Grupo Famsa, S. A. B. de C. V. and subsidiaries
Consolidated Financial Statements
December 31, 2019 and 2018

Grupo Famsa, S. A. B. de C. V. and subsidiaries

Consolidated Financial Statements
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As of December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Stockholders' meeting of
Grupo Famsa, S.A.B. de C.V. and subsidiaries

(Thousands of Mexican pesos)

Qualified Opinion

We have audited the consolidated financial statements of Grupo Famsa, S.A.B. de C.V. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2019, and the consolidated statements of income, other comprehensive income, changes in Stockholders' equity and cash flows for the year then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the matter described in the "Basis for qualified opinion" section, the accompanying consolidated financial statements present fairly, in all material aspects, the consolidated financial position of Grupo Famsa, S.A.B. de C.V. and subsidiaries, as of December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for qualified opinion

As stated by Company management in note 29-II to the consolidated financial statement, pursuant to official letter P329/2020, dated June 30, 2020, Banco Ahorro Fanmsa, S.A., Institucion de Banca Multiple (Full Service Banking Institution) was notified by the National Banking and Securities Commission ("Spanish initials CNBV") of the revocation of its license to operate as a Full Service Banking Institution. On effective date July 1, 2020, the takeover procedure started for the liquidation of Banco Ahorro Famsa by the Institute for the Protection of Bank Savings ("IPAB" - Spanish acronym).

Banco Ahorro Famsa, S.A., Institucion de Banca Multiple, in liquidation, was a significant component for Grupo Famsa up to June 30, 2020. At that date, the balance of stockholders' equity approximates $14,000,000, whose realization represents an uncertainty. At June 30, 2020, credit sales generated by this component account for approximately 87% of total sales in Mexico. It is important to note that sales in Mexico represent 91% of the total consolidated sales. Grupo Famsa management is determining the impacts in the operation for the dissolution of this component, beginning July 1, 2020, which are estimated to be significant.

At the date of this audit report, the Company is in the process of establishing an action plan, as described in note 29-II to the consolidated financial statements. However, it is not known it those actions will eventually counteract the effects of the bank takeover discussed in the above paragraph, as well as the defaults of principal and interests of the debt contracted in which the Company has incurred and are discussed in the same note. Those situations indicate the existence of a material uncertainty that can raise substantial doubt as to the ability of the Company to continue as a going concern.

The accompanying consolidated financial statements have been prepared on a going concern basis, and they do not include those adjustments in the determination of estimates of assets or provisions for liabilities that could be necessary in the event that the Company should not be able to continue in operation.

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

Emphasis paragraph

We issued our unqualified opinion dated April 20, 2020, with regard to the consolidated financial position of Grupo Famsa, S.A.B de C.V. and subsidiaries at December 31, 2019, as well as its consolidated financial performance and consolidated cash flows for the year then ended, considering the matter described in the basis for qualified opinion section, due to the subsequent events referred to in Note 29-II to the consolidated financial statements, we have modified our opinion at July 30, 2020.

Key Audit Matters

Key audit matters are matters that, according to our professional judgment, have been more significant in our audit of the consolidated financial statements of the current year. These issues have been addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion on them, and we do not express a separate opinion on these matters.

Liabilities for demand and time deposits
Note 16 to the consolidated financial statements

Key Audit Matter	Audit procedures to evaluate them
Liabilities for demand and time deposits represent 64% of total consolidated liabilities, which require effective control by Management to guarantee adequate valuation, classification and integrity in the accounting records, derived from the risks related to the capture products.	The applied procedures were on the design and operational effectiveness of the relevant controls, including information technology security, as well as the integrity and accuracy of the information source. Review of the process of opening, depositing, withdrawing and administration of the capture products. Reconciliation of operational information against accounting risks and circularization of borrowers' balances and review of supplementary procedures.

Estimation for impairment of the credit portfolio
Note 8 to the Consolidated financial statements

The estimation for impairment of the credit portfolio as of December 31, 2019, amounts to $6,298,437 MXN and represents 16% of the accounts receivable. The Company considers for the estimation of impairment of its portfolio, the principle of expected loss in accordance with the requirements of applicable international standards. The allowance for loan portfolio impairment determined by the Company considers the three stages of credit risk exposure required by the respective standard; the probability of default at 12 months as well as over the remaining life of the asset, significant increase factors, recovery, severity, among others. This matter is considered a key audit issue because of the judgment involved, the type of industry and economic sector in which the Company conducts its operations, and the risk involved in making appropriate accounting and statistical estimates of expected credit losses.	Our audit procedures for this key issue included, among others, the following: - We obtained the basis for the Company's portfolios subject to impairment and validated the inputs used to support the value in books according to their component. - The Company's credit portfolios were tested for completeness, integrity and existence for the period ended on December 31, 2019. In order to validate the procedures mentioned above we relied on our financial valuation specialists.

Other items

As discussed in note 29-II to the accompanying consolidated financial statements, the recent outbreak of coronavirus has had an adverse effect on the Company business. The COVID-19 virus has spread rapidly throughout the world, including Mexico. The pandemic is having an unprecedented effect on the economy of Mexico, which has generated significant uncertainties, among other things, the possible adverse effect of the pandemic on the economy, on the partners of the supply chain and customers. As the pandemic continues to grow, consumers fear coming down with the virus, and the recommendations and/or mandates issued by the federal and state authorities to avoid big gatherings of persons in closed places or a quarantine can continue to increase, which has already affected and continue to affect the operation of the Company.

It is not possible to predict when economic activities will normalize again. The ongoing impacts of the pandemic are adversely affecting the revenues, profits, liquidity, and short and long-term cash flows of the Company.

The consolidated sales of the quarter from April 1 to June 30, 2020 decreased in an amount approximating $1,200,000, which represents 25%, compared with the same period of the prior year. It is the result of the low affluence and lower demand by customers, as well as the delimitations that were carried out by local authorities where 40% of the network of branches were closed temporarily or delimited for the sale of durable goods. The branches that were shut down definitely were not significant. In the period from April 1 to June 30, 2020, two branches were closed in Mexico (one in Guanajuato and the other in Mexico City), and three in the United States (the three of them in Chicago).

During the second quarter of 2020, the Company reduced the workforce by approximately 20%, which has allowed for a decrease in operating costs.

At July 30, 2020, the Company operates its network of branches during regular hours, but the local or federal authorities could declare any new general closing of businesses if the level of contagion increases in the distinct states or in the country.

The Company does not have sufficient information to estimate the time and impact that this virus will continue to affect activities, which gives rise to significant uncertainty in dealing with the scopes that the situation will have on the financial position that the Company, on its liquidity, as well as on the partners of the supply chain, collaborators, and customers.

The scope of the impact of the pandemic on the operating income of the Company will largely depend on the future behavior of the pandemic, including the duration of the propagation of the outbreak in Mexico. The impact on the financial markets and on consumer confidence is highly uncertain and it cannot be predicted. This situation is unprecedented and it is rapidly changing, and additional impacts can arise that we do not know at present.

Other information "Information other than the consolidated financial statements and corresponding audit report"

Management is responsible for the other information. The other information consists of the information included in the annual report to the Mexican Stock Exchange (Bolsa Mexicana de Valores or "BMV"), but it neither includes the consolidated financial statements nor our corresponding audit report.

Our opinion on the consolidated financial statements does not cover the other information, and we do not express any form of conclusion that provides a degree of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read and consider the other information and upon doing it, consider if there is any material incongruence between the other information and the consolidated financial statements or the knowledge obtained by us in the audit or if it seems that there is a material misstatement in the other information due to another reason.

If, based on the work that we have carried out, we conclude that it exists a material misstatement in this other information; we are bound to report it to those responsible for the governance of the Company. We have nothing to report on this matter.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's 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, whether 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 taken together, they could reasonably be expected to influence the economic decisions of users taken based on 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, whether 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 the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in 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 Company 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 underlying transactions and events in a manner that achieves fair presentation.

- 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.

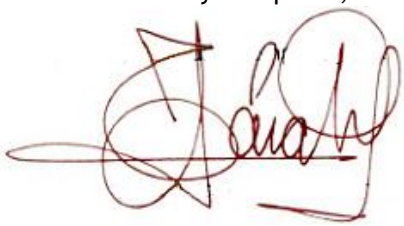
- We also provide those in charge of the Company's governance with a statement that we have met the relevant ethical requirements in connection with independence, and communicated all relationships and other matters to them that can be reasonably expected to influence our independence and, if applicable, the corresponding guarantees.

- Among the matters that have been the subject of communication with those responsible for the Company's governance, we determine those that have been most significant in the audit of the consolidated financial statements of the current period and which are, therefore, the key audit matters. We describe those matters in our audit report unless legal or regulatory provisions prohibit public disclosure of the matter or, in extremely rare circumstances, we determine that a matter should not be reported in our report because it can reasonably be expected that the adverse consequences thereof would exceed the benefits of public interest.

The consolidated financial statements for the year ended December 31, 2018, were audited by other Public Accountants, who, on April 30, 2019, issued their report without qualifications.

These consolidated financial statements have been translated into English solely for the convenience of readers of this language. In all cases, where there are any disagreements between the English and Spanish versions, the Spanish version shall be considered authoritative and controlling.

Castillo Miranda y Compañía, S.C.



Luis Ignacio Zarate Gutierrez

San Pedro Garza Garcia, N.L.
April 20, 2020

Applicable to Note 29-II to the consolidated financial statements, as well as to the basis for a qualified opinion
July 30, 2020

Grupo Famsa, S. A. B. de C. V. and subsidiaries

Consolidated statments of financial position
As of December 31, 2019 and 2018

(Thousands of Mexican pesos)

		December 31	
Assets	Note	2019	2018
Current assets:			
Cash and cash equivalent	6	$ 3,699,675	$ 1,540,797
Accounts receivable, net	8	22,362,886	20,465,098
Rights to collect from related parties	1	-	800,000
Recoverable taxes		635,158	471,795
Other accounts receivable	9	3,222,633	2,009,175
Inventories, net	10	2,489,941	2,766,022
Advanced payments		409,223	384,785
Assets classified as held for sale	11	2,482,991	-
Total current assets		35,302,507	28,437,672
Non-current assets:			
Restricted cash	7	311,785	311,785
Accounts receivable, net	8	10,022,649	9,263,858
Rights to collect from related parties	1	-	2,860,678
Property, leasehold improvements and furniture and equipment, net	12	990,167	1,120,051
Right-of-use asset, net	13	6,440,920	-
Goodwill and intangible assets, net	14	504,238	459,103
Guarantee deposits		327,249	144,975
Other assets	15	1,145,846	1,528,806
Deferred income tax	25	5,037,376	4,432,177
Total non-current assets		24,780,230	20,121,433
Total assets		$ 60,082,737	$ 48,559,105
Liabilities and Stockholders' Equity			
Current liabilities:			
Demand deposits	16	$ 32,679,320	$ 29,045,634
Short-term debt	17	2,872,171	1,939,121
Suppliers		1,454,856	1,238,583
Lease liabilities	13	522,340	-
Accounts payables and accrued expenses	18	1,724,747	1,101,547
Deferred income from guarantee sales		259,006	283,988
Income tax payable		89,399	39,104
Total current liabilities		39,601,839	33,647,977
Non-current liabilities:			
Time deposits	16	1,504,448	1,643,664
Long-term debt	17	5,475,979	6,818,138
Subordinated debt	17	532,580	-
Lease liabilities	13	6,199,367	-
Deferred income from guarantee sales		232,828	270,010
Employee benefits	20	235,910	200,329
Total non-current liabilities		14,181,112	8,932,141
Total liabilities		53,782,951	42,580,118
Stockholders' equity:			
Capital stock	21	1,699,614	1,702,539
Additional paid-in capital		3,759,260	3,794,363
Accumulated results		19,662	(469,928)
Reserve for repurchase of shares		269,308	241,457
Cumulative foreign currency translation adjustment		466,257	627,917
Total stockholders' equity attributable to shareholders		6,214,101	5,896,348
Non-controlling interest		85,685	82,639
Total stockholders' equity attributable to shareholders		6,299,786	5,978,987
Subsequent events	29		
Total liabilities and stockholders' equity		$ 60,082,737	$ 48,559,105

The accompanying notes are an integral part of these consolidated financial statements.

Grupo Famsa, S. A. B. de C. V. and subsidiaries

Consolidated financial statments of income

Fort he years ended December 31, 2019 and 2018

(Thousands of Mexican pesos)

	Note	December 31 2019	December 31 2018
Net sales	26	$ 10,967,159	$ 11,110,207
Interest earned from customers	26	9,567,634	8,775,343
Total revenues		20,534,793	19,885,550
Cost of sales	22	(11,460,571)	(10,866,622)
Gross profit		9,074,222	9,018,928
Operating expenses	22	(8,190,858)	(8,004,213)
Other income, bet	23	690,994	144,185
		(7,499,864)	(7,860,028)
Operating profit		1,574,358	1,158,900
Financial expenses	24	(1,922,217)	(1,251,336)
Financial income	24	367,559	369,038
Financial result, net		(1,554,658)	(882,298)
Profit before income tax		19,700	276,602
Income tax	25	470,231	(688,880)
Consolidated net Income (loss)		$ 489,931	($ 412,278)
Net income (loss) attributable to:			
Controlling interest		$ 486,885	($ 409,722)
Non-controlling interest		3,046	(2,556)
Consolidated net income (loss)		$ 489,931	($ 412,278)
Basic and dilutes income (loss) per share attributable to controlling interest, in Mexican pesos:		$ 0.87	($ 0.73)
Number of outstanding shares	21	559,852,761	561,315,389
Weighted average of ordinary shares		560,907,043	562,383,345

The accompanying notes are an integral part of these consolidated financial statements.

Grupo Famsa, S. A. B. de C. V. y subsidiarias

Consolidated statements of comprehensive income
For the years ended December 31, 2019 and 2018

(Thousands of Mexican pesos)

	Note	December 31 2019	December 31 2018
Consolidated net income (loss)		$ 489,931	($ 412,278)
Other comprehensive income (loss), net of taxes:			
Items that will be reclassified to statement of income:			
Actuarial gains, net of income taxes	20	2,705	18,868
Items that will be reclassified to statement of income:			
Valuation of cash flow hedges, net of income taxes		-	3,871
Foreign currency translation adjustment		(161,660)	(3,067)
Consolidated comprehensive income (loss)		$ 330,976	($ 392,606)
Consolidated comprehensive income (loss) attributable to:			
Controlling interest		$ 327,930	($ 390,050)
Non-controlling interest		3,046	(2,556)
Comprehensive income (loss) for the year		$ 330,976	($ 392,606)

The accompanying notes are an integral part of these consolidated financial statements.

Grupo Famsa, S. A. B. de C. V. and subsidiaries

Consolidated statments of changes in equity
As of December 31, 2019 and 2018

(Thousands of Mexican pesos)

	Note	Capital stock	Additional paid-in capital	Accumulated results	Reserve for repurchase of shares	Cumulative foreign currency translation adjustments	Total stockholders' equity attributable to shareholders	Total non-controlling interest	Total Stockholders' equity
Balances as of January 1, 2018		$ 1,706,089	$ 3,836,949	($ 82,945)	$ 216,119	$ 630,984	$ 6,307,196	$ 85,195	$ 6,392,391
Repurchase of shares		(3,550)	(42,586)	-	25,338	-	(20,798)	-	(20,798)
Valuation of cash flow hedges		-	-	3,871	-	-	3,871	-	3,871
Net loss		-	-	(409,722)	-	-	(409,722)	(2,556)	(412,278)
Other comprehensive income (loss)		-	-	18,868	-	(3,067)	15,801	-	15,801
Balances as of December 31, 2018	21	1,702,539	3,794,363	(469,928)	241,457	627,917	5,896,348	82,639	5,978,987
Repurchase of shares		(2,925)	(35,103)		27,851		(10,177)		(10,177)
Net income				486,885			486,885	3,046	489,931
Other comprehensive income (loss)				2,705		(161,660)	(158,955)		(158,955)
Balances as of December 31, 2019	21	$ 1,699,614	$ 3,759,260	$ 19,662	$ 269,308	$ 466,257	$ 6,214,101	$ 85,685	$ 6,299,786

The accompanying notes are an integral part of these consolidated financial statements.

Grupo Famsa, S. A. B. de C. V. and subsidiaries

Consolidated statments of cash flows
For the years ended December 31, 2019 and 2018

(Thousands of Mexican pesos)

		December 31	
Cash flow from operating activities:	Note	2019	2018
Net consolidated income (loss)		$ 489,931	($ 412,278)
Adjustments for:			
Depreciation and amortization	22	284,594	406,380
Rights-of-use asset depreciation		716,569	
Allowance for doubtful accounts	22	1,883,900	1,067,500
Allowance for obsolete inventories	10	6,764	(8,456)
Employee benefits	20	37,542	42,743
Accrued interest of rights to collect from related parties	24	(140,732)	(300,941)
Gain on sale of property, leasehold improvements, furniture and equipment	23	(272,521)	(19,062)
Gain on sale of assets classified as held for sale		(241,158)	
Incremental costs of obtaining a contract	15	(1,159,920)	(517,776)
Loan placement costs	17	13,308	8,222
Interest income	24	(120,669)	(68,097)
Interest expenses	24	1,384,861	1,231,424
Interest expenses to right-of-use asset	13	519,510	
Interest expenses to bank depositors	22	2,455,759	1,906,945
Exchange gain, net		(284,741)	(234)
Taxes	25	(470,231)	688,880
Subtotal		5,102,766	4,025,250
Changes in:			
Inventories		269,317	(312,383)
Accounts receivable		(4,540,479)	(5,996,910)
Collection rights from related parties	1	208,850	793,113
Interest paid to bank depositors		(2,427,244)	(1,863,157)
Demand deposits and time deposits		3,465,955	5,651,346
Increase (decrease) in other working capital accounts		2,395,011	(1,650,459)
Net cash from operating activities		4,474,176	646,800
Cash flow from investing activities:			
Interest received		120,669	68,097
Acquisition of property, leasehold improvements, furniture and equipment	12	(76,701)	(163,794)
Acquisition of intangible assets	14	(128,977)	(76,608)
Proceeds from sale of property, leasehold improvements, furniture and equipment		288,345	125,898
Proceeds from sale of assets classified as held for sale		241,158	
Related parties		(472,052)	837,292
Other assets and guarantee deposits		(179,693)	1,517
Net cash from investing activities		(207,251)	792,402
Cash flow from financing activities:			
Proceeds from current and non-current debt	17	2,680,258	4,760,845
Payments of current and non-current debt	17	(2,465,214)	(5,031,881)
Payments of lease liabilities	13	(950,468)	
Interest paid		(1,364,924)	(1,245,881)
Repurchase of shares, net		(10,177)	(20,798)
Net cash from financing activities		(2,110,525)	(1,537,715)
Increase (decrease) in cash and cash equivalents		2,156,400	(98,513)
Adjustments to cash flow as result of changes in exchange rates		2,478	(3,807)
Cash and cash equivalents at the beginning of the year	6	1,540,797	1,643,117
Cash and cash equivalents at the end of the year	6	$ 3,699,675	$ 1,540,797

The accompanying notes are an integral part of these consolidated financial statements.

(Thousands of pesos, except where otherwise indicated)

Note 1 - Reporting entity and other relevant events:

Grupo Famsa, S.A.B. de C.V. and subsidiaries ("Famsa", "Company" or "Grupo Famsa") was incorporated in Mexico as a corporation whose shares are traded in the Mexican Stock Exchange, S.A.B. of C.V. and are listed under the symbol GFAMSA. The address of the Company and its corporate office are located in Ave. Pino Suarez No. 1202 Nte, Zona Centro, Monterrey, Nuevo Leon, Mexico.

The Company is controlled by a trust whose beneficiaries are the Garza Valdéz family.

The consolidated financial statements of the Company as of December 31, 2019 and 20187, comprise the Company and its subsidiaries (the "Company" and individually "Company Entities").

FAMSA, through its subsidiaries, is mainly engaged in wholesale and retail sales to the general public of consumer products such as furniture, appliances, electronics, clothing and footwear, and so on, as well as providing financing to customers.

A subsidiary of the Company has the authorization of the Ministry of Finance and Public Credit to operate Banco Ahorro Famsa, S. A. Institución de Banca Múltiple (BAF) as established by the Mexican Law of Credit Institutions (LIC), under the supervision and monitoring of the National Banking and Securities Commission (the Commission) and Banco de Mexico (Banxico).

BAF's main activities consist of providing multiple banking services in accordance with the LIC, which include, among others, taking and granting loans and the collection of deposits.

Relevant events

a) As of September 13, 2019, the outstanding balance of the rights to collect from related parties, guaranteed by the companies Desarrollos Inmobiliarios Garza Valdez, S.A. de C.V., Inmobiliaria Garza Valdez, S.A. de C. V., Inmobiliaria Garza Valdez de la Laguna, S.A. de C.V., Inmobiliaria Logar de Monterrey, S.A. de C.V. and Mr. Humberto Garza Gonzalez was fully amortized. As of August 31, 2019 the balance of rights to collect from related parties amounted to $3,105,143. The real estate assets securing the rights to collect from related parties were totally transferred to Banco Famsa in lieu of payment to the balance receivable from operations with related parties that the bank had with some Grupo Famsa subsidiaries in the amount of $3,123,000. The asset monetization plan will prevail and, from now on, will be conducted through Banco Famsa.

b) As described on note 17 to the consolidated financial statements, on June 20, 2018 Grupo Famsa signed on a second credit line with Banco Nacional de Comercio Exterior, S.N.C. for $1,000 million pesos. This credit line accrues interest at an annual variable rate of TIIE + 300 pbs. and its maturity is at 7 years. The resources obtained with this credit were used to refinance bank liabilities for a total amount of $700 million pesos and $300 million to working capital accounts.

Note 2 - Basis of preparation:

a) Authorization and preparation basis

The consolidated financial statements of Grupo Famsa, S.A.B. de C.V. and subsidiaries have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), adopted by public entities in Mexico in accordance with the amendments to the Rules for Public Companies and Other Participants in the Mexican Stock Exchange, issued by the Mexican National Banking and Securities Commission.

On April, 20, 2020, Mr. Humberto Garza Valdéz, CEO of the Company and Mr. Abelardo García Lozano, CFO of the Company, authorized the issuance of the accompanying consolidated financial statements and their notes.

In accordance with General Corporations Law and the Company's by-laws, the stockholders are empowered to modify the financial statements after its issuance. The accompanying consolidated financial statements will be submitted for approval of the next Stockholders Meeting.

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the defined benefit liabilities to employees and the lease liabilities, measured at present value, and the following items of the consolidated statement of financial position which were measured at fair value or amortized cost:

- Certain financial instruments (fair value);
- Goodwill (fair value);
- Long-term accounts receivables (amortized cost).

c) Presentation of consolidated statements of income and consolidated statements of comprehensive income

The Company presents its costs and expenses in the consolidated statements of income according to their function which allows to know its gross profit margin.

The Company presents operating profit as the result of decrease to the revenues and to the other net income, the cost of sales and the operating expenses, considering that the operating profit contributes to a better understanding of the economic and financial performance of the Company.

"Other income, net" in the consolidated statements of income is mainly comprised of income and expenses that are not directly related to the main activities of the Company or that are of an unusual and/or non-recurring nature, such as sale of assets, income by recovery of claims among others.

The Company decided to present the comprehensive income in two statements: the first statement includes only the items that comprise the net result and is denominated "Consolidated statement of income" and the second statement from the net result at which the income statements were concluded then presents the other comprehensive income. This is denominated "Consolidated Statement of Comprehensive Income".

d) Presentation of consolidated statements of cash flows

The consolidated statements of cash flows of the Company are presented using the indirect method; except for the financing activities which reflect the totality of the loans received and paid in the year.

e) Functional and presentation currency

The Company's accompanying consolidated financial statements are presented in Mexican pesos ("pesos" or "$") because it represents the Mexican domestic currency and periodic reports to the Mexican Stock Exchange are carried in such currency.

Moreover, to determine the functional currency of each subsidiary of the Company, management assesses the economic environment in which it primarily generates and disburses cash. For this, factors related to sales, costs, sources of financing and cash flows generated by the operation are considered.

Because of some of the Company's subsidiaries have identified the dollar as functional currency, the financial information has been translated in accordance with the guidance in IAS 21 "Effect of exchange rate variations" to consolidate the financial statements, considering the methodology described in note 3.3.

As of December 31, 2019 and 2018, the peso/dollar exchange rates were $18.86, $19.65, respectively. Unless otherwise indicated, all financial information presented in pesos has been rounded to the nearest thousand. When referring to "U.S." or "dollars" we refer to amounts expressed in thousands of United States of America or US dollars.

f) Use of estimates

The preparation of the consolidated financial statements in accordance with IFRS requires Management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the period.

Significant items subject to such estimates and assumptions include the useful lives of property, leasehold improvements and furniture and equipment, fair values of land and buildings, present value of accounts receivable, impairment of goodwill and long-lived assets; valuation allowances for receivables, other receivables, inventory, deferred income tax assets, valuation of financial instruments, labor liabilities related to defined benefits and contingencies. Actual results could differ from those estimates and assumptions. See Note 5.

Note 3 - Significant accounting policies:

The accounting policies indicated below have been applied consistently for the periods presented in these consolidated financial statements and in the preparation of the consolidated statement of financial position under IFRS.

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and those of entities controlled by the Company and its subsidiaries. Balances and transactions between group entities, as well as unrealized income and expenses, have been eliminated in the preparation of the consolidated

financial statements. Unrealized profits derived from transactions between entities of the group in which investments are accounted for under the equity method are eliminated against the investment to the extent of the Company's interest in the subsidiary. Unrealized losses are eliminated in the same way as unrealized profits, but only to the extent that there is no evidence of impairment.

a. Subsidiaries

The financial statements of subsidiary companies are included in the consolidated financial statements of the Company as of the date control begins and through the date such control ends.

b. Non-controlling interests

Non-controlling interests are measured at the proportionate share of the net identifiable assets at the acquisition date.

3.2 Segment Information

Operating segments are defined as the components of a company, engaged in the production and sale of goods and services, which are subject to risks and benefits that are different from those associated with other business segments.

With respect to the years presented, December 31, 2019 and 2018, the Company has operated on the basis of business segments. These segments have been determined considering the geographical areas. See Note 26.

Segment information is presented in a manner consistent with the internal reports provided to the operational decision maker. Responsible for allocating resources and evaluating the performance of operating segments, it is the CEO who makes strategic decisions.

Inter-segment transactions are determined on the basis of prices comparable to those that would be used with or between independent parties in transactions comparable to market value.

3.3 Foreign currency

a. Transactions in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or of valuation when the amounts are revalued.
Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

b. Financial statements translation of subsidiaries in foreign currency

The results and financial position of Famsa, Inc. and subsidiaries, which operates in the USA, are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the statement of financial position;

- Income, cost and expenses recognized in the statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rates on the dates of the transaction) and;

- Stockholders' equity balances recognized in the statement of financial position are translated at historical exchange rates.

- Exchange differences arising in the translation were recognized as an item of the comprehensive income (loss) in Stockholders' equity.

3.4 Cash and cash equivalents

Cash and cash equivalents include cash balances, bank deposits and other highly liquid investments with original maturities of less than three months with minor risk of changes in value.

3.5 Restricted cash

Restricted cash represents limited cash in BAF and it comprises: a) deposits required by monetary regulations with Banxico, which earn a bank funding rate, b) purchased foreign currency, whose settlement date is agreed subsequently to the transaction date.

3.6 Financial instruments

i. Recognition and initial measurement

The Company classifies its financial assets as loans (including loan portfolios), accounts receivable, other accounts receivable, collection rights to related parties, cash and cash equivalents and restricted cash, in the consolidated statement of financial position. Management determines the classification of its financial assets at the date of initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Accounts receivable represent amounts owed by customers and they arise from sales of goods or services rendered in the regular course of Grupo Famsa operations. Acquisition costs are initially recorded at fair value together with origination costs, and subsequently at amortized cost.

Incremental costs of obtaining a contract are recognized within the other long-term assets and are amortized at the effective rate in the income statement of the year within the operating expenses over the same accounting period in which the credit that gave them origin is recognized.

ii. Classification and subsequent measurement

Financial assets

In the initial recognition, a financial asset is measured at amortized cost, at fair value with changes in other comprehensive income ("FVOCI"); or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified after their initial recognition unless the Company changes the business model to manage financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period after the change in the financial assets business model.

A financial asset is measured at amortized cost if it meets the following two conditions and is not designated as FVTPL:

- It is administered within a business model whose objective is to maintain assets to recover the contractual cash flows; and
- Contractual terms are only principal payments and interest on the outstanding principal amount.

A financial asset is measured in FVOCI if it meets the following two conditions and is not designated as FVTPL:

- It is administered within a business model whose objective is achieved through the collection of contractual cash flows such as the sale of financial assets; and
- Contractual terms are only principal payments and interest on the outstanding principal amount.

In the initial recognition of a capital instrument that is not held for trading, under the "other" business model, the Company may irrevocably choose to present changes in the fair value of the investment in other comprehensive income. This choice is made at the level of each investment.

All financial assets that are not measured at amortized cost or FVOCI as described above, are measured at FVTPL. This measurement category includes all derivative financial instruments. Upon initial recognition, the Company may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost or to FVOCI to be measured at FVTPL.

Financial assets: evaluation of the business model

The Company evaluates the objective of the business model in which a financial asset is maintained at the portfolio level since this reflects the best way in which the business is managed and information is provided to the Company's Management. The information that is considered to evaluate the business model of a financial asset includes:

- The policies and objectives established for the portfolio and the operation of those policies in practice. They include whether the management strategy focuses on obtaining income from contractual interests, maintaining a particular interest rate profile, equalizing the duration of financial assets with the duration of any related liability or expected cash outflows or making cash flows through the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Company's Management;
- The risks that affect the performance of the business model (and the financial assets that remain within that business model) and how those risks are managed;
- How to compensate those responsible for the portfolios of financial assets, for example; whether the compensation is based on the fair value of the assets under management or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or that are managed and their performance is evaluated at fair value are measured at FVTPL.

Financial assets: evaluation of the characteristics of the contractual cash flows are only principal and interest payments

For purposes of this evaluation, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as the consideration for the value of money over time and for the credit risk associated with the principal amount outstanding during a particular period and for other risks and basic costs of loans (for example, liquidity risk and administrative costs), as well as a profit margin.

When evaluating whether the contractual cash flows are only principal and interest payments, the Company considers the contractual terms of the instrument. This includes evaluating whether the financial asset contains any contractual term that could change the timing or amount of the contractual cash flows so that it does not meet this condition. In making this assessment, the Company considers the following:

- Contingent events that would change the amount or timing of cash flows;
- Terms that can adjust the contractual coupon rate, including variable rate features;
- Payment and extension features; and
- Convertibility features.

A prepaid feature is consistent with the characteristics of only principal payments and the prepayment amount represents the amounts of the principal and interest pending payment, which may include reasonable additional compensation for early termination of the contract

Financial assets: subsequent measurement

Financial assets to FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including interest or dividend income, are recognized in profit or loss.

Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, exchange gains or losses and impairment are recognized in income. Any gain or loss upon derecognition of assets is recognized in profit or loss.

Financial liabilities: classification, subsequent measurement

The Company has recognized the following non-derivative financial liabilities: demand deposits, bank loans, suppliers, accounts payable and accrued expenses, which are initially recognized on the date on which the Company becomes a part in the contractual provisions of the instrument.

Financial liabilities are measured at amortized cost or FVTPL. A financial liability is classified as FVTPL if it is held for trading, it is a derivative financial instrument or it is designated as such in the initial recognition. Financial liabilities to FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of income.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses and exchange gains and losses are recognized in results. Any gain or loss at the time of derecognition of financial liabilities is also recognized in profit or loss.

iii. Derecognition of financial assets and liabilities

Financial assets

The Company derecognizes a financial asset when the contractual rights of the cash flows of the financial asset expire, or transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the asset the financial assets are transferred or in which the Company does not transfer or substantially retain the risks and benefits of ownership or control of the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are canceled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on the modified terms is recognized at fair value.

When deregistering a financial liability, the difference between the carrying amount and the consideration paid is recognized in profit or loss.

3.6.1 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is shown in the statement of financial position, when the right to offset the amounts recognized is legally enforceable and there are plans in place to settle them on a net basis or to realize the asset and pay the liability simultaneously.

3.6.2 Impairment of financial assets

In the note 5.2.1 Critical accounting judgments and estimates (impairment provisions for credit portfolio) of the consolidated financial statement, is described the Company's accounting policies related to impairment of financial assets

3.7 Accounts payable and accrued expenses

Trade payables and accrued expenses are obligations to pay for goods or services that have been acquired or received in the ordinary course of business from suppliers.

3.8 Other accounts receivable

The Company classifies as other accounts receivable among other aspects: 1) accounts receivable from affiliates, 2) credits or advances granted to employees and other persons or companies different from the general public, 3) other accounts receivable that come from of your banking operation. If the collection rights or recovery of these amounts will be made within 12 months after the end of the year, they are classified in the short term, otherwise they are included in the long term at their present value.

3.9 Other assets

The other assets mainly include the costs and expenses associated with the origination of credits. See section on costs of obtaining contracts in the revenue recognition policy for more detail.

3.10 Inventories

Inventories are recognized at cost or at their net realizable value, the lowest. The cost is determined by the acquisition cost method.

For the allocation of the unit cost of inventories, the average cost formula is used.

The cost of sales represents the average cost of inventories at the time of sale, increased, where applicable, by the reductions in the net realizable value of inventories during the year.

The Company periodically assesses the need to recognize estimates in the value of its inventories due to impairment, obsolescence, slow movement and other causes that indicate that the use or realization of the items that are part of the inventory will be less than the registered value. When it is concluded that there are clear indications of less value in the values of the inventories, the corresponding estimates are recorded.

3.11 Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognized at the date of derecognition.

Assets held for sale are not depreciated or amortised while they are classified as held for sale.

3.12 Supplier discounts

In the normal course of its operations, the Company mainly receives two types of support from its suppliers: Sell out discounts, which result from the level of sales of corresponding items and advertising discounts.

The provisions of discounts for volume, are initially recorded as a reduction in the cost of goods when the relative products are sold. Discounts for advertising are recognized as a reduction in cost of sales once the agreements with the suppliers are formalized and the benefits were earned.

3.13 Property, leasehold improvements, and furniture and equipment

i. Recognition and measurement

Property, leasehold improvements, furniture and equipment are recognized at cost.

The cost includes expenses directly attributable to the acquisition of these assets and all expenses related to the location of the asset in the place and in the conditions necessary for it to operate in the manner envisaged by the Administration.

ii. Subsequent disbursements

Costs for extension, remodeling or improvements representing an increase in the capacity and therefore an extension of the useful life of the assets are also capitalized.

The book value of the replaced assets is derecognized when replaced, with all effects being taken to the consolidated statement of income, in the other income line.

The expenses for maintenance and repairs are charged to the consolidated statement of income in the period they are incurred.

Improvements in process represent improvements in stores that are in operation at the end of the year.

iii. Depreciation

Depreciation on the assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows

Buildings and construction	33 years
Furniture and equipment	11 years
Transportation equipment	5 years
Data-processing equipment	4 years

Improvements to leased properties are amortized over the life of the lease or during the life of the corresponding improvement, whichever is lower.

Residual values, useful lives and depreciation of assets are reviewed and adjusted, if necessary, at the date of each statement of financial position. The Company has the policy of not assigning redemption values to its assets since the amount recovered from future provisions is not representative of the original acquisition value.

3.14 Goodwill and intangible assets

a. Goodwill

This represents the surplus of the cost of acquisition over the fair value of the net identifiable assets determined at the acquisition date.

They are considered to have an indefinite useful life due to the fact that no legal, regulatory, contractual, competitive and economic factors are identified that limit their useful life and are subject to impairment tests annually, and at any time when there is an indication of impairment.

Subsequent valuation

Goodwill is valued at cost less accumulated impairment losses.

b. Systems developments and computer software

Intangible assets associated with systems development and computer software programs involve the plan or design and the development of a new or substantially improved software or computer systems.

Development costs are capitalized only when the following criteria are met: They are identifiable, provide future economic benefits and have control over these benefits.

Other development costs that do not meet these criteria and research expenses, as well as maintenance, are recognized in the consolidated statement of income within administrative expenses as incurred. Development costs previously recognized as an expense are not recognized as an asset in subsequent periods.

Acquired licenses for the use of programs, software and other systems are capitalized at the value of costs incurred for the acquisition and preparation for use.

These assets are amortized based on their estimated useful lives or the validity of the license acquired. The amortization of licenses and software is recorded in operating expenses within the consolidated statement of income.

3.15 Impairment of long-live assets

Assets that have an indefinite useful life, for example, goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

In assessing the value in use, estimated future cash flows are discounted at present value using a pre-tax discount rate that reflects current market assessments of the value of money attributable to the time factor and the specific risks to the asset. For the purposes of impairment, assets are grouped at the lowest levels where they generate identifiable cash flows (cash-generating units). Non-financial assets that are subject to impairment penalties are evaluated at each reporting date to identify possible reversals of such impairment.

3.16 Demand deposits and time-deposits

This item includes demand and term deposits of the general public. Interests are recognized in profit or loss as interests expense for bank deposits within the cost of sales as they accrue. For those securities placed at a price different from the nominal value, the difference between the nominal value of the instrument and the amount of cash received by the same is recognized as a deferred charge or credit in the consolidated statement of financial position and is amortized under the straight line method against results during the term of the title that gave rise to it.

3.17 Provisions

Provisions represent present obligations from past events where an outflow of economic resources is probable. These provisions have been recognized under the best estimate made by the Administration.

3.18 Income tax

Taxes on profits include current tax and deferred tax. Taxes on profits caused in the year are determined in accordance with the tax regulations in force in the country where each subsidiary operates.

The effect on income from taxes on income recognizes amounts accrued during the year, as well as deferred income taxes, determined in accordance with the tax laws applicable to each subsidiary, except those corresponding to a business combination, or recognized items directly in stockholders' equity or in the comprehensive income account.

Deferred income tax is recorded under the assets and liabilities method, which compares the book and tax values of the Company's assets and liabilities and recognizes deferred taxes (assets or liabilities) in respect of temporary differences between these values. Taxes are not recognized for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business acquisition and that does not affect the accounting or taxable income, and differences relating to investments in subsidiaries and joint ventures to the extent that they are unlikely to be reversed in the foreseeable future. In addition, no deferred taxes are recognized for taxable temporary differences derived from the initial recognition of goodwill.

Deferred taxes are calculated using the rates that are expected to be applied to temporary differences when they are reversed, based on the laws enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the tax assets and liabilities caused, and correspond to income tax levied by the same tax authority and the same tax entity, or different tax entities, but intend to liquidate the tax assets and liabilities caused on a net basis or their assets and tax liabilities materialize simultaneously.

A deferred tax asset is recognized for tax loss carryforwards, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be applied. Deferred assets are reviewed at the reporting date and reduced to the extent that the realization of the corresponding tax benefit is no longer probable.

The statutory rates of the countries where the Company carries out its operations are as follows:

Country	2019	2018
	%	%
Mexico	30	30
United States of America	21	21

3.19 Employee benefits

a. Short-term benefits

The Company provides benefits to employees in the short term, which may include wages, salaries, annual compensation and bonuses payable within 12 months.

b. Pensions and seniority premium

These are cumulative remunerations that generate future benefits to employees offered by the entity in exchange for the employee's current services, whose entitlement is granted to the employee during his / her employment relationship and is acquired by the employee and / or his / her beneficiaries, at the time of retirement and / or at retirement age or other eligibility condition.

The net obligation of the Company corresponding to the Seniority Premium and Legal Compensation for Retirement is calculated by estimating the amount of future benefits that employees have earned in the current and prior years.

The liability recognized in the consolidated statement of financial position with respect to the seniority premium is the present value of the defined benefit obligation at the date of the consolidated statement of financial position, the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of defined benefit obligations is determined by discounting the estimated cash flows using the government bond yields denominated in the same currency in which the benefits will be paid and which have expiration terms approaching to the terms of the obligations.

Actuarial gains and losses arising from adjustments based on experience and changes in actuarial assumptions are charged or credited to stockholders' equity in other comprehensive income items in the period in which they arise, net of deferred income taxes.

The Company has no plan assets.

c. Employee participation in profits (ESPS)

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the taxable income after certain adjustments. ESPS applies for Mexican entities and not for the US entities.

3.20 Stockholders' equity

Common shares are classified as equity.

The amounts of the capital stock, legal reserve, reserve for repurchase of shares, additional paid-in capital and accumulated results are presented at historical value, modified by the effects of inflation on the financial information recognized as of December 31, 1997. In accordance with the requirements of IAS 29 "Financial reporting under hyperinflationary economies", the Mexican economy is currently in a non-hyperinflationary environment, maintaining an accumulated inflation for the last three years under 100% (threshold for considering an economy as hyperinflationary), therefore from January 1, 1998 onwards the Company does not recognize the effects of inflation on the financial information.

3.21 Loans

Loans received are initially recognized at their fair value, net of the related costs incurred, and subsequently recognized at amortized cost. Any difference between the funds received (net of the related costs incurred) and the redeemable value is recognized in the consolidated statement of income for the term of the loan using the effective interest rate method.

3.22 Revenue recognition

The Company recognizes the income as the control of the good or service in question is transferred to the client. The control refers to the ability of the client to direct the use and obtain substantially all the benefits of the transferred product. In addition, it also implies that the client has the ability to prevent third parties from directing the use and obtain substantially all the benefits of said transferred good, all the above conditions are normally fulfilled at the moment in which the goods or services are delivered to the client. Net sales reflect the units and services delivered at the list price, net of promotions and discounts.

In accordance with the five-step model established by IFRS 15, the Company recognizes income considering the following; the identification of the contract with the client, the identification of performance obligations committed to the client, the determination of the amount of consideration to which he is entitled, the distribution of said consideration between the different performance obligations committed to the client and the recognition of income in the way in which said performance obligations are met, that is, at a point of time or through time.

Income derived from the granting of some type of credit or financing to customers in which interest is generated is recognized once the amount of the income can be valued and when it is probable that the economic benefits associated with the transaction will flow to the Company. The accounting recognition of said interest income is carried out at amortized cost through the effective interest method, in accordance with the provisions of the respective policy.

i. Revenue from the sale of products and services

The Company records income from the sale of household appliances, furniture, clothing, electronic items, mobile phones, among others, at the moment in which the control of these products is transferred to the customer.

In the case of income related to the rendering of services, the Company recognizes the income from ordinary activities associated with the rendering of services at the moment in which said services are rendered to the client.

ii. Revenue from interests

Interest income from the granting of some type of credit or financing to the Company's customers in which interest is generated in favor of the Company is recognized when all the following conditions are met: the amount of the interest income can be reasonably valued, it is likely that the economic benefits associated with the transaction flow to the Company and as the accrual of the economic benefits is realized over time. The accounting recognition of such interest income is carried out at amortized cost through the effective interest method, except for the interest from past due loans whose interest income is recognized in the consolidated statement of income until it is actually collected.

iii. Financing component

When determining the price of the transaction, the Company adjusts the amount of the consideration to consider the effects of the value of the money over time, the former applies if the payment term agreed by the contract parties (explicitly or implicitly) provides the client a significant benefit of financing in the transfer of goods or services to the client.

The Company has chosen the accounting policy established in IFRS 15, a practical file, not to disaggregate financing components for those sales operations carried out in a period equal to or less than 12 months.

iv. Contract costs

The Company recognizes as an asset the incremental costs of obtaining a contract with a client if the Company expects to recover said costs. The incremental costs of obtaining a contract are the costs incurred by an entity to obtain a contract that it would not have incurred if the contract had not been obtained.

The Company recognizes such costs as an expense within the consolidated income statement when the income associated with that cost is incurred in a period of twelve months or less.

An asset recognized as indicated above, is amortized applying an effective rate to the extent that the transfer of the goods and / or services to the customer is carried out, in such a way that said asset is recognized in the consolidated statement of income through its amortization in the same period of time in which the respective income is recognized in accounting.

3.23 Leases

General impact of application of IFRS 16 Leases

As of January 1, 2019, IFRS 16 "Leases", is effective and generated significant accounting changes that will be explained below. At this date, Grupo Famsa, for the first time, has applied IFRS 16 Leases (as issued by the IASB in January 2016) in advance of its effective date.

IFRS 16 introduce new requirements for lease accounting, eliminating the distinction between operating and financial leases and recognize a right-of-use asset and a lease liability, except for the application of the exemptions for the short-term and low value leases. Grupo Famsa has selected the modified retrospective method that consists of recognizing a right-of-use asset and a liability for the same amount as of the date of initial recognition.

In accordance with the modified retrospective method, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to leases entered or modified before 1 January 2019.

Application of IFRS 15 in former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet, whereby:

- Recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments.

- Recognizes depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Accounting policy effective at the date of adoption of IFRS 16

Since January 1, 2019, Grupo Famsa evaluates whether a contract is or contains a lease agreement at inception of a contract. A lease is defined as an agreement or part of an agreement that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

Grupo Famsa will recognize a right-of-use asset and the corresponding lease liability with respect to all contract in which it is the lessee, except for the application of the exemptions to not to recognize an asset and a liability as described above, for lease agreements with a term of less than 12 months (provided that they do not contain purchase or term renewal options) and for those agreements where the acquisition of an individual asset of the contract was less than USD$5,000 (five thousand dollars). Therefore, payments for such leases will continue to be recognized as expenses within operating income.

The Company adopted IFRS 16 on January 1, 2019; therefore, it recognized a right-of-use asset and a lease liability of $5,901,978.

The weighted average incremental rate on which the minimum payments of the lease agreements within the scope of IFRS 16 were discounted at present value was 9.5%.

In addition, the Company adopted and applied the following practical expedients provided by IFRS 16 for the transition date:

- Create portfolios of contracts that are similar in terms, economic environment and characteristics of assets, and use a funding rate by portfolio to measure leases.

- Not to revisit the previously reached conclusions for service agreements, which were analyzed to December 31, 2018 under the IFRIC 4, Determining Whether a Contract Contains a Lease, and where it had been concluded that there was no implicit lease.

- For operative leases that as of December 31, 2018, contain direct costs to obtain a lease, maintain the recognition of such costs, that is, without capitalizing them to the initial value of the right-of-use-assets.

The lease liability is initially measured at the present value of the future lease payments discounted using the discount rate implicit in the lease or if that rate cannot be readily determined, the lessee's incremental borrowing rate.

The Company shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

a) the amount of the initial measurement of the lease liability;

b) any lease payments made at or before the commencement date, less any lease incentives received;

c) any initial direct costs incurred by the lessee.

After the commencement date, the Company shall measure the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses.

The right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Company applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

At the commencement date, the Company shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the incremental borrowing rate ("IBR"). The incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The methodology to determine the incremental borrowing rate is based on a three-level model: (a) reference rate, (b) spread of credit risk and (c) characteristics of the asset. The first two levels consider factors such as economic environment, currency, term and the value of the lease, with which the level of credit risk is defined. The third level is related to the underlying asset, that is, the level of default risk that is mitigated by the lessor, when he has the right to claim the underlying asset.

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

- Fixed lease payments.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.

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 book value to reflect the interest on the leasing liability (using the effective interest method) and reducing the carrying amount to reflect the lease payments made.

Grupo Famsa remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments 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 by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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 in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statement of profit or loss.

3.24 Income (loss) per share

Basic income (loss) per share is calculated dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Basic earnings per share is the same as diluted loss per share because there are no transactions that may potentially dilute the net income (loss).

3.25 Uncertainty over income tax treatments

Uncertain tax treatments are tax treatments for which there is uncertainty over whether the relevant taxation authority will accept the tax treatment under current tax law. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset or liability by applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.

In assessing how an uncertain tax treatment affects the determination of the fiscal gain (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, the Company assumes that all the amounts that the Authority is entitled to be inspected and that it will have full knowledge of all the information related when conducting such inspections.

The Company applied IFRIC 23 on January 1, 2019, considered its professional judgement and the prevailing conditions of the tax treatments it has taken at the date of adoption in its different subsidiaries and the power of the corresponding authorities to evaluate the fiscal positions held at that date, considering the above, no impact was determined in the consolidated financial statements.

3.26 Contingencies

By their nature, contingencies can only be resolved when one or more future events occur or one or more uncertain events that are not entirely under the control of the Company do not occur. The evaluation of said contingencies requires significantly the exercise of judgments and estimates about the possible outcome of those future events. The Company evaluates the probability of loss of litigation and contingencies according to the estimates made by its legal advisors. These estimates are reconsidered periodically.

3.27 Standards issued not yet in force

The new and amended standards and interpretations that have been issued but that are not yet in force as of the issue date of the Company's financial statements, are described below. The Company intends to adopt these new and modified standards and interpretations, if applicable, when they become effective:

Amendments to IFRS 3 – Definition of a Business

On October 22, 2012, the IASB issued amendments to IFRS 3 intended to resolve difficulties that arise when an entity determines whether it has acquired a business or group of assets. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020.

Updated references to the Conceptual Framework

Along with the revised "Conceptual Framework" published in March 2019, the IASB also issued "Amendments to References to the Conceptual Framework in IFRS". Amendments are effective for annual periods beginning on or after January 1, 2020.

IFRS 17 Insurance Contracts

IFRS 17 was issued by the IASB on May 18, 2018 and is effective for periods beginning on or after January 1, 2021, with required comparative figures. Early application is permitted, provided that the entity also applies IFRS 9 and IFRS 15 on the date that IFRS 17 is first applied.

IFRS 17 is a new and complete accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once in force, IFRS 17 would replace IFRS 4 "Insurance Contracts" which was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life insurance, non-life insurance, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as certain guarantees and financial instruments as characteristics of discretionary participation. Some scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is most useful and consistent for insurers. Unlike the requirements of IFRS 4, which are primarily based on local accounting policies prior to IFRS 17, it provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, completed by:

- A specific adaptation for contracts with direct participation characteristics (the variable rate approach).
- A simplified approach (the premium allocation approach) primarily for short-term contracts.

ISA 1 Financial Statement Presentation and ISA 8 Accounting Policies, Changes in Accounting Estimates and Errors

Changes in the concept of Materiality for purposes of presentation and disclosure in the financial statements. It is effective for periods beginning on or after January 1, 2020.

IFRS 3 Business Combinations

Definition of what a business is. The definition is clarified to determine whether a transaction is the acquisition of a business or the acquisition of an asset. It is effective for periods beginning on or after January 1, 2020.

ISA 1 Financial Statement Presentation

In January 2020, the IASB amended IAS 1 regarding the classification of current and noncurrent liabilities.

The amendment to subparagraph (d) of paragraph 69 of IAS 1 specifies that, if an entity is not "entitled at the end of the reporting period to defer settlement of the liability for the following twelve months", then it must be classified as a current liability.
This amendment emphasizes that the classification of a liability does not depend on the intentions of an entity, but on the rights (or control) that the entity has in relation to the time of settlement of the obligation. This amendment is effective for periods beginning on January 1, 2022.

The Company is in the process of evaluating the financial effects derived from adopting these new standards and new amended interpretations.

Note 4 - Risk Management:

The risk management process refers to the set of objectives, policies, procedures and actions that are implemented to identify, measure, monitor, limit, control, report and disclose the different types of risk to which the Company is exposed.

Those responsible for risk management and their duties are:

- The Board of Directors, whose responsibility is to approve the objectives, guidelines and policies for risk management.

- Internal Audit, which is responsible for carrying out all the activities necessary in order to comply with the policies defined by the Board of Directors.

The Company has adopted as its main premise carrying out its operations in a conservative framework or profile so as to optimize its resources through the implementation of balanced operations between risk and performance.

The current strategy pursued by the Company is primarily focused on granting consumer loans, which will be supported by the funding of resources that will be obtained through deposits, and allocating correctly for more profitability, under the operation of BAF.

The criteria, policies and procedures adopted by the Company in terms of risk management are based on internal policies and applicable standards.

The Company is exposed to several market and financial risks.

I.- Market Risk

Market risk is defined as the potential loss due to changes in the risk factors that affect the valuation or the expected results from lending/borrowing operations, such as interest rates and exchange rates, among others.

a. Fair value and cash flow risk associate with the interest rate

The interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in market interest rates. Short-term and long-term loans and debt certificates are subject to both fixed and variable interest rates and expose the Company to the risk of variability in interest rates and therefore its cash flows.

Changes in interest rates on long-term debt at fixed rates only affect the results if such debt is recognized at fair value. The Company initially recognizes loans from financial institutions and debt certificates at fair value and subsequently records them at amortized cost, thus the Company is not exposed to interest rate risk related to changes in fair value.

The Company's exposure to changes in interest rates relates primarily to short and long-term loans and debt certificates with a variable interest rate. As of December 31, 2019 and 2018, the Company was subject to the volatility of the variable interest rates, such that, an increase in these rates would result in a higher financial cost of the liability.

Based on the Company's policies, it has not engaged in hedging activities through derivative instruments to hedge the interest rate risk for the years ended December 31, 2019 and 2018.

As of December 31, 2019 and 2018, 14.2% and 14.6%, respectively, of the Company's debt with financial cost (including demand and time deposits) was denominated at variable rates.

Faced with a hypothetical increase of 100 basis points in interest rates related to bank credit lines and debt certificates, and keeping the other variables constant, the Company's financial expenses at as of the close of 2019 would be increased in $61 million.

b. Exchange rate risk

The Company's exposure to exchange rate risk refers to risks associated with movements in the exchange rate of the Mexican peso against the U.S. dollar, with the Mexican peso being the functional currency of the Company. The Company has an exposure to the exchange rate risk for its debt denominated in dollars.

The exchange rate risk arises when future commercial transactions and recognized assets and liabilities are celebrated in a currency other than the functional currency of the entity.

The Company also has exposure to exchange rate risk for its debt denominated in U.S. dollars. As of December 31, 2019 and 2018, 6.7% and 7.6% respectively, of the Company's debt with financial cost (including demand and time deposits) was denominated in U.S. dollars.

As of December 31, 2019, a 10% devaluation of the Mexican peso against the US dollar keeping all other variables constant, would impact the Company's results by approximately $192 million.

II.- Liquidity risk

Cash flow projections are carried out in the operating entities of the Group and the information is concentrated by the Company's Finance Department. The Company's Finance Department supervises the updating of the projections on the liquidity requirements to ensure that there is sufficient cash to meet the operating needs and looking for lines of credit that are not arranged in such a way that the Group does not breach the limits of the credit or the contractual obligations of any line of credit. These projections consider financing plans through debt, compliance with contractual obligations, compliance with financial ratios based on the internal financial condition and, if applicable, external regulatory requirements or legal requirements, for example, restrictions on the provision of foreign currency.

Cash surpluses held by operating entities and excess balances over the amount required for working capital are transferred to the Group Treasury Department. The Group Treasury Department invests surplus cash in interest-bearing current accounts, installment deposits, foreign currency deposits and negotiable securities, selecting instruments with appropriate maturities or sufficient liquidity to provide sufficient margins based on the aforementioned projections.

Banco Ahorro Famsa – demand deposits and time deposits

The balance of the demand deposits and time deposits represents Grupo Famsa's main source of financing, equivalent to 63.7% of the consolidated gross debt balance (which considers short and long-term debt, as well as demand deposits and time deposits) at December 31,2019.

These deposits are received through the subsidiary Banco Ahorro Famsa, which manages the liquidity risk based on the model of the determination of the liquidity gaps, ALM ("Asset Liabilities Management"). This model deals with liquidity risk by analyzing the liquidity adequacy by gap, which must be measured and limited to guarantee at all times the ability of the institution to respond to unexpected withdrawals of funds.

Liquidity management must consider gaps in all terms (bands), in addition to considering that they are the most appropriate for investments and contracting of future debts. Banco Ahorro Famsa, therefore, projects the inflows of cash derived from its credit portfolio and the investments made by the Treasury (without considering monetary regulation deposits) while, on the liabilities side, the outflows derived from the deposits received of the investing market.

The following table lists the contractual maturities of the Company's debt with financial cost and main current liabilities without financial cost according to maturity periods. The table has been drawn up based on undiscounted cash flows from the first date on which the Company may be required to pay.

The table includes interest and principal:

December 31, 2019	**0 – 6 months**	**Between 6 months and 1 year**	**Between 1 and 2 years**	**More than 2 years**	**Total**
Demand deposits and time deposits	$ 16,244,832	18,381,135	1,782,221		36,408,188
Short and long-term debt	2,528,510	1,160,234	1,067,099	7,831,481	12,587,324
Trades and accounts payable and accrued expenses	3,179,603				3,179,603
Total	$ 21,952,945	19,541,369	2,849,320	7,831,481	52,175,115

December 31, 2019	**0 – 6 months**	**Between 6 months and 1 year**	**Between 1 and 2 years**	**More than 2 years**	**Total**
Demand deposits and time deposits	$ 15,006,394	15,630,542	1,921,507	-	32,558,443
Short and long-term debt	1,832,022	1,011,981	3,691,410	4,955,248	11,490,661
Trades and accounts payable	2,758,792	-	-	-	2,758,792
Total	$ 19,597,208	16,642,523	5,612,917	4,955,248	46,807,896

BAF is one of the main components of Grupo Famsa. In accordance with article 50 of the Credit Institutions Law, BAF must maintain a net capital exceeding the sum of the capital requirements for the credit, market and operational risks it incurs in its operation. The net capital is determined in accordance with the roles established in the Single Circular of External Auditors (CUAE).

The capitalization ratio is equal to the result of the net capital ratio of the Bank, between the sum of the weighted assets subject to credit risk, the weighted equivalent positions subject to market risk and the assets subject to operational risk. As of December 31, 2019 and 2018, the Bank complies with these capitalization rules (minium of 8%). The Capitalization Ratio as of December 31, 2019 and 2018 is 10.64% (unaudited) and 12.61% (unaudited), respectively, which results from dividing the net capital among its assets in credit, market and operational risk.

Evaluation of capital adequacy

The continuous assessment of capital adequacy, changes in its structure and the impact on its position is made through a process based on the capitalization rules issued by the Mexican tax authorities, which mainly consider the following:

- Changes in the price of securities positions, as well as the risks of the difference in terms between assets and liabilities, which are affected by the volatility of the financial markets.

- The evolution of assets and their impact on the demand for capital, according to the current rules of the matter.

- The impact on the net capital of its main variables: profit estimation and market valuation.

The process of this data set is estimated to reveal the evolution of the main changes in the financial indicators and the capital position. Through its continuous monitoring, the pertinent decisions on the positions at risk maintained by the Bank are taken, so that the capitalization index of the Bank adheres to the policies and programs established by the authorities.

The calculations of net capital and capital requirement are made after the end of each month with data on that same date, in order to determine how the changes occurred in the structure of the capital impact on the financial rules and in the position of said capital. The mentioned information is presented in the Risk Committee of BAF, which analyzes and determines the viability of the new plans and / or investment projects subject to the structure of the capital and the operational structure of the Bank.

III.- Credit risk

Credit risk refers to the potential loss from the inability of customers to make all required payments. The accounts receivable of the Company represent amounts owed by customers and are generated by sales of goods or services in the normal course of operations. Since the Company's sales are made mostly to the general public, there is no risk of concentration in a customer or group of customers.

The Company has a risk management system for the credit portfolio, whose main elements include: 1) the risk of default and loss, which includes the processes of granting credit, authorization of purchase transactions and collection management; 2) operational risk, including security of the information and technology infrastructure, and 3) the risk of fraud, comprising the stages of prevention, analysis, detection, containment, recovery and solution.

The initial credit limits are calculated on an individual basis by the Company´s systems and are regularly monitored by the credit department to adjust them based on customer history.

The Company has processes for reviewing credit quality of its customers for the early identification of potential changes in their payment capacity, implementing timely corrective actions and the determination of current and potential losses.

The Company continuously monitors its credit portfolio recovery considering several factors including historical trends in the aging of the portfolio, history of cancellations and future performance expectations, including trends in the unemployment rates. In addition to this analysis, the Company requires that loans be secured primarily by the goods sold or by a guarantor, mainly.

To quantify the credit risk of the Mexico commercial portfolio, the Company uses CREDITRISK+, which considers both the creditworthiness of counterparties and the exposure of each of the customers. CREDITRISK+ models the defaults themselves and is not intended to model or identify any causes underlying the defaults.

To quantify the credit risk of the consumer portfolio, for Mexico as well as for the United States of America, the Company uses collective assessment models which consider the risk level of debtors, considering their possibility of default and the severity of the associated losses. The input data that is considered mainly refers to the probabilities of default, in accordance to the creditworthiness of the borrowers. The probabilities of defaults are based on the own behavior of the borrower. See note 5.2.1.

The Company is exposed to the following risks, which may have an impact on financial results.

Exchange rate risk

A reasonably possible strengthening (weakening) in the MXN / USD exchange rate, as of December 31, 2019, would have affected the estimate of reserves in the portfolio denominated in foreign currency and affected in the amounts shown below. This analysis assumes an increase / decrease in the exchange rate of $1 MXN and that all other variables remain constant.

Effect in thousands of pesos		Book value	Sensitivity +1 MXN	Sensitivity -1 MXN
December 31, 2019				
Portfolio in Dollars (USD)	$	2,572,714	2,727,077	2,418,351
Reserve		671,845	712,155	631,534

Credit risk

A reasonably possible strengthening (weakening) in probability of default (PD), as of December 31, 2019 would have affected the estimate of the portfolio reserve and affected the amounts show below. This analysis assumes an increase/decrease in the expected loss of 10 BP in all the portfolios.

Effect in thousands of pesos		Reserve	Sensitivity +10BP	Sensitivity -10BP
December 31, 2019				
Credit portfolio	$	(6,298,437)	(6,361,422)	(6,235,453)

IV.- Capital risk

The Company's objective is to safeguard its ability to continue as a going concern, maintaining a financial structure that maximizes the return to shareholders. The capital structure of the Company comprises debt, which includes financing contracted via bank loans and issuance of debt certificates, cash and cash equivalents and stockholders' equity. The Company does not have an established policy to declare dividends.

The Company's Management annually reviews capital structure when presenting the budget to the Board of Directors, which reviews the planned level of debt and ensures that it does not exceed the established limit.

The leverage rate monitored by the Company refers to that established in the issuance of foreign debt held abroad. On the one hand, there are senior notes for $59.1 million US dollars maturing on June 1, 2020. On the other hand, there are senior notes maturing on December 15, 2024, with a balance of $ 80.9 million US dollars. This index considers financial figures under IFRS and is calculated by dividing: debt with financial cost (excludes immediate availability and term deposits) between net income (without interest, exchange rate, depreciation, amortization and taxes). Under the issue of senior notes maturing in 2020, the leverage ratio had an established limit of 3.00 after June 2016, and under the issue of senior notes maturing in 2024, the leverage ratio had an established of 3.25 through December 15, 2021 and, after this date of 3.00. In both cases, the leverage ratio could be higher under certain considerations and specifications contemplated and agreed with the counterparty, such as the exclusion of currency fluctuations, the possibility of contracting additional debts, among others.

V.- Fair value estimate

The financial instruments recorded at fair value in the consolidated statement of financial position are classified on the basis of the manner of obtaining its fair value.

Level 1 - fair value derived from prices listed (not adjusted) in active markets for identical liabilities or assets;

Level 2 - fair value derived from indicators different from the listed prices included in Level 1, but that include indicators that are observable directly to listed prices or indirectly, that is to say, derived from these prices, and

Level 3 - fair value derived from valuation techniques that include indicators for assets or liabilities that are not based on observable market information.

As of December 31, 2019 and 2018, the book value of cash and cash equivalents, trade receivables, other accounts receivable, short-term debt, trades payable, accounts and accrued expenses payable approximate their fair value, mainly due to the fact that they are short term and to trade receivables which are shown at the expected cash flows, except long-term debt, whose fair value is presented in Note 17.

During the years ended December 31, 2019 and 2018, there were no transfers between levels 1 and 2.

Note 5 - Critical accounting judgments and estimates:

In the application of the Company's accounting policies, which are described in Note 3, the Company's Management needs to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. Estimates and assumptions are based on historical experience and other factors considered as relevant. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed regularly. Adjustments to the accounting estimates are recognized in the period evaluated and in future periods if the evaluation affects the current period and subsequent periods.

5.1. Critical accounting judgments

Below are the key judgments, apart from those involving estimates, made by Management in the application of the Company's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements.

5.1.1. Revenue recognition, installment sales

Note 3.22 describes the Company's policy for the recognition of installment sales. This implies that the Company's Management applies its judgment to identify the applicable discount rate to determine the present value of installment sales. To determine the discounted cash flows, the Company uses an imputed interest rate, considering the rate that can be determined better from: i) the prevailing rate in the market for a similar instrument available for the Company's customers with a similar credit rating or ii) the interest rate that equals the nominal value of the sale, properly discounted to the cash price of the goods sold.

When making its judgment, Management considers the interest rates used by the leading financial institutions in Mexico to fund programs of installment sales.

5.2. Key uncertainty sources in estimates

Following are the key sources of uncertainty in the estimates made at the date of the consolidated statement of financial position, and that have a significant risk of resulting in an adjustment to the carrying amounts of assets and liabilities during the next financial period:

5.2.1. Impairment provisions for credit portfolio

The methodology used to determine the expected loss for credit risk is a method that reflects its own expectations, in addition, it considers all market information about the credit risk for a particular financial asset or similar instruments, when this reasonable and compatible information were considered available without effort or disproportionate cost. To measure the expected loss over lifetime of the credits, is necessary to incorporate comprehensive credit information, that includes the aging and all the relevant credit information, including prospective macroeconomic information. ("Forward looking", "FL").

These methodologies stipulate that in estimating the expected loss, the probability of default is evaluated, the severity of the loss, the exposure to default, the discount factor and that the result of the multiplication of these four factors is the estimate of the expected loss. Which is equal to the amount of reserves that must be constituted to face the credit risk.

Possible loss scenarios should be considered, taking into account that the expected credit loss is required to be a non-biased weighted probability that is determined by evaluating a range of possible outcomes.

An entity does not need to identify all scenarios, however, it must consider the risk of a credit loss occurring, reflecting the probability that it will occur or not, although the probability is very low.

The Company considers the concept of a significant increase in risk is considered to define which loans will be estimated an expected credit loss for the next 12 months (Stage 1) and to which lifetime (Stage 2 and Stage 3). In the Company, the following criteria were defined:

1. It was decided to take the presumption of a significant increase in risk at 30 days of delay (or more than 4 weeks).

2. In addition, the PDs (probability of default as defined later in this note) of origination adjusted by FL, will be compared with the PDs at the calculation date also adjusted by FL; if the last shows a significant increase in risk with respect to the origination, then a significant increase in risk will be considered.

Following is a summary of the credit classification by stage, showing the term for which the impairment is estimated according to the classification.

Classification	Portfolio aging	Term for which impairment is estimated
Stage 1	From 0 to 29 days past due	12 months after the date of the financial statements or the date on which the impairment is being calculated.
Stage 2	From 30 to 89 days past due	Lifetime
Stage 3	More than 90 days	Lifetime

Currently, the Company has established that an asset is not fulfilled (Stage 3) when it is more than 90 days past due (14 or more weeks past due).

As mentioned, the approach used to measure the impairment is the expected credit loss ("ECL"), which is calculated using the following formula:

$$ECL=PD*LGD*EaD*D$$

PD - Probability of default. - It is the probability that a client does not comply their obligations. It serves as a credit rating measure that is granted to a client to a contract with the objective of estimating his preventive reserve.

LGD - Loss given default. - It is the level of loss once a credit is in default;

EaD - Exposure to default - Measures the current exposure and future exposures of default during the life of the loan;

D - Discount factor. - Effective interest rate.

5.2.2. Estimates of useful lives and residual values of property

As described in Note 3.13, the Company reviews the estimated useful lives and residual values of property, leasehold improvements and furniture and equipment at the end of each annual period. At December 31, 2019 it was determined that useful lives and residual values need not be modified since, in the assessment of Management, the current useful lives and residual values adequately reflect the economic conditions in the Company's operating environment.

5.2.3. Employee benefits

The present value of the benefits to employees that qualify as defined benefit plans according to the standard, are determined on an actuarial basis using a certain number of assumptions. The assumptions used to determine the cost (income), net for pensions include the discount rate. Any change in these assumptions will have an impact on the book value of pension plan obligations.

The Company determines the best discount rate at the end of each year. This is the interest rate that must be used to determine the present value of future estimated cash outflows that are expected to be required to pay off pension plan obligations. When determining the best discount rate, the Company considers the interest rates of government or corporate bonds of high credit quality (in case there is a deep market) that are denominated in the currency in which the benefits will be paid and that have terms of similar maturity or that approach the terms of the respective obligations for pension plans.

5.2.4. Estimation of the discount rate to calculate the present value of future minimum lease payments

The Company estimates the discount rate to use in the determination of the lease liability, based on the incremental borrowing rate ("IBR").

The Company uses a three-tier model, with which it determines the three elements that comprises the discount rate: (i) reference rate, (ii) credit risk component and (iii) adjustment for characteristics of the underlying asset. In this model, management also considers its policies and practices to obtain financing, distinguishing between the one obtained at the corporate level (that is, the holding company), or at the level of each subsidiary. See Note 3.23.

5.2.5. Estimation of the lease term

The Company defines the lease term as the period for which there is a contractual payment commitment, considering the non-cancelable period of the contract, as well as the renewal and early termination options that are probable to be exercised. The Company participates in lease contracts that do not have a defined non-cancellable term, a defined renewal period (in case it contains a renewal clause), or automatic annual renewals, so, to measure the lease liability, it estimates the contracts term considering their contractual rights and limitations, their business plan, as well as management's intentions for the use of the underlying asset. Additionally, the Company considers the clauses of early termination of its contracts and the probability of exercising them, as part of its estimate of the lease term.

Note 6 - Cash and cash equivalents:

Cash and cash equivalents are as follows:

	December 31	
	2019	2018
Petty cash and banks	$ 1,372,825	$ 1,104,166
Investments	2,326,850	436,631
Total	$ 3,699,675	$ 1,540,797

Cash and cash equivalents are managed under a holding to maturity business model to recover the contractual cash flows and are measured at amortized cost.

Note 7 - Restricted cash:

Restricted cash as of December 31, 2019 and 2018 represents limitations of cash in Banco Ahorro FAMSA, S. A. Institución de Banca Múltiple, due to the deposits of monetary regulation constituted with Banxico by $311,785, which accrued interests at an average rate of bank deposits.

Restricted cash balance is classified as non-current asset in the consolidated statement of financial position of the Company based on the expiration date of the restriction.

Note 8 - Accounts receivable - net:

	December 31	
	2019	2018
Clients:		
Mexican consumer	$ 32,243,671	$ 27,954,768
Mexican commercial	3,867,587	5,051,822
USA consumer	2,572,714	2,711,705
	38,683,972	35,718,295
Less – allowance for doubtful accounts	(6,298,437)	(5,989,339)
Net	$ 32,385,535	$ 29,728,956
Current accounts receivable	$ 22,362,886	$ 20,465,098
Non-current accounts receivable	$ 10,022,649	$ 9,263,858

8.1. Movements of the allowance for doubtful accounts:

	December 31	
	2019	2018
Opening balance at January 1	($ 5,989,339)	($ 6,695,375)
Increments	(1,883,900)	(1,067,500)
Applications	1,574,802	1,773,536
Ending balance at December 31	($ 6,298,437)	($ 5,989,339)

8.2. Credit quality and movements of the allowance for doubtful accounts by stages

Below are shown the balances of clients segmented by stages that represent their credit quality, which is evaluated with historical information of the default rates of the counterparts and is analyzed depending on the stage in which they were classified according to the significant increase criteria defined in note 5.2.1. Outstanding balances are presented as required by the calculation of the reserve of accounts receivable

December 31, 2019				
	From 0 to 29 days	From 30 to 89 days	More than 90 days	Total
Credit portfolio	20,626,787	1,429,400	13,627,184	35,683,371
Allowance for doubtful accounts	799,173	137,997	5,361,267	6,298,437

December 31, 2018				
	From 0 to 29 days	From 30 to 89 days	More than 90 days	Total
Credit portfolio	20,623,278	1,691,123	11,809,676	34,124,077
Allowance for doubtful accounts	543,089	302,099	5,144,151	5,989,339

Note 9 - Other accounts receivable:

	December 31	
	2019	2018
Accounts receivable from affiliated companies [1]	$ 1,665,202	$1,138,211
Electronic bank rejections	226,555	233,502
Employee debtors	728,641	218,802
Money transfers and others	87,827	88,007
General cashier operative	52,579	36,601
Foreclosed assets	-	26,814
Charges to recover	23,364	22,474
Accounts receivable by auction	19,916	18,448
ATMs compensation	5,849	17,694
Fraud prevention	15,582	15,027
Remnants at ATMs	9,824	9,824
Promobien MTC origin	31,736	2,025
Metacard reverses	2,432	149
Other debtors	353,126	181,597
Total	$ 3,222,633	$2,009,175

(1) Accounts receivable from affiliated companies as of December 31, 2019 and 2018 are comprised of current balances with the corresponding affiliates.

Note 10 - Inventories, net:

	December 31	
	2019	2018
Finished goods (*)	$ 2,118,619	$ 2,404,546
Clothing, footwear and jewelry	396,245	363,465
Merchandise in transit	3,060	19,230
	2,517,924	2,787,241
Allowance for obsolete inventories	(27,983)	(21,219)
Total	$ 2,489,941	$ 2,766,022

(*) Comprises all types of electronic products, household appliances, furniture, mobile phones, motorcycles and other consumer products.

As of December 31, 2019 and 2018, the Company has no commitments to purchase inventories from its suppliers.

As of December 31, 2019 and 2018, products, clothing, footwear and jewelry, recognized as part of cost of sales, amounted to $7,057,627 and $7,821,555 (see note 22), respectively, which include $83,746 and $114,918, respectively, as damaged merchandise.

Note 11 - Assets classified as held for sale:

	2019	2018
Property (1)	$ 2,482,991	$ -
Less: Impairment provision	-	-
Total	$ 2,482,991	$ -

(1) As of September 13, 2019, the real estate assets securing the rights to collect from related parties were totally transferred to Banco Famsa in lieu of payment to the balance receivable from operations with related parties that the bank had with some Grupo Famsa subsidiaries in the amount of $3,123,000.

At December 31, 2019, real estate was sold for $713,823, recognizing a profit of $241,158 which was recorded in the income statement under the heading of “Other income (expenses)".

Note 12 - Property, leasehold improvements and furniture and equipment:

	Land	Buildings and construction	Furniture and equipment	Leasehold improvements	Transportation equipment	Data processing equipment	Improvements in process	Total
Cost								
Balance as of January 1, 2018	$159,791	$ 425,917	$ 938,197	$ 2,756,905	$239,486	$ 621,269	$ 15,803	$ 5,157,368
Additions	-	-	74,404	40,722	20,079	24,418	4,171	163,794
Capitalization of fixed assets	-	-	-	5,907	-	-	(5,907)	-
Disposals (note 23)	-	-	(142,637)	(8,761)	(29,128)	(35,937)	-	(216,463)
Differences by exchange rate of cost	-	(186)	(123)	(132)	(5)	(20)	-	(466)
Balances as of December 31, 2018	**159,791**	**425,731**	**869,841**	**2,794,641**	**230,432**	**609,730**	**14,067**	**5,104,233**
Additions	114	573	96,487	20,114	12,913	19,126	459	149,786
Disposals (note 23)	(16,146)	(21,051)	(33,122)	(14,057)	(24,848)	(15,488)	-	(124,712)
Differences by exchange rate of cost	-	(12,515)	(8,171)	(8,247)	(380)	(726)	-	(30,039)
Balances as of December 31, 2019	**$143,759**	**$ 392,738**	**$ 925,035**	**$ 2,792,451**	**$218,117**	**$ 612,642**	**$ 14,526**	**$ 5,099,268**

	Land	Buildings and construction	Furniture and equipment	Leasehold improvements	Transportation equipment	Data processing equipment	Improvements in process	Total
Depreciation:								
Balances as of January 1, 2018	$ -	$ 122,551	$ 729,081	$ 2,106,817	$210,342	$ 609,901	$ -	$ 3,778,692
Depreciation expense	-	16,463	44,172	215,660	28,253	11,099	-	315,647
Disposals	-	(3,744)	(35,841)	(15,503)	(24,821)	(29,718)	-	(109,627)
Differences by exchange rate of accumulated depreciation	-	(177)	(219)	(125)	(1)	(8)	-	(530)
Balances as of December 31, 2018	**-**	**135,093**	**737,193**	**2,306,849**	**213,773**	**591,274**	**-**	**3,984,182**
Depreciation expense	-	13,311	40,315	97,549	18,465	14,606	-	184,246
Disposals	-	15,248	(5,091)	(9,345)	(22,716)	(13,262)	-	(35,166)
Differences by exchange rate of accumulated depreciation	-	(335)	(8,110)	(13,736)	(1,248)	(732)	-	(24,161)
Balances as of December 31, 2019	**-**	**163,317**	**764,307**	**2,381,317**	**208,274**	**591,886**	**-**	**4,109,101**
Book value - Net as of December 31, 2019	**$143,759**	**$ 229,421**	**$ 160,728**	**$ 411,134**	**$ 9,843**	**$ 20,756**	**$ 14,526**	**$ 990,167**
Book value - Net as of December 31, 2018	**$159,791**	**$ 290,638**	**$ 132,648**	**$ 487,792**	**$ 16,659**	**$ 18,456**	**$ 14,067**	**$ 1,120,051**

The depreciation expense is recognized in the consolidated statement of income within operating expenses which amount $184,246 and $315,647 for the years ended December 31, 2019 and 2018, respectively.

During the years ended December 31, 2019 and 2018, the Company's Management concluded that there were no indications of impairment for its long-term fixed assets

Note 13 - Leases:

Right-of-use assets

The Company leases a different set of fixed assets including, buildings and transportation equipment. The average term of the lease contracts is 5.2 years

The right-of-use recognized in the consolidated statement of financial position as of December 31, 2019, is integrated as follows:

	Buildings	Transportation equipment	Total
Effect of adoption	$ 5,862,565	$ 39,413	$ 5,901,978
Additions	1,533,101	16,658	1,549,759
Disposals	(294,577)	(4,495)	(299,072)
Final balance as of December 31, 2019	$ 7,101,089	$ 51,576	$ 7,152,665
Cost:			
Depreciation expense	(697,966)	(13,779)	(711,745)
Right-of-use, net as of December 31, 2019	$ 6,403,123	$ 37,797	$ 6,440,920

Amounts recognized in the consolidated financial statement of income as of December 31, 2019:

Expenses for low value assets	$ 81,517
Expenses for short-term leases	$ 115,869

Additions to the net book value of the right-of-use asset for leases as of December 31, 2019 amounted to $1,549,759

The Company has not signed lease contracts that at the date of the consolidated financial statements have not started.

Lease liability

	December 31 2019
Current liability	$ 522,340
Non-current liability	$ 6,199,367

As of December 31, 2019, changes in the lease liability related to the finance activities in accordance with the consolidated statement of cash flows are integrated as follows:

	December 31 2019
Beginning balance	$ 5,901,978
Additions (new contracts)	1,548,655
Write-offs	(297,968)
Interest expense of lease payments	519,510
Lease payments	(950,468)
Final balance	$ 6,721,707

The total of future fixed payments of leases that include un-accrued interest is analyzed as follows:

	December 31 2019
Less than 1 year	$ 522,340
Over 1 year and less than 5 years	2,156,920
Over 5 years	4,042,447
Total	$ 6,721,707

Note 14 - Goodwill and intangible assets:

	Goodwill	Software and Licenses	Total
Cost			
Closing balance as of December 31, 2017	$ 243,174	$ 782,442	$ 1,025,616
Investments	-	76,608	76,608
Closing balance as of December 31, 2018	243,174	859,050	1,102,224
Investments		145,483	145,483
Closing balance as of December 31, 2019	$ 243,174	$ 1,004,533	$ 1,247,707
Amortization			
Closing balance as of December 31, 2017	$ -	$ 552,388	$ 552,388
Amortization	-	90,733	90,733
Closing balance as of December 31, 2018	-	643,121	643,121
Amortization		100,348	100,348
Closing balance as of December 31, 2019	$ -	$ 743,469	$ 743,469
Book value net			
As of December 31, 2019	$ 243,174	$ 261,064	$ 504,238
As of December 31, 2018	$ 243,174	$ 215,929	$ 459,103

The goodwill arising in business combinations was allocated at the date of acquisition in its entirety to the cash generating unit (CGU) of FAMSA Mexico segment. This segment is benefited from the synergies of business combinations.

The key assumptions used in calculating the use value are as follows:

	Grupo Famsa
Volume of sales and interest (% annual growth)	6.5%
Gross margin (% of income)	45.0%
Long-term growth rate	3.5%
Discount rate before taxes	9.9%

- The volume of sales and interest were projected based on past experience, actual operating results and the five-year business plan by the Company's Management.

- The gross margin is the average margin as the percentage of sales and interest during the forecast period of five years. It is based on the margins of the current sales levels and the sales mix, with the adjustments made to reflect the increases in expected future prices. The Administration determined the gross margin budgeted based on the past results and their expectations of market development.

- It is estimated that the long-term growth rate is in line with domestic inflation.

- The discount rate was calculated based on the weighted average cost of capital.

The values assigned to the key assumptions represents Management's assessment of future trends in the business and are based on both, external and internal sources.

If the discount rate used is increased by one percent (8.9% + 1.00%), the value obtained as a cash flow is sufficient to cover the assets analyzed.

In connection with the determination of the value in use of the operating segments, the Company considers that a reasonably possible change in the key assumptions used would not cause the carrying value of the operating segment to exceed its value in use.

As result of annual impairment testing, the Company did not recognize an impairment in the years ended December 31, 2019 and 2018.

Note 15 - Other assets:

	December 31	
	2019	2018
Advanced payments	$ 52,647	$ 103,141
Cost of obtaining contracts with customers [(a)]	1,093,199	1,425,665
Total	$1,145,846	$1,528,806

(a) Correspond to disbursements made by the Company that recognizes as an asset and that are related to incremental costs of obtaining a contract with a client, mainly, commissions paid to sellers. These assets are recognized if and only if, the Company expects to recover these costs. The incremental costs of obtaining a contract are the costs incurred by an entity to obtain a contract that it would not have incurred if the contract had not been obtained.

The Company recognizes these costs as an expense within the consolidated statement of income within the line of operating expenses when the income associated with that cost is carried out in a period of twelve months or less (practical file).

An asset recognized in accordance with the indicated previously, is amortized at the effective rate consistent with the transfer to the customer of the goods or services to the client, in such a way that the asset is recognized in the consolidated statement of income through their amortization in the same period of time in which the respective income is booked.

As of December 31, 2019 and 2018 the transactions per year of the incremental costs of obtaining a contract, are as follows:

	December 31	
	2019	2018
Balances at beginning of the year	$1,425,665	$ 907,889
Origination costs capitalized	827,454	1,550,558
Amortization	(1,159,920)	(1,032,782)
Balances at the end of the year	$1,093,199	$1,425,665

Note 16 - Demand and time deposits:

As of December 31, the Company's deposits with third parties were comprised as follows:

	2019	2018
Demand deposits:		
Savings deposits (interest bearing)	$ 4,726,006	$ 4,994,013
Checking accounts (non-interest bearing)	2,869,146	1,585,026
Global capacitation account	26,000	25,000
Time-deposits:		
From the general public	25,973,901	23,593,210
Money market	588,715	492,049
Total demand deposits and time-deposits	$34,183,768	$ 30,689,298

According to the terms negotiated, the fund raising is presented as follows at December 31:

	2019	2018
Short-term deposits	$32,679,320	$ 29,045,634
Long-term deposits	1,504,448	1,643,664
Total short and long term deposits	$34,183,768	$ 30,689,298

Depending on the type of instrument and average balance in the investments, these liabilities bear interest at the variable average rates indicated below:

	December 31	
	2019	2018
Demand deposits	1.76%	4.83%
Time-deposits	9.21%	8.39%

The funding rate used by the Bank as a reference for national currency is the banking rate published by Banxico.

Time deposits consist mainly of Invercedes, which are certificates of deposit related to a checking and promissory note. The terms of these deposits are analyzed below as of December 31, 2019 and 2018:

	2019			2018		
Term	**Invercedes**	**Promissory notes**	**Total**	**Invercedes**	**Promissory notes**	**Total**
From 1 to 179 days	$ 4,224,050	$ 3,413,951	$ 7,638,001	$ 3,480,245	$ 4,055,243	$ 7,535,488
From 6 to 12 months	16,775,221	56,231	16,831,452	14,380,025	34,033	14,414,058
From 1 to 2 years	1,504,448		1,504,448	1,643,664	-	1,643,664
	$22,503,719	$ 3,470,182	$ 25,973,901	$19,503,934	$ 4,089,276	$23,593,210

Nota 17 - Short-term and long-term debt:

Total consolidated debt at December 31, 2019 and 2018 is comprised as follows:

	2019	2018	Interest rate (*)	
Local currency:				
Financial factoring lines: [1]				
Financiera Bajío, S. A. SOFOM, ER	$ 199,954	$ 199,838	11.78%	(b)
Banco Multiva, S. A.	-	99,546	12.39%	(b)
	$ 199,954	$ 299,384		
Credit lines contracted in short-term:				
BBVA Bancomer, S. A.	$ 72,000	$ 72,000	11.40%	(a), (c)
Banco Multiva, S. A.	91,392	91,392	9.80%	(b), (c)
Banco del Bajío, S. A.	9,850	39,150	11.77%	(b), (c)
Intercam Banco, S.A.	150,000	150,000	9.78%	(b)
Banco Nacional de Comercio Exterior, S.N.C. (Bancomext) [2]	232,282	179,608	11.62%	(b)
	$ 555,524	$ 532,150		
Credit lines contracted in long-term:				
BBVA Bancomer, S. A.	$ 30,000	$ 102,000	11.40%	(a), (c)
Banco Multiva, S. A.	313,824	405,216	9.80%	(b), (c)
Banco Multiva, S. A.[3]	500,000	-	10.96%	(b), (c)
Banco del Bajío, S. A.	-	9,851	11.77%	(b), (c)
Banco Nacional de Comercio Exterior, S.N.C. (Bancomext) [2]	3,087,997	3,313,612	11.62%	(b),(c)
	$ 3,931,821	$ 3,830,679		
Total credit lines	$ 4,487,345	$ 4,362,829		

	2019	2018	Interest rate (*)	
Unsecured credit lines short-term:				
Antali Corporation, S.A. [4]	$ 30,000	-	14.78%	(b)
Finpo, S.A. [4]	30,000	-	14.78%	(b)
	$ 60,000	-		
Issuance of debt certificates in the national market:				
Short-term [5]	$ 703,620	$ 1,107,587	10.57%	(b)
Issuance of privately subordinated capital obligations (Banco Famsa):				
Long-term [6]	$ 532,580	$ -	12.81%	(b)
US Dollars (expressed in currency report):				
Credit lines in United Estates (Famsa Inc.):				
Harvest Commercial Capital, LLC. (long-term)	$ 66,108	$ 73,403	3.33%	(a), (d)
Texas Capital Bank, N.A. (short-term)	245,235		5.74%	(b)
Texas Capital Bank, N.A. (long-term)		176,861	5.74%	(b)
	$ 311,343	$ 250,264		
Issuance of stock market debt abroad.- short-term:				
Senior notes GFAMSA2020 [2] [7]	$ 1,107,838	$ -	7.25%	(a), (c)
Issuance of stock market debt abroad.- long-term:				
Senior notes GFAMSA2020 [2] [7]		$ 2,737,195	7.25%	(a), (c)
Senior notes GFAMSA2024 [7]	$ 1,478,050		9.75%	(a), (c)
	$ 1,478,050	$ 2,737,195		
Total consolidated debt	**$ 8,880,730**	**$ 8,757,259**		
Short-term debt	**$ 2,872,171**	**$ 1,939,121**		
Long-term debt	**$ 6,008,559**	**$ 6,818,138**		

(*) Nominal rates (a) fixed and (b) variable, effective as of December 31, 2019. Interest is accrued and paid monthly. The Senior Notes GFAMSA 2020 accrue interest on a monthly basis and its payment is semi-

annual (May and November of each year). The Senior Notes GFAMSA 2024 accrue interest on a monthly basis and its payment is semi-annual (June and December of each year). The Bancomext bank loan, whose interest is accrued quarterly and its payment is semiannual. Debts that have guarantors (c) and debts that have mortgage guarantees (d).

Short-term factoring lines:

(1) In June 2019, the Company renewed a factoring line for $200,000 with Financiera Bajío, S.A. SOFOM, ER. At an interest rate of TIIE +4.0. The interest is calculated applying the discounted amount, the rates that the financial institutions apply for this type of operations, according to the discount period. These liabilities are settled in an average annual period of 117 days.

Long-term bank credit lines:

(2) On July 25, 2017 Grupo Famsa contracted a simple line of credit with Banco Nacional de Comercio Exterior, S.N.C. for $2,634,270. This loan accrues interest at an annual variable rate of TIIE + 300 pbs. and its maturity is 10 years.

The resources obtained were used to replace bank liabilities contracted with Arrendadora and Factor Banorte, S.A. of C.V. SOFOM, ER, Banco Actinver, S.A. and Banco Inmobiliario Mexicano, S.A. for a total amount of $562,398.

In addition, the resources were used for the early amortization of the 2020 Bond on September 8, 2017 under the terms established in section 5.1 of Article 5 of the contract and in section 5 of the Bonds at a redemption price of 103.625%. The total payment of the abovementioned amortization was of $ 2,071,872, equivalent to U.S. 116,136 thousand whose amount included U.S. 3,987 thousand redemption prize; U.S. 2,149 thousand accrued interest and U.S. 110,000 thousand principal.

The amount of the principal will be paid in 20 increasing amortizations, semiannual and consecutive, beginning 6 months after the disposal date, which occurred on July 28, 2017. The subsidiaries Impulsora Promobien, S.A. de C.V., Auto Gran Crédito Famsa, S.A. de C.V., Geografía Patrimonial, S.A. de C.V., Famsa México, S.A. de C.V., Corporación de Servicios Ejecutivos, S.A. de C.V., Corporación de Servicios para la Administración de Valores, S.A. de C.V. and Garval Servicios de Asesoría Empresarial, S.A. de C.V. they give support to Grupo Famsa, acting as forced solidarity entities. Appear as guarantors the subsidiaries Expormuebles, S.A. de C.V., Mayoramsa, S.A. de C.V., Verochi, S.A. de C.V., Promotora Sultana S.A. de C.V., Suministro Especial de Personal, S.A. de C.V. and Corporación de Servicios Ejecutivos Famsa, S.A. de C.V.

As a result of the contracting of this debt, the Company capitalized the acquisition costs for an amount of $28,893. These costs are presented net of the corresponding debt to comply with current IFRS. As of December 31, 2019, there is an amount of $21,963 pending amortization.

On June 20, 2018 Grupo Famsa contracted a second simple line of credit with Banco Nacional de Comercio Exterior, S.N.C. for $1,000,000. This loan accrues interest at an annual variable rate of TIIE + 300 pbs. and its maturity is 7 years. The resources obtained were used to replace bank liabilities for a total amount of $700,000 and $300,000 to working capital accounts.

The amount of the principal will be paid in 14 increasing amortizations, semiannual and consecutive, beginning 6 months after the disposal date, which occurred on June 25, 2018.

The subsidiaries Impulsora Promobien, S.A. de C.V., Auto Gran Crédito Famsa, S.A. de C.V., Geografía Patrimonial, S.A. de C.V., Famsa México, S.A. de C.V., Corporación de Servicios Ejecutivos, S.A. de C.V., Corporación de Servicios para la Administración de Valores, S.A. de C.V., Garval Servicios de Asesoría Empresarial, S.A. de C.V., Expormuebles, S.A. de C.V., Mayoramsa, S.A. de C.V., Verochi, S.A. de C.V., Promotora Sultana S.A. de C.V., Suministro Especial de Personal, S.A. de C.V. and Corporación de Servicios Ejecutivos Famsa, S.A. de C.V. they give support to Grupo Famsa, acting as forced solidarity entities.

As a result of the contracting of this debt, the Company capitalized the acquisition costs for an amount of $10,487. These costs are presented net of the corresponding debt to comply with current IFRS. As of December 31, 2019, there is an amount of $8,240 pending amortization.

(3) As of April 2, 2019, a line of credit was contracted with Multiva, S.A. by the amount of $500,000. Accruing interest at a variable rate of TIIE + 300 pbs. and its maturity is 7 years. The resources obtained have been used for the payment of the debt certificates and bank credit lines.

Unsecured credit lines short-term:

(4) On November 29, 2019, a line of credit was contracted between Mayoramsa S.A. de C.V., a subsidiary of Grupo Famsa, and Finpo S.A. de C.V. SOFOM, E.N.R. by the amount of $30,000. This loan is revolving, accruing interest at an annual variable rate of TIIE + 700 bps. and its maturity is in 3 years. The resources obtained were used to finance the loan portfolio of Mayoramsa.

On November 29, 2019, a line of credit was contracted between Mayoramsa S.A. de C.V., a subsidiary of Grupo Famsa, and Antali Corporation S.A.P.I. de C.V. SOFOM, E.N.R. by the amount of $30,000. This loan is revolving, accruing interest at an annual variable rate of TIIE + 700 bps. and its maturity is in 3 years. The resources obtained were used to finance the loan portfolio of Mayoramsa.

Issuance of debt certificates in the national market:

(5) During 2019, Grupo Famsa issued $3,890,178 in debt certificates, which were used, mainly, for the renewal of stock market maturities. Likewise, Grupo Famsa amortized $4,294,145 in stock certificates during the year.

Issuance of privately subordinated capital obligations (Banco Famsa):

(6) In accordance to the official letter identified as “OFI003-2569” dated February 11, 2019, Banxico authorized to Banco Famsa to issue privately subordinated capital obligations, non-preferential and not susceptible of becoming shares of Banco Famsa, until the amount of $2,000,000 equivalents to 20,000,000 of obligations subordinated with a nominal value of $100 pesos each obligation, at a rate (TIIE) plus five points and maturity of 10 years.

The resources obtained from the issue shares will be used to strengthen Banco Famsa’s capital and to support commercial loans, mainly for the PyMEs segment. As of February 25, 2019, Banco Famsa issued subordinated non-preferential and non-convertible subordinated debt securities in the amount of $532,580, which are represented by 5,325,800 securities.

Issuance of stock market debt abroad:

(7) On May 31, 2013, Grupo Famsa issued ("Senior notes") for U.S. 250,000 thousand, under rule 144A / Reg. S in the foreign market at a rate of 7.25%, expiring on May 31, 2020. On September 8, 2017, the Company amortized U.S. 110,000 thousand.

As of October 25, 2019, Grupo Famsa announced that it is offering to exchange newly issued 9.75% Senior Secured notes due 2024 for any and all of its outstanding 7.250% Senior notes due 2020. The Company also conducting a solicitation of consents of the holders of Senior notes 2020 to certain proposed amendments to the indenture governing the Senior notes, same they propose to eliminate substantially all of the restrictive covenants and certain events of default. As of December 17, 2019, the Company announced the settlement of its offer to exchange and the related solicitation of consents were approved, exchanging a total of US 80,922 thousand. It was also approved that for every US 1 thousand principal amount of Senior notes 2020 tendered and accepted in the exchange offer, holders received US 1 thousand principal amount of Senior notes 2024 and US 12.50 dollars in cash.

The actual balance of Senior notes 2020 is U.S. 59,078 thousand.

The bonds are guaranteed by the retail and transforming trading companies and others, which are Impulsora Promobien, S.A, de C.V., Famsa Inc., Famsa Financial, Inc., Auto Gran Crédito Famsa, S.A. de C.V., Expormuebles, S.A. de C.V., Mayoramsa, S.A. de C.V., Verochi, S.A. de C.V., Geografía Patrimonial, S.A. de C.V. and Famsa México, S.A. de C.V. Due to the acceptance of the modifications made to the issuance certificate, the Senior notes 2020 received the withdrawal of ratings by Fitch Ratings and Standard and Poors on December 18, 2019 and December 23, 2019, respectively.

As a result of the contracting of this debt, the Company capitalized the acquisition costs for an amount of $86,392. These costs are presented net of the corresponding debt to comply with current IFRS. As of December 31, 2019, there is an amount of $1,219 pending amortization.

As of December 17, 2019, Grupo Famsa issued Senior notes that were exchanged, in the amount of US 80,922 thousand, expiring on December 15, 2024. The bonds will earn interest at a yearly fixed rate of 9.75% and they will pay interest on June 15 and December 15 of each year. Additionally, the new Senior notes are guaranteed (i) the shares of Grupo Famsa's U.S. subsidiaries, (ii) the intercompany debt of Grupo Famsa's subsidiaries and (iii) the pledges on the shares and the intercompany debt of the U.S. subsidiaries of Grupo Famsa.

The new bonds are guaranteed by the retail and transforming trading companies and others, which are Famsa México, S.A. de C.V., Impulsora Promobien, S.A. de C.V., Auto Gran Crédito Famsa, S.A. de C.V., Corporación de Servicios para la Administración de Valores, S.A. de C.V., Mayoramsa, S.A. de C.V., Verochi, S.A. de C.V., Corporación de Servicios Ejecutivos Famsa, S.A. de C.V., Corporación de Servicios Ejecutivos, S.A. de C.V., Promotora Sultana, S.A. de C.V., Suministro Especial de Personal, S.A. de C.V., Garval Servicios de Asesoría Empresarial, S.A. de C.V., Expormuebles, S.A. de C.V., Geografía Patrimonial, S.A. de C.V., Famsa, Inc., Famsa Financial, Inc. And Huntington Park Real Estate, LLC.. The bonds on December 23, 2019 received a rating of " CCC-/RR3" by Standard & Poors and on December 18, 2019 of " CCC-/RR4" by Fitch Ratings and may not be offered or sold in the US.

As a result of the contracting of this debt, the Company capitalized the acquisition costs for an amount of $48,635. These costs are presented net of the corresponding debt to comply with current IFRS. As of December 31, 2019, there is an amount of $48,298 pending amortization

The cash flows reconciliation from current and non-current debt proceeding from financing activities are as follows:

	2019	2018
Balances at January 1	$ 8,757,259	$ 9,025,937
Cash flows for financing activities		
Proceeds from current and non-current debt	2,680,258	4,760,845
Payments of current and non-current debt	(2,465,214)	(5,031,881)
Net cash flow from financing activities	8,972,303	8,754,901
Effects in exchanges rates	(69,610)	(5,864)
Debt related costs:		
Costs capitalized	(28,893)	(10,488)
Costs amortized	6,930	18,710
Balances at December 31	$ 8,880,730	$ 8,757,259

Fair value of the consolidated debt

As of December 31, 2019 and 2018, the fair value of the short-term debts incurred approximates their book value due to their short maturity.

The fair values of the main long-term bank debts comprised by the different bank credit lines contracted as of December 31, 2019 are shown below:

Counterpart	Outstanding balance as of December 31, 2019	Fair value as of December 31, 2019	Hierarchy of fair values
Senior notes GFAMSA 2024	1,478,050	1,515,720	1
Banco Nacional de Comercio Exterior, S.N.C. (Bancomext)	3,320,279	3,010,467	2
Banco Multiva, S.A.	405,216	380,138	2
Banco Multiva, S.A.	500,000	437,953	2
BBVA Bancomer	102,000	100,929	2
Harvest Commercial Capital, LLC	66,108	56,935	2

Maturities of the consolidated long-term debt:

The maturities of the long-term debt are detailed as follows:

2021	$ 422,154
2022	700,133
2023	511,784
2024 onward	4,374,489
	$ 6,008,560

The current credits establish certain obligations to do and not to do, among which the establishment of limits for the leverage index, limitation for contracting additional debt except the permitted one, cannot be merged, liquidated or dissolved the assets, make changes in its accounting policies or reporting practices, except as required in the applicable IFRS and submit quarterly reports, as well as certificates of compliance signed by an authorized officer of the Company.

Note 18 - Accounts payable and accrued expenses:

Accounts payable and accrued expenses comprised the following:

	December 31	
	2019	2018
Liabilities for operative expenses [1]	$1,022,720	$ 276,964
Payroll taxes	119,560	187,002
IT and VAT withholdings	210,066	179,836
Interest payable	169,426	151,140
Customer advances.- installments [2]	56,929	63,499
Wages [3]	50,682	79,866
Deferred rents	37,541	55,205
Fundraising.- AGCF savers [4]	42,469	63,741
VAT, net	-	15,837
Other creditors	15,354	28,457
Total accounts payable and accrued expenses	$1,724,747	$ 1,101,547

(1) Liabilities for water, electricity, telephone, fuel, maintenance and other expenses.
(2) Corresponds to the advances that customers provide for the purchase of furniture. Once the required advance payment is reached, the corresponding sale is made by canceling this advance payment from customers recognizing the corresponding income, as well as the account receivable for the remaining monthly payments.
(3) Includes liabilities for salaries, commissions to sales personnel, savings fund, medical expenses and others.
(4) Includes contributions from self-financing customers, vehicle insurance and others.

Note 19 - Related parties:

As of December 31, 2019 and 2018 the Company had accounts receivables from affiliates for $1,655,202 and $1,138,211 (See note 9), respectively.

	December 31	
	2019	2018
Leasing	$ 84,180	$ 107,906
Current account interest income	260,533	63,963

For the year ended December 31, 2019, the remunerations and benefits received by the Company's main officers amounted to $121,715 ($143,630 in 2018), an amount made up of basic salary and benefits of law and supplemented by a variable compensation program that it is basically governed based on the results of the Company.

Note 20 - Employee benefits:

The amount of employee benefits obligations as of December 31, 2019 and 2018 is shown below:

	2019	2018
Pension plan	$ 74,888	$ 67,074
Seniority premium	86,760	63,862
Other employee benefits	74,262	69,393
	$ 235,910	$ 200,329

The net period cost for the years ended December 31, is shown below:

	2019	2018
Pension plan	$ 8,394	$ 18,839
Seniority premium	17,818	13,619
Other employee benefits	11,330	10,282
	$ 37,542	$ 42,740

Pension plan

The amounts recognized in the consolidated statements of financial position is comprised as follows:

	December 31	
	2019	2018
Defined benefit obligations and total liabilities in the consolidated statement of financial position	$ 74,888	$ 67,074

The movement in the defined benefit obligation is as follows:

	2019	2018
Opening balance at January 1	$ 67,074	$ 47,327
Laboral cost	3,133	15,490
Finance cost - net	5,261	3,349
Actuarial (gains) losses	(6,554)	1,401
Others	5,974	(493)
Ending balance at December 31	$ 74,888	$ 67,074

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	December 31	
	2019	2018
Discount rate	9.00%	9.75%
Salary increase rate	4.00%	4.00%

The net period cost is comprised as follows:

	2019	2018
Service cost of the year	$ 3,133	$ 15,490
Finance cost - net	5,261	3,349
Net period cost	$ 8,394	$ 18,839

In the event of a hypothetical increase or decrease in the discount rate of 0.50% from that estimated by Management, the carrying amount of labor obligations would increase by $1.17 and decrease by $1.12, respectively.

Seniority Premium

The amounts recognized in the consolidated statements of financial position is comprised as follows:

	December 31	
	2019	2018
Defined benefit obligations and total liabilities in the consolidated statement of financial position	$ 86,760	$ 63,862

The movement in the defined benefit obligation was as follows:

	2019	2018
Opening balance at January 1	$ 63,862	$ 63,718
Labor cost	10,987	9,319
Finance cost - net	6,831	4,300
Actuarial gains	(4,561)	(7,696)
Others and benefits paid, net	9,641	(5,779)
Ending balance at December 31	$ 86,760	$ 63,862

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	December 31	
	2019	2018
Discount rate	9.00%	9.75%
Salary increase rate	4.00%	4.00%

The net period cost is comprised as follows:

	2019	2018
Service cost of the year	$ 10,987	$ 9,319
Finance cost - net	6,831	4,300
Net period cost	$ 17,818	$ 13,619

In the event of a hypothetical increase or decrease in the discount rate of 0.50% from that estimated by Management, the carrying amount of labor obligations would increase by $2.47 and decrease by $2.32, respectively.

Other employee benefits

The amount recognized as liability in the consolidated statements of financial position is comprised as follows:

	December 31	
	2019	2018
Defined benefit obligations and total liabilities in the statement of financial position	$ 74,262	$ 69,393

The movement in the defined benefit obligation was as follows:

	2019	2018
At January 1	$ 69,393	$ 65,409
Labor cost	5,327	5,404
Finance cost - net	6,003	4,878
Actuarial gain	(7,822)	(12,576)
Others	2,661	7,247
Benefits paid	(1,300)	(969)
Ending balance at December 31	$ 74,262	$ 69,393

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	December 31	
	2019	2018
Discount rate	9.00%	9.75%
Salary increase rate	4.00%	4.00%

The net period cost is analyzed as follows:

	2019	2018
Service cost of the year	$ 5,327	$ 5,404
Finance cost - net	6,003	4,878
Net period cost	$ 11,330	$ 10,282

In the event of a hypothetical increase or decrease in the discount rate of 0.50% from that estimated by Management, the carrying amount of labor obligations would increase by $3.68 and decrease by $3.42, respectively.

Note 21 - Stockholders' equity:

In the Ordinary General Annual Meeting held on April 25, 2019, the stockholders agreed that the fund created for the purchase and sale of the Company's own shares will be up to a maximum amount of $300 million. As of December 31, 2019, the Company had 10,030,015 shares (8,567,387 shares in 2018) held in treasury and the market value per share at that date was $4.46 Mexican pesos ($9.30 in 2018).

During 2019, 1,462,628 ordinary shares of Series "A" were repurchased in the amount of $10,177.

During 2018, 6,892,413 ordinary shares of Series "A" were repurchased in the amount of $78,970 and the sale of 5,117,994 common shares of series "A" for a value of $58,172.

As of December 31, 2019 the capital stock is comprised as follows:

Description	Number of shares	Amount
Fixed capital (minimum): Series "A", Class "I", common nominative shares, without par value	330,097,385	$ 660,195
Variable capital: Series "A", Class "II", common nominative shares, without par value	229,755,376	459,510
Accumulated inflation increase as of December 31, 1997	-	579,909
Paid capital stock	559,852,761	$1,699,614

The number of shares expressed in the previous table is in unit values.

Stockholder contributions restated as provided for by the tax law, aggregating $10,783,333, may be refunded to stockholders tax-free, to the extent that such contributions equal or exceed stockholders' equity.

The Company will not be able to distribute dividends until the deficit are repaid.

Nature and purpose of the reserves

i. Legal reserve and reinvestment reserve

The net income of the year is subject to the legal requirement that at least 5% of the income for each period is intended to increase the legal reserve until it is equal to one fifth of the amount of the capital stock balance. The reinvestment reserve is intended to be reinvested in the Company under shareholders' agreements; 10% of the profit for the year is allocated to this reserve.

ii. Reserve for repurchase of shares

The Shareholders' Meeting establishes a maximum amount for the acquisition of own shares. When a purchase occurs, they are converted into treasury shares and their amount is charged to stockholders' equity at their purchase price: a portion of the capital stock at its modified historical value, and the excess, at the stock repurchase reserve. These amounts are expressed at their historical value.

Note 22 - Costs and expenses by nature:

The cost of sales as of December 31, 2019 and 2018, is integrated as shown below:

	December 31	
	2019	2018
Cost of goods sold	$ 7,057,627	$7,821,555
Allowance for doubtful accounts	1,883,900	1,067,500
Interests charges for bank deposits	2,455,759	1,906,945
Freight	63,285	70,622
Total cost of sales	$11,460,571	$10,866,622

Operating expenses as of December 31, 2019 and 2018, are integrated as shown below:

	December 31	
	2019	2018
Salaries and employee benefits	$ 3,614,568	$3,405,436
Leasing (note 13)	193,386	1,140,843
Fees to companies and individuals	1,273,924	586,571
Depreciation and amortization	284,594	406,380
Rights-for-use assets depreciation	716,569	-
Advertising	415,905	588,956
Maintenance	279,581	285,458
Electricity, water and telephone services	251,974	253,152
Fuels and lubricants	112,471	119,766
Lease of machinery and equipment	80,650	92,052
Others	967,236	1,125,599
	$ 8,190,858	$ 8,004,213

The salaries and employee benefits are comprised as follows:

	December 31	
	2019	2018
Salaries and bonus	$ 2,914,278	$ 2,545,874
Payroll contributions	456,919	585,491
Food allowances vouchers	104,497	111,738
Payroll tax	66,903	83,461
Employee benefits	71,971	78,872
	$ 3,614,568	$ 3,405,436

Note 23 - Other income, net:

	December 31	
Other income:	2019	2018
Gain on sale of fixed assets [1]	$ 272,521	$ 19,062
Gain on sale of assets held for sale	241,158	
Administrative services	5,768	8,437
Trade receivables recovered	2,825	585
Others	192,808	133,850
Total other income	715,080	161,934
Other expenses:		
Current ESPS	(4,126)	(5,731)
Others	(19,960)	(12,018)
Total other expenses	(24,086)	(17,749)
Other income, net	$ 690,994	$ 144,185

(1) During 2019 and 2018, the Company entered into three purchase and sale agreements with third parties for the sale of real estate. These transactions resulted in a gain on sale of fixed assets for an accumulated amount of $272,521 and $19,062, respectively.

Note 24 - Financial expenses and income:

Financial expenses and income are comprised as follows:

	December 31	
Financial expenses:	2019	2018
Interest expense on bank loans	($ 964,531)	($ 796,491)
Interest expense on debt certificates	(381,261)	(392,630)
Interest on lease liability	(537,356)	-
Factoring	(37,750)	(41,820)
Other financing expenses	(1,319)	(483)
Foreign exchange loss, net	-	(19,912)
	($1,922,217)	($1,251,336)

Financial income:

Financial income	$ 120,669	$ 68,097
Accrued interest of rights to collect from related parties	140,732	300,941
Foreign exchange gain, net	106,158	-
	$ 367,559	$ 369,038

Note 25 - Income tax expense:

The Income Tax Law that entered into validity on January 1, 2014 establishes that the applicable IT rate for 2014 and subsequent years is 30% of taxable income in Mexico. Derived from the tax reform in the United States of America, the rate was modified from 35% in 2017 to 21% as of 2018.

Grupo Famsa and each of its subsidiaries determine and individually pay their taxes. The tax result differs from the accounting result due to the temporary differences arising from the comparison of the accounting balances and the fiscal values of each of the assets and liabilities accounts of the consolidated statement of financial position, as well as those items that only affect the accounting or tax result.

Income taxes is comprised as follows:

	December 31	
	2019	2018
Current income tax	($152,151)	($ 75,158)
Deferred income tax	622,382	(613,722)
	$ 470,231	($ 688,880)

The deferred income tax asset is comprised as follows:

	December 31	
Deferred income tax assets:	2019	2018
Tax loss carryforwards	$ 2,168,097	$ 1,781,396
Allowance for doubtful accounts	1,829,065	1,796,801
Account receivable deferred for tax purposes	1,139,086	1,386,523
Property, leasehold improvements, furniture, equipment and rights-of-use assets	685,271	247,027
Employee benefits	92,029	48,080
Other accruals	27,953	27,150
Other liabilities	52,623	19,257
	5,994,124	5,306,234
Deferred income tax liabilities:		
Revenue - other income to be accumulated	48,211	39,943
Prepayments and cost of obtaining contracts	841,642	780,294
Others liabilities	66,895	53,820
	956,748	874,057
Total deferred income tax assets, net	$ 5,037,376	$ 4,432,177

The Company has tax forecasts which support the future taxable profit against current tax losses will be applied and also the tax losses which would arise from the reversal of deductible temporary differences.

The movement in deferred income tax assets and liabilities, from December 31, 2018 to December 31, 2019 is shown below:

Deferred asset tax:	January 1 2019	Capital movements	Income statement movements	December 31 2019
Tax loss carryforwards	$ 1,781,396	$ -	$ 386,701	$ 2,168,097
Allowance for doubtful accounts	1,796,801	-	32,264	1,829,065
Accounts receivable deferred for tax purposes	1,386,523	-	(247,437)	1,139,086
Property, leasehold improvements, furniture and equipment, net	247,027	-	16,374	263,401
Lieu of payment	-	-	346,098	346,098
Lease	-	-	75,772	75,772
Employee benefits	48,080	-	43,949	92,029
Other provisions	27,150	-	803	27,953
Other assets	19,257	-	33,366	52,623
Translation effect	-	(17,183)	17,183	-
	$ 5,306,234	($17,183)	$ 705,073	$ 5,994,124

Deferred liability tax:	January 1 2019	Capital movements	Income statement movement	December 31 2019
Revenue to be accumulated	$ 39,943	$ -	$ 8,268	$ 48,211
Advanced payments and origination costs	780,294	-	61,348	841,642
Other liabilities	53,820	-	13,075	66,895
	$ 874,057	$ -	$ 82,691	$ 956,748
Total deferred asset tax, net	$ 4,432,177	($17,183)	$ 622,382	$ 5,037,376

Deferred asset tax:	January 1 2018	Capital movements	Income statement movements	December 31 2018
Tax loss carryforwards	$ 1,982,132	$ -	($ 200,736)	$ 1,781,396
Allowance for doubtful accounts	1,910,217	-	(113,416)	1,796,801
Accounts receivable deferred for tax purposes	1,387,113	-	(590)	1,386,523
Property, leasehold improvements, furniture and equipment, net	211,535	-	35,492	247,027
Employee benefits	38,947	-	9,133	48,080
Other provisions	27,158	-	(8)	27,150
Other assets	43,269	-	(24,012)	19,257
	$ 5,600,371	$ -	($ 294,137)	$ 5,306,234
Deferred liability tax:				
Revenue to be accumulated	$ 26,060	$ -	$ 13,883	$ 39,943
Advanced payments and origination costs	502,975	-	277,319	780,294
Other liabilities	25,437	-	28,383	53,820
	$ 554,472	$ -	$ 319,585	$ 874,057
Total deferred asset tax, net	$ 5,045,899	$ -	($ 613,722)	$ 4,432,177

The reconciliation of the legal rate of income tax and the effective rate expressed as a percentage of the profit before income tax is:

	2019	2018
Nominal rate	30%	30%
Increase (reduction) resulting from:		
Non-deductible expenses	921%	29%
Effect of inflation	490%	40%
Non-deductible discounts		55%
Unrealized income taxable		69%
Effect from the difference in foreign jurisdiction rates (Famsa Inc.)	126%	1%
Others	(3,954%)	25%
Effective rate	(2,387%)	249%

As of December 31, 2019, the loss carryforwards for which the Company recognized a deferred income tax asset, will expire as shown below:

Year	Tax loss - Mexico	Tax loss - United States
2020	$ 5,316	$ -
2021	57,626	-
2022	8,940	-
2023	1,166,814	-
2024	1,622,525	-
2025	665,708	-
2026	886,970	-
2027	35,615	-
2028	95,237	-
2029 onward	1,562,884	1,599,079
	$ 6,107,635	$ 1,599,079

In addition, the Company has tax loss carry forwards for an amount of $4,423,370, which are considered not to be realized in accordance to financial forecasts performed by the Company.

To determine the deferred income tax as of December 31, 2019 and 2018, the Company applied to the temporary differences the applicable tax rates in accordance with their estimated reversal date.

Note 26 - Operating segments:

26.1 Operating segment information:

The Company manages and evaluates its continuing operations through three business segments: Mexico (national retail stores and financial sector), USA, (foreign retail stores) and other businesses in Mexico (wholesale, manufacturing of furniture and footwear, catalog business). These business segments are managed jointly because the products and the market in which they operate are similar. Its activities are carried out through its subsidiary companies.

The Company's management uses financial information from statement of income by segment to evaluate development, make general operating decisions and assign resources. The information by business segment to report is as follow:

	2019					
	Mexico	EUA	Others	Subtotal	Eliminations	Consolidated
Net sales (1)	$ 9,729,712	$ 1,183,829	$ 424,847	$ 11,338,388	($ 371,229)	$ 10,967,159
Interest earned from customers	8,995,538	512,834	469,568	9,977,940	(410,306)	9,567,634
Total revenues	$ 18,725,250	$ 1,696,663	$ 894,415	$ 21,316,328	($ 781,535)	$ 20,534,793
Cost of sales	(8,955,450)	(653,536)	(756,279)	(10,365,265)	788,594	(9,576,671)
Allowance for doubtful accounts	(1,651,253)	(191,026)	(41,621)	(1,883,900)	-	(1,883,900)
Cost of sales	(10,606,703)	(844,562)	(797,900)	(12,249,165)	788,594	(11,460,571)
Gross profit	8,118,547	852,101	96,515	9,067,163	7,059	9,074,222
Operating expenses (2)	(6,500,780)	(626,182)	(123,197)	(7,250,159)	60,464	(7,189,695)
Other income (expenses), net	770,796	(3,698)	(15,981)	751,117	(60,123)	690,994
Operating profit (loss) before depreciation and amortization	2,388,563	222,221	(42,663)	2,568,121	7,400	2,575,521
Depreciation and amortization	(764,130)	(227,128)	(9,905)	(1,001,163)	-	(1,001,163)
Operating profit (loss)	$ 1,624,433	($ 4,907)	($ 52,568)	$ 1,566,958	($ 7,400)	$ 1,574,358
Additional information to report:						
Total assets	$ 55,466,666	$ 4,727,930	$ 761,946	$ 60,956,542	($ 1,001,309)	$ 59,955,233
Total liabilities	$ 52,057,123	$ 2,337,425	$ 262,208	$ 54,656,756	($ 1,001,309)	$ 53,655,447
Investment in fixed assets	$ 138,839	$ 6,765	$ 4,182	$ 149,786	$ -	$ 149,786
Adjusted EBITDA (no audited)	$ 4,844,322	$ 222,221	($ 42,663)	$ 5,023,880	($ 7,400)	$ 5,031,280

	2018					
	Mexico	EUA	Others	Subtotal	Eliminations	Consolidated
Net sales (1)	$ 9,828,428	$ 1,221,244	$ 478,429	$ 11,528,121	($ 417,914)	$ 11,110,207
Interest earned from customers	8,225,053	483,495	528,088	9,236,636	(461,293)	8,775,343
Total revenues	$ 18,053,501	$ 1,704,739	$ 1,006,517	$ 20,764,757	($ 879,207)	$ 19,885,550
Cost of sales	(9,052,890)	(690,157)	(873,698)	(10,616,745)	875,393	(9,741,352)
Allowance for doubtful accounts	(908,874)	(201,692)	(14,704)	(1,125,270)	-	(1,125,270)
Cost of sales	(9,961,764)	(891,849)	(888,402)	(11,742,015)	875,393	(10,866,622)
Gross profit	8,091,738	812,890	118,114	9,022,742	(3,814)	9,018,928
Operating expenses (2)	(6,348,492)	(769,704)	(143,621)	(7,261,817)	65,422	(7,597,833)
Other income (expenses), net	295,977	(62,450)	(25,694)	207,833	(63,648)	144,185
Operating profit (loss) before depreciation and amortization	1,637,786	(19,264)	(51,201)	1,567,321	(2,041)	1,565,280
Depreciation and amortization	(379,582)	(21,783)	(5,015)	(406,380)	-	(406,380)
Operating profit (loss)	$ 1,258,204	($ 41,047)	($ 56,216)	$ 1,160,941	($ 2,041)	$ 1,158,900
Additional information to report:						
Total assets	$ 45,534,220	$ 3,374,062	$ 671,933	$ 49,580,215	($ 1,021,110)	$ 48,559,105
Total liabilities	$ 42,733,620	$ 651,951	$ 215,657	$ 43,601,228	($ 1,021,110)	$ 42,580,118
Investment in fixed assets	$ 156,901	$ 3,802	$ 3,092	$ 163,795	$ -	$ 163,795
Adjusted EBITDA (no audited)	$ 3,544,730	($ 19,264)	($ 51,201)	$ 3,474,266	($ 2,041)	$ 3,472,225

(1) Net sales realized in the respective countries shown above.
(2) Excluding depreciation and amortization.

26.2 Evaluation of operating performance

The Company evaluates operating performance based on a measure denominated "Adjusted EBITDA", which consists of adding to the operating profit interest expense on bank deposits, depreciation and amortization. The Adjusted EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net income as a measure of operating performance or cash flows as a measure of liquidity.

The reconciliation between Adjusted EBITDA and operating profit for the years ended December 31 is as follows:

	2019	2018
Operating profit	$ 1,574,358	$1,158,900
Interest expense on bank deposits	2,455,759	1,906,945
Depreciation and amortization	1,001,163	406,380
Adjusted EBITDA	$ 5,031,280	$3,472,225

Note 27 - Contingencies:

A) There is a contingent liability derived from employee benefits, which is mentioned in note 3.19.

b) The Company is involved in several lawsuits and claims, derived from the normal course of its operations, which are expected not to have a material effect on its consolidated financial position and future consolidated results.

c) In accordance with the current tax legislation, the authorities have the power to review up to five fiscal years prior to the last income tax return filed.

d) In accordance with the Income Tax Law, the companies that carry out transactions with related parties are subject to fiscal limitations and obligations, in terms of determining the agreed prices, since these must be comparable to those that would be used with or between independent parties in comparable operations.

In case the tax authorities review the prices and reject the determined amounts, they could demand, in addition to the collection of the corresponding tax and accessories (update and surcharges), fines on the omitted contributions, which could be up to 100% about the updated amount of contributions.

e) The tax authorities initiated a direct review of some aspects of the Company's operation. As of April 20, 2020, the review is still in process. The Company's Management and its legal advisors do not expect significant additional costs to arise in this regard.

Note 28 - Commitments:

The majority of the subsidiary companies have entered into long-term leases facilities (some with related parties) covering properties by their stores, see Note 13.

On November 29, 2019, a financial lease agreement between Famsa México, S.A. de C.V. and Casanova Vallejo, S.A. de C.V. was signed, for the use and temporary enjoyment of a property, the contract has a mandatory term of 10 years beginning on December 1, 2019 and ending on November 30, 2029.

Note 29 - Subsequent events:

I. Debt

a) A line of credit was contracted with Banco del Bajío, S.A., as of March 31, 2020, the Company has made various provisions, adding an amount of $173,357, accruing interest at a variable rate of TIIE + 4.00 and with an average maturity of 117 days.

b) As of March 31, 2020, the Company has settled $9,850 of capital corresponding to corresponding to the remaining balance of the credit line contracted with Banco del Bajío, S.A. whose maturities occurred during those months.

c) During the months of January to March of 2020, the Company has settled $18,000 of capital corresponding to the line of credit contracted with BBVA Bancomer, S.A. whose maturities occurred during those months.

d) During the months of January to March of 2020, the Company has settled $22,848 of capital corresponding to the line of credit contracted with Multiva, S.A. whose maturities occurred during those months.

e) During the months of January to March of 2020, the Company has settled $68,491 of capital corresponding to the line of credit contracted with Banco Nacional de Comercio Exterior whose maturities occurred during January 2020.

f) As of March 31, 2019, the Company has settled several issues of short-term stock certificates, for an approximate amount of $232,947. Additionally, as of March 31, 2020, the Company has issued (registered) some issues of stock certificates for an approximate amount of $62,000,000, where the resources obtained have been used mainly for the payment of the issues settled during the same period.

g) A line of credit was contracted between Finpo, S.A. de C.V. SOFOM ENR and Mayoramsa, S.A. de C.V. (subsidiary of Grupo Famsa, S.A.B. de C.V.). During the months of January to March 2020, the Company has made various provisions, adding an amount of $43,610, accruing interest at a variable rate of TIIE + 7.00%.

h) A line of credit was contracted between Antali Corporation, S.A.P.I. de C.V. SOFOM ENR and Mayoramsa, S.A. de C.V. (subsidiary of Grupo Famsa, S.A.B. de C.V.). During the months of January to March 2020, the Company has made various provisions, adding an amount of $43,050, accruing interest at a variable rate of TIIE + 7.00%.

II. Others

1) COVID-19

The recent outbreak of coronavirus has had an adverse effect on our business. The COVID-19 virus has spread rapidly throughout the world, including Mexico. The pandemic is having an unprecedented effect on the economy of Mexico, which has generated significant uncertainties, among other things, the possible adverse effect of the pandemic on the economy, on the partners of the supply chain and customers. As the pandemic continues to grow, consumers fear coming down with the virus, and the recommendations and/or mandates issued by the federal and state authorities to avoid big gatherings of persons in closed places or a quarantine can continue to increase, which has already affected and continue to affect the operation of the Company.

It is not possible to predict when economic activities will normalize again. The ongoing impacts of the pandemic are adversely affecting the revenues, profits, liquidity, and short and long-term cash flows of the Company.

The consolidated sales of the quarter from April 1 to June 30, 2020 decreased in an amount approximating $1,200,000, which represents 25%, compared with the same period of the prior year. It is the result of the low affluence and lower demand by customers, as well as the delimitations that were carried out by local authorities where 40% of the network of branches were closed temporarily or delimited for the sale of durable goods. The branches that were shut down definitely were not significant. In the period from April 1 to June 30, 2020, two branches were closed in Mexico (one in Guanajuato and the other in Mexico City), and three in the United States (the three of them in Chicago).

During the second quarter of 2020, the Company reduced the workforce by approximately 20%, which has allowed for a decrease in operating costs.

At July 30, 2020, the Company operates its network of branches during regular hours, but the local or federal authorities could declare any new general closing of businesses if the level of contagion increases in the distinct states or in the country.

The Company does not have sufficient information to estimate the time and impact that this virus will continue to affect activities, which gives rise to significant uncertainty in dealing with the scopes that the situation will have on the financial position that the Company, on its liquidity, as well as on the partners of the supply chain, collaborators, and customers.

The scope of the impact of the pandemic on the operating income of the Company will largely depend on the future behavior of the pandemic, including the duration of the propagation of the outbreak in Mexico. The impact on the financial markets and on consumer confidence is highly uncertain and it cannot be predicted. This situation is unprecedented and it is rapidly changing, and additional impacts can arise that we do not know at present.

2) Promobien Trust

On March 26, 2020, an irrevocable management and business activity trust agreement Promobien N°CIB/3452 (“Promobien Trust”) was entered into between Banco Ahorro Famsa, S.A., Institucion de Banca Multiple (“Spanish initials BAF”) as Trustor and Primary Beneficiary, Impulsora Promobien, S.A. de C.V. (“Impulsora Promobien”) as Trustor and Secondary Beneficiary, and CI Banco, S.A. Institucion de Banca Multiple (“CI Banco”) as Trustee.

The purpose of creating the Promobien Trust is to have the Trustee keep the assets that have been transferred thereto by the trustors, make the payment for the preponderant business activity, and invest in the trust assets in permitted investments, as set forth in the trust agreement, among other things.

The Patrimony of the Promobien Trust is comprised of the assets described below:

(i) The initial contribution by BAF amounting to $1,000,000 made on the date the agreement was entered into, and additional contributions were subsequently made amounting to $3,250,000.

(ii) The initial contribution by Impulsora Promobien consisting of the “Promobien Preponderant Commercial Activity”, which is comprised of: (a) the Affiliation agreements; (b) the Service Contracts; (c) Payment by Standing Order Agreements; and (d) Promobien's Creditor Claims generated as of the signing of the Agreement.

(iii) The liquid assets, which in due course are in the Concentration Account, which are discussed in point (i).

(iv) The securities and other assets in which the liquid assets that form part of the Trust Patrimony are invested, as well as their returns.

(v) The returns generated by the goods and resources that form part of the Trust Patrimony; and

(vi) Any other rights, resources or goods that are contributed in the future by the Trustors or any third party to the Trust contribute for compliance with the purposes thereof.

The Trustee paid the total amount of $4,250,000 to Impulsora Promobien for the contribution of the "Promobien Preponderant Commercial Activity".

3) Revocation of license of Banco Ahorro Famsa, S.A., Institucion de Banca Multiple

Pursuant to official letter P329/2020, dated June 30, 2020, Banco Ahorro Famsa, S.A., Institucion de Banca Multiple was notified by the National Banking and Securities Commission ("Spanish initials CNBV") of the revocation of its license to operate as a Full Service Banking institution. It was the result of various supervision actions and special inspection of Banco Ahorro Famsa, S.A. by the CNBV. Pursuant thereto, the Commission, in its opinion, determined breaches that significantly impacted the regulatory capital of the Bank. The impacts were generated primarily by related party transactions that exceeded the permitted limits. The foregoing occurred in a framework of differences between Banco Ahorro Famsa and the CNBV, on the calculations and argumentations related mainly to the levels of capitalization of Banco Ahorro Famsa, in spite of the motions filed by Banco Ahorro Famsa in which it manifested its disagreement.

On effective date July 1, 2020, the takeover procedure started for the liquidation of Banco Ahorro Famsa by the Institute for the Protection of Bank Savings ("IPAB" - Spanish acronym).

Banco Ahorro Famsa, S.A., Institucion de Banca Multiple, in liquidation, was a significant component for Grupo Famsa up to June 30, 2020. At that date, the balance of stockholders' equity approximates $14,000,000, valued under international financial reporting standards. whose realization could represents an uncertainty. At June 30, 2020, credit sales generated by this component account for approximately 87% of total sales in Mexico. It is important to note that sales in Mexico represent 91% of the total consolidated sales. Grupo Famsa management is determining the impacts in the operation for the dissolution of this component, beginning July 1, 2020, which are estimated to be significant.

4) Restructuring of Senior Notes

As discussed in Note 17, the Company issued bonds (Senior Notes) on May 31, 2013. In this regard, on June 26, 2020, it filed a voluntary petition under Chapter 11 of the United States Bankruptcy Code to have its restructuring plan authorized with prior agreement under Chapter 11 of that code, which would allow the Company to restructure its "senior notes 7.250%" outstanding, which represent the principal amount of USD$59.1 million dollars, due June 1, 2020 (the "2020 Bonds").

The voluntary petition under Chapter 11 of the United States Bankruptcy Code was accompanied by a restructuring plan, which received the majority support of the 2020 Bondholders, by virtue of the 356 ballots counted. Affirmative votes were received of approximately 96% of the principal (USD $48.6 million dollars) and 98% in number of holders (351) to confirm the refinancing of the 2020 Bonds.

Subsequently, on July 14, 2020, a petition was filed for voluntary withdrawal of Chapter 11 of the Bankruptcy Code of the United States, arising mainly from the revocation process of the banking license of Banco Ahorro Famsa S.A., Institución de Banca Múltiple in liquidation, which, in turn, modifies the environment on which the terms and conditions of the voting on the proposal of the 2020 Bond refinancing plan rely. It is important to stress that the petition for dismissal does not immediately withdraw the protection granted by Chapter 11, since petitioner should have the authorization of the United States Bankruptcy Court with which the above petition was filed. The voluntary retirement from the protection of Chapter 11 is also carried out to safeguard its creditors and the Company's assets.

At this time, the Company has not filed a restructuring proposal with the 2020 Bondholders, in order to compensate the breach that has occurred for capital and interest since June 1, 2020.

5) Default on payments of security exchange certificates

In July 2020, Grupo Famsa defaulted on the payment of principal and interests corresponding to the securities exchange certificates issued under ticker symbol GFAMSA 04819. It further defaulted on the payment of interest corresponding to securities exchange certificates issued under ticker symbols GFAMSA 05919, 06019, 06719, 06919, 07019, 07219, and 07319. At July 30, 2020, the total for the breach of capital and interest approximates $54.5 thousand.

At this time, the Company has not filed a restructuring proposal with the holders of the securities exchange certificates, in order to compensate the breach that has occurred for capital and interest.

The accompanying financial statements have been prepared on the basis that the Company will continue to operate as a going concern. However, the subsequent events discussed above indicate the existence of material uncertainty that can raise substantial doubts as to the ability of the Company to continue as a going concern. However, Company management expects to continue to operate as a going concern. Those expectations are based mainly on the reactivation of credit to the company's customers of the distinct types of goods and services.

Pursuant to these recent events, management is working on reestablishing funding of the credits with which the Company operates and on reducing its costs and expenses of operation and administration. Toward that end, Grupo Famsa formalized an initial agreement of terms and conditions with Credito Real, S.A.B de C.V., SOFOM, E.N.R on July 23, 2020, in its capacity as financial provider of the total credit products that are offered through the stores of the Company. This commercial alliance that is planned to start in August 2020 would enable the Company to continue to offer its customers its credit sale scheme, through its network of stores, as well as through its alternate sales channels. That agreement is subject to entering into a final agreement to be signed no later than August 31, 2020.

In addition, the profitability of the distinct branches is being analyzed to reduce costs and expenses and, therefore, the optimization of the workforce in accordance with the needs required by the operation.