors. The development of management skills of store managers was realized by means of virtual courses focused on the management of work teams. Regarding the company's inter-

nal functions, Grupo Carso is up to date in the optimization of the inventories, e-commerce and point of sale systems, to thereby improve the control over merchandise and avoid out-of-stock situations. In addition to the above, the Company held **31 technology courses** during the year and **4** courses on books and music for the iShop employees in Promotora Musical, besides the **17 courses** held by Apple through its SEED platform.

### Civil Protection Program

In the Civil Protection program **2,936 persons** in Sears, Sanborns and Promotora Musical were trained so that they would know the actions that must be taken in the event of an emergency.

The **ASUME (Association for the Development of Mexico)** attained a scope of 90 groups and 2,890 collaborators trained in Grupo Sanborns companies, promoting the development of values and of continuous improvement. Additionally, 163 volunteer



ASUME	2021	2020	2019	2018	Change % 21 vs 20
Groups	90	177	280	225	-49.1
Participants	2,890	3,909	3,279	1,767	-26.0
Instructors	163	283	239	35	-42.4

instructors committed to the dissemination of the ASUME philosophy were also incorporated.

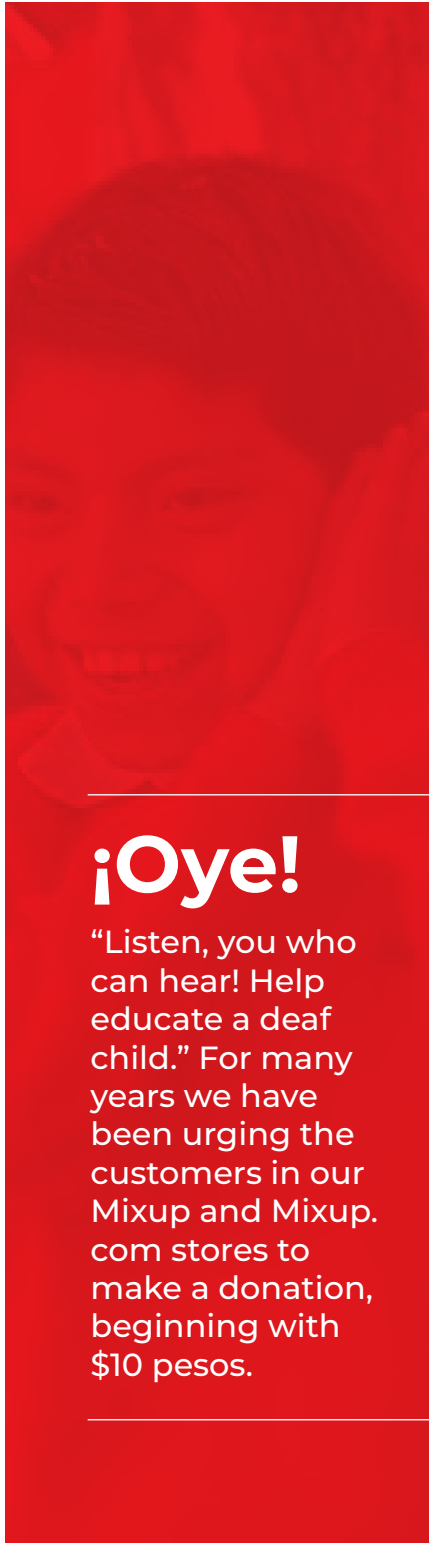
The **Social Wellbeing Program**, which focuses on the 3 fundamental aspects of Education, Health, and Culture and Recreation attained a reach of **187,599 employees and their family members** who participated in **381 virtual conferences**. These activities were carried out on a massive scale, with the goal of promoting human development, a healthy coexistence within the family and with a special emphasis on healthcare during these two latest years of the pandemic.

### Train Yourself for a Job

During 2021, after the pandemic, the hiring of personnel through the **Train Yourself for a Job** platform of the Carlos Slim Foundation was intensified. This was done to extend the coverage and service to customers, and also as a means to attract and train operational, maintenance and sales talent for Sears, reaching a total of **2,775 persons** who were certified at the time they were hired.

### Social Actions

In Promotora Musical's Mixup we are thoroughly committed to helping children with hearing problems through the campaign with the slogan "Listen, you who can hear! Help educate a deaf child." For many years we have been urging the customers in our Mixup and Mixup.com stores to make a donation, beginning with \$10 pesos. Promotora Musical has also participated, and both of their contributions are delivered to the IPPLIAP Institution, where teachers and family members are trained in the use of sign language and where hearing impaired children receive primary and elementary school education.



## ¡OYE!

"Listen, you who can hear! Help educate a deaf child." For many years we have been urging the customers in our Mixup and Mixup.com stores to make a donation, beginning with \$10 pesos.

# BOARD OF DIRECTORS

PROPRIETARY MEMBERS	Position*	Years as Director**	Type of Director ***
<b>Carlos Slim Domit</b>	COB – Grupo Sanborns	Ten	Patrimonial
	COB – Grupo Carso		
	Co-Chairman – América Móvil		
	COB – Teléfonos de México		
	COB – Promotora Musical		
<b>Carlos Slim Helú</b>	COB – Carlos Slim Foundation	Ten	Patrimonial
	COB – Telmex Foundation		
	COB – Carso Infraestructura y Construcción		
<b>Patrick Slim Domit</b>	CEO – Grupo Sanborns	Ten	Patrimonial Related
	Vice-Chairman – Grupo Carso		
	Co-Chairman – América Móvil		
	Commercial Director of Massive Market - Teléfonos de México		
	COB – Grupo Telvista		
	COB – Sears Operadora México		
<b>Johanna Monique Slim Domit</b>	Head of the Early Childhood Education Program at the Carlos Slim Foundation	Ten	Patrimonial
<b>Isac Mark Massry Nakash</b>	CEO – Promotora Musical	Ten	Related
	Alternate Board Member - Sears Operadora México		
<b>Alberto José Slim Rivera Torres</b>	Expansion Sub-Director	Four	Related
<b>Rodrigo Hajj Slim</b>	CEO – Sanborn Hermanos	Two	Patrimonial Related
	CEO – Sears Operadora Mexico		
<b>Arturo Elías Slim</b>	CEO – Claroshop.com	Two	Patrimonial Related
<b>Antonio Cosío Pando</b>	General Manager – Cía. Industrial de Tepeji del Río	Ten	Independent
	Board Member – Sears Operadora México		
<b>Pablo Roberto González Guajardo</b>	CEO – Kimberly Clark de México	Ten	Independent
	Board Member América Móvil and Grupo Lala		
	Founding Partner: Mexicanos Primero and México ¿cómo vamos?,		
	COB Education Commission of the Entrepreneurial Coordinator Council		
	COB – UNETE Mexico City and State of Mexico		
<b>Juan Rodríguez Torres</b>	Advisor	Ten	Independent
<b>Ángel Eduardo Peralta Rosado</b>	Board Member – Sanborn Hermanos	Ten	Independent
	Alternate Board Member – Sears Operadora México		
<b>Santiago Cosío Pando</b>	Board Member – Sanborn Hermanos, Sears Operadora México, Inbursa	Seven	Independent
	COB – Grupo Pando Corporate		
	COB – MEXFAM		
<b>Arturo Martínez Bengoa</b>	Legal Director		SECRETARY
<b>Josué Ramírez García</b>	Legal Subdirector		PRO-SECRETARY

\* Based on information from the board members.

\*\* Seniority as board member is considered since 2013, year when the shares of Grupo Sanborns, S.A.B. de C.V. were listed in the Mexican Stock Exchange.

\*\*\* Based on the information from the board members.

Independent Directors in accordance with the definition of the Mexican Securities Market Law.

COB: Chairman of the Board

CEO: Chief Executive Officer



## AUDITING AND COMPANY PRACTICES COMMITTEE OF GRUPO SANBORN, S.A.B. DE C.V.

### To the Board of Directors:

In my capacity as Chairman of the Auditing and Company Practices Committee of Grupo Sanborns, S.A.B. de C.V., (the "Committee"), I hereby submit the following annual report of activities for the fiscal year of 2021.

### Functions of the Company Practices and Evaluation and Compensation Committee

The Director General of Grupo Sanborns, S.A.B. de C.V., (the "Company") and the relevant directors of the juridical persons controlled by it have satisfactorily met the objectives with which they were entrusted and complied with their responsibilities.

The purchase/sale operations with related parties that were submitted to the consideration of the Committee, totaling \$901.7 million pesos for revenue operations, \$388.7 million pesos for purchase operations and \$1,825.9 million pesos in expenses and other items, were approved.

The principal operations were with Radiomóvil Dipsa, S.A. de C.V. and América Móvil, S.A.B. de C.V., for the purchase of cellular equipment, rate plans, and memory chips for telephones and other concepts of the Company and its subsidiaries; Teléfonos de México, S.A.B. de C.V., for the concept of a call center, telephone installation services, the sale of telephone items and dining room services; Seguros Inbursa, S.A., for the concept of insurance for an automobile fleet and insurance on the real estate belonging to the Company and its subsidiaries; commissions and dining room services; the subsidiaries of Inmuebles Borgru, S.A. de C.V. and Inmuebles SROM, S.A. de C.V. for the lease of real estate; Banco Inbursa, S.A. for leases, commissions, the sale of food, the dining room services it provides to the other companies, and with the Carlos Slim Foundation for the sale of food provided to COVID hospitals.

All the operations with related parties were carried out at market prices and they were examined by the accounting firm Galaz, Yamazaki, Ruiz Urquiza, S.C. A summary of the said operations is found in a note to the opinion on the financial statements of Grupo Sanborns, S.A.B. de C.V. and its subsidiaries up to December 31, 2021.

The director general of the Company does not receive any remuneration for the performance of his functions as such. The Company does not have employees, and as for the integral remuneration of the directors of the companies controlled by the Company, we have ascertained that the

said remuneration was in compliance with the policies that were approved by the Board of Directors in that respect.

The Company's Board of Directors did not confer any dispensation that would allow a director, officer or any other person with authority to take advantage, for himself or for any third party, of business opportunities pertaining to the Company or to the juridical persons that it controls or in which it has a significant influence. The Committee has not granted any dispensation for the transactions referred to in subparagraph c), fraction III of Article 28 of the Stock Market Law.

### Auditing Functions

The internal control system and the internal auditing system of Grupo Sanborns, S.A.B. de C.V. and of the juridical persons it controls are satisfactory and meet the guidelines approved by the Board of Directors, as can be gathered from the information provided to the Committee by the Company's Administrators and from the opinion of the external auditors.

We had no knowledge of any noncompliance with the operational and accounting policies of the Company or by the juridical persons controlled by it, and therefore no preventive or corrective measures were implemented in that respect.

The performance of the accounting firm of Galaz, Yamazaki, Ruiz Urquiza, S.C., the juridical person that carried out the audit of the financial statements of Grupo Sanborns, S.A.B. de C.V. and its subsidiaries up to 31 December of 2021 was satisfactory, as well as the performance of the external auditor responsible for the audit, and the objectives that were established when the firm was contracted were achieved. In accordance with the information that it provided to the Company's administrators, its fees for the external audit did not represent more than 10% of its total revenue.

After an examination of the financial statements of Grupo Sanborns, S.A.B. de C.V. and its subsidiaries up to 31 December 2021, it was determined that there were no significant errors due to fraud, and the principal adjustments proposed were caused by excesses or insufficiencies in the reserves.

In conformance with the information provided to us by the Administration and the meetings we held with the external and internal auditors, without the presence of Company officers, and as far as we are aware, there were no relevant observations made by shareholders, Directors or employees or by any third party in general in regard to

the accounting, the internal controls or matters related to the internal or external audit, nor any denunciation by the said persons in regard to irregularities carried out in the Company's administration.

We ensured that the accords adopted by the shareholder assemblies and by the Board of Directors during the reporting period were duly complied with. Likewise, in accordance with the information provided to us by the Company's administration, we verified that it has controls in place to ensure that it complies with the regulations applicable to the Company in regard to the stock market, that the legal department reviews the said compliance at least once a year, and that there have been no violations in that respect or any adverse change in the Company's legal situation.

Regarding the financial information that the Company prepares for submission to the Bolsa Mexicana de Valores, S.A.B. de C.V. (the Mexican Stock Market) and to the National Banking and Securities Commission, we have ensured that the said information is elaborated under the same policies, criteria and accounting practices as the information used for the annual report.

### **Financing and Planning Functions**

In response to the health emergency caused by the COVID-19 pandemic, Grupo Sanborns established extraordinary actions and implemented various prevention and mitigation measures to safeguard the health of our customers, employees, suppliers, and the public in general, while also endeavoring to minimize the economic impact.

As a short-term strategy to address the emergency, the Company's online business was promoted, offering all the products that a customer could find in a physical store, in order to thereby face the health emergency that was affecting all the other formats, which were forced to temporarily close their doors in order to ensure the social distancing objectives.

Sales and services to our customers continued through the online stores: [www.sears.com.mx](http://www.sears.com.mx), [www.sanborns.com.mx](http://www.sanborns.com.mx), [www.ishopmixup.com](http://www.ishopmixup.com) and [www.claroshop.com](http://www.claroshop.com). Our distribution centers and stores are presently operating in compliance with all the protocols established by the health authorities.

Operations have been maintained in a limited manner, always following the protocols indicated by the respective authority, making logistical changes and adjustments to ensure the appropriate health conditions in the stores and thereby be able to once more receive customers while continuing to promote sales through digital channels.

The foregoing procedures mitigate the risks associated to the concentration on one particular format, thereby providing stability to the cash flow.

The Company continued to face its obligations to all its creditors, including the payment of complete salaries even during the complete closure of some of its stores, maintaining the labor force but without renewing temporary contracts.

In response to the COVID-19 health emergency, investments were halted, and the payment of dividends was not decreed. A control of expenditures was carried out without affecting our image and services, thereby obtaining a reduction in administrative expenses and sales. The inventory was optimized by reducing purchases.

According to our estimates and the behavior of the economy, the Company will become profitable and begin to generate positive cash flows from its operations after the return to a "new normalcy."

The contingencies of a labor, civil, mercantile, and administrative nature up to December 31 of 2021, showed a behavior similar to their behavior during the previous fiscal years, and therefore the resolution of those contingencies should not affect the financial position and economic stability of the companies involved.

During the year of 2021 the Company carried out the buy-back of Company shares in the amount of \$243,723 thousands of pesos.

A capital gain was recorded from the appraisal of investment properties (Commercial Markets) in 2021, in the amount of \$33,287 thousands of pesos.

The accounting provisions recorded within the accumulated expenses must comply with the criteria of a liability, in conformance with the IFRS, in such a manner so that only provisions for commitments acquired or expenditures that have already been compensated are recorded.

As for matters related to fraud, the violation of laws and regulations and undue influence in the execution of the audit, the pertinent investigations were carried out with the administration, and various procedures were applied without finding any noncompliance.

For the elaboration of this report, the Auditing and Company Practices Committee relied on the information provided to it by the Director General of the Company, the directors of the juridical persons that it controls and by the external auditor.

**Engr. Juan Rodríguez Torres**

*President*

**Engr. Antonio Cosío Pando**

**Lic. Santiago Cosío Pando**



Grupo Sanborns

# CONSOLIDATED FINANCIAL STATEMENTS

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of Grupo Sanborns, S.A.B. de C.V.

### Opinion

We have audited the consolidated financial statements of Grupo Sanborns, S.A.B. de C.V. and Subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2021, 2020 and 2019, the consolidated statements of comprehensive profit and loss and other comprehensive income, the consolidated statements of changes in stockholders' equity and the consolidated statements of 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 used.

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, 2021, 2020 and 2019, and their consolidated financial performance and their consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### Basis for opinion

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of Consolidated Financial Statements* section of our report. We are independent of the Entity in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* and the Ethics Code issued by the Mexican Institute of Public Accountants (*IMCP Code*), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Paragraph of emphasis - Significant event by COVID

As mentioned in Note 2c COVID-19 contingency, the management describes the effects, as of the date of these consolidated financial statements, due to the COVID-19 pandemic on its operations and on the Entity's liquidity situation, as well as such as your immediate plans and your ability to continue as a going concern. Our opinion has not been modified in relation to this matter.

### Other Matters

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

### Key audit matters

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters have been addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Impairment of long lived assets and its impact by COVID-19**

The Entity has established as a policy to evaluate the carrying value of long-lived assets at least annually. Grupo Sanborns uses the “Discounted Cash Flows” methodology, under the income approach. This requires that the Entity's management make certain projections and significant assumptions related to the forecasts of income, costs and expenses and the selection of discount rates in accordance with the current business situation.

We have considered the evaluation of long-lived assets as a key audit matter, due to the management makes significant judgments to determine the carrying value of such assets and also due of the current economic changes due to the COVID-19 pandemic, this required a high audit effort including the involvement of our fair value specialists.

Our audit procedures include, mainly:

- i.** We obtained an understanding of the internal controls, as well as tested their design and implementation.
- ii.** We reviewed the impairment models performed by management for those cash-generating units whose book values are subject to significant judgment.
- iii.** We have discussed with the management the key assumptions regarding cash flow forecasts, discount rates, and long-term growth rates based on our knowledge of the business, industry, and audited historical information.
- iv.** Additionally, we evaluated the reasonableness of the discount rate used, for which we rely on our experts.

The results of our audit tests were fair.

### **Information Different from the Consolidated Financial Statements and the Auditors' Report**

Management is responsible for the other information. The other information will include the information that will be incorporated into the Annual Report that the Entity is required to prepare in accordance with Article 33, section I, subsection b) of Title Fourth, Chapter First of the General Provisions Applicable to Issuers and Other Stock Market Participants in Mexico, and the Instructions which accompany those provisions (the Provisions). The Annual Report is expected to be available for consultation after the date of this audit report; ii) other additional information, which is a measure that is not required by IFRS, and has been incorporated for the purpose of evaluating the performance of each of the operating segments, in relation to their Earnings before Financing, Taxes, Depreciation and Amortization (EBITDA) of the Entity, this information is presented in Note 26.

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

In relation to our audit of the consolidated financial statements, our responsibility is to read the Annual Report, and when doing so, to consider if the other information contained therein is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or appears to contain a material misstatement. When we read the Annual Report we will issue the legend on the reading of the Annual Report required by Article 33, section I, subsection b) item 1.2. of the Provisions. Also, and in relation to our audit of the consolidated financial statements, our responsibility is to read and recalculate the other information, which is the measure not required by IFRS and in doing so consider whether the other information contained therein is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or that appears to contain a material error.

### **Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, due to fraud or error.

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

The audit committee is responsible for overseeing the Entity's consolidated financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the relevant transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

**Galaz, Yamazaki, Ruiz Urquiza, S. C.**

**Member of Deloitte Touche Tohmatsu Limited**

**C. P. C. Adalberto Chaparro Zúñiga**

April 11, 2022

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2021, 2020 and 2019

(In thousands of pesos)

	Note	2021	2020	2019
<b>Asset</b>				
Current assets:				
Cash and cash equivalents	3	\$ 7,304,948	\$ 3,990,572	\$ 1,690,176
Accounts and documents receivable	4	10,328,759	9,672,850	11,872,111
Recoverable taxes, mainly value added tax	5	628,391	1,336,751	1,338,688
Inventories	6	11,343,616	10,565,273	12,549,667
Prepaid expenses		44,400	98,611	78,500
Total current assets		29,650,114	25,664,057	27,529,142
Non-current assets:				
Long-term accounts receivable	4	1,162,751	1,297,214	1,488,146
Property, plant and equipment	11	12,220,130	13,114,892	14,102,299
Investment properties	12	2,495,808	2,462,521	2,507,271
Lease right-of-use assets	7	3,976,812	4,399,663	5,158,750
Investment in shares of associated and others	13	2,602,435	2,637,548	3,524,415
Employee retirement benefits	16	901,211	820,200	226,361
Deferred income taxes	23	1,970,337	1,841,898	1,922,791
Other assets, Net		195,005	317,381	232,900
Total non-current assets		25,524,489	26,891,317	29,162,933
Total assets		\$ 55,174,603	\$ 52,555,374	\$ 56,692,075
<b>Liabilities</b>				
Current liabilities:				
Trade accounts payable		\$ 9,069,049	\$ 8,361,528	\$ 8,684,657
Lease liabilities	8	1,153,792	1,118,214	1,243,500
Other accounts payable and accrued liabilities	14	3,016,692	3,052,292	4,247,596
Due to related parties	18	701,564	524,736	530,398
Provisions	15	222,479	178,458	129,731
Direct employee benefits		447,490	308,689	522,011
Current portion of long-term income tax payable	23e	104,898	27,952	233,030
Income tax payable		174,819	118,552	541,085
Total current liabilities		14,890,783	13,690,421	16,132,008
Non-current liabilities:				
Income tax payable long-term	23f	238,919	296,738	500,439
Employee retirement benefits	16	106,380	57,328	717,578
Deferred income taxes	23b	1,080,477	1,072,577	1,202,934
Other liabilities		18,412	18,047	18,391
Lease liabilities	8	3,613,903	4,111,957	4,964,449
Total non-current liabilities		5,058,091	5,556,647	7,403,791
Total liabilities		19,948,874	19,247,068	23,535,799
<b>Stockholders' equity</b>				
Stockholders' equity:				
Capital stock	17	1,968,424	1,975,283	1,977,520
Additional paid - in capital		10,896,604	10,896,604	10,896,604
Accumulated earnings		23,187,423	21,606,876	20,940,908
Other comprehensive loss items		(1,957,146)	(2,050,886)	(1,953,961)
Controlling interest		34,095,305	32,427,877	31,861,071
Non-controlling interest		1,130,424	880,429	1,295,205
Total stockholders' equity		35,225,729	33,308,306	33,156,276
Total liabilities and stockholders' equity		\$ 55,174,603	\$ 52,555,374	\$ 56,692,075

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the years ended December 31, 2021, 2020 and 2019

(In thousands of pesos, except for basic earnings per commons share data)

	Note	2021	2020	2019
Revenue	19	\$ 52,939,372	\$ 39,204,872	\$ 52,841,975
Costs of sales and services	20	35,440,216	25,596,360	32,507,579
Gross profit		17,499,156	13,608,512	20,334,396
Selling and distribution expenses	20	10,324,794	8,708,504	10,683,194
Administrative expenses	20	2,697,976	2,784,960	2,995,030
Depreciation	20	1,855,613	1,787,838	2,123,158
Other income	21	(632,617)	(1,865,281)	(394,750)
Other expenses	22	570,178	511,422	228,573
Interest expense		533,419	711,502	703,010
Interest income		(336,563)	(269,989)	(296,756)
Exchange gain		(95,851)	(231,776)	(143,806)
Exchange loss		111,121	262,505	114,463
Equity in income of associates companies	13	4,592	134,331	(116,825)
Income before income taxes		2,466,494	1,074,496	4,439,105
Income taxes	23a	398,935	260,685	1,349,506
Consolidated net income for the year		2,067,559	813,811	3,089,599
Other comprehensive income, net of income tax:				
Items that may be reclassified subsequently to profit or loss:				
Financial Assets at fair value through ORI		-	(257)	-
Exchange differences on translating foreign operations		7,767	21,966	(11,708)
Item that will not be reclassified subsequently to profit or loss:				
Actuarial gain (loss)	16	122,819	(169,475)	(952,263)
Deferred income taxes		(36,846)	50,843	285,679
Consolidated comprehensive income of the year		\$ 2,161,299	\$ 716,887	\$ 2,411,307
Consolidated net income attributable to:				
Controlling interest		\$ 1,818,629	\$ 727,493	\$ 2,948,504
Non-controlling interest		248,930	86,318	141,095
		\$ 2,067,559	\$ 813,811	\$ 3,089,599
Consolidate comprehensive income attributable to:				
Controlling interest		\$ 1,912,369	\$ 630,569	\$ 2,270,212
Non-controlling interest		248,930	86,318	141,095
		\$ 2,161,299	\$ 716,887	\$ 2,411,307
Basic earnings per common share attributable to controlling interest		\$ 0.85	\$ 0.28	\$ 1.00
Weighted average number of shares		2,248,324,800	2,260,053,338	2,262,932,607

See accompanying notes to consolidated financial statements.



## CONSOLIDATED STATEMENTS OF **CHANGES IN STOCKHOLDERS' EQUITY**

For the years ended December 31, 2021, 2020 and 2019  
(In thousands of pesos)

	Capital Stock	Premium on issuance of share	Retained earnings	Translation effects of foreign operations
Balances as of January 1, 2019	\$ 1,980,050	\$ 10,896,604	\$ 20,154,361	\$ 111,405
Dividends paid to controlling interest and non-controlling interest	-	-	(2,082,956)	-
Repurchase of shares, net of dividends	(2,530)	-	(79,001)	-
Consolidated comprehensive income of the year	-	-	2,948,504	(11,708)
Balances as of December 31, 2019	1,977,520	10,896,604	20,940,908	99,697
Dividends paid to controlling interest and non-controlling interest	-	-	-	-
Repurchase of shares, net of dividends	(2,237)	-	(61,526)	-
Consolidated comprehensive income of the year	-	-	727,494	21,965
Balances as of December 31, 2020	1,975,283	10,896,604	21,606,876	121,662
Other effects of non-controlling interest	-	-	-	-
Repurchase of shares, net of dividends	(6,859)	-	(238,082)	-
Consolidated comprehensive income of the year	-	-	1,818,629	7,767
<b>Balances as of December 31, 2021</b>	<b>\$ 1,968,424</b>	<b>\$ 10,896,604</b>	<b>\$ 23,187,423</b>	<b>\$ 129,429</b>

See accompanying notes to consolidated financial statements.

	Actuarial gain (loss)	Adoption of standard	Total controlling interest	Non- controlling interest	Total Stockholder's Equity
\$	(416,461)	\$ (970,613)	\$ 31,755,346	\$ 1,291,912	\$ 33,047,258
	-	-	(2,082,956)	(137,802)	(2,220,758)
	-	-	(81,531)	-	(81,531)
	(666,584)	-	2,270,212	141,095	2,411,307
	(1,083,045)	(970,613)	31,861,071	1,295,205	33,156,276
	-	-	-	(501,094)	(501,094)
	-	-	(63,763)	-	(63,763)
	(118,633)	(257)	630,569	86,318	716,887
	(1,201,678)	(970,870)	32,427,877	880,429	33,308,306
	-	-	-	1,065	1,065
	-	-	(244,941)	-	(244,941)
	85,973		1,912,369	248,930	2,161,299
<b>\$</b>	<b>(1,115,705)</b>	<b>\$ (970,870)</b>	<b>\$ 34,095,305</b>	<b>\$ 1,130,424</b>	<b>\$ 35,225,729</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021, 2020 and 2019

(In thousands of pesos)

	2021	2020	2019
<b>Cash flows from operating activities:</b>			
Consolidated net income for the year	\$ 2,067,559	\$ 813,811	\$ 3,089,599
Adjustments not requiring (providing) cash:			
Income tax recognized in net income	398,935	260,685	1,349,506
Depreciation and amortization	1,894,762	1,829,322	2,163,081
Impairment of property	89,777	(25,641)	18,916
Disposal cost of property, machinery and equipment	61,365	258,101	-
(Gain) loss on sale of property, machinery and equipment	(1,299)	(3,113)	(2,604)
Provisions	239,421	48,727	466
Gain arising on changes in fair value of investment properties	(33,287)	44,750	(91,718)
Interest expense	533,419	711,502	703,010
Equity in income of associates	4,592	134,331	(116,825)
Interest income	(3,427,392)	(3,856,852)	(4,271,348)
	<b>1,827,852</b>	<b>215,623</b>	<b>2,842,083</b>
<b>Items related to operating activities:</b>			
(Increase) decrease in:			
Accounts and documents receivable	(655,909)	2,306,591	(206,303)
Recoverable taxes	708,360	1,937	(92,371)
Interest received from operating activities	3,075,020	3,654,537	3,970,601
Inventories	(778,343)	1,984,394	(190,496)
Prepaid expenses	54,211	(20,111)	3,234
Other assets	451,901	(55,236)	(74,605)
Long-term accounts receivable	134,463	190,932	89,559
Employee benefits	(81,011)	(712,472)	(355,599)
(Decrease) increase in:			
Trade accounts payable	707,521	(323,129)	(430,559)
Other accounts payable and accrued liabilities	(781,803)	(2,288,229)	2,114,302
Due to related parties	176,828	51,923	(649,593)
Direct employee benefits	138,801	(213,322)	25,244
Income taxes paid	(78,723)	(910,673)	(1,937,696)
Net cash flows provided by operating activities	<b>4,899,168</b>	<b>3,882,765</b>	<b>5,107,801</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, machinery and equipment	(368,717)	(466,739)	(895,183)
Sales of property, machinery and equipment	14,730	8,548	45,199
Dividends received from associates	30,520	725,900	-
Acquisition of associate shares	-	(33,272)	(1,134,584)
Cash loans to associate	-	(12,053)	(153,793)
Interest received	169,816	94,985	68,803
Net cash flows used in investing activities	<b>(153,651)</b>	<b>317,369</b>	<b>(2,069,558)</b>
<b>Cash flows from financing activities:</b>			
Repurchase of shares	(244,941)	(63,763)	(81,531)
Bank loans	385,000	9,030,000	-
Payments of loans	(385,000)	(9,030,000)	-
Interest paid	(412,302)	(530,098)	(733,819)
Payments of lease liabilities	(794,323)	(810,234)	(782,154)
Dividends paid to controlling interest and non-controlling interest	-	(508,279)	(2,220,758)
Net cash flows used in financing activities	<b>(1,451,566)</b>	<b>(1,912,374)</b>	<b>(3,818,262)</b>
Effects of exchange rate changes on cash and cash equivalents	20,425	12,636	(7,463)
Net decrease in cash and cash equivalents	<b>3,314,376</b>	<b>2,300,396</b>	<b>(787,482)</b>
Cash and cash equivalents at beginning of the year	<b>3,990,572</b>	<b>1,690,176</b>	<b>2,477,658</b>
Cash and cash equivalents at end of the year	<b>\$ 7,304,948</b>	<b>\$ 3,990,572</b>	<b>\$ 1,690,176</b>

See accompanying notes to consolidated financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2021, 2020 and 2019  
(In thousands of Mexican pesos (\$) and thousands of U.S. dollars (US\$))

### 1. Activities

Grupo Sanborns, S.A. de C.V. ("Grupo Sanborns") and Subsidiaries (the "Entity") is a subsidiary of Grupo Carso, S.A.B. de C.V. ("Grupo Carso"). The Entity is the owner of a group of companies domiciled in Lago Zürich number 245 seventh floor, Colonia Ampliación Granada in Mexico City, Postal Code 11529 and is primarily engaged in the operation of retail stores and restaurants, including a chain of department stores, fashion boutiques, Sanborns stores, the distribution and sale of latest generation Apple products, a network for the sale of recorded music and videos, a chain of luxury department stores, distribution of regional cosmetics and perfumes, a chain of traditional Mexican restaurants, a chain of industrial cafeterias and the management and leasing of two shopping malls. The detail of each of the Entity's subsidiaries and their primary activities is set out in Note 28c.

### 2. Significant event for the year

- a. New openings** – During the 2021 financial year, the Entity opened 3 stores in the iShop format. During the 2020 financial year, the Entity opened 4 stores, 1 in the Sanborns Home & Fashion format, and 3 in the iShop format. During the 2019 financial year, the Entity opened 18 stores, 1 with Sanborns format, and 17 with iShop format.
- b. Acquisition of associate** - During July 2019, the Group acquired 33.2719% of the shares of Miniso, a chain of stores selling low-cost items that specializes in household and consumer items, including cosmetics, toys, kitchen utensils, among others, at present, Miniso has 171 stores in Mexico. In accordance with IAS 28 Investments in associates and joint ventures, the difference between the cost of the investment and the percentage of participation in the fair value of the associate's identifiable assets and liabilities, shall be recognized as goodwill and presented as part of the investment balance in shares, amortization is not allowed.

Derived from the review of the fair values of certain intangible assets during the 2020 financial year, the goodwill generated by the acquisition of Miniso is integrated as follows:

	<b>2020</b>
Total consideration:	
Cash	\$ 1,133,673
Issuance of shares	341,403
Goodwill from acquisition at December 31, 2020	\$ 792,270

As of December 31, 2021, the investment is \$679,473.

### c. COVID-19 contingency

As of December 31, 2019, the SARS-COV-2 virus outbreak, which causes COVID-19 disease, has strongly impacted many local economies around the world. In many countries, businesses and businesses have been forced to halt their operations for long and/or indefinite periods of time. Measures taken to contain the spread of the virus include: Travel bans, quarantines, social distancing and non-essential service closures, those have detonated significant disruptions from many businesses globally, resulting in an economic slowdown. Stock markets around the world have also experienced high volatility and significant weakening.

Since the beginning of the health emergency, Grupo Sanborns implemented various prevention and mitigation measures to preserve the health of its customers, collaborators, suppliers and the general population. Investments in the commercial segment were stopped from that date and no dividend payment was scheduled for this year 2020. Strict control of operating expenses was carried out in all segments, trying not to affect the quality of our products or the standard at the level of our services. Inventories were optimized and the financial balance and attention to customer engagements was sought.

The short-term strategy pursued by Grupo Sanborns to deal with this emergency was to boost online business, offering all the products, which any customer could find in a physical store, the above by the health emergency, which was affecting the rest of the formats that had to be temporarily closed to ensure social distancing. This phase had its most important manifestation in April and May, although in several states of the Mexican republic it extended even until June and July; the reopening was carried out on a limited basis,

always following the protocols indicated by the respective authority, making those adjustments and logistical preparations, to ensure appropriate hygiene conditions, both in stores to receive our customers again, while continuing to strengthen the sale through digital channels. In Mexico City and the Estado de Mexico, as of December 19, the "red light" health strategy for all non-essential activities was announced again, also in several states of the Mexican Republic; local authorities also implemented reduced operating hours and permitted capacity. Resuming the opening from 1st and 8th February in the Estado de Mexico and Mexico City, respectively complying with the health measures imposed by the respective authority.

In response to Covid-19's health emergency, investments were stopped and investments of dividends were not decreed. Expense control was carried out without affecting the image and service, obtaining a reduction in administration and sales expenses of approximately \$2,521 million pesos, which represented 16.0% compared to what was recorded in December 2019. Inventory was optimized, reducing by 15.8% at the end of December 2020 versus December 2019 inventory, by purchase decrease. The decline in the credit portfolio was evident mainly due to the temporary closure of physical stores. In the face of the health emergency, the receipt of credit card payments was digitalized and other channels were implemented in bank branches and in boxes at some outlets not affected by the closure.

Controlled credit and timely support to debtors continued during the health crisis. Credits were also contracted to meet the obligations, however, due to the gradual opening of the stores and the strategies mentioned above, Grupo Sanborns did not submit debt at the end of 2020, while its cash amount totaled \$3,991 million. Based on our estimates and the economy's behavior since the return to "new normal" we consider it to regenerate positive cash flows for its operations. In addition, Grupo Sanborns continued to meet its obligations to its creditors, including payment of full wages, including during the complete closure of some of its stores, maintaining the workforce without renewing any contracts.

#### **Analysis of the main items in the consolidated statements of income and their impact derived from the pandemic:**

##### **Revenue**

The consolidated sales of Grupo Sanborns accumulated as of December 2020 were \$39,204 million, representing a decrease in sales of 25.7% and a decrease of 29.0% in sales of comparable stores, the above, resulting from the health emergency from the Covid-19 pandemic. From March 31 to June 15, 2020, all Sears and Saks Fifth Avenue stores were temporarily closed to the public. Sanborns temporarily closed 96 stores and 22 Sanborns Café, while the rest continued to provide essential products and services in pharmacy, other pharmacy and telecommunications departments. Complying with sanitary measures, iShop stores operation was variable depending on the city and restrictions on shopping malls. Dax stores continued to operate as self-service stores. The Loreto and Plaza Inbursa shopping centers temporarily closed, keeping only the service of restaurants under the option of selling prepared food and takeaways. The sale and service to our customers continued through their digital stores.

During 2020, 11 Sanborns stores were closed in Mexico, the 3 stores in Central America, the Saks Fifth Avenue store in Plaza Carso was also closed and replaced by the Sanborns Home & Fashion format, by the end of December a Sears department store was closed in the city of Monterrey, on the other hand, 3 stores with iShop format was opened.

##### **Gross profit**

The consolidated gross margin of Grupo Sanborns during 2020 was 34.4% compared to 38.2% as a result of a higher weight in the sale of technology items within the mix. Gross income totaled \$13,609 million pesos a decrease of (33.1%) compared to the one presented during 2019.

Expense control was carried out without affecting image and service, major savings were observed in rental-related sales expenses, lower electricity consumption and payment of bank fees. In administration expenses, savings were observed for lower expansion and fee payment expenses. Additionally lower advertising, promotion and depreciation expenses. We continue to implement additional measures to reduce overhead costs.

##### **Operating profit**

Derived from the closure of the physical stores by the Covid-19 pandemic and the aforementioned points, the operating profit accumulated at the end of December 2020 totaled \$1,681 million compared to \$4,699 million, influenced by the aforementioned.

##### **Net income**

Sanborns Group consolidated net income declined (73.7%) totaling \$814 million pesos comparatively with net income of \$3,090 million pesos recorded at the end of December 2019.

## Analysis of the main items in the consolidated statements of income and their impact derived from the reactivation of commercial activities:

### Revenue

The consolidated sales of Grupo Sanborns as of December 2021 were \$52,939 million, representing an increase in sales of 35.0% compared to the previous year. This because of the fact that shopping centers in Mexico have been recovering their affluence and consumers returned to shopping malls and restaurants, increasing customers in the stores. Sales continue to be strengthened in the different formats supported by the points of sale.

During 2021, 6 Sanborns stores, 1 Sanborns Café, 1 Dax format store and 1 iShop format store were closed, in addition, 3 iShop format stores were opened.

### Gross profit

The consolidated gross profit of Grupo Sanborns was \$17,499 million representing an increase of 28.6% , with a margin of 33.1% that was lower than last year, due to the greater participation of the sale of "Big-ticket" and the decrease in credit interest due to a lower customer base due to lower sales in the first half of the year of the pandemic.

### Operating profit

Operating profit for 2021 was \$2,683 million, compared to an operating profit of \$1,681 million in 2020. Operating expenses: in 2021 the Entity achieved a reduction of 580 basis points with respect to sales, since the percentage growth of operating expenses was lower than the growth of sales.

### Net income

Grupo Sanborns' consolidated net income accumulated as of December 2021 was \$2,067 million, compared to a net income of \$814 million in 2020.

**d. Merge of Sanborn Hermanos, S.A. de C.V.** Grupo Sanborns informed the investor public on 15 July, 2020 that as of June 30 of this year, Sanborn Hermanos, S.A. de C.V. merged eight of its affiliates and a subsidiary.

On July 31, 2020, Sanborn Hermanos, S.A. de C.V. merged its subsidiary Comercializadora de Tiendas Internacionales, S.A de C.V.; Promotora Musical, S.A. de C.V. merged its subsidiary Paden, S.A. de C.V. and Sears Operadora México, S.A. de C.V. merged its subsidiary Secorh, S.A. de C.V.

**e. Merge of Claroshop.com, S.A. de C.V.** On November 30, 2020, Claroshop.com, S.A. de C.V. merged Claroshop.com Holding, S.A. de C.V. and Empresa de Personal Claroshop.com, S.A. de C.V.

## 3. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Cash	\$ 794,493	\$ 2,089,555	\$ 1,052,262
Cash equivalents:			
Demand deposits	134	518,256	78
Government securities	1,923,213	48,424	814
Certificates of deposit	4,586,629	1,322,876	634,645
Liquid deposits	479	474	706
Others	-	10,987	1,671
	<b>\$ 7,304,948</b>	<b>\$ 3,990,572</b>	<b>\$ 1,690,176</b>



## 4. Accounts and documents receivable

	2021	2020	2019
Clients	\$ 10,588,357	\$ 9,615,809	\$ 11,733,866
Allowance for doubtful accounts	(879,653)	(808,545)	(681,545)
	<b>9,708,704</b>	8,807,264	11,052,321
Sundry debtors	<b>291,067</b>	562,559	559,396
Due from related parties	<b>328,988</b>	303,027	260,394
Total	<b>\$ 10,328,759</b>	\$ 9,672,850	\$ 11,872,111

### a. Trade accounts receivable

The Entity offers sales promotions through which it grants credit to its customers for different periods, which, on average, are 200,209 and 211 days at December 31, 2021, 2020, and 2019, respectively. In the case of sales promotions whose collection terms are greater than one year, the corresponding accounts receivable have been reclassified, in all the periods presented, within the long term. In previous years, these accounts were presented within the short term, with the disclosure of the long-term amounts in notes to the consolidated financial statements.

### b. Impairment of financial assets

The measurement of the PCE during the lifetime applies if the credit risk of a financial asset at the reporting date has increased significantly since the initial recognition and the measurement of the expected credit losses of 12 months applies if this risk has not increased. The entity may determine that the credit risk of a financial asset has not increased significantly if the asset has a low credit risk at the reporting date. However, the measurement of expected credit losses over the lifetime is always applicable for trade accounts receivable and contract assets without a significant financing component. The Entity has chosen to apply this policy for trade accounts receivable and contract assets with a significant financing component.

The Entity measures the estimates of losses for commercial accounts receivable and contract assets always for an amount equal to the expected credit losses during the lifetime. Additionally, the Entity considers reasonable and sustainable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and analysis, based on the Entity's historical experience and an informed credit assessment, including that related to the future.

### c. Measurement of expected credit losses

The expected credit losses are the result of multiplying an exposure amount by a probability of default and the severity of the loss.

The expected credit losses are not discounted using the effective interest rate of the financial asset, since accounts receivable are generally short-term and do not charge interest. It should be mentioned that the maximum period considered when estimating the expected credit losses is the maximum contractual period during which the Entity is exposed to credit risk.

### d. Financial assets with credit deterioration

The Entity considers as evidence that a financial asset has credit deterioration when it includes the following observable data:

- Significant financial difficulties observed in the portfolio arrears groups;
- Various default periods and identifying default for more than 1 day or more than 30 days for the portfolio of all Companies.
- The restructuring of accounts or advances by the Entity in terms that it would not consider otherwise;
- It is becoming likely that a segment of the portfolio goes bankrupt or in another form of financial reorganization.

Presentation of the estimate for expected credit losses in the statement of financial position

The loss estimates for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. While, in the case of debt instruments at fair value with changes in other comprehensive income, the loss estimate is credited to income and recognized in other comprehensive income.

**e. Penalties**

The gross carrying amount of a financial asset is written off (partially or completely) to the extent that there is no realistic possibility of recovery. This is generally the case when the Entity determines that the debtor has no assets or sources of income that could generate sufficient cash flows to pay the amounts subject to the penalty. However, the financial assets that are written-off may be subject to legal action in order to comply with the Entity's procedures for the recovery of the amounts owed.

**f. Credit risk**

Credit risk is the risk that one of the counterparties of the financial instrument causes a financial loss to the other company for breaching an obligation. The Company is subject to credit risk mainly due to financial instruments related to cash and temporary investments, loans and accounts receivable and derivative financial instruments. In order to minimize the credit risk in cash, temporary investments and derivative financial instruments, the Company only relates to solvent parties with a recognized reputation and high credit quality.

In order to manage the credit risk, in the case of loans and accounts receivable with consumers, the Company considers that the risk is limited. The Company prepares an allowance for uncollectible accounts under the expected loss model in compliance with IFRS 9.

As of December 31, 2021, 2020 and 2019 the maximum exposure to credit risk for commercial debtors and other accounts receivable by concept and / or subsidiaries was as follows:

Concept	Amount in books			Expected credit reserve		
	2021	2020	2019	2021	2020	2019
Null	\$ 2,828,252	\$ 2,264,268	\$ 6,363,322	\$ -	\$-	\$ 92
Low	490,175	2,078,355	2,584,078	3,237	9,759	16,929
Moderate 1	1,115,979	2,614,944	2,261,349	20,869	62,351	95,523
Moderate 2	1,603,316	1,372,612	896,482	24,495	75,289	90,058
High 1	2,558,385	879,665	484,947	237,152	87,931	87,090
High 2	1,231,580	268,114	134,271	138,260	49,455	40,035
Critical	1,923,421	1,435,065	497,563	455,640	523,760	351,818
<b>Total</b>	<b>\$ 11,751,108</b>	<b>\$ 10,913,023</b>	<b>\$ 13,222,012</b>	<b>\$ 879,653</b>	<b>\$ 808,545</b>	<b>\$ 681,545</b>

As of December 31, 2021, the book value of the most significant portfolio of the Entity corresponds to the Null segment, which was \$2,828,252 thousand pesos, which is equivalent to 24.06% of the total portfolio, and 0% of the registered reserve (\$879,653 thousand pesos in 2021). In addition, regarding the reserve, the most significant segment is the Critical, with an amount of \$ \$455,640 and a percentage of the total reserve of 51.80% in 2021.

The following is a summary of the Entity's exposure to credit risk of commercial debtors and assets by contract.

Concept	2021		2020		2019	
	Without deterioration credit	With deterioration credit	Without deterioration credit	With deterioration credit	Without deterioration credit	With deterioration credit
Customers	2,091,441	21,960	1,882,629	32,518	2,248,712	29,753
Total amount in gross books	\$ 2,828,252	\$ 8,922,856	\$ 2,264,268	\$ 8,648,755	\$ 6,363,322	\$ 6,858,690
Estimate for credit losses	\$ -	\$ 879,653	\$ -	\$ 808,545	\$ 92	\$ 681,453

The following table provides information on the exposure to credit risk and the expected credit losses for commercial debtors and the assets of the individual customer contract as of December 31, 2021, 2020 and 2019.

Concept	Amount in books			Expected credit reserve			Discount factors		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Null	\$ 2,828,252	\$ 2,264,268	\$ 6,363,322	\$ -	\$ -	\$ 92	0.00%	0.00%	0.00%
Low	490,175	2,078,355	2,584,078	3,237	9,759	16,929	0.66%	0.47%	0.66%
Moderate 1	1,115,979	2,614,944	2,261,349	20,869	62,351	95,523	1.87%	2.38%	4.22%
Moderate 2	1,603,316	1,372,612	896,482	24,495	75,289	90,058	1.53%	5.49%	10.05%
High 1	2,558,385	879,665	484,947	237,152	87,931	87,090	9.27%	10.00%	17.96%
High 2	1,231,580	268,114	134,271	138,260	49,455	40,035	11.23%	18.45%	29.82%
Critical	1,923,421	1,435,065	497,563	455,640	523,760	351,818	23.69%	36.50%	70.71%
<b>Total</b>	<b>\$ 11,751,108</b>	<b>\$ 10,913,023</b>	<b>\$ 13,222,012</b>	<b>\$ 879,653</b>	<b>\$ 808,545</b>	<b>\$ 681,545</b>	<b>7.49%</b>	<b>7.41%</b>	<b>5.15%</b>

The probabilities of default are based on the actual credit loss experience of recent years. These rates are multiplied by scale factors to reflect the differences between the economic conditions during the period in which the historical data were collected, the current conditions and the Entity's vision of the economic conditions during the expected life of the receivable accounts.

Movements in the estimate for impairment related to the debtors by sales and assets by contract

The movement in the estimation for impairment of value related to the debtors for sale and other accounts receivable during the year was as follows.

Concept	Amount
Balance as of January 1, 2019	\$ 698,169
Written-off amounts	(881,041)
Net remeasurement of the estimate for losses	864,417
Balance as of December 31, 2019	\$ 681,545
Written-off amounts	(822,219)
Net remeasurement of the estimate for losses	949,219
Balance as of December 31, 2020	\$ 808,545
Written-off amounts	(704,810)
Net remeasurement of the estimate for losses	775,918
Balance as of December 31, 2021	<b>\$ 879,653</b>

The estimate for impairment losses in the comparison of IAS 39 and IFRS 9 presents an accumulated increase / decrease of (\$16,624) thousand pesos, for December 31, 2019, an increase / decrease of \$127,000 thousand pesos for December 31, 2020 and for December 31, 2021, an increase / decrease of \$71,108 product of an increase / decrease in exposure amounts.

## 5. Recoverable taxes, mainly value added tax

	2021	2020	2019
Value added tax (VAT)	\$ 522,648	\$ 1,060,563	\$ 1,217,036
ISR to recover	91,247	258,099	113,293
Other taxes to recover	14,496	18,089	8,359
	<b>\$ 628,391</b>	<b>\$ 1,336,751</b>	<b>\$ 1,338,688</b>



## 6. Inventories

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Merchandise in stores	\$ 10,915,569	\$ 10,262,174	\$ 12,184,641
Goods in transit	286,509	141,807	231,300
Replacement parts and other inventories	141,538	161,292	133,726
	<b>\$ 11,343,616</b>	<b>\$ 10,565,273</b>	<b>\$ 12,549,667</b>

The amount recognized in results for the sale of inventories, \$35,440,216, \$25,596,360 and \$32,507,579 in 2021, 2020 and 2019, respectively.

## 7. Right-of-use-assets

The Entity leases buildings. The average lease term is 15 years for 2021, 2020 and 2019, respectively.

The expired contracts were replaced by new leases with identical underlying assets. This resulted in the addition of rights-of-use assets of \$528,120, \$387,915 and \$1,005,872 in 2021, 2020 and 2019, respectively.

The analysis of the maturities of the lease liabilities is presented in note 8.

<b>Lease right-of use assets</b>	<b>Leased premises/ Buildings</b>		
<b>Cost</b>			
Balance as of January 1, 2019	\$	7,060,985	
Additions		1,005,872	
Retirements		(471,475)	
As of December 31, 2019	\$	7,595,382	
Additions		387,915	
Retirements		(573,667)	
As of December 31, 2020	\$	7,409,630	
Additions		528,120	
Retirements		(182,240)	
As of December 31, <b>2021</b>	<b>\$</b>	<b>7,755,510</b>	
<b>Accumulated amortization</b>			
Balance as of January 1, 2019	\$	(1,576,591)	
Period change		(860,041)	
As of December 31, 2019	\$	(2,436,632)	
Period change		(573,335)	
As of December 31, 2020	\$	(3,009,967)	
Period change		(768,731)	
As of December 31, <b>2021</b>	<b>\$</b>	<b>(3,778,698)</b>	
<b>Value in books</b>			
Balance as of January 1, 2019	\$	5,484,394	
As of December 31, 2019	\$	5,158,750	
As of December 31, 2020	\$	4,399,663	
As of December 31, <b>2021</b>	<b>\$</b>	<b>3,976,812</b>	
<b>Amounts recognized in the consolidated statements of income</b>			
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Depreciation expense of the Right of use asset	\$ 768,731	\$ 573,335	\$ 860,041
Finance expense caused by lease liabilities	406,190	473,391	480,828
Expense related to leasing of low-value assets	3,303	3,881	7,609
Expense related to variable lease payments, not included in the measurement of lease liabilities	-	-	70,325

Some of the leases of properties in which the Entity participates as lessee contain variable lease payment terms that are related to sales generated in the leased stores. Variable payment terms are used to link lease payments to store cash flows and reduce fixed cost. The composition of the lease payments by the stores is detailed in the following table.

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Fixed payments	\$ <b>1,192,795</b>	\$ 1,267,761	\$ 1,274,817
Variable payments	-	-	70,325
<b>Total lease payments</b>	<b>\$ 1,192,795</b>	<b>\$ 1,267,761</b>	<b>\$ 1,345,142</b>

## 8. Lease liabilities

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Payment due:			
Year 1	\$ <b>1,493,790</b>	\$ 1,261,561	\$ 1,693,452
Year 2	<b>1,315,056</b>	1,181,082	1,227,897
Year 3	<b>1,082,300</b>	1,055,460	1,061,450
Year 4	<b>902,671</b>	881,109	977,759
Year 5	<b>748,021</b>	762,239	846,327
Subsequent years	<b>1,092,596</b>	2,089,577	3,064,496
	<b>6,634,434</b>	7,231,028	8,871,381
Less: unearned interest	<b>(1,866,739)</b>	(2,000,857)	(2,663,432)
	<b>\$ 4,767,695</b>	\$ 5,230,171	\$ 6,207,949
Analyzed as:			
Long term	\$ <b>3,613,903</b>	\$ 4,111,957	\$ 4,964,449
Short term	<b>1,153,792</b>	1,118,214	1,243,500
	<b>\$ 4,767,695</b>	\$ 5,230,171	\$ 6,207,949

The Entity does not face a significant liquidity risk regarding its lease liabilities. Lease liabilities are monitored through the Entity's Treasury.

From January to December 2021 and from April to December 2020, the Entity has benefited from obtaining discounts on the payment of rent for leases of stores located throughout the Mexican Republic. The discount for lease payments was \$31,111 and \$247,477, as of December 2021 and 2020 which were recognized in the income statement. The Entity continued to recognize interest expense on lease liabilities.

## 9. Financial risk management

The Entity is exposed to market, operating and financial risks as a result of its use of financial instruments, these include interest rate, credit, liquidity and exchange rate risks, which are managed in a centralized manner by Grupo Sanborns' corporate treasury.

The different financial instrument categories and amounts are detailed below:

	2021	2020	2019
<b>Financial assets</b>			
Cash and cash equivalents	\$ 7,304,948	\$ 3,990,572	\$ 1,690,176
Accounts and documents receivable	9,999,771	9,369,823	11,611,717
Long-term accounts receivable	1,162,751	1,297,214	1,488,146
Due from related parties	328,988	303,027	260,394
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Financial liabilities</b>			
At amortized cost:			
Payables to suppliers	\$ 9,069,049	\$ 8,361,528	\$ 8,684,657
Sundry creditors	262,400	179,777	351,835
Due to related parties	701,564	524,736	530,398
Short-term lease liabilities	1,153,792	1,118,214	1,243,500
Long-term lease liabilities	3,613,903	4,111,957	4,964,449

The Board of Directors establishes and monitors the policies and procedures used to measure risks, which are described below:

- a. Capital risk management** - The Entity manages its capital to ensure that it will continue as a going concern, while it maximizes returns to its shareholders through the optimization of the balances of debt and equity. The general strategy of the Entity has not been modified compared to 2020.

The capital structure of the Entity is composed by its net debt (mainly the related party debt detailed in Note 18) and stockholders' equity (issued capital, capital reserves, accumulated earnings and non-controlling equity detailed in Note 17). The Entity is not subject to any kind of capital requirement.

Management reviewed monthly its capital structure and borrowing costs and their relation to EBITDA (defined in this case as earnings before taxes, interest, exchange rate fluctuations, valuation of derivative financial instruments, depreciation and amortization) in connection with the preparation of financial projections as part of the business plan submitted to the Board of Directors and Shareholders

Considering that, the Entity has no financial debt it is not applicable to the determination of the debt and interest coverage.

- b. Market risk** - The Entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Entity has undertaken in the past a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

Exposure to market risk is measured using sensitivity analysis. There have been no changes in exposure to market risks or the manner in which those risks are being managed and measured.

- c. Interest rate risk management** - The Entity is exposed to interest rate risks from customer loans and financial debt contracted at variable rates. However, it manages this risk through an adequate combination of fixed and variable interest rates.

The Entity's exposure to interest rate risks is primarily based on the Mexican Interbank Equilibrium Offered rate (TIIE) applicable to financial liabilities and its customer portfolio. Accordingly, it periodically prepares a sensitivity analysis by considering the cost of the net exposure from its customer portfolio and financial liabilities derived that earn and bear interest at variable interest rates; it also prepares an analysis based on the amount of outstanding credit at the end of the period.

If benchmark interest rates had increased and/or decreased by 100 basis points in each reporting period and all other variables had remained constant, the pretax profit of 2021, 2020 and 2019 would have increased or decreased by approximately \$46,174, \$38,700 and \$37,803, respectively. At December 31, 2021, 2020 and 2019 there would be no impact on other comprehensive income because there are no derivative financial instruments.



**d. Exchange risk management** - The functional currency of the Entity is the Mexican peso, accordingly, it is exposed to currency risk Mexican peso against U.S. dollar that arises in connection with retail operations and financing, in this case, currency forwards are entered into in order to hedge such operations, when considered convenient.

The carrying values of monetary assets and liabilities denominated in foreign currency and which primarily generate exposure for the Entity at the end of the reporting period are as follows (figures in thousands):

	<b>2021</b>	<b>Liabilities 2020</b>	<b>2019</b>	<b>2021</b>	<b>Assets 2020</b>	<b>2019</b>
US Dollar	<b>21,738</b>	11,382	24,684	<b>16,950</b>	20,287	30,321

The following table indicates the Entity's sensitivity to a 10% increase or decrease of the Mexican peso versus the US dollar. This percentage is the sensitivity rate used to internally report the exchange rate risk to key management personnel and also represents management's evaluation of the possible fair value change to exchange rates. The sensitivity analysis only includes monetary items denominated in foreign currency and adjusts their conversion at the end of the period by applying a 10% fluctuation; it also includes external loans. A negative or positive figure, respectively (as detailed in the following table), indicates a (decrease) or increase in net income derived from a decrease in the value of the Mexican peso of 10% with regard to the US dollar (figures in thousands):

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Mexican pesos	<b>(9,855)</b>	17,764	10,623

**e. Credit risk management** - The credit risk refers to the situation in which the borrower defaults on its contractual obligations, thereby generating a financial loss for the Entity and which is essentially derived from customer accounts receivable and liquid funds. The credit risk affecting cash and cash equivalents and derivative financial instruments is limited because the counterparties are banks with high credit ratings issued by credit rating agencies. The Entity's maximum credit risk exposure is represented by the balance in the statement of financial position. The other exposure to credit risk is represented by the balance of each financial asset mainly in trade accounts receivable. The Entity sells its products and / or services to customers who have demonstrated their economic, and periodically evaluates the financial condition of its customers and has insurance billing for domestic and export sales. Therefore, the Entity does not believe there is a significant risk of loss due to a concentration of credit in its customer base in the retail sector, as it is diluted among 1,937,063 customers, which do not represent a concentration of risk in the individual. The Entity also believes that potential credit risk is adequately covered by its allowance for doubtful accounts, which represents its estimate of incurred losses related to impairment of accounts receivable (see Note 4).

**f. Liquidity risk management** - Corporate treasury has the ultimate responsibility for liquidity management, and has established appropriate policies to control this through monitoring of working capital, managing short, medium and long-term funding requirements, maintaining cash reserves and available credit lines, continuously monitoring cash flows (projected and actual), and reconciling the maturity profiles of financial assets and liabilities.

The following table details the remaining contractual maturities of the Entity's non-derivative financial liabilities, based on contractual repayment periods.

The Entity expects to meet its obligations with cash flows from operations and resources received from the maturity of financial assets. Additionally, the Entity has access to credit lines with various banks and debt securities programs.

	<b>As of December 31, 2021</b>	<b>3 months</b>	<b>6 months</b>	<b>12 months</b>	<b>More than one year</b>	<b>Total</b>
Trade accounts payable	<b>\$ 8,961,038</b>	<b>\$ 108,011</b>	\$ -	\$ -	\$ -	<b>\$ 9,069,049</b>
Sundry creditors	<b>262,400</b>	-	-	-	-	<b>262,400</b>
Due to related parties	<b>701,564</b>	-	-	-	-	<b>701,564</b>
Lease liability	<b>373,448</b>	<b>522,826</b>	<b>597,516</b>	<b>5,140,644</b>	<b>6,634,434</b>	<b>6,634,434</b>
Total	<b>\$ 10,298,450</b>	<b>\$ 630,837</b>	<b>\$ 597,516</b>	<b>\$ 5,140,644</b>	<b>\$ 16,667,447</b>	<b>\$ 16,667,447</b>

	<b>As of December 31, 2020</b>	<b>3 months</b>	<b>6 months</b>	<b>12 months</b>	<b>More than one year</b>	<b>Total</b>
Trade accounts payable	\$ 8,291,081	\$ 70,447	\$ -	\$ -	\$ -	\$ 8,361,528
Sundry creditors	179,777	-	-	-	-	179,777
Due to related parties	524,736	-	-	-	-	524,736
Lease liability	315,390	441,546	504,624	5,969,467	7,231,028	7,231,028
Total	\$ 9,310,984	\$ 511,993	\$ 504,624	\$ 5,969,467	\$ 16,297,069	\$ 16,297,069

As of December 31, 2019	3 months	6 months	12 months	More than one year	Total
Trade accounts payable	\$ 8,571,023	\$ 113,634	\$ -	\$ -	\$ 8,684,657
Sundry creditors	351,835	-	-	-	351,835
Due to related parties	530,398	-	-	-	530,398
Lease liability	440,298	609,643	643,512	7,177,929	8,871,381
Total	\$ 9,893,554	\$ 723,277	\$ 643,512	\$ 7,177,929	\$ 18,438,271

## 10. Fair value of financial instruments

The Entity does not have instruments that are measured at fair value on a recurring basis.

This note provides information about the fair value of financial assets and liabilities not carried at fair value steadily (but fair value disclosures required).

Except as detailed in the table below, management believes that the carrying amounts of assets and liabilities recognized at amortized cost in the financial statements, approximates their fair value.

The Entity calculates the fair value of accounts receivable since much of its sales are made through the revolving credit extended to customers. Fair value is calculated using the information available in the market or other valuation techniques which require judgment to develop and interpret the estimates of fair values also makes assumptions that are based on market conditions existing at each of the dates of the statement of financial position. Consequently, the estimated amounts presented are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different assumptions and / or estimation methods may have a material effect on the estimated fair value amounts presented below for disclosure purposes only.

The carrying amounts of financial instruments by category and their estimated fair values are as follows:

	December 31, 2021		December 31, 2020		December 31, 2019	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
<b>Financial assets:</b>						
Cash and cash equivalent	\$ 7,304,948	\$ 7,304,948	\$ 3,990,572	\$ 3,990,572	\$ 1,690,176	\$ 1,690,176
<b>Notes and accounts receivables:</b>						
Accounts receivable from short and long-term customers and others	11,491,510	12,053,923	10,970,064	11,767,703	13,360,257	14,179,353
<b>Accounts and notes payable:</b>						
Trade accounts payable	9,069,049	9,069,049	8,361,528	8,361,528	8,684,657	8,684,657
Sundry creditors	262,400	262,400	179,777	179,777	351,835	351,835
Due to related parties	701,564	701,564	524,736	524,736	530,398	530,398
Total	\$ 8,763,445	\$ 9,325,858	\$ 5,894,595	\$ 6,692,234	\$ 5,483,543	\$ 6,302,639

The fair values as of December 31, 2021, 2020 and 2019, except for accounts receivable from short and long-term customers, do not differ from their carrying value because the values observed in the market are very similar to those recorded in these periods.

## 11. Property, plant and equipment

The reconciliation of the book values at the beginning and end of the year 2021, 2020 and 2019 is as follows:

	2020	Additions	Retirements / disposals	Exchange differences on translation	Impairment	2021
<b>Investment:</b>						
Buildings, leasehold improvements and constructions	\$ 13,517,979	\$ 112,774	\$ (113,023)	\$ 2,382	\$ -	\$ 13,520,112
Machinery and equipment	3,533,460	97,125	(57,871)	(5,788)	-	3,566,926
Furniture and fixtures	6,624,231	62,121	(49,517)	2,087	-	6,638,922
Vehicles	343,619	36,527	(42,353)	261	-	338,054
Computers	1,492,598	13,952	(2,598)	(349)	-	1,503,603
Total investment	25,511,887	322,499	(265,362)	(1,407)	-	25,567,617
<b>Accumulated depreciation:</b>						
Buildings, leasehold improvements and constructions	(7,004,359)	(449,942)	63,635	16,519	(43,336)	(7,417,483)
Machinery and equipment	(2,343,263)	(193,360)	51,018	(1,069)	(22,483)	(2,509,157)
Furniture and fixtures	(4,669,606)	(362,610)	35,032	(12,412)	(23,874)	(5,033,470)
Vehicles	(299,966)	(23,152)	39,048	(15)	-	(284,085)
Computers	(1,365,271)	(64,687)	1,968	(6,771)	(84)	(1,434,845)
Total accumulated depreciation	(15,682,465)	(1,093,751)	190,701	(3,748)	(89,777)	(16,679,040)
Subtotal	9,829,422	(771,252)	(74,661)	(5,155)	(89,777)	8,888,577
Land	2,837,724	292	(135)	-	-	2,837,881
Construction in progress	447,746	45,926	-	-	-	493,672
Net investment	\$ 13,114,892	\$ (725,034)	\$ (74,796)	\$ (5,155)	\$ (89,777)	\$ 12,220,130

	2019	Additions	Retirements / disposals	Exchange differences on translation	Impairment	2020
<b>Investment:</b>						
Buildings, leasehold improvements and constructions	\$ 13,732,702	\$ 120,950	\$ (399,767)	\$ 15,688	\$ 48,406	\$ 13,517,979
Machinery and equipment	3,502,440	82,586	(71,587)	5,218	14,803	3,533,460
Furniture and fixtures	6,656,213	91,943	(149,594)	2,217	23,452	6,624,231
Vehicles	353,664	5,184	(14,861)	(368)	-	343,619
Computers	1,460,890	14,246	(187)	12,197	5,452	1,492,598
Total investment	25,705,909	314,909	(635,996)	34,952	92,113	25,511,887
<b>Accumulated depreciation:</b>						
Buildings, leasehold improvements and constructions	(6,667,833)	(458,313)	177,736	(32,477)	(23,472)	(7,004,359)
Machinery and equipment	(2,181,263)	(209,785)	60,152	2,083	(14,450)	(2,343,263)
Furniture and fixtures	(4,340,806)	(428,058)	113,384	9,237	(23,363)	(4,669,606)
Vehicles	(284,216)	(29,440)	13,612	78	-	(299,966)
Computers	(1,263,132)	(99,728)	7,576	(4,800)	(5,187)	(1,365,271)
Total accumulated depreciation	(14,737,250)	(1,225,324)	372,460	(25,879)	(66,472)	(15,682,465)
Subtotal	10,968,659	(910,415)	(263,536)	9,073	25,641	9,829,422
Land	2,711,072	126,652	-	-	-	2,837,724
Construction in progress	422,568	25,178	-	-	-	447,746
Net investment	\$ 14,102,299	\$ (758,585)	\$ (263,536)	\$ 9,073	\$ 25,641	\$ 13,114,892

	2018	Additions	Retirements / disposals	Exchange differences on translation	Impairment	2019
<b>Investment:</b>						
Buildings, leasehold improvements and constructions	\$ 13,579,265	\$ 284,824	\$ (76,246)	\$ (6,734)	\$ (48,407)	\$ 13,732,702
Machinery and equipment	3,349,859	207,037	(37,952)	(302)	(16,202)	3,502,440
Furniture and fixtures	6,362,976	311,927	(24,127)	28,892	(23,455)	6,656,213
Vehicles	345,223	27,013	(18,408)	(164)	-	353,664
Computers	1,479,665	27,826	(6,683)	(35,863)	(4,055)	1,460,890
Total investment	25,116,988	858,627	(163,416)	(14,171)	(92,119)	25,705,909
<b>Accumulated depreciation:</b>						
Buildings, leasehold improvements and constructions	(6,286,109)	(472,153)	46,742	15,624	28,063	(6,667,833)
Machinery and equipment	(2,020,128)	(204,605)	31,668	(5,682)	17,484	(2,181,263)
Furniture and fixtures	(3,898,654)	(458,984)	20,394	(27,011)	23,449	(4,340,806)
Vehicles	(265,727)	(34,815)	16,159	167	-	(284,216)
Computers	(1,194,195)	(106,976)	6,093	27,739	4,207	(1,263,132)
Total accumulated depreciation	(13,664,813)	(1,277,533)	121,056	10,837	73,203	(14,737,250)
Subtotal	11,452,175	(418,906)	(42,360)	(3,334)	(18,916)	10,968,659
Land	2,710,031	1,276	(235)	-	-	2,711,072
Construction in progress	387,288	35,280	-	-	-	422,568
Net investment	\$ 14,549,494	\$ (382,350)	\$ (42,595)	\$ (3,334)	\$ (18,916)	\$ 14,102,299

## 12. Investment properties

	2021	2020	2019
Investment properties	\$ 2,495,808	\$ 2,462,521	\$ 2,507,271

The changes in investment properties are as follows:

	2021	2020	2019
Balance at beginning of period	\$ 2,462,521	\$ 2,507,271	\$ 2,415,553
Adjustments to fair value of investment properties	33,287	(44,750)	91,718
Balance at end of period	\$ 2,495,808	\$ 2,462,521	\$ 2,507,271

All investment properties of Grupo Sanborns are held under freehold.

Grupo Sanborns is based on appraisals performed by independent experts with qualifications and relevant experience in the locations and categories of investment properties it holds.

The valuation techniques considered under the following different approaches:

The income approach is widely used in real estate valuation it applies to assets of a commercial nature. With the income approach, the appraiser based the value of the property in future income that the property might reasonably create. The appraiser extrapolates the future revenue of the property and deducts that amount to reach a present value reflecting the amount that a hypothetical buyer would pay to a hypothetical seller for the property.

In the market approach (comparable sales) the appraiser looks at recent sales with similar properties (comparable) to indicate the value of the asset. If there are no active subjects identical to comparable sales prices of comparable adjusted to match them to the characteristics of the subject asset.

In the cost approach the appraiser estimates the value of the asset compared to the cost of producing a new individual asset or a replacement property, which suggests the market as appropriate. The cost compared to the value of existing assets and is adjusted for differences in age, condition and value for the comparable asset. In its simplest form, the cost approach is represented by the net replacement value less all depreciation rates. Depreciation for valuation purposes is defined as the difference in value between real property and a new hypothetical property, taken as a basis of comparison.

As of December 31, 2021, and 2020, fair value was determined based on the replacement cost approach, which reflects the acquisition or construction prices of a substitute asset and comparable utility, adjusted for obsolescence. As of December 31, 2019, fair value was determined based on the revenue approach.



The value of the asset can be estimated by expected future profits to its owner.

Key metrics for all investment properties are shown below:

Type of property	Recommended ranges for capitalization rates	
	Minimum	Maximum
Shops	7.5%	9.1%

The Entity has two shopping malls, Loreto and Inbursa located in Mexico City, which generate rental income that is recognized as leasing services amounting to \$118,088, \$132,428 and \$231,852 for the years ended December 31, 2021, 2020 and 2019 respectively. At December 31, 2021, 2020 and 2019, the occupancy rate of shopping centers is 70%, 72% and 86%, respectively.

Direct operating expenses including maintenance costs incurred in relation to the investment property are recognized in income amounting, approximately 69%, 65% and 40% of rental income for years ended December 31, 2021, 2020 and 2019, respectively.

The estimated fair value of the properties considered the highest and best use of the properties is its current use.

The following information is relevant to investment properties classified as Level 3 hierarchy:

Valuation technique(s)	Significant non observable input(s)	Sensitivity
Commercial units located in Mexico City	Income capitalization approach	Capitalization rate, taking into account the capitalization of rental income potential, nature of the property, and prevailing market condition, of 7.5% - 9.1% in 2019.
		A slight increase in the capitalization rate used would result in a significant decrease in its fair value, and vice versa. A variation of minus 50 basis points would result in an increase in its fair value of \$167,151 and an increase of 50 points would result in a decrease in its fair value of \$147,487.
	Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, at an average of \$368 Mexican pesos per square meter ("sqm") per month in 2019.	A significant increase in the market rent used would result in a significant increase in fair value, and back.

### 13. Investment in shares of associates and others

The principal associated entity and its priority activity is the following:

Associated	Ownership percentage			Location	Activity
	2021	2020	2019		
Inmuebles SROM, S.A. de C.V. (1)	14.00	14.00	14.00	México	Property leasing
Miniso BF Holding S.R.L. de C.V.	33.27	33.27	33.27	México	Operation of multi-category stores of low-cost products, under the model of specialized franchises

	Investment in shares			Participation in profit or loss		
	2021	2020	2019	2021	2020	2019
Inmuebles SROM, S.A. de C.V. <sup>(1)</sup>	\$ 1,921,645	\$ 1,838,878	\$ 2,441,613	\$ 113,287	\$ 181,831	\$ 169,012
Miniso BF Holding, S.R.L. de C.V.	679,473	797,353	1,081,485	(117,879)	(316,162)	(52,187)
Others	1,317	1,317	1,317	-	-	-
<b>Total</b>	<b>\$ 2,602,435</b>	<b>\$ 2,637,548</b>	<b>\$ 3,524,415</b>	<b>\$ (4,592)</b>	<b>\$ (134,331)</b>	<b>\$ 116,825</b>

<sup>(1)</sup> Regarding Inmuebles SROM, the Entity has significant influence for having a representative on the Board of Directors, considering its 14% participation.

## 14. Other accounts payable and accrued liabilities

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Taxes payable	\$ 1,116,845	\$ 1,091,144	\$ 2,282,802
Advertising	161,148	180,154	153,200
Leases	183,621	165,151	121,155
Maintenance contracts	157,097	132,252	171,691
Unfulfilled orders	119,952	123,672	56,714
Loyalty program	111,102	106,451	151,842
Expenses to pay for systems	36,892	93,598	54,205
Expansion and computing	86,891	76,000	73,618
Building and equipment maintenance	86,975	72,040	73,843
Electric power	69,432	70,927	83,956
Electronics waters	68,071	69,117	70,568
Transport	43,411	60,088	29,649
Water	56,679	57,067	59,799
Sundry creditors	262,400	179,777	351,835
Others	456,176	574,854	512,719
	<b>\$ 3,016,692</b>	<b>\$ 3,052,292</b>	<b>\$ 4,247,596</b>

## 15. Provisions

The provisions presented below, represent accrued expenses during 2021, 2020 and 2019, or contracted services attributable to the period, which are expected to be settled within a period not exceeding one year. The final amounts to be paid and the timing of any outflow of economic resources involve uncertainty and therefore may vary.

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Opening balance	\$ 178,458	\$ 129,731	\$ 129,265
Additions	91,507	59,090	40,828
Provision applied and write-offs	(47,486)	(10,363)	(40,362)
Closing balance	<b>\$ 222,479</b>	<b>\$ 178,458</b>	<b>\$ 129,731</b>

## 16. Retirement employee benefits

The Entity has plans for retirement, death or total disability payments for non-union employees in most of its subsidiaries. The defined benefit plans are managed by a legally separate fund of the Entity. The board of the pension fund is comprised of an equal number of representatives of both employer and (former) employees. The board of the pension fund is required according to the law and the articles of association to act in the interests of the Fund and all interested parties, active and inactive employees, retirees and employer. The board of the pension fund is responsible for investment policy in relation to the assets of the fund.

The Entity manages a plan that also covers seniority premiums for all staff working in Mexico, consisting of a single payment of 12 days per year worked based on final salary, not to exceed twice the minimum wage established by law.

Under these plans, employees are entitled to retirement benefits that add to the statutory pension are similar to final salary upon reaching the retirement age of 65. Other postretirement benefits are not awarded.

The plans typically expose the Entity 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. Due to the long-term nature of the plan liabilities, the board of the pension fund considers it appropriate that a reasonable portion of the plan assets should be invested in equity securities and in real estate to leverage the return generated by the fund.

**Interest rate 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 most recent actuarial valuations of the plan's assets and the present value of the defined benefit obligation were carried out as of December 31, 2021 with information regarding October 31, 2021, by independent actuaries, members of the Mexican Association of Actuarios Consultores, A.C. The present value of the defined benefit obligation, the labor cost of the current service, and the cost of past services were calculated using the projected unit credit method.

As of July 31, 2020, the rethinking of the employee pension plan in the Sanborns Hermanos, S.A. de C.V. segment was restated and as of December 31, 2020, the pension plan of Sears Operadora México, S.A. de C.V. was rethinking.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<b>2021</b> %	<b>2020</b> %	<b>2019</b> %
Discount rate	<b>8.00</b>	7.05	7.35
Expected rate of salary increase	<b>5.76</b>	5.70	5.58
Expected return on plan assets	<b>8.00</b>	7.05	7.35
Age for current pensioners (years):			
Males	<b>65</b>	65	65
Females	<b>65</b>	65	65

Items of defined benefit costs recognized in other comprehensive income.

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Remeasurement on the net defined benefit liability:			
Actuarial (profit)/losses on return on plan assets excluding amounts included in net interest expense	\$ <b>46,144</b>	\$ (46,458)	\$ (90,807)
Actuarial (profit)/losses arising from changes in demographic assumptions	<b>(684)</b>	(37,601)	(756)
Actuarial (profit)/losses arising from changes in financial assumptions	<b>139,143</b>	(128,265)	(873,024)
Other actuarial (profit)/losses by experience	<b>(61,784)</b>	42,849	12,324
Items of defined benefit costs recognized in other comprehensive income	<b>\$ 122,819</b>	\$ (169,475)	\$ (952,263)

The current service cost and the net interest expense for the year are included in the employee benefits expense in profit or loss. The amount of expenditure 2021 (current working service cost) included \$28,485, \$24,936 and \$84,588 in the income statement as selling expenses and administrative expenses, respectively, the statement of income also includes interest income of \$166,748.

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

The amount included in the consolidated statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Present value of funded defined benefit obligation	\$ (1,764,189)	\$ (1,739,953)	\$ (3,047,887)
Fair value of plan assets	<b>2,559,020</b>	2,502,825	2,556,670
Excess of plan assets over defined benefit obligation	<b>\$ 794,831</b>	\$ 762,872	\$ (491,217)
Net assets arising from defined benefit obligation	<b>\$ 901,211</b>	\$ 820,200	\$ 226,361
Net liabilities arising from defined benefit obligation.	<b>(106,380)</b>	(57,328)	(717,578)
	<b>\$ 794,831</b>	\$ 762,872	\$ (491,217)

Changes in the present value of the defined benefit obligation in the current year:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Opening defined benefit obligation	\$ 1,739,953	\$ 3,047,887	\$ 1,958,895
Current service cost	<b>82,946</b>	129,974	111,385
Cost (income) interest	<b>121,114</b>	178,756	187,418
Remeasurement (gains)/losses:			
Actuarial (gains) and losses arising from changes in demographic assumptions	<b>1,312</b>	33,553	765
Actuarial (gains) and losses arising from changes in financial assumptions	<b>(142,286)</b>	114,474	882,986
Other (actuarial losses or (gains) by experience)	<b>62,743</b>	(38,177)	(12,464)
Past service cost	<b>21,308</b>	(1,552,501)	27,355
Actuarial losses/(gains) on anticipated liquidations or reductions	-	26,417	-
Other effects	<b>36,029</b>	(12,990)	-
Benefits paid for early settlement of obligations	-	(89,008)	-
Settled obligation	<b>(2,310)</b>	-	(8,707)
Benefits paid	<b>(156,620)</b>	(98,432)	(99,746)
Closing defined benefit obligation	<b>\$ 1,764,189</b>	\$ 1,739,953	\$ 3,047,887

Movements in the fair value of the plan assets in the current year were as follows:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Opening fair value of plan assets	\$ 2,502,825	\$ 2,556,670	\$ 2,439,747
Interest income	<b>166,748</b>	175,004	227,953
Remeasurement gains / (losses):			
Return on plan assets (excluding amounts included in net interest expense)	<b>46,064</b>	(41,456)	(91,842)
Entity contributions	-	-	80,000
Benefits paid for early settlement of obligations	-	(89,008)	-
Benefits paid	<b>(156,617)</b>	(98,385)	(99,188)
Closing fair value of plan assets	<b>\$ 2,559,020</b>	\$ 2,502,825	\$ 2,556,670

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 were 100 basis points higher (lower), the defined benefit obligation would decrease by \$162,490 (increase by \$148,436).

If the expected salary growth would increase (decreases) by 1%, the defined benefit obligation would increase by \$98,075 (decrease by \$92,662).

If the life expectancy would increase (decreases) by one year for both men and women, the defined benefit obligation would increase by \$6,973 (decrease by \$ 12,747).

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.

### Relevant aspects

Relevant aspects of the valuation as of December 31, 2021 are as follows:

The main strategic decisions that are made in the technical document of actuarial policy of the Fund are:

Asset mix based on 57% equity instruments and 43% debt instruments.

The average duration of the benefit obligation as of December 31, 2021 is 7.24 years, 2020 is 9.87 years and 15.02 years in 2019.

The major categories of plan assets are:

	2021	2020 %	2019 %	2021	Fair value of plan assets	
					2020	2019
Equity instruments	57%	51%	47%	\$ 1,450,632	\$ 1,285,807	\$ 1,244,592
Debt instruments	43%	49%	53%	\$ 1,108,388	\$ 1,217,081	\$ 1,375,740

The actual return on plan assets amounted to \$167 million, \$175 million and \$228 million 2021, 2020 and 2019, respectively.

Employee benefits granted to key management personnel and / or directors of the Entity were as follows:

	2021	2020	2019
Short term benefits	\$ 36,169	\$ 43,587	\$ 69,268
Defined benefit plans	\$ 21,546	\$ 16,394	\$ 111,399

## 17. Stockholders' equity

a. The historical amount of issued and paid-in common stock of Grupo Sanborns as of December 31, is as follows:

	2021		2020		2019	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Series B1 historical	2,257,000,000	\$ 2,039,678	2,382,000,000	\$ 2,039,678	2,382,000,000	\$ 2,039,678
Treasury shares	(10,267,706)	(71,254)	(124,312,508)	(64,395)	(120,931,946)	(62,158)
Series B1	2,246,732,294	\$ 1,968,424	2,257,687,492	\$ 1,975,283	2,261,068,054	\$ 1,977,520

Common stock consists of ordinary, nominative shares with no par value.

Series B1 shares represent fixed capital, while Series B2 shares represent variable capital, which is unlimited; these shares can be freely subscribed.

- b.** As of December 31, 2021, 10,365,480 shares were repurchased, amounting to \$244,941, representing an affectation of the share capital of \$6,859 and accrued results of \$238,082.
- c.** At the Annual Ordinary General Assembly of Shareholders of Grupo Sanborns, S.A.B. de C.V. held on April 30, 2021, it was decided that the balance of accumulated profits in the amount of \$21,163,070, shall be made available to the Shareholders' Meeting of the Company and the Board of Directors, so that they apply it in whole or in part in the form and terms that any of these bodies deem appropriate.
- d.** As of December 31, 2020, 3,380,562 shares were repurchased, amounting to \$64,020, representing an affectation of the share capital of \$2,237 and accrued results of \$61,783.
- e.** At the Annual Ordinary General Assembly of Shareholders of Grupo Sanborns, S.A.B. de C.V. held on April 30, 2020, it was decided that the balance of accumulated profits in the amount of \$20,488,282, shall be made available to the Shareholders' Meeting of the Company and the Board of Directors, so that they apply it in whole or in part in the form and terms that any of these bodies deem appropriate.
- f.** In Ordinary General Assembly of shareholders of Grupo Sanborns, S.A.B. C.V., held on July 22, 2020, the subsidiary Promotora Musical, S.A. de C.V. decreed the payment of cash dividends from the net tax profit account accumulated as of December 31, 2013, amounting to \$500,000 distributing to the non-controlling share a dividend of \$245,000.
- g.** At The Ordinary General Assembly of shareholders of Grupo Sanborns, S.A.B. de C.V., held on September 30th 2020, the subsidiary Promotora Musical, S.A. de C.V. decreed the payment of cash dividends from the net tax profit account accumulated as of December 31, 2013 and after 2014, amounting to \$523,000 distributing to the non-controlling share a dividend of \$256,270.
- h.** During the Stockholders' Ordinary General Meeting held on April 29, 2019, the stockholders declared the payment of a cash dividend from the net taxable income account CUFIN (by its acronym in Spanish) as of December 31, 2013, in the amount of \$2,083,000 at a rate of \$ 0.92 per each of the 2,264,082,145 shares subscribed and paid, without considering the 117,917,855 shares in Treasury on April 26, 2019. They were paid in two payments of \$ 0.46 per share, the first payment on June 20 and the second on December 20, 2019, against delivery of coupon 13 and 14, respectively.
- i.** During 2019, 3,822,809 shares have been repurchased for \$81,815, which affects common stock by \$2,530 and accumulated earnings by \$79,285.
- j.** 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 common stock at par value (historical pesos). 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 December 31, 2021, 2020 and 2019, the legal reserve, in historical pesos, was \$311,682 in all years.
- k.** Stockholders' equity, except restated paid-in capital and tax accumulated 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 taxes of the year in which the tax on dividends is paid and the following two fiscal years.
- l.** An additional 10% income tax is applied to dividends paid when they are distributed to individuals and foreign residents. Such tax is withheld and paid by the stockholder. Tax treaties may apply to foreigners. This tax is applicable to the distribution of profits generated as of 2014.
- m.** The balances of the stockholders' equity tax accounts as of December 31, 2021, 2020 and 2019 are:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Contributed capital account	<b>\$ 18,699,950</b>	\$ 17,660,090	\$ 17,192,639
Consolidated net tax income account	<b>8,148,776</b>	7,142,623	6,021,958
<b>Total</b>	<b>\$ 26,848,726</b>	\$ 24,802,713	\$ 23,214,597

## 18. Transactions and balances with related parties

a. Balances receivable and payable with related parties are as follows:

	2021	2020	2019
<b>Receivable -</b>			
Radiomóvil Dipsa, S.A. de C.V.	\$ 20,222	\$ 27,371	\$ 37,049
Teléfonos de México, S.A.B. de C.V.	111,605	81,687	43,543
Nacional de Conductores Eléctricos, S.A. de C.V.	-	698	3,670
Pase, Servicios Electrónicos, S.A. de C.V.	1,217	2,108	1,371
Seguros Inbursa, S.A. de C.V.	3,681	7,704	4,436
Operadora de Sites Mexicanos, S.A. de C.V.	147	908	1,180
Inmuebles Srom, S.A. de C.V.	2,524	1,331	14
Administradora y Operadora de Estacionamientos Ideal, S.A. de C.V.	443	443	443
Imsalmar, S.A. de C.V.	52	60	183
Nacobre Servicios Administrativos, S.A. de C.V.	-	-	1,531
Industrial Afiliada, S.A. de C.V.	-	-	127
Servicios Corporativos Ideal, S.A. de C.V.	-	-	558
Banco Inbursa, S.A. de C.V.	866	708	966
Nacional de Cobre, S.A. de C.V.	349	676	146
Promotora del Desarrollo de América Latina, S.A. de C.V.	-	-	2
I+D México, S.A. de C.V.	-	-	-
Hipocampo, S.A. de C.V.	1,172	3,108	23
Condumex, S.A. de C.V.	3,460	-	-
Entidad de Servicios Ostar, S.A. de C.V.	-	-	13
Administración Especializada Integral, S.A. de C.V.	-	-	541
Bienes Raíces de Acapulco, S.A. de C.V.	-	-	2
Miniso BF Holding S. de R.L. de C.V.	178,254	165,846	153,793
Grupo Telvista, S.A. de C.V.	773	627	4,346
Construcciones Urvitec, S.A. de C.V.	-	6,031	-
Other	4,223	3,721	6,457
	<b>\$ 328,988</b>	<b>\$ 303,027</b>	<b>\$ 260,394</b>
<b>Payable-</b>			
Radiomóvil Dipsa, S.A. de C.V.	\$ 371,604	\$ 265,470	\$ 237,912
Sears Brands Management Corporation	87,961	66,100	82,437
Operadora CICSA, S.A. de C.V.	38,214	-	-
AMX Contenido, S.A. de C.V.	31,805	617	2,097
Inmose, S.A. de C.V.	31,632	37,493	42,364
Inmuebles Srom, S.A. de C.V.	17,808	9,517	17,022
Plaza Carso II, S.A. de C.V.	4,393	3,637	9,505
Teléfonos de México, S.A.B. de C.V.	1,721	2,046	17,223
Bajasur, S.A. de C.V.	2,858	4,845	7,546
Desarrollos Sagesco, S.A. de C.V.	6,447	8,994	8,919
Consortio Red Uno, S.A. de C.V.	8,462	8,627	17,423
Claro Video, Inc.	7,155	5,751	8,083
Concesionaria Etram Cuatro Caminos, S.A. de C.V.	12,065	9,831	7,595
Inmuebles Corporativos e Industriales, S.A. de C.V.	181	1,873	890
Selmec Equipos Industriales, S.A. de C.V.	-	500	1,971
Bienes Raíces de Acapulco, S.A. de C.V.	747	2,122	2,765
Bicicletas de México S. A. de C.V.	-	1,804	3,063
Escaleras, S. de R.L. de C.V.	-	3,201	1,008
América Móvil, S.A.B. de C.V.	90	487	1,633
Inversora Bursátil, S.A. de C.V.	-	10,800	10
Grupo Telvista, S.A. de C.V.	9,887	4,206	3,036
Anuncios en Directorio, S. A. de C.V.	-	3,547	4,452
Inmuebles General, S.A. de C.V.	1,312	1,304	776
Banco Inbursa, S.A. de C.V.	192	1,295	800
Carso Global Telecom, S. A. de C.V.	-	497	497
Servicios Condumex, S.A. de C.V.	32	40	23
Emprendedora Administrativa, S.A. de C.V.	7,920	629	13,460
JM Distribuidores, S.A.	31,025	23,217	22,226
Seguros Inbursa, S.A. de C.V.	-	(1)	250
Cigarros La Tabacalera, S. de R.L. de C.V.	-	12,991	6,580
Controladora de Servicios de Telecomunicaciones, S.A. de C.V.	150	10,565	150
Scitum, S.A. de C.V.	7,274	4,001	-
Construcciones URVITEC, S.A. de C.V.	2,233	-	-
JCDECAUX Out of Home México, S.A.	3,376	8,197	-
Other	15,020	8,713	8,682
	<b>\$ 701,564</b>	<b>\$ 524,736</b>	<b>\$ 530,398</b>

Outstanding amounts are not guaranteed and will be settled in cash. No guarantees have been granted or received. No expenses have been recognized in the current or prior periods for bad debts or doubtful accounts regarding amounts owed by related parties.

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Sales-</b>			
Seguros Inbursa, S.A.	\$ 26,423	\$ 22,552	\$ 41,457
Radiomóvil Dipsa, S.A. de C.V.	66,058	113,867	7,813
Grupo Telvista, S.A. de C.V.	7,295	12,323	30,646
Nacional de Conductores Eléctricos, S.A. de C.V.	11,128	21,649	23,593
Outsourcing Inburnet, S.A. de C.V.	-	18,824	21,392
Teléfonos de México, S.A.B. de C.V.	2,938	12,924	7,186
Servicios Condomex, S.A. de C.V.	11,905	-	-
Nacional de Cobre, S.A. de C.V.	11,204	-	-
Servicios Inburnet, S.A. de C.V.	9,971	-	-
Nacobre Servicios Administrativos, S.A. de C.V.	-	4,002	8,838
Hipocampo, S.A. de C.V.	5,259	7,549	9,039
Inversora Bursátil, S.A. de C.V.	3,288	1,519	-
Afore Inbursa, S.A. de C.V.	-	4,977	3,250
Constructora Terminal Valle de México, S.A. de C.V.	-	-	1,451
Servicios Corporativos Ideal, S.A. de C.V.	1,673	1,740	-
América Móvil, S.A.B. de C.V.	1,239	2,203	4,197
Latam Servicios Integrales, S.A. de C.V.	-	715	2,993
Arneses Eléctricos Automotrices, S.A. de C.V.	568	715	2,706
Administradora de Personal de Centros Comerciales, S.A. de C.V.	24	618	2,328
Banco Inbursa, S.A.	22,224	38,335	25,410
Fundación Carlos Slim, A.C.	19,445	318,201	257
Sales (others)	22,938	18,497	29,370
<b>Total</b>	<b>\$ 223,580</b>	<b>\$ 601,210</b>	<b>\$ 221,926</b>
<b>Interests received</b>	<b>\$ 215,629</b>	<b>\$ 26,039</b>	<b>\$ 44,523</b>
<b>Lease income -</b>			
Radiomóvil Dipsa, S.A. de C.V.	\$ 12,800	\$ 11,063	\$ 12,031
Teléfonos de México, S.A.B. de C.V.	9,526	9,127	9,007
Banco Inbursa, S.A.	29,039	25,238	32,499
Operadora de Sites Mexicanos, S.A. de C.V.	1,476	2,206	4,487
Pase Servicios Electrónicos, S.A. de C.V.	-	1,697	4,996
Ingresos por arrendamientos (otros)	6,094	2,624	892
<b>Total</b>	<b>\$ 58,935</b>	<b>\$ 51,955</b>	<b>\$ 63,912</b>
<b>Service revenues -</b>			
Clarovideo Inc. (Antes DLA, Inc.)	\$ 23,488	\$ 119,305	\$ 136,814
Radiomóvil Dipsa, S.A. de C.V.	148,019	111,392	241,896
Banco Inbursa, S.A.	2,979	5,024	4,199
Sociedad Financiera Inbursa, S.A. de C.V.	2,663	6,568	12,834
Seguros Inbursa, S.A.	4,232	1,258	4,075
Patrimonial Inbursa, S.A.	1,774	1,152	2,683
Teléfonos de México, S.A.B. de C.V.	4,815	6,888	9,662
Inmuebles SROM, S.A. de C.V.	3,956	2,852	3,958
Hipocampo, S.A. de C.V.	-	158	-
Insalmar, S.A. de C.V.	-	19	-
Pase, Servicios Electrónicos, S.A. de C.V.	11,816	9,443	1,923
Service revenues (others)	4,269	2,691	3,728
<b>Total</b>	<b>\$ 208,011</b>	<b>\$ 266,750</b>	<b>\$ 421,772</b>
<b>Income from sale of fixed assets</b>	<b>\$ 195,560</b>	<b>\$ 257</b>	<b>\$ 619</b>



	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Inventory purchases-</b>			
Radiomóvil Dipsa, S.A. de C.V.	\$ (191,529)	\$ (83,511)	\$ (77,551)
América Móvil, S.A.B. de C.V.	(24,700)	(47,601)	(86,457)
Escaleras, S. de R.L. de C.V.	(13,298)	(8,852)	(6,351)
Bicicletas de México, S.A. de C.V.	-	(1,595)	(4,741)
Sears Brands Management Corporation	-	-	(544)
Teléfonos de México, S.A.B. de C.V.	-	(1,046)	(74)
JM Distribuidores, S.A. de C.V.	(158,302)	(109,257)	(183,552)
Inventory purchases (others)	(829)	(1,361)	(7,106)
<b>Total</b>	<b>\$ (388,658)</b>	<b>\$ (253,223)</b>	<b>\$ (366,376)</b>
Insurance expenses with Seguros Inbursa, S.A.	\$ (128,213)	\$ (131,087)	\$ (137,019)
<b>Lease expenses-</b>			
Inmuebles Srom, S.A. de C.V.	\$ (159,640)	\$ (114,297)	\$ (181,327)
Inmuebles General, S.A. de C.V.	(95,110)	(92,830)	(92,980)
Inmose, S.A. de C.V.	(85,535)	(51,896)	(82,263)
Bienes Raíces de Acapulco, S.A. de C.V.	(44,950)	(31,339)	(46,475)
Bajasur, S.A. de C.V.	(49,410)	(25,167)	(37,883)
Desarrollos Sagesco, S.A. de C.V.	(30,061)	(22,572)	(31,414)
Inmuebles Corporativos e Industriales CDMX, S.A.	(2,695)	-	(8,645)
Fideicomiso Plaza Universidad	(9,661)	(7,234)	(10,722)
Acolman, S.A.	(10,561)	(7,412)	(12,515)
Plaza CARSO II, S.A. de C.V.	(23,270)	(7,742)	(15,726)
Inmobiliaria Santa Cruz, S.A. de C.V.	(10,447)	(8,802)	(8,611)
Cigarros La Tabacalera Mexicana, S. de R.L. de C.V.	-	(5,910)	(6,478)
Fideicomiso Desarrollo Tlalnepantla	(3,539)	(3,321)	(2,985)
Autoensambles y Logística, S.A. de C.V.	-	(11,601)	(14,932)
Fideicomiso 7278 Bancomer	(8,726)	(10,263)	(15,174)
Fideicomiso 569/2005 Banca Mifel S.A. Altabrisa	(9,164)	(5,975)	(9,133)
Lease expenses (others)	(70,349)	(61,754)	(79,068)
<b>Total</b>	<b>\$ (613,118)</b>	<b>\$ (468,115)</b>	<b>\$ (656,331)</b>
Interest expenses	\$ (5,028)	\$ (9,275)	\$ (16,008)
<b>Service expenses -</b>			
Sears Brands Management Corporation	\$ (227,723)	\$ (198,081)	\$ (262,955)
Teléfonos de México, S.A.B. de C.V.	(178,860)	(284,787)	(243,835)
AMX Contenido, S.A. de C.V.	(99,263)	(84,962)	(190,995)
Promotora Inbursa, S.A. de C.V.	(20,267)	(1,011)	(131)
Emprendedora Administrativa, S.A. de C.V.	(43,144)	(2,710)	(41,475)
Hitss Consulting, S.A. de C.V.	(104,910)	(110,725)	(31,332)
Grupo Telvista, S.A. de C.V.	(30,052)	(15,478)	(14,396)
Teléfonos del Noroeste, S.A. de C.V.	(1,210)	(1,152)	(1,082)
Seguros Inbursa, S.A.	(7,257)	(7,092)	(6,110)
Anuncios en Directorio, S.A. de C.V.	-	-	(3,367)
Banco Inbursa, S.A.	(4,526)	(4,284)	(6,047)
Radiomóvil Dipsa, S.A. de C.V.	(3,793)	(2,937)	(3,031)
Controladora de Servicios de Telecomunicaciones, S.A. de C.V.	-	(8,978)	-
JCDECAUX Out of Home México S.A.	-	(9,488)	-
Triara.com, S.A. de C.V.	(15,851)	(2,148)	-
Service expenses (others)	(20,395)	(11,308)	(12,810)
<b>Total</b>	<b>\$ (757,251)</b>	<b>\$ (745,141)</b>	<b>\$ (817,566)</b>
Other expenses, net	\$ (283,024)	\$ (218,032)	\$ (264,032)
Purchases of property, plant and equipment	\$ (39,260)	\$ (8,621)	\$ (99,450)

## 19. Revenue

	2021	2020	2019
Sale of goods	\$ 48,548,367	\$ 34,473,239	\$ 47,434,213
Credit card interest	3,090,829	3,586,863	3,974,592
Services	1,083,685	874,123	1,041,234
Leases	129,110	149,158	258,469
Other	87,381	121,489	133,467
<b>Total income</b>	<b>\$ 52,939,372</b>	<b>\$ 39,204,872</b>	<b>\$ 52,841,975</b>

## 20. Cost and expenses by nature

Concept	2021			
	Cost of sales	Selling and distribution expenses	Administrative expenses	Total cost and expenses
Merchandise	\$ 35,209,243	\$ -	\$ -	\$ 35,209,243
Wages and salaries	7,797	4,020,531	725,425	4,753,753
Employee benefits	736	2,075,989	319,663	2,396,388
Electricity	3,485	499,086	7,219	509,790
Maintenance	44,634	719,500	44,899	809,033
Advertising	-	616,459	-	616,459
Royalties	-	245,496	-	245,496
Security services	18,439	71,558	3,664	93,661
Water	3,112	89,581	1,171	93,864
Expansion costs	-	9,014	27,311	36,325
Provision for impairment of loan portfolio	7,892	10,972	757,054	775,918
Defined benefits	-	26,487	25,435	51,922
Others	105,729	1,940,121	786,135	2,831,985
	<b>35,401,067</b>	<b>10,324,794</b>	<b>2,697,976</b>	<b>48,423,837</b>
Lease depreciation	-	768,731	-	768,731
Depreciation and amortization	39,149	980,299	106,583	1,126,031
	<b>39,149</b>	<b>1,749,030</b>	<b>106,583</b>	<b>1,894,762</b>
	<b>\$ 35,440,216</b>	<b>\$ 12,073,824</b>	<b>\$ 2,804,559</b>	<b>\$ 50,318,599</b>

Concept	2020			
	Cost of sales	Selling and distribution expenses	Administrative expenses	Total cost and expenses
Merchandise	\$ 25,356,891	\$ -	\$ -	\$ 25,356,891
Wages and salaries	11,783	3,891,907	700,806	4,604,496
Employee benefits	823	2,063,123	316,931	2,380,877
Electricity	3,733	412,591	6,707	423,031
Maintenance	48,553	627,288	41,788	717,629
Advertising	-	280,549	-	280,549
Royalties	-	176,997	-	176,997
Security services	18,085	75,301	3,447	96,833
Water	3,427	84,435	1,109	88,971
Expansion costs	-	2,586	32,679	35,265
Provision for impairment of loan portfolio	13,744	10,343	925,132	949,219
Defined benefits	-	-	39,537	39,537
Others	97,837	1,083,384	716,824	1,898,045
	<b>25,554,876</b>	<b>8,708,504</b>	<b>2,784,960</b>	<b>37,048,340</b>
Lease depreciation	-	573,335	-	573,335
Depreciation and amortization	41,484	1,118,688	95,815	1,255,987
	<b>41,484</b>	<b>1,692,023</b>	<b>95,815</b>	<b>1,829,322</b>
	<b>\$ 25,596,360</b>	<b>\$ 10,400,527</b>	<b>\$ 2,880,775</b>	<b>\$ 38,877,662</b>

Concept	2019			Total cost and expenses
	Cost of sales	Selling and distribution expenses	Administrative expenses	
Merchandise	\$ 32,278,268	\$ -	\$ -	\$ 32,278,268
Wages and salaries	11,749	4,076,041	736,647	4,824,437
Employee benefits	-	2,084,248	333,305	2,417,553
Electricity	8,168	693,058	7,509	708,735
Maintenance	45,944	770,629	37,597	854,170
Advertising	-	516,747	-	516,747
Royalties	-	257,234	3,001	260,235
Security services	17,565	87,593	3,783	108,941
Water	6,756	124,581	1,649	132,986
Expansion costs	-	-	115,632	115,632
Provision for impairment of loan portfolio	-	-	849,482	849,482
Defined benefits	-	31,044	98,966	130,010
Others	99,206	2,042,019	807,459	2,948,684
	32,467,656	10,683,194	2,995,030	46,145,880
Lease depreciation	-	860,041	-	860,041
Depreciation and amortization	39,923	1,164,859	98,258	1,303,040
	39,923	2,024,900	98,258	2,163,081
	\$ 32,507,579	\$ 12,708,094	\$ 3,093,288	\$ 48,308,961

## 21. Other income

	2021	2020	2019
Cancellation of liabilities and provisions	\$ (351,096)	\$ (302,239)	\$ (246,305)
Sale of Claro Pay	(194,327)	-	-
Gain arising on changes in fair value of investment properties	(33,287)	-	(91,718)
Application of deterioration	-	(25,641)	(6,725)
Antenna rental and maintenance	(23,433)	-	-
Recovery by sequential loss	-	-	(7,248)
Parking recovery	-	-	(2,886)
Royalties sales of brand	-	-	(10,916)
Gain on sale of property, machinery and equipment	(4,221)	(4,107)	(3,378)
Valuations of employee benefits <sup>(1)</sup>	-	(1,488,927)	-
Tax recovery	(3,123)	(13,152)	-
Others	(23,130)	(31,215)	(25,574)
	\$ (632,617)	\$ (1,865,281)	\$ (394,750)

<sup>(1)</sup> Effect of the retirement employee benefits.

## 22. Other expenses

	2021	2020	2019
Loss on sale of property, machinery and equipment	\$ 64,287	\$ 278,967	\$ 27,960
Costo of sale of Claro Pay	154,048	-	-
Labor obligations restructuring	84,588	-	-
Labor contingencies	7,128	-	22,772
Tax update	12,687	22,277	27,203
Expenses for closing units	15,035	18,179	17,825
Contingency technical assistance	4,333	6,676	6,895
Impairment of property	89,777	19,611	25,641
Aged accounts receivable	38,018	30,333	-
Loss from changes in the fair value of investment properties	-	44,750	-
VAT 69B non-deductible	-	-	18,742
Trial expenses	-	-	8,052
Non- deductible	21,385	5,775	7,208
Others	78,892	84,854	66,275
	<b>\$ 570,178</b>	<b>\$ 511,422</b>	<b>\$ 228,573</b>

## 23. Income taxes

The Entity is subject to ISR. Under the ISR Law, the rate for 2021, 2020 and 2019 was 30% and will continue to 30% and thereafter. The Entity incurred ISR on a consolidated basis until 2013 with Grupo Carso, S.A.B. de C.V. As a result of the 2013 Tax Law, the tax consolidation regime was eliminated.

At the same time that the Law repealed the tax consolidation regime, an option was established, which allows groups of companies to determine a joint calculation of ISR (tax integration regime). The new regime allows groups of consolidated companies that share common direct or indirect ownership of more than 80%, certain benefits in the tax payment (when the group of companies include both profit and loss entities in the same period), which can be deferred over three years and reported, as updated, at the filing date of the tax declaration corresponding to the tax year following the completion of the aforementioned three-year period.

The Entity and its subsidiaries opted to join the new scheme, so determined income tax for the year 2021, 2020 and 2019 as previously described.

a. Income taxes consist of the following:

	2021	2020	2019
ISR:			
Current	\$ 556,145	\$ 263,977	\$ 1,522,307
Deferred	(157,210)	(3,292)	(172,801)
	<b>\$ 398,935</b>	<b>\$ 260,685</b>	<b>\$ 1,349,506</b>

b. Hereunder is an analysis of the deferred tax (assets) liabilities presented in the consolidated statement of financial position:

	2021	2020	2019
ISR deferred (asset) liability:			
Property, machinery and equipment and investment properties	\$ 367,889	\$ 530,379	\$ 628,508
Allowance for doubtful receivable	(378,273)	(222,376)	(140,435)
Allowance for obsolescence and shrinkage inventories	(174,872)	(180,195)	(181,414)
Allowances for assets and reserves for liabilities and provisions	(548,831)	(485,847)	(907,554)
Employee benefits	238,582	183,591	(103,459)
Others	(67,680)	(2)	144,023
Deferred ISR on temporary differences	(563,185)	(174,450)	(560,331)
Effect of tax loss carry- forwards	(326,675)	(594,871)	(159,526)
Total	<b>\$ (889,860)</b>	<b>\$ (769,321)</b>	<b>\$ (719,857)</b>



The net deferred income tax liability is as follows:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net assets	\$ (1,970,337)	\$ (1,841,898)	\$ (1,922,791)
Net liabilities	<b>1,080,477</b>	1,072,577	1,202,934
<b>Total</b>	<b>\$ (889,860)</b>	\$ (769,321)	\$ (719,857)

c. Following is a reconciliation of the income tax liability:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Beginning balance	\$ (769,321)	\$ (719,857)	\$ (259,344)
Income tax applied to period results	<b>(157,210)</b>	(3,292)	(172,801)
Income tax recognized in other comprehensive income	<b>36,671</b>	(46,172)	(287,712)
<b>Total</b>	<b>\$ (889,860)</b>	\$ (769,321)	\$ (719,857)

d. Following is a reconciliation of the statutory and effective ISR rates expressed as a percentage of income before taxes on income:

	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Statutory rate	<b>30</b>	30	30
Plus (less) permanent differences-			
Nondeductible expenses	<b>3</b>	(6)	3
Inflation effects	<b>(17)</b>	(3)	(5)
<b>Effective rate</b>	<b>16</b>	21	28

Benefits from restated tax-loss carry forwards for which a deferred ISR asset has been recognized can be recovered by fulfilling certain requirements. The amount of tax loss carryforwards for all of the subsidiaries and their related expiration dates as of December 31, 2021 are as follows:

Year of Expiration	Tax loss carryforwards
2022	\$ 11,925
2023	30,342
2024	9,924
2025	16,722
2026 and thereafter	1,020,000
	<b>\$ 1,088,913</b>

e. Income tax payable long-term:

It is composed by the tax integration regime that is paid in the next 3 years and the corresponding installment sales that could be paid over three years at a rate of 33.3% per year, since the tax benefit to defer the income tax was eliminated.

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Current portion	\$ <b>104,898</b>	\$ 27,952	\$ 233,030
Long-term	<b>238,919</b>	296,738	500,439
<b>Total</b>	<b>\$ 343,817</b>	\$ 324,690	\$ 733,469

f. The years of payment of long-term income tax as of December 31 are:

Year of Expiration	Amount
2023	\$ 142,712
2024	62,719
2025 and thereafter	33,488
	\$ 238,919

## 24. Commitments

- a. As of December 31, 2021, contracts have been executed with suppliers for the remodeling and construction of some of its stores. The amount of the commitments contracted in this regard is approximately \$134,588.
- b. In December, 2010, Sears Operadora México, S.A. de C.V. (formerly Sears Roebuck de México, S.A. de C.V.) (Sears) and Sears Roebuck and Co. (Sears EUA) signed an agreement whereby they have decided to extend under the same terms the Brand Use License Contract and the Merchandise Sale and Advisory Contracts governing the commercial relationship between them, which establishes the payment of Sears of 1% to Sears EUA on merchandise sales revenue, and allows the use of the Sears name both in its corporate name and in its stores, and the exploitation of the brands owned by Sears Roebuck and Co. The agreement will be in effect up to September 30, 2017, but allows for a seven-year extension under the same conditions, unless one of the parties decides not to do so, in which case it must notify the other party two years in advance. On September 30, 2017, none of the parties notified the other of the decision to terminate the agreement, so it was automatically extended for an additional 7 years, respecting the initial terms of the agreement.

Based on an agreement signed on September 12, 2006, the Entity executed a contract for the payment of consulting and brand use license for an initial term of 15 years with a 10 years' renewal option, establishing the minimum annual payment of US \$500,000 and allowing the use of the name Saks Fifth Avenue both in its corporate name and in its stores.

## 25. Contingencies

As of the date of these financial statements, the Entity has judicial procedures in process with the competent authorities for diverse reasons, mainly for foreign trade duties, for the recovery of accounts receivable and of labor matters.

The estimated amount of these judgments to December 31, 2021 amounts to \$755,360. Through techniques accepted by IFRS, it has been defined that the amount of the provision is \$222,479, which is included in other liabilities in the consolidated statements of financial position. During 2021, the Entity made payments related to these matters of approximately \$26,406. While the results of these legal proceedings cannot be predicted with certainty, management does not believe that any such matters will result in a material adverse effect on the Entity's financial position or operating results.

## 26. Segment information

The information by operating segments is presented based on management's approach; general and geographical information is also presented. Balances with subsidiaries are presented in the "other and eliminations" column.

a. Information by operating segment is as follows:

	Sears and Boutiques	Sanborns	2021 Mixup and iShop	Others and eliminations	Total consolidated
Total revenue	\$ 24,364,701	\$ 13,829,231	\$ 14,105,839	\$ 639,601	\$ 52,939,372
EBITDA <sup>(1)</sup>	2,537,653	785,088	954,524	446,841	4,724,106
Consolidated comprehensive income	898,937	364,343	484,933	70,416	1,818,629
Interest income	86,403	235,011	45,267	65,733	432,414
Interest expense	405,377	292,491	39,013	(92,341)	644,540
Depreciation and amortization	1,139,777	520,627	224,492	9,866	1,894,762
Income taxes	45,629	52,590	238,936	61,780	398,935
Total assets	25,331,249	14,904,818	4,480,210	10,458,326	55,174,603
Current liabilities	8,226,966	3,571,816	3,313,831	(221,830)	14,890,783
Long-term liabilities	2,331,514	1,382,355	236,844	1,107,378	5,058,091
Total liabilities	10,558,480	4,954,171	3,550,675	885,548	19,948,874
Capital expenditures	132,101	179,168	35,721	21,727	368,717

	Sears and Boutiques	Sanborns	2020 Mixup and iShop	Others and eliminations	Total consolidated
Total revenue	\$ 17,717,294	\$ 10,527,637	\$ 10,326,604	\$ 633,337	\$ 39,204,872
EBITDA <sup>(1)</sup>	1,485,923	72,549	432,584	49,517	2,040,573
Consolidated comprehensive income	214,418	396,609	138,190	(21,723)	727,494
Interest income	150,664	295,993	70,142	(15,034)	501,765
Interest expense	708,780	521,713	56,232	(312,718)	974,007
Depreciation and amortization	1,040,553	566,614	227,760	(5,605)	1,829,322
Income taxes	(19,153)	129,248	75,848	74,742	260,685
Total assets	25,793,343	14,124,665	4,506,192	8,131,174	52,555,374
Current liabilities	9,370,177	2,955,055	3,783,251	(2,446,014)	13,662,469
Long-term liabilities	2,543,668	1,674,919	292,939	1,073,073	5,584,599
Total liabilities	11,913,845	4,629,974	4,076,190	(1,372,941)	19,247,068
Capital expenditures	162,347	118,453	26,363	159,576	466,739

	Sears and Boutiques	Sanborns	2019 Mixup and iShop	Others and eliminations	Total consolidated
Total revenue	\$ 25,853,795	\$ 15,555,694	\$ 10,812,208	\$ 620,278	\$ 52,841,975
EBITDA <sup>(1)</sup>	4,049,127	1,631,332	515,854	593,157	6,789,470
Consolidated comprehensive income	1,352,232	602,355	203,640	790,277	2,948,504
Interest income	115,666	314,851	57,539	(47,494)	440,562
Interest expense	861,831	492,275	48,794	(585,427)	817,473
Depreciation and amortization	1,332,678	608,637	218,138	3,628	2,163,081
Income taxes	602,949	319,314	101,827	325,416	1,349,506
Total assets	29,449,366	14,923,476	4,840,235	7,478,998	56,692,075
Current liabilities	12,392,763	5,844,678	3,209,173	(5,547,636)	15,898,978
Long-term liabilities	3,303,614	2,430,825	328,544	1,573,838	7,636,821
Total liabilities	15,696,377	8,275,503	3,537,717	(3,973,798)	23,535,799
Capital expenditures	439,295	210,660	77,073	168,155	895,183

<sup>(1)</sup> EBITDA reconciliation

	December 31, 2021	December 31, 2020	December 31, 2019
Income before income taxes	\$ 2,466,494	\$ 1,074,496	\$ 4,439,105
Depreciation and amortization	1,894,762	1,829,322	2,163,081
Interest income	(432,414)	(501,765)	(440,562)
Interest expense	644,540	974,007	817,473
Gain on investment property revaluation	(33,287)	44,750	(91,718)
Equity in income of associates entities	4,592	134,331	(116,825)
Valuation effect of the pension and retirement fund	89,642	(1,488,927)	-
Impairment property	89,777	(25,641)	18,916
EBITDA	\$ 4,724,106	\$ 2,040,573	\$ 6,789,470

**b. General segment information by geographical area:**

The Entity operates in different locations and has distribution channels in Mexico and Central America through its commercial offices or representatives.

The distribution of such sales is as follows:

	<b>December 31, 2021</b>	<b>%</b>	<b>December 31, 2020</b>	<b>%</b>	<b>December 31, 2019</b>	<b>%</b>
México	\$ 52,494,939	99.16	\$ 38,856,852	99.11	\$ 52,196,375	98.78
El Salvador	444,433	0.84	333,290	.85	567,580	1.07
Panamá	-	0.00	14,730	.04	78,020	0.15
	<b>\$ 52,939,372</b>	<b>100.00</b>	<b>\$ 39,204,872</b>	<b>100.00</b>	<b>\$ 52,841,975</b>	<b>100.00</b>

## 27. Application of new and revised International Financial Reporting Standards

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

**Impact of the initial application of Interest Rate Benchmark Reform**

In the prior year, the Group adopted the Phase 1 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Entity to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as ‘risk free rates’ or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Entity has not restated the prior period. Instead, the amendments have been applied retrospectively with any adjustments recognised in the appropriate components of equity as at January 2021.

The amendments are relevant for the following types of hedging relationships and financial instruments of the Entity, all of which extend beyond 2021:

- Fair value hedges where LIBOR-linked derivatives are designated as a fair value hedge of fixed rate debt in respect of the GBP LIBOR risk component
- Cash flow hedges where IBOR-linked derivatives are designated as a cash flow hedge of IBOR-linked bank borrowings; and
- Bills of exchange and lease liabilities which reference LIBORs and are subject to the interest rate benchmark reform

The Entity will continue to apply the Phase 1 amendments to IFRS 9/IAS 39 until the uncertainty arising from the interest rate benchmark reform with respect to the timing and the amount of the underlying cash flows to which the Entity is exposed ends. The Entity expects this uncertainty will continue until the Entity’s contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced and the basis for the cash flows of the alternative benchmark rate are determined including any fixed spread.

As a result of the Phase 2 amendments:

- When the contractual terms of the Entity’s bank borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Entity changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other changes.
- When a lease is modified as a direct consequence of the interest rate benchmark reform and the new basis for determining the lease payments is economically equivalent to the previous basis, the Entity remeasures the lease liability to reflect the revised lease payments discounted using a revised discount rate that reflects the change in the basis for determining the contractual cash flows.
- For the Entity’s fair value hedges of a non-contractually specified benchmark component of interest rate risk, on transition to the alternative benchmark rate, if that risk rate is not separately identifiable at the date of designation, it will be deemed to have met the separately identifiable requirement at that date, if the Entity reasonably expects the term specific interest rate component will be separately identifiable within a period of 24 months from the date the alternative benchmark rate is first designated, regardless of the term for which the risk is designated in that hedge. The 24-month period applies on a rate-by-rate basis



The Entity implemented a series of new and modified IFRS, issued by the International Accounting Standards Board (“IASB”) which are mandatory and came into force as of fiscal years beginning on or after 1 January 2021. As of December 31, 2021, the Entity has not contracted Interest Rate Benchmark, so there is no impact due to the entry into force of this standard.

#### **Impact of the initial application of COVID-19-Related Rent Concessions beyond 30 June 2021—Amendment to IFRS 16**

In the prior year, the Entity early adopted Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16.

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

In the current financial year, the Entity has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date.

The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022)

There is no substantive change to other terms and conditions of the lease. See Note 8.

#### **New and revised IFRS Standards in issue but not yet effective**

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

Amendments to IFRS 10 and IAS 28 (modifications)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment - Before use</i>
Amendments to IAS 37	<i>Onerous Contracts - Costs for Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018 - 2020 Cycle	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases</i>
Amendments to IAS 1 and to IFRS 2 practice statements	<i>Disclosure of accounting policies</i>
Amendments to IAS 8	<i>Definition of accounting estimates</i>
Amendments to IAS 12	<i>Deferred taxes related to assets and liabilities arising from a single transaction</i>

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

#### **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Entity’s consolidated financial statements in future periods should such transactions arise.

### **Amendments to IAS 1 - Classification of Liabilities as Current or Non-current**

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.

Explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

### **Amendments to IFRS 3 - Reference to the Conceptual Framework**

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

### **Modifications to IAS 16 - Property, Plant and Equipment - Before use.**

Modifications prohibit deducting from the cost of an item of property, plant, or equipment any income produced before the asset is ready to use, for example, revenue while the asset is taken to the location and the necessary conditioning is performed to make it operable in the manner that is intended in accordance with management. Therefore, an entity must recognize that sales revenue and its related costs in results. An entity measures the costs of these items in accordance with IAS 2 Inventories.

The modifications also clarify the meaning of 'test if an asset is working properly'. IAS 16 now specifies this as an assessment in which the physical and technical performance of the asset is capable of being used in the production or supply of goods or services, for third-party rental or for administrative purposes.

If not presented separately in the comprehensive income statement, the financial statements shall disclose the amounts of income and costs included in the income statement related to items that are not an ordinary operation of the entity's and in which line of the comprehensive income statement includes such income and costs.

The modifications are applied retrospectively, but only to the items of property, plant and equipment that are brought to the location and conditions necessary for them to be able to operate as the administration has planned in or after the start of the oldest period presented in the financial statements in which the entity applies the modifications for the first time.

The entity shall recognize the cumulative effect of the initial application of the changes as an adjustment to the balance sheet on retained profits (or any capital component, which is appropriate) at the beginning of the first period that is presented.

The amendments are effective for annual periods starting on January 1, 2022, with advance application allowed.

### **Modifications to IAS 37 - Onerous Contracts - Costs for Fulfilling a Contract**

The amendments specify that the 'costs to be fulfilled' a contract includes the 'costs directly related to the contract'. Costs that relate directly to a contract consist of incremental costs to fulfill a contract (example: labor or materials) and the allocation of other costs that relate directly to fulfill a contract (an example would be the allocation of an element for a depreciation of a property, plant, and equipment used in contract fulfillment).

### **Improvements to IFRS Standards 2018-2020**

The Annual Improvements include amendments to four Standards:

#### *IFRS 9 Financial Instruments*

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date, the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

#### *IFRS 16 Leases*

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

### **Amendments to IAS 1 and IFRS Practice Statements 2 Disclosure of Accounting Policies**

The amendments change the requirements of IAS 1 with respect to the disclosure of accounting policies. The amendment replaces the terms "significant accounting policies" with "disclosures of material accounting policies". Accounting policy disclosures are material when they are considered, in conjunction with other information included in an entity's financial statements, to influence the decision-making of primary users of general purpose financial statements and are made on the basis of those financial statements.

The supporting paragraphs in IAS 1 are amended to clarify the disclosure of accounting policies that relate to immaterial transactions, other events or conditions that are themselves material.

To support these amendments, the IASB has developed guidance and examples to explain and demonstrate the application of the "4 steps of the materiality process" described in IFRS Practice Statement 2.

The amendments to IAS 1 will be effective for annual periods beginning on January 1, 2021, with an option for early application and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

### **Amendments to IAS 8 Definition of accounting estimates.**

The amendments replace the definition of a change in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in the financial statements that are subject to measurable uncertainty".

The definition of a change in accounting estimates was eliminated. However, the IASB retained the concept of changes in an accounting estimate in the standard with the following clarifications:

- A change in an accounting estimate is the result of new information or a new development is not a correction of an error.
- The effects of a change in an input or a valuation technique used to develop an accounting estimate are changes in accounting estimates if they do not result from a correction of prior period errors.

The amendments will be effective for annual periods beginning on January 1, 2023 for changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period with an option for early application.

### **Amendments to IAS 12 Deferred Taxes related to assets and liabilities arising from a single transaction.**

The amendments introduced an additional exception other than the initial recognition exemption. In the amendments, an entity does not apply the initial recognition exception for transactions that give rise to taxable and deductible temporary differences.

Depending on the applicable tax law, taxable and deductible temporary differences may arise on initial recognition of an asset and a liability in a transaction that is not a business combination and does not affect accounting and taxable income. For example, it may occur with a recognition of a lease liability and a corresponding right-of-use asset applying IFRS 16 Leases at the inception date of a lease.

Following the amendments to IAS 12, an entity is required to recognize deferred tax assets and liabilities, with the recognition of any deferred tax asset being subject to the recoverability criterion.

The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions occurring on or after the first comparative period of the reporting period. Additionally, at the beginning of the first comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable income is available against the deductible temporary difference) and a deferred tax liability for all taxable and temporary deductions associated with:
  - Right-of-use assets and lease liabilities.
  - Decommissioning restoration and similar liabilities corresponding to amounts recognized as part of the asset-related costs.
- The cumulative effect at the beginning of the application of the amendments as an adjustment to the opening balances of retained earnings (or some other component of equity, as appropriate) as of the date.

The amendments will be effective for annual periods beginning on January 1, 2023, with an option for earlier application.

## 28. Significant accounting policies

### a. Statement of compliance

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

#### Reclasificaciones

The consolidated financial statements for the years ended December 31, 2020 and December 31, 2019 have been reclassified into certain items to conform their presentation with that used in 2021.

These reclassifications were made to present the income as an agent related to the services provided by Apple Care that had been presented as if it were principal in previous years.

As of December 31, 2020	Increase (decrease) by reclassifications:	Reclassified amounts	Originally reported
Revenue	\$ 408,002	\$ 39,204,872	\$ 39,612,874
Cost of sales	(408,002)	25,596,360	26,004,362

As of December 31, 2019	Increase (decrease) by reclassifications:	Reclassified amounts	Originally reported
Revenue	\$ 446,504	\$ 52,841,975	\$ 53,288,479
Cost of sales	(446,504)	32,507,579	32,954,083

### b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain long-term assets and financial instruments, which are valued at restated or fair value at each period end, as explained in the accounting policies discussed below. The consolidated financial statements are prepared in Mexican pesos, the legal currency in Mexico, and are presented in thousands of Mexican pesos, unless otherwise stated.

#### 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 Group 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, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value or value in use in IAS 36.



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 of the financial statements**

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

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

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

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

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

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

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

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

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

The direct shareholding of Grupo Sanborns in the share capital of the subsidiaries as of December 31, 2021, 2020 and 2019, is shown below:

<b>Subsidiary</b>	<b>Activity</b>	<b>December 31, 2021</b>	<b>% de Ownership December 31, 2020</b>	<b>December 31, 2019</b>
Sanborns Hermanos, S.A. and Subsidiary ("Sanborns")	Operation of department stores, gifts, records and restaurants under the Sanborns, Sanborns Café, Saks, Fifth Avenue and Dax brands	<b>99.97</b>	99.97	99.23
Sears Operadora México, S.A. de C.V. and Subsidiary ("Sears")	Operation of department stores under the Sears brand	<b>98.90</b>	98.90	98.94
Promotora Comercial Sanborns, S.A. de C.V. and Subsidiary	Operation of record stores, restaurants and coffee shops under the iShop, Mix-up, Sanborns Café brands and Sanborns store in Panama	-	-	99.96
Operadora de Tiendas Internacionales, S.A. de C.V. and Subsidiary	Operation of department stores under the Saks Fifth Avenue brand	-	-	100.00
Servicios Corporativos de Grupo Sanborns, S.A. de C.V. and Subsidiary	Boutiques operator and sub holding	-	-	100.00
Corporación de Tiendas Internacionales, S.A. de C.V. ("Corpti")	Sanborns and Sears stores in El Salvador	<b>100.00</b>	100.00	100.00
Comercializadora Dax, S.A. de C.V. and Subsidiary	Operation of department stores under Dax brand	-	-	100.00
Grupo Inmobiliario Sanborns, S.A. de C.V.	Sale, lease or sublease of fixed assets.	<b>100.00</b>	100.00	100.00
Claroshop.com S.A. de C.V.	E-commerce	<b>56.13</b>	56.13	56.67
Genetics & ME, S.A. de C.V.	Retail trade of natural products and food supplements.	<b>100.00</b>	100.00	100.00

*i) Changes in the Entity's ownership interests in existing subsidiaries*

Changes in the Entity's ownership interests in subsidiaries that do not result in 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 Grupo Sanborns.

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

*ii) Seasonality*

Historically, the Entity has experienced seasonal patterns of sales in stores due to increased consumption activity during the Christmas and New Year period, in the months of May and June, because of Mother's Day and Father's Day, respectively, and at the start of the school year in August. During these periods, it promotes products such as toys or winter clothes, and school utensils and articles during the back-to-school period. By contrast, it suffers a drop in sales in June and July.

The Entity seeks to reduce the effect of seasonality in its results through commercial strategies such as agreements with suppliers, competitive pricing and intensive promotion, for which reason its impact in the statements of comprehensive income and of financial position is insignificant.

#### d. Financial instruments

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

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

#### e. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

##### – *Classification of financial assets*

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

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

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

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

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

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

- The Entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (iii) below); and
- The Entity may irrevocably designate a debt investment that meets the amortized cost or fair value criteria as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

##### (i) *Amortized cost and effective interest method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

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

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

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

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

*(ii) Equity instruments designated as at fair value through other comprehensive income*

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

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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

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

The Entity has designated all investments in equity instruments that are not held for trading as at fair value through other comprehensive income on initial application of IFRS 9.

*(iii) Financial assets at fair value through profit or loss*

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income (see (i) to (iii) above) are measured at fair value through profit or loss. Specifically:

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

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

#### *Foreign exchange gains and losses*

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

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

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

#### *(iv) Impairment of financial assets*

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

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

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

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

#### *(v) Significant increase in credit risk*

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

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

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;



- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

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

For financial guarantee contracts, the date that the Entity becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Entity considers the changes in the risk that the specified debtor will default on the contract.

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

*(vi) Definition of default*

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

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

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

*(vii) Credit-impaired financial assets*

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

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

*(viii) Write-off policy*

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

*(ix) Measurement and recognition of expected credit losses*

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

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

For a financial guarantee contract, as the Entity is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Entity expects to receive from the holder, the debtor or any other party.

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

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

*(x) Derecognition of financial assets*

The Entity derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

**f. Financial liabilities**

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at fair value through profit or loss.

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

*i. Financial liabilities at fair value through profit or loss*

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

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of an Entity of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss.

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

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

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

Fair value is determined in the manner described in note 10.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at fair value through profit or loss, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

*ii. Foreign exchange gains and losses*

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

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

*iii. Derecognition of financial liabilities*

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

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

**g. Inventories and cost of sales**

Are stated at the lower of cost of acquisition and / or construction or net realizable value (estimated selling price less all costs to sell), as follows:

They are valued using the average cost method, including the cost of materials and direct expenses that are incurred in the acquisition of inventory by the Entity. Impairments are reflected as reductions in the carrying amount of inventories.

**h. Loyalty programs for customers**

Points awarded payable with your own credit card are counted as a separate component of the initial sales transaction, such as a sales discount, and are recognized as a customer-favor liability in the consolidated statement of financial position, within other accounts payable and accumulated liabilities.

**i. Foreign currencies**

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

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in the other comprehensive income and are reclassified from the stockholders' equity to profits or losses when selling, totally or partially, the net investment.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Entity's foreign operations are translated into Mexican pesos 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).

The corresponding adjustments to goodwill and fair value generated in the acquisition of a foreign operation are treated as assets and liabilities of this operation and translated at the rate prevailing at the closing date. The resulting exchange differences are recognized in other comprehensive income.

The functional and recording currency of Grupo Sanborns and its subsidiaries is the Mexican peso, except for certain subsidiaries whose currencies recording and / or functional are different as follows:

<b>Entity</b>	<b>Recording currency</b>	<b>Functional currency</b>
Sanborns Panamá, S.A.	US Dollar	US Dollar
Corporación de Tiendas Internacionales, S.A. de C.V. (El Salvador)	US Dollar	US Dollar

The entities listed above are considered foreign operations under IFRS.

#### **Direct employee benefits, employee retirement benefits and statutory employee profit sharing (PTU)**

The costs of direct employee benefits and defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

The seniority premium liability for all personnel, non-union personnel pensions and retirement payments treated as pensions are considered in defined benefit plans. The cost of these benefits is determined by using the projected unit credit method and the actuarial valuations prepared at the end of each reporting period. Actuarial gains and losses are immediately recognized in other comprehensive income, net of deferred tax, based on the net asset or liability recognized in the consolidated statement of financial position, so as to reflect the over- or underfunded status of employee benefit plan obligations. Similarly, past service costs are recognized in results when the plan is modified or when restructuring costs are incurred.

Retirement benefit obligations recognized in the statement of financial position represent the current value of the defined benefit obligation adjusted according to actuarial gains and losses and the past service costs, less the fair value of plan assets. When plan assets exceed the liabilities of the defined benefit plan, they are valued according to the lower of: i) the defined benefit plan surplus, and ii) the present value of any economic benefits derived from the plan and available as future plan contribution reimbursements or reductions.

#### *Statutory employee profit sharing (PTU)*

PTU is recorded in the results of the year in which it is incurred.

As result of the 2014 Income Tax Law, as of December 31, 2021, 2020 and 2019, PTU is determined based on taxable income, according to Section I of Article 10 of the that Law.

#### **j. Income taxes**

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

##### *i. Current tax*

The tax calculated corresponds to income tax ("ISR") and recorded in the income year in which it is incurred.

##### *ii. Deferred income taxes*

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 Entity 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 Entity 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, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Administration estimates to recover the total fair value through the sale.

*iii. 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.

**k. Provisions**

Provisions are recognized when Grupo Sanborns has a present obligation (legal or constructive) as a result of a past event, it is probable that Grupo Sanborns will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**l. Reconocimiento de ingresos**

Los ingresos se calculan al valor razonable de la contraprestación cobrada o por cobrar, teniendo en cuenta el importe estimado de devoluciones de clientes, rebajas y otros descuentos similares. El reconocimiento de ingresos se realiza conforme a los siguientes criterios:

*i. Revenue recognition*

The Entity recognizes income from the following sources at a point in time, which occurs when the control of the products is transferred to the customer:

Revenue from retail sales of department stores, specialty stores, luxury stores and restaurant stores, with highly recognized brands such as: Sears, Sanborns, Sanborns Home & Fashion, iShop-Mixup, Saks Fifth Avenue, DAX, Sanborns Café and Tech People.

Income from the operation of an electronic commerce platform under the Claroshop.com brand. Claro operates its transactions from its internet portal [www.claroshop.com](http://www.claroshop.com); as well as the income from the Digital Stores of [www.sears.com.mx](http://www.sears.com.mx), [www.sanborns.com.mx](http://www.sanborns.com.mx), [www.ishopmixup.com](http://www.ishopmixup.com) and [www.dax.com.mx](http://www.dax.com.mx)

The Entity sells goods directly with the customer through its points of sale and the income is recognized when the control of the goods has been transmitted, being the point at which the buyer acquires the goods in the retail store. The payment of the transaction price is immediate at the point at which the buyer acquires the goods.

Under the standard contractual terms of the Entity, the buyer has the right to return the goods within 30 days after the sale. This represents a variable consideration that is recognized as a liability for the amount estimated to be reimbursed for refunds and an adjustment to the corresponding income. At the same time, the entity has the right to recover the product when the buyer exercises his right to return it, consequently he recognizes an asset for the right to the goods returned by the customer and an adjustment corresponding to the cost of sales.

The Entity uses its historical experience to estimate the number of products returned at the portfolio level using an expected method. It is considered highly probable that there will not be a significant revision in the accumulated income recognized, given the constant level of performance of previous years.

- ii. *Interest on credit sales* - Interest income from credit sales is recognized when they accrue and is generated by the operation of credit cards and other credits (Sanborns, Sears, Saks, Mixup, Corpti and Claroshop).
- iii. *Administrative services and banking intermediation* - They are recognized over time, as the service is provided.
- iv. *Leasing* - Se reconocen sobre la base de línea recta conforme se prestan los servicios de arrendamiento y las cuotas de mantenimiento se reconocen en el período de la duración del contrato de arrendamiento del cual provienen.

#### m. Property, plant and equipment

As of January 1, 2011, date of transition to IFRS, property, plant and equipment were valued at deemed cost (depreciated cost adjusted for an inflation index), or fair value determined through appraisals for certain items of property, machinery and equipment. Subsequent acquisitions are recorded at acquisition cost. Depreciation is calculated using the straight-line method based on the remaining useful lives of the related assets, which are reviewed yearly; the effect of any change in the accounting estimate is recognized on a prospective basis.

	Year life
Buildings and leasehold improvements	10 to 50 years
Maquinaria y equipo	20 years
Equipo de transporte	4 and 5 years
Mobiliario y equipo de oficina	20 years
Equipo de cómputo	4 and 6 years

Borrowing costs incurred during the period of construction and installation of qualifying property, machinery and equipment are capitalized.

The gain or loss on the sale or retirement of an item of property, plant and equipment is calculated as the difference between the resources received from sale and the carrying value of the asset, and is recognized in results.

#### n. Leases

- *The Entity as lessor*

The Entity enters into lease agreements as a lessor with respect to some of its investment properties. The Entity also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Entity.

Leases for which the Entity acts as lessor are classified as financial leases or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other contracts are classified as operating leases.

When the Entity is an intermediate lessor, it accounts for the main lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the asset for rights-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging and operating lease are added to the carrying amount of the leased asset and recognized under a straight-line basis over the lease term.

Amounts due from leases under finance leases are recognized as receivables at the amount of the Entity's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Entity's net investment outstanding in respect of the leases.

When a contract includes both leases and non-lease components, the Entity applies IFRS 15 allocate the consideration under the contract to each component.

– *The Entity as lessee*

The Entity assesses whether a contract contains a lease at inception of the contract. The Entity recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets, personal computers, small items of office furniture and telephones). For these leases, the Entity recognizes the leases payments as an operating expense under the straight-line method basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the rent payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily, the Entity uses incremental its incremental borrowing rate.

Lease payment included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the leases under residual value guarantees;
- The exercise price of purchases options, if the lease term reflects the exercise of an option to terminate the lease.
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Entity remeasures the lease liability (and makes corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liabilities is remeasured by discounting the revised lease payment using a revised discount rate.
- The lease payment change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured based on the lease term of the modified lease by discount the revised lease payment using a revised discount rate at the effective date of the modification.
- A lease contract is modified and the lease modification is not accounted as a separated lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised leases payments using a revised discount rate at the effective date of the modification.

The Entity did not make any such adjustment during the periods present.

The right-of-use asset comprised the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Entity incurs an obligation for cost to dismantle and remove a lease asset, restore the site on which it is located or restored the underlying asset to the condition required by the term and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the cost are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Entity expect to exercise a purchase option, the related right-of-use is depreciated over the useful life over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use asset are presented as a separated line in the consolidate statement on financial position.

The Entity applies IAS 36 to determine whether a right-of-use asset is impaired and account for any identified impairment loss as described in the Property, Plant and Equipment policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period which the event or condition that triggers those occurs and are included in the line "Other expenses" in profit or loss.

As practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Entity has not used this practical expedient. For a contract that contain a lease component and one or more addition lease or non-lease components, the Entity allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

**o. 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. Properties which are held as investments mainly include two shopping malls.

Investment property acquired and improvements are recorded at cost, including transaction costs related to the acquisition of assets.

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.

**p. Other assets**

Include mainly guarantee deposits, shopping center's operating rights and installation expenses for a new information system.

The shopping center's operating rights are amortized over the term established in the contract. The costs incurred for the installation of a new system, are amortized from the time they are used in the business based on their useful life.

**q. Impairment of tangible assets**

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable value amount, so that the increased carrying amount does not exceed the carrying amount that would have resulted if it had not recognized an impairment loss for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized in earnings.

**r. Investments in associates and others**

Those permanent investments made by the Entity in companies in which there is no control, joint control, or significant influence are initially recorded at acquisition cost and dividends received are recognized in the results of the period unless they come from profits from periods prior to the acquisition, in which case the permanent investment is reduced. In case of evidence of impairment, investments are subject to impairment tests.

**s. Leasing**

Leases are classified as financial when the terms of the lease transfer substantially all the risks and benefits inherent to the property to the lessees. All other leases are classified as operating.

– *The Entity as a tenant*

Lease payments are distributed between financial expenses and the reduction of lease obligations in order to achieve a constant interest rate on the remaining balance of the liability. Financial expenses are charged directly to income, unless they can be directly attributable to qualifying assets, in which case they are capitalized in accordance with the Bank's general policy for borrowing costs.

Lease payments for operating leases are charged to income using the straight-line method, during the lease term, unless another systematic basis of distribution is more representative because it reflects more adequately the pattern of lease benefits for the user. Contingent rents are recognized as expenses in the periods in which they are incurred.

**t. Statements of cash flows**

The indirect method is used for presenting cash flows from operating activities, such that the net consolidated profit is adjusted for changes in operating items not resulting in cash receipts or disbursements, and for items corresponding to cash flows from investing and financing activities. Interest received is presented as an investing activity and operating activity and interest paid is presented as a financing activity.

**u. Earnings per share**

The basic earnings per common share is calculated by dividing the net consolidated profit attributable to the controlling interest by the weighted average of common outstanding shares during the year.



## 29. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Entity's accounting policies, which are described in Note 28, the Entity's management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Key sources of uncertainty in the estimates

#### a. Calculation of loss allowance

When measuring ECL the Entity uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring expected credit losses. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

If the expected credit losses rates on trade receivables between 61 and 90 days past due had been 50% higher (lower) as of December 2021, the loss allowance on trade receivables would have been \$26,877 and (\$26,877) million higher (lower).

**b. Inventory estimates and accounts receivable allowances** - The Entity use estimates to determine inventory and accounts receivable reserves. When calculating inventory reserves, the Entity considers production and sales volumes, as well as the demand for certain products.

**c. Property, plant and equipment** - The Entity reviews the estimated useful lives of property, plant and equipment at the end of each reporting period, to determine the depreciation of these assets. Asset useful lives are defined according to the technical studies prepared by specialized internal personnel and with the participation of external specialists. The level of uncertainty related to useful life estimates is also linked to market changes and asset utilization based on production volumes and technological development.

**d. Investment property** - The Entity prepares an annual valuation of investment property with the assistance of independent appraisers. The valuation technique is based on different methods including cost, market and income approaches; the Entity has utilized the income approach. The valuation methodology includes observable assumptions for properties which, while dissimilar, nonetheless involve the same geographic zones and commercial use. The Entity considers the highest and best use of its assets.

As of December 31, 2021, fair value was determined on the basis of the cost approach. As of December 31, 2020 and 2019, fair value was determined based on the revenue approach. The Entity considers that the valuation methodologies and assumptions used are appropriate for determining the fair value of the Entity's investment properties.

**e. Impairment of long-lived assets** - The carrying value of noncurrent assets is reviewed to detect indications of impairment; i.e., if certain situations or changing circumstances indicate that carrying values may not be recoverable. If indications of impairment are detected, the Entity performs a review to determine whether the carrying value exceeds its recovery value and is impaired. When applying asset impairment tests, the Entity must estimate the value in use assigned to property, plant and equipment and cash generating units, in the case of certain assets. Value in use calculations require that the Entity determine the future cash flows produced by cash generating units, together with an appropriate discount rate for calculating present value. The Entity utilizes cash flow projections by estimating market conditions, prices, production and sales volumes.

**f. Valuation of financial instruments** - The Entity uses valuation techniques for its financial instruments which include information that is not always based on an observable market to estimate the fair value of certain financial instruments. Note 10 contains detailed information on the key assumptions used to determine the fair value of the Entity's financial instruments, as well as an in-depth sensitivity analysis of these assumptions. Entity management considers that the valuation techniques and assumptions it has utilized are suitable for determining the fair value of its financial instruments.

- g. Contingencies** - As the Entity is involved in certain legal proceedings, it evaluates the probability of a payment obligation arising, accordingly, it considers the legal situation in effect at the estimate date and the opinion of its legal advisers; these evaluations are periodically reconsidered.
- h. Employee benefits at retirement** - The Entity uses assumptions to determine the best annual estimate of these benefits. Like the above assumptions, these benefits are jointly and annually determined in conjunction with independent actuaries. These assumptions include demographic hypotheses, discount rates, expected remuneration increases and future employee tenure, among other items. While the Entity considers that these assumptions are appropriate, any modification in this regard could affect the value of employee benefit assets (liabilities) and the statement of income and other comprehensive income of the period in which any such modification takes place.

### 30. Non-cash transactions

During 2019, The Entity entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows and are related to the payment of dividends to its shares repurchased during the year, which corresponded to them \$1,450. As of December 31, 2021 and 2020, there were not transactions that did not result in cash flows.

Furthermore, when adopting IFRS 16, the Entity recognized \$528,120 of assets for right of use in 2021, \$387,915 in 2020 and \$1,005,872 in 2019.

### 31. Authorization to issue the financial statements

The consolidated financial statements were authorized for issue on April 11, 2022, by Lic. Mario Bermúdez Dávila, CFO; consequently, they do not reflect events occurred after that date, and are subject to the approval of the Entity's ordinary shareholders' meeting, where they may be modified, in accordance with the provisions of the General Law of Commercial Companies. The consolidated financial statements for the year ended December 31, 2020 and 2019 were approved at the ordinary shareholders' meeting that took place on April 30, 2021 and April 30, 2020, respectively.

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For more information on Grupo Sanborns and its sustainability activities visit its corporate web page at:

**[www.gsanborns.com.mx](http://www.gsanborns.com.mx)**

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**STOCK MARKET OF MEXICO**

The Series B stock of Grupo Sanborns S.A.B. de C.V. is listed in the Bolsa Mexicana de Valores S.A.B. de C.V. stock market under the ticker symbol "GSANBOR".



**GSANBOR**

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