NUEVA ELEKTRA DEL MILENIO, S. A. DE C. V.
AND SUBSIDIARIES
(Subsidiary of Grupo Elektra, S. A. B. de C. V.)
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2021 AND 2020
AND INDEPENDENT AUDITORS' REPORT

Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries
(Subsidiary of Grupo Elektra, S. A. B. de C. V.)

Consolidated financial statements as of December 31, 2021 and 2020, and independent auditors' report

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Tel.: +(55) 8503 4200
www.bdomexico.com

Castillo Miranda y Compañía, S.C.
Paseo de la Reforma 505-31
Colonia Cuauhtémoc
Torre Mayor
Ciudad de México
CP 06500

INDEPENDENT AUDITORS' REPORT

To the Stockholders meeting of
Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries
(Subsidiary of Grupo Elektra, S. A. B. de C. V.)

Opinion

We have audited the consolidated financial statements of Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries (the "Company") (Subsidiary of Grupo Elektra, S. A. B. de C. V.), which comprise the consolidated statements of financial position as of December 31, 2021, and the consolidated statements of 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, the accompanying consolidated financial statements present fairly, in all material aspects, the consolidated financial position of Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries, as of December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Mexican Financial Reporting Standards (NIF for its acronym in Spanish).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of 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, A. C. and we have fulfilled the other ethical responsibilities in accordance with such code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The corresponding consolidated financial statements of the Company for the year ended December 31, 2020 are unaudited.

Responsibilities of the 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 Mexican Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, 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.

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.

CASTILLO MIRANDA Y COMPAÑÍA, S. C.

C. P. C. Bernardo Soto Peñafiel

Mexico City,
March 30, 2022

Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries
(Subsidiary of Grupo Elektra, S. A. B. de C. V.)

Consolidated statements of financial position
December 31, 2021 and 2020
(Thousands of Mexican pesos)

	Note	2021	2020
Assets			
Current			
Cash and cash equivalents		$ 4,791,158	$ 6,258,984
Investments in securities	5	10,279,327	4,279,526
		15,070,485	10,538,510
Accounts receivable:			
Related parties	7	33,008,867	20,407,453
Accounts receivables, net	6	1,406,336	1,204,031
Recoverable taxes		1,143,296	813,623
Senior notes service reserve		761,124	-
Account receivable with collateral agent		681,684	-
Other accounts receivable		3,757,210	3,294,542
		40,758,517	25,719,649
Inventories, net	8	8,883,861	6,267,898
Prepayments	9	1,626,150	1,331,976
Assets held for sale		36,331	268,551
Total current assets		66,375,344	44,126,584
Investments in securities	5	1,913,683	1,861,463
Related parties	7	5,820,872	16,852,077
Investment in stores, furniture and equipment, net	10	4,450,521	4,286,985
Right-of-use assets	11-b	8,998,287	8,210,065
Deferred income tax	20-c	2,967,221	1,757,209
Investment in associates	12	1,002,951	961,862
Other assets		366,925	251,636
		25,520,460	34,181,297
Total assets		$ 91,895,804	$ 78,307,881

Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries
(Subsidiary of Grupo Elektra, S. A. B. de C. V.)

Consolidated statements of financial position (continued)
December 31, 2021 and 2020
(Thousands of Mexican pesos)

	Note	2021	2020
Liabilities			
Current			
Trade payables		$ 5,420,403	$ 4,840,418
Related parties	7	30,315,237	30,771,591
Provisions		1,772,718	1,826,660
Short term lease liabilities	11-e	1,470,507	1,112,481
Other accounts payable	15	4,994,699	4,536,886
Total current liabilities		43,973,564	43,088,036
Senior notes	14	9,976,833	-
Long term lease liabilities	11-e	8,514,695	7,850,522
Contributions for future capital increases	17-c	2,268,202	2,268,202
Income tax payable	20-b	792,622	1,126,056
Employee benefits	16	296,779	54,334
Other liabilities		51,736	54,941
		21,900,867	11,354,055
Total liabilities		65,874,431	54,442,091
Stockholders' equity	17		
Capital stock		4,373,858	4,373,858
Legal reserve		201,509	201,509
Retained earnings		13,580,518	12,096,262
Other comprehensive income		7,865,439	7,194,022
Total controlling equity		26,021,324	23,865,651
Total non controlling equity		49	139
Stockholders' equity		26,021,373	23,865,790
Total liabilities and stockholders' equity		$ 91,895,804	$ 78,307,881

The accompanying notes are part of these consolidated financial statements.

Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries
(Subsidiary of Grupo Elektra, S. A. B. de C. V.)

Consolidated statements of comprehensive income (see Note 1)
For the years ended December 31, 2021 and 2020
(Thousands of Mexican pesos)

	Note	2021	2020
Net sales and revenue from services	7 and 18	$ 69,013,732	$ 66,777,161
Cost		37,068,936	31,478,297
Gross profit		31,944,796	35,298,864
Selling and administrative expenses	7	25,985,905	27,564,452
Depreciation and amortization		3,520,737	3,249,919
Other income, net		(122,330)	(289,576)
		29,384,312	30,524,795
Profit from operations		2,560,484	4,774,069
Comprehensive financial results:			
Interest income	7	2,580,458	2,335,919
Interest expense		(2,084,113)	(1,624,833)
Exchange loss, net		(19,883)	(130,765)
Gain (loss) on investments		137,194	(71,417)
		613,656	508,904
Equity in the net profit of associated companies	12	57,129	63,330
Profit before income tax		3,231,269	5,346,303
Income tax	20	(616,380)	(1,034,354)
Profit before discontinued operations		2,614,889	4,311,949
Loss from discontinued operations	13	(130,743)	(658,055)
Net profit for the year		2,484,147	3,653,893
Other comprehensive income:			
Exchange gains arising on translation of foreign operations in subsidiaries and associates and actuarial losses on employee benefits	17-g	671,376	1,121,874
Total comprehensive income for the year		$ 3,155,523	$ 4,775,767
(Loss) profit for the year attributable to:			
Non-controlling interest		$ (49)	$ (133)
Controlling interest		2,484,196	3,654,026
		$ 2,484,147	$ 3,653,893
Total comprehensive (loss) income attributable to:			
Non-controlling interest		$ (90)	$ (160)
Controlling interest		3,155,613	4,775,927
		$ 3,155,523	$ 4,775,767

The accompanying notes are part of these consolidated financial statements.

Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries
(Subsidiary of Grupo Elektra, S. A. B. de C. V.)

Consolidated statements of changes in stockholders' equity
For the years ended December 31, 2021 and 2020
(Thousands of Mexican pesos)

	Capital stock	Legal reserve	Retained earnings	Other comprehensive income	Total controlling equity	Total non controlling equity	Total equity
Balances at December 31, 2019	$ 4,373,858	$ 201,509	$ 10,642,236	$ 6,072,121	$ 21,289,724	$ 299	$ 21,290,023
Payment of dividends (Note 17-b)	-	-	(2,200,000)	-	(2,200,000)	-	(2,200,000)
Comprehensive income for the year (17-g)	-	-	3,654,026	1,121,901	4,775,927	(160)	4,775,767
Balances at December 31, 2020	4,373,858	201,509	12,096,262	7,194,022	23,865,651	139	23,865,790
Payment of dividends (Note 17-b)	-	-	(999,940)	-	(999,940)	-	(999,940)
Comprehensive income for the year (17-g)	-	-	2,484,196	671,417	3,155,613	(90)	3,155,523
Balances at December 31, 2021	$ 4,373,858	$ 201,509	$ 13,580,518	$ 7,865,439	$ 26,021,324	$ 49	$ 26,021,373

The accompanying notes are part of these consolidated financial statements.

Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries
(Subsidiary of Grupo Elektra, S. A. B. de C. V.)

Consolidated Statements of cash flows
For the years ended December 31, 2021 and 2020
(Thousands of Mexican pesos)

	2021	2020
Operating activities		
Profit before income tax	$ 3,231,269	$ 5,346,303
Items related to investment activities:		
Depreciation and amortization	3,520,737	3,249,919
Equity in net profit of associates, net	(57,129)	(63,330)
Interest income	(2,580,458)	(2,335,919)
Other items not realized	(72,775)	(18,196)
(Gain) loss investment valuation	(171,643)	71,417
Items related with financing activities:		
Interest expense	2,084,113	1,624,833
	5,954,114	7,875,027
Variations in:		
Increase in inventories	(2,585,705)	(216,893)
Increase receivable and others assets	(3,808,339)	(207,539)
Increase (decrease) in liabilities	1,389,403	(2,550,833)
Income tax payment	(2,778,852)	(419,528)
Net cash flows from operating activities	(1,829,379)	4,480,234
Investment activities		
(Increase) decrease in Investments	(5,554,245)	2,695,408
Investment in stores, furniture and equipment	(1,794,847)	(951,894)
Collection for the sale of furniture and equipment	1,997	234
Interest collected	1,685,872	1,417,202
Net cash flows from investment activities	(5,661,223)	3,160,950
Cash flows to apply in financing activities	(7,490,602)	7,641,184
Financing activities		
Proceeds from debt, Senior Notes	10,112,400	-
Lease payments	(2,422,955)	(1,996,995)
Payment of dividends	(999,940)	(2,200,000)
Interest paid	(708,219)	(312,799)
Net cash flows from financing activities	5,981,286	(4,509,794)
Net (decrease) increase in cash and cash equivalents	(1,509,316)	3,131,390
Effect of exchange rate changes on cash and cash equivalents	41,490	(309,149)
Cash and cash equivalents at beginning of year	6,258,984	3,436,743
Cash and cash equivalents and at end of the year	$ 4,791,158	$ 6,258,984

The accompanying notes are part of these consolidated financial statements.

1. Activity

The main activity of Nueva Elektra del Milenio, S. A. de C. V. (NEM) and subsidiaries (the Company), (subsidiary of Grupo Elektra, S. A. B. de C. V.), is the sales of motorcycles, consumer electronics furniture, household appliances, mobile phones, telephony, transportation equipment and computers, among other products, as well as provision of electronic money transfers, extended warranties and mobile phone airtime among other services, through a chain of 1,253 stores in Mexico and Central America; and affiliate lending and services provider.

The income from money transfers represents: i) the commissions paid by Western Union, Vigo, Orlani, BTS, MG, among others to the Company, originated by the transfers collected at the points of sale, ii) the commissions collected for transfers in the country and iii) international remittances made through Grupo Elektra, S. A. B. de C. V. ("Grupo Elektra" or "Elektra") commercial and financial network. Both types of commissions are recorded as income as services are rendered.

Headquarters are located in: Av. Ferrocarril de Río Frío N° 419-CJ, Col. Fraccionamiento Industrial del Moral, Delegación Iztapalapa, C.P. 09010, Mexico City.

Relevant event

Impact of the COVID-19 Pandemic

On March 11, 2020, the World Health Organization categorized the outbreak of SARS-CoV2 (COVID-19) as a pandemic. Subsequently, on March 30, 2020, the Mexican federal government declared a health emergency, announcing the implementation of several protective measures, including the suspension of any and all non-essential activities and a voluntary lockdown. Similar protective measures, including the suspension of any and all non-essential activities, have been implemented in certain Mexican states and in Mexico City in 2020.

As of the date of this report, we have growth rates that place us below pre-pandemic levels, with inflation data above the Central Bank's target, with expectations of interest rate hikes in the near future, so the impact on the Company's results in the long term, both directly and indirectly, through repercussions on customers, counterparties, suppliers and other stakeholders, will depend, among others, on the duration of the COVID-19 pandemic, compliance with the vaccination plan, the appearance of variants that may lead authorities to take protective measures, such as suspension of non-essential activities and confinement.

The Mexican commercial sector in general has been significantly affected by the containment measures imposed in response to the COVID-19 pandemic, and retailers that do not have a mature strategy for their digital channels were the hardest hit. The COVID-19 pandemic drove the growth of e-commerce, which partly offset the impact of COVID-19 on the Company's business and financial performance, given the investment in the onmi-channel strategy and digital channels launched by the Company more than four years ago.

On the other hand, we continue to take steps at our touchpoints to protect their customers and their employees from exposure to COVID-19. Among such measures, each Elektra store has implemented certain restrictions or requirements for its in-store customers, including:

- mandatory wearing of masks;
- disinfecting customers' hands before entering the store with an alcohol-based disinfectant provided by the store;
- measuring body temperature;
- disinfecting shoes with special wet carpets at the entrance; and
- limiting occupation.

Outsourcing Law

On April 23rd, 2021 the Mexican Official Gazette published a legislation in which modifies the article 123 of the Political Constitution of Mexico, as well as the Federal Labor Law, the Federal Fiscal Code, Income Tax Law, Value Added Tax Law, among other legal dispositions, which prohibits personnel outsourcing for the activities that are part of the corporate purposes or the main economic activity of the Company.

Therefore, at close date for 2021 the Company shows labor obligations by the concept of seniority premium and severance of 4,528 employees that were hired directly by NEM during the second semester of 2021.

2. Basis of preparation of consolidated financial statements

a. Compliance with financial reporting standards

Until December 31, 2020 NEM was a private company and prepared non-consolidated financial statements to comply with legal and tax provisions requiring the presentation of the Company's financial statements as an independent legal entity and for their presentation to the Shareholders' Meeting, therefore, they did not include the consolidation of the financial statements of its subsidiaries, which were recognized under the equity method. Consolidated financial statements were not presented as they met the exception requirements for a sub-controller, established in NIF B-8 "Consolidated or combined financial statements".

On January 20, 2021, NEM, as originator, issued series 2021-1 Fixed Rate Notes Due 2028 ("Senior Notes") for US$ 500 million (see Note 14), because of that the company prepare since such date consolidated financial statements, in accordance with the Mexican Financial Reporting Standard NIF B-8 "Consolidated or combined financial statements".

The accompanying consolidated financial statements have been prepared in accordance with Mexican Financial Reporting Standards, (NIF for its acronym in Spanish), issued by the Mexican Council of Financial Reporting Standards (CINIF for its acronym in Spanish).

b. Use of estimates

The preparation of the financial statements in accordance with Mexican Financial Reporting Standards requires the use of certain estimations and assumptions to measure some amounts of the consolidated financial statements and to make the disclosures required therein. However, the actual results may differ from such estimations, therefore it is considered that the estimations and assumptions used where the adequate under the circumstances.

The relevant key assumptions used in the determination of accounting estimates are reviewed periodically, and the relative effects, if any, are recognized in the same period and in the future periods affected. The key estimates are described in the following notes:

- Note 3-c Accounts receivable and allowance for expected credit losses. Evaluation of the probability of non-payment of accounts receivable.
- Note 3-g Allowance for inventory impairment losses. Determination of the net realizable value.
- Note 3-i Investments in shares of subsidiaries and associates. Investment impairment.
- Note 3-j Impairment in the value of long live assets and their disposal.
- Note 3-k Leases. Determination of the incremental financing rate.
- Note 3-l Provisions. Identification and quantification of present obligations, determination of the present value of the obligation.
- Note 3-m Revenue recognition. Assessment of the timing of revenue recognition, over time or at a point in time, estimate of expected returns.
- Note 3-o Income tax. Provision of taxes on multiple jurisdictions.
- Note 3-p Employee benefits. Key actuarial assumptions.
- Note 3-r Contingencies. Assessment of the likelihood and amount of outgoing cash flows.

c. Functional and reporting currency

The reporting currency in which is presented the consolidated financial statements of the Company is the Mexican peso. Since the Company maintains investments in subsidiaries abroad, the items included in the financial statements of each one of the entities comprising the Company are measured in the currency of the primary economic environment where each entity operates, that is, its "functional currency". The Company is exposed to a foreign currency translation risk.

For disclosure purposes in the consolidated financial statements and related notes, when reference is made to pesos or "$", it refers to Mexican pesos, and when it refers to dollars, it refers to dollars of the United States of America.

d. Consolidation

The consolidated financial statements comprise the financial statements of NEM and its subsidiaries together with the equity in the net results of associates. The results of subsidiaries sold or acquired are included in the statement of comprehensive income to, or from the date on which control is transferred.

1. Subsidiaries

A subsidiary is an entity controlled, directly or indirectly, by NEM. Control is effective if, and only if, the following criteria is met:

- Power over the subsidiary.

- Exposure or rights, to variable returns from its involvement with the subsidiary.

- The ability to use its power over the subsidiary to affect the amount of the Company's returns.

For the purposes of consolidation, accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

When NEM ceases to have control, any retained interest in the entity is re-measured at its fair value at the date when control is lost; the change in carrying amount is recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group has directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Balances and transactions between the companies have been eliminated in consolidation.

The main subsidiaries of NEM are the following:

Company	Percentage of equity (%)	Activity
Elektra de Guatemala, S. A., a Guatemalan entity	100%	Retail
Comercializadora EKT, S. A. de C.V., a Honduran entity	100%	Retail
EKT International Investment, Zrt., a Hungarian entity	100%	Intercompany lending

2. Associates

Associates are all entities over which the Company has significant influence but not control, that is, the faculty to just only participate in decisions of the financial and operating policies. It is presumed that significant influence exists if the Company possess directly or indirectly, 25% or more of the voting power in the associate, unless it can be clearly demonstrated that there is no such influence or that for other circumstances, a less participation, could be consider the existence of significant influence.

Investments in associates are initially recognized at cost and are subsequently accounted for using the equity method. The Company's investment in associates includes goodwill identified at time of purchase.

The Company's share of profits or losses after acquisition is recognized in the statement of comprehensive income, except when the losses exceed the Company's investment in the associate.

If there is objective evidence that the investment in an associate is impaired, the carrying amount of the investment is subject to impairment tests, by comparing the recoverable amount and the carrying value of the investment, which is recognized together with the participation in the results of associates.

The main associates companies of NEM are the following:

Company	Percentage of equity (%)	Activity
Proveedora AOS de Servicios, S. A. de C. V., a Mexican entity	33.5%	Collection services
Banco Azteca de Honduras, S. A., a Honduran entity	29.1%	Banking services
Inmuebles Ardoma, S. A. de C. V., a Mexican entity	10.2%	Real estate
Aero Taxis Metropolitanos, S. A. de C. V., a Mexican entity	5.0%	Air taxi services
Mercadotecnia Tezontle, S. A. de C. V., a Mexican entity	5.2%	Administrative services
Compañía Operadora de Teatros, S. A. de C. V., a Mexican entity	4.6%	Real estate

e. Segment information

The financial information regarding business segments operated by the Company, whose operating results are reviewed in decision-making, is presented in Note 21.

f. Translation of foreign currency

According to the NIF - B15 "The effects of changes in foreign exchange rates", transactions in foreign currencies are recorded at the exchange rates prevailing on the dates on which they are entered into. Assets and liabilities denominated in these currencies are stated in local currency, applying the exchange rates prevailing as of the date of the financial position statement. Differences arising from fluctuations in the exchange rates between the dates on which transactions are entered into and those on which they are settled or valued at the close of the period are applied to the results of the period.

The financial statements of the subsidiary companies abroad maintain a registry currency that matches the functional currency, which served as the base to convert foreign operations to the Company's presentation currency, considering that in these cases there was a non-inflationary environment. The accumulated effect originated by the translation of such financial statements is presented within the stockholders' equity in the accumulative effect of foreign currency translation.

g. Consolidated statement of comprehensive income

The consolidated comprehensive income is presented in a single statement that includes the items that make up the net income or loss, including the other comprehensive results and the participation in the other comprehensive results of other entities.

Ordinary costs and expenses are presented according to their function because it is the practice of the sector to which the Company belongs to and allows knowing the gross profit margin.

Additionally, the operating income item is presented, this heading is the result of decreasing the net sales and sales income with the cost of sales and general expenses. This item is included since it contributes to a better understanding of the economic and financial performance of the Company. In addition, other expenses are included as it is considered convenient to present the amounts of activities that are not directly related to the Company's activities.

h. Consolidated cash flows statements

The consolidated statements of cash flows were prepared using the indirect method which consists in presenting the income before income taxes, then the changes on the working capital, investment activities and lastly the finance operation.

3. Summary of significant accounting policies

The main accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to the previous year presented in this consolidated financial statements, unless otherwise stated.

a. Cash and cash equivalents

They are measured at fair value and consist mainly of cash for the Company's operations, high liquidity deposits which are easily convertible in cash and subject to non-significant risks of changes in their value. Interests accrued and gains and losses in their measurement are presented in the statement of comprehensive income, as part of the comprehensive financing result.

b. Investment in financial Instruments

The classification of financial instruments in which the Company has invested depends on the business model used for the management of investments and the contractual terms of the cash flows. As a consequence of the business model, investments in financial instruments are classified as follows:

Financial instruments held to collect principal and interest. See Note 3-d.

Financial instruments held to collect or trade. These are financial instruments in which the investment objective is to obtain a profit in its sale when it is convenient or to collect the contractual cash flows in order to obtain a gain on the contractual interest they generate. These instruments are measured at fair value and changes in their value are recognized through other comprehensive income, after affecting the year's net income or loss as follows:

i. Interests accrued at the effective interest rate.
ii. Exchange gains or losses when they occur.
iii. Decreases in its value which are attributable to impairment due to expected credit losses of the financial instrument.

Financial instruments held for trading

Financial instruments held for trading. These are financial instruments in which the investment objective is to generate profits between their purchase and sale prices. These instruments are measured at fair value and changes in their value are recognized through profit and loss.

c. Accounts receivable and allowance for expected credit losses

Accounts receivable are generated from the sale of goods and services, as well as other activities and are recognized initially at fair value, and subsequently at amortized cost, which is equal to the nominal value of the contract which supports them, net of provisions for returns and discounts, and the estimate for expected credit losses for impairment in accounts receivable.

The Company established an account policy for the creation of an estimate for impairment of accounts receivable on the basis of expected credit losses during the expected life of the financial instruments. During this process, the Company assesses the likelihood of default for accounts receivable at the time of their recognition in accordance with its historical experience and subsequently adjusts it based on current credit conditions and future macroeconomic factors, such as the growth of domestic product, unemployment rates and inflation, which the Company considered could affect the likelihood of default by its customers.

When the Company confirms that an account receivable will not be recovered, the net carrying value of the account receivable is cancelled against the applicable estimation.

d. Financial instruments held to collect principal and interest (IFCPI for its acronym in Spanish)

The Company classifies financial instruments as IFCPI when the objective of the business model is to hold said instruments to collect the contractual cash flows and the terms of the agreement include established dates to collect said cash flows, which relate exclusively to payments of principal and interest on the amount of principal pending payment.

The IFCPI are originated from the sale of goods or services and are recognized initially at the fair value of the estimated cash flows to be received from principal and interests.

Subsequent to their initial recognition, IFCPI are measured at amortized cost including increases due to the effective interest accrued, the decreases due to the amortization of the costs of transaction and other items collected in advance such as commissions and interest, and the decreases due to the collection of principal and interests and the cancellations or discounts.

Amortized cost and effective interest method

The effective interest method is used in the calculation of the amortized cost of financial instruments to distribute their income or expense by an effective interest during the expected life of the financial instruments.

e. Prepaid expenses

Prepaid expenses are recorded based on the value paid of goods or services to be received and are presented in the short or long term in view of the classification of the destination item. Advance payments for services, freights and leases are recognized in the results of the period in which services are received.

f. Inventories and cost of sales

Inventories are recorded at the lowest of their acquisition cost or their net realizable value, and are valued under the average costs allocation formula.

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

g. Allowance for inventory impairment losses

It follows the practice of creating an estimate for losses due to impairment, obsolescence, slow movement and other causes that indicate that the use or realization of the products that are part of the inventory will be less than their net carrying value.

The amount of any penalty for impairment losses on inventories, to be valued at their net realizable value and all losses on inventories must be recognized as cost of sales in the period in which the losses occur. The result of any reversal of impairment losses as a result of increases in the net realizable value should be recognized as a decrease in cost of sales in the period in which the reversal occurs.

h. Investment in stores, furniture and equipment

Investments in stores, furniture and equipment are recorded at acquisition cost, and until December 31, 2007, they were updated by applying factors derived from the National Consumer Price Index (INPC).

Depreciation is calculated using the straight-line method based on the estimated useful live of assets.

	Annual rate %
Computer equipment	30 and 33
Furniture and equipment	10
Storehouse equipment	2
Communication equipment and others	10 and 20

Amortization of the investment in stores is calculated using the straight-line method based on initial monthly balances in periods that do not exceed five years. (See Note 10)

Maintenance and minor repair expenses are recorded in the net income and loss when incurred.

The Company performs most of its operations in leased properties, through renewable lease contracts.

i. Investment in shares of subsidiaries and associates

Associated companies are all entities over which the Company has significant influence but not control, that is, the power to participate in the decisions of financial and operating policies. Investments in shares in associated companies and subsidiaries are initially recognized at acquisition cost, and are subsequently valued using the equity method.

In the event that there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is subject to impairment tests, such as the difference between the recovery value and the carrying amount of the investment.

j. Impairment in the value of long lived assets and their disposal

The values of the long-lived assets are periodically evaluated to determine the existence of indications that these values exceed their recovery value. The realizable value represents the amount of potential income reasonably expected to be obtained as a result of the use of these assets. If it is determined that restated values are excessive, the Company records the allowances necessary to reduce them to their recoverable value. When the Company intends to sell the assets, the latter are presented in the financial statements at their restated or realizable value, whichever is lower.

k. Leases

Leases are those contracts where there is an identified asset, all the economic benefits from use of the asset are obtained and the Company had the right of to direct use of the asset.

In determining whether the Company obtains substantially all the economic benefits from use of the asset, it is only considered the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits. In addition, the Company considers whether the supplier has substantive substitution rights, if it is the case, the contract is not a lease.

The Company accounts for a contract, or a portion of a contract, as a lease when it transfers the right to use an asset for a period of time in exchange for consideration.

In determining whether the Company has the right to direct use of the asset, the Company considers whether it directs how and for what purpose the asset is used throughout the period of use. If there are no significant decisions to be made because they are pre-determined due to the nature of the asset, the Company considers whether it was involved in the design of the asset in a way that predetermines how and for what purpose the asset will be used throughout the period of use. If the contract or portion of a contract does not satisfy these criteria, the Company applies other applicable NIF rather than NIF D-5.

All leases are accounted for by recognizing a right-of-use asset and a lease liability, except for leases of low value assets; and leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the future lease payments to be made, discounted using implicit interest rate in the lease unless this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Subsequent to initial measurement lease liabilities increase as a result of interest accrued at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset, what is expected to happen first.

When the Company renegotiates the contractual terms of a lease, the accounting depends on the nature of the modification:

i. If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.

ii. In all other cases where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is premeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.

iii. If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognized in profit or loss of the year. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

l. Provisions

Provisions are recognized if, as a result of a past event, there is a present legal or assumed obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be necessary to settle the obligation.

m. Revenue recognition

Performance obligations and timing of revenue recognition

The majority of the Company's revenue is derived from retail sales with revenue recognized at a point in time when control of the goods has transferred to the customer.

This is generally when the goods are delivered to the customer. There is limited judgement needed in identifying the point control passes: once physical delivery of the products to the agreed location has occurred, the Company no longer has physical possession, usually will have a present right to payment (as a single payment on delivery) and retains none of the significant risks and rewards of the goods in question.

Some goods sold by the Company include warranties which require the Company to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. The warranty period is 15 days. In accordance with NIF D-1, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them.

Determining the transaction price

Most of the Company's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices. Exceptions are as follows:

- Some contracts provide customers a limited right of return. Historical experience allows the Company to reliably estimate the value of the assets to be returned and to restrict the amount of income that is recognized, so that it is highly probable that a reversal of previously recognized income will not occur when the goods are returned.

- The income from money transfers represents the commissions paid by Western Union, Vigo, Orlandi, BTS, MG, among others to the Company, originated by the transfers collected at the points of sale, plus the participation that corresponds to the Company in the exchange gain. These commissions are recorded as income as services are rendered.

- Administrative services revenue is recognized in the accounting period in which the service is rendered.

n. Foreign currency balances and transactions

Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate in effect at the non-consolidated financial statements date. The exchange rate fluctuations are recognized in the statement of income of the year.

The financial statements of the subsidiaries and associated companies abroad maintain a recording currency that coincides with their functional currency, which served as the basis for converting foreign operations to the Company's reporting currency, causing a translation effect in the foreign currency at the end of each year, whose accumulated effect as of December 31, 2021 and 2020, amounted to $ 7,886,709 and $ 7,194,022, respectively, and was presented in the statement of changes in non-consolidated stockholders' equity in the accumulated effect of translation, which is included in the other comprehensive results.

o. Income tax

The income tax is determined according to the current tax provisions, recorded in the results of the year in which it is incurred, except those arising from a transaction that is recognized in the other comprehensive income or directly in a stockholders' equity heading.

Deferred taxes are determined based on the assets and liabilities method, which consists of comparing the accounting and tax values of assets and liabilities, from which temporary differences arise, both deductible and cumulative. All resulting temporary differences, including the benefit of tax losses to be amortized, are subject to the corresponding tax rate and recognized as a deferred asset or liability. Deferred tax assets are recorded only when there is a high probability of recovery.

When there is uncertainty over income tax treatment on the tax base of assets and liabilities, the tax treatment of certain transactions and other tax assumptions, the Company:

i. Determine whether uncertain tax treatments should be considered separately, or together with other uncertain tax treatments, based on which approach provides better predictions of the resolution.
ii. Determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
iii. If it is probable that the uncertain tax treatment should not be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that the tax authority will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

p. Employee benefits

The liabilities derived from benefits granted by the Company to its employees are determined as follows:

a. Liabilities for direct short-term benefits are recognized as they are earned, based on the present salaries, expressed at their nominal value.

b. The retirement benefits under the defined benefits scheme require actuarial assumptions to measure the obligations contracted and the expense corresponding to each period, and also there is the possibility of obtaining actuarial profits or losses. They are measured using the projected unit credit method by considering the present value of the obligation to the date of the statement of consolidated financial position.

The valuation of employee benefits is carried out by independent specialists based on actuarial studies. Among others, the following assumptions that could have an important impact are used: (i) discount rates, (ii) expected salaries' increase rates, (iii) the expected real growth rates of the fund, and (iv) rotation and mortality rates based on recognized charts.

The company determines the deferred Employee Profit Sharing (PTU, for its acronym in Spanish) based on the Financial Reporting Standard D-3 "Employee Benefits" (NIF D-3), using the assets and liabilities method when there are temporary differences. When the Company considers, according to its projections, that PTU in subsequent years will be less than 10% of profit calculated in accordance with the guidelines of the Federal Labor Law (LFT), the corresponding asset is not recognized (if there would be), since it is uncertain that the temporary difference will be realized.

q. Debt instruments at amortized cost

Securities at amortized cost are those securities held for collecting contractual cash flows, which give rise to cash flows on certain dates, which are only payments of principal and interest on the amount of the unpaid principal, which are initially recorded at their acquisition, and they are subsequently measured by using the effective interest rate method and are subject to impairment. Gains and losses are recognized in income when the asset is derecognized in accounts, modified, or becomes impaired.

r. Contingencies

Significant obligations or losses related to contingencies are recognized when their effects are likely to materialize and there are reasonable elements for their quantification. If these reasonable elements do not exist, their disclosure is included qualitatively in the notes to the non-consolidated financial statements. Contingent income, profits or assets are recognized until the moment that certainty will be realized.

4. Risk management

The Company is exposed through its operations to the following financial risks:

- Foreign exchange risk

The Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

a. Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Accounts receivables
- Investments in securities
- Accounts payable to suppliers

b. General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Company's Financial Administration through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Company's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

Foreign exchange risk

Foreign exchange risk arises when the Company enters into transactions denominated in a currency other than their functional currency. Where the Company has liabilities denominated in a currency other than their functional currency and has insufficient reserves of that currency to settle them, cash already denominated in that currency will, where possible, be transferred from elsewhere within the Company's subsidiaries.

In order to monitor the continuing effectiveness of this policy, the Board receives a monthly forecast, analyzed by the major currencies held, of liabilities due for settlement and expected cash reserves.

5. Investments in securities

	2021	2020
Investments in high-liquidity securities	$ 10,003,343	$ 4,175,184
Debt securities	1,913,683	1,861,463
Capital instruments	275,984	104,342
Total Investments	12,193,010	6,140,989
Less, current investments	10,279,327	4,279,526
Non-Current investments	$ 1,913,683	$ 1,861,463

6. Accounts receivable, net

Accounts receivable as of December 31, are integrated as follows:

		2021	2020
Trade receivables:			
Sale of shares		$ 1,515,647	$ 1,515,647
Accounts receivable from remittance companies		804,240	590,029
Commissions for remittances		449,171	372,029
Wholesale and employee sales		324,859	302,808
		3,093,917	2,780,513
Estimate for expected credit losses:			
Sale of shares	(1)	(1,515,647)	(1,515,647)
Accounts receivable from remittance companies and commissions	(2)	(19,494)	(19,494)
Wholesale and employee sales		(152,440)	(41,341)
		(1,687,581)	(1,576,482)
		$ 1,406,336	$ 1,204,031

(1) On August 6, 2013, the Company signed a sale contract with respect to 100% of the capital stock of Elektra de Argentina, S. A., for a total value of US $ 80,000 to be collected in five exhibitions; and whenever the payment obligation by the buyers, unrelated parties, has expired in the amount of US $ 72,000 $ (1,515,647), a figure that has not been updated during the 2021 and 2020 financial years, as it is estimated at 100%, since the Company initiated the corresponding legal actions to obtain its collection.

(2) The company makes estimates for expected credit losses, preventing bankruptcies in operations that are not recognized by money transfer partners.

7. Related parties, net

i. Balances with related parties

		2021		2020
Accounts receivable:				
Grupo Elektra, S. A. B. de C. V.	$	8,804,123	$	4,431,180
Purpose Financial, Inc.		8,620,585		
Dirección y Administración Central, S. A. de C. V.		5,958,257		6,829,198
Intra Mexicana, S. A. de C. V.		2,846,072		2,640,777
Selabe Motors, S. A. de C. V.		1,784,804		1,665,911
Operadoras en Servicios Comerciales, S. A. de C. V.		1,773,439		2,119,080
Others		3,221,587		2,721,307
		33,008,867		20,407,453
Long-term intercompany loans: (1)		5,820,872		16,852,077
	$	38,829,739	$	37,259,530

(1) The Company, through its subsidiary EKT International Investment, Zrt., provides intercompany loans as detailed in the following schedule:

			Amount MxN		Amount USD	Maturity date
Grupo Elektra, S. A. B. de C. V.	(1)	$	716,352	$	35,000	March 30, 2023
Grupo Elektra, S. A. B. de C. V.	(2)		2,136,776		104,400	November 10, 2023
Purpose Financial, Inc.	(3)		2,967,744		145,000	January 5, 2024
Long-term loans		$	5,820,872	$	284,400	

(1) Interes rate: libor + 4.35%
(2) Interes rate: libor + 4.30%
(3) Interes rate: 8.28%

		2021		2020
Accounts payable:				
Elmex Superior, S. A. de C. V.	$	9,807,929	$	10,427,845
Mercadotecnia Tezontle, S. A. de C. V.		5,378,996		6,873,969
Comercializadora de Motocicletas de Calidad, S. A. de C. V.		4,096,945		4,006,044
Mi Garantía Extendida, S. A. de C. V.		2,156,446		1,758,798
Salinas y Rocha, S. A. de C. V.		2,009,691		1,720,463
Compañía Operadora de Teatros, S. A. de C. V.		1,124,132		2,397,799
Others		5,741,098		3,586,673
	$	30,315,237	$	30,771,591

ii. Transactions with related parties

	2021	2020
Income		
Inventory Sales:		
Grupo Elektra, S. A. B. de C. V.	$ 12,373,970	$ 10,115,300
Operadoras en Servicios Comerciales, S. A. de C. V.	494,506	597,954
Salinas y Rocha, S. A. de C. V.	228,306	46,989
Others	70,144	194,167
	$ 13,166,926	$ 10,954,410
Revenue from administrative services:		
Banco Azteca, S. A. Institución de Banca Múltiple	$ 14,432,111	$ 16,695,289
Seguros Azteca, S. A. de C. V.	740,049	758,298
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	250,312	255,321
Afore Azteca, S. A. de C. V.	191,198	353,985
Elektra Satelital, S. A. de C. V.	184,646	263,279
Punto Casa de Bolsa, S. A. de C. V.	143,766	176,110
Others	893,725	1,658,731
	$ 16,835,807	$ 20,161,013
Interest income:		
Grupo Elektra, S. A. B. de C. V.	$ 1,294,949	$ 936,628
Purpose Financial, Inc.	900,515	966,467
Banco Azteca, S. A. Institución de Banca Múltiple	77,714	142,258
Arrendadora Internacional Azteca, S. A. de C. V.	13,150	14,452
Others	16,870	26,609
	$ 2,303,198	$ 2,086,414
Other income:		
Intra Mexicana, S. A. de C. V.	$ 296,366	$ 417,821
Operadoras en Servicios Comerciales, S. A. de C. V.	192,049	303,463
Grupo Elektra, S. A. B. de C. V.	240,129	187,226
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	153,881	165,009
Others	772,582	1,187,284
	$ 1,655,007	$ 2,260,803
Expenses		
Expenses from administrative and operational services:		
Elmex Superior, S. A. de C. V.	$ 1,453,087	$ 711,290
Operadoras en Servicios Comerciales, S. A. de C. V.	1,428,552	4,843,353
TV Azteca, S. A. B. de C. V.	1,076,944	1,508,406
Dirección de Administración Central, S. A. de C. V.	1,213,989	158,829
Procesos Boff, S. de R. L. (Procesos Boff)	567,834	1,143,156
Banco Azteca, S. A. Institución de Banca Múltiple	497,185	477,203
Grupo Elektra, S. A. B. de C. V.	1,096,251	2,145,307
Others	1,372,378	2,555,816
	$ 8,706,220	$ 13,543,360

	2021	2020
Interests expense:		
Grupo Elektra, S. A. B. de C. V.	$ 322,899	$ 340,725
Compañía Operadora de Teatros, S. A. de C. V.	43,012	189,272
Aero Taxis Metropolitanos, S. A. de C. V.	46,398	-
Others	90,839	94,051
	$ 503,148	$ 624,048
Inventory purchases:		
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	$ 12,238,590	$ 8,174,515
Mercancía Exclusiva Universal, S. A. de C. V.	1,219,825	984,183
Others	80,139	115,685
	$ 13,538,554	$ 9,274,383

iii. Contracts with related parties

a. Estudios Azteca, S. A. de C. V. (Estudios Azteca)

The Company and Estudios Azteca have entered into various annual advertising contracts, in order to render advertising transmission services on channels 1.1, 7.1, 7.2 and 40.1 of TV Azteca. Estudios Azteca received $ 825,866 and $ 636,540 for these services at December 31, 2021 and 2020, respectively.

b. Total Play Telecomunicaciones, S. A. P. I. de C. V. (Total Play)

The Company has entered into several contracts with indefinite duration with Total Play and / or its subsidiaries for the provision of voice, data, connectivity, monitoring and management of last mile equipment mainly (broadband connection), corporate Internet, networks, fixed telephony and rental of dedicated links. The rates charged depend on the destination of the call or the ability to link.

At the same time, the Company and Total Play entered into a contract under which Elektra offers Total Play the service of receiving payments of the services that Total Play provides to its customers, as well as another administrative services.

As a result of these services, the Company recorded income and expenses for the aforementioned items, which represented a net expense of $ 98,859 and $ 89,204 as of December 31, 2021 and 2020, respectively.

c. Arrendadora Internacional Azteca, S. A. de C. V. (AIA)

The balances payable for lease concepts with AIA, which as of December 31, 2021 and 2020 are $301,552 and $152,124, respectively, were reduced from accounts payable with related companies to form part of the lease liability item.

Consequently, from the operations and negotiations carried out by financial leasing, the company had an interest expense accrued during the years 2021 and 2020 is $ 18,280 and $ 20,303, respectively.

d. Banco Azteca, S. A. Institución de Banca Múltiple (BAZ)

As of May 3, 2004, two commercial mediation contracts were signed with BAZ, one for the placement of consumer loans and the other for the collection of savings and investment accounts, valid for five years, which may be extended upon agreement between both parties. For the provision of these services, the Company has the right to receive what is shown below:

i. 5% of the total amount of the placement of consumer loans in Elektra stores in each calendar year, subtracting the accounts as uncollectible.

ii. The amount that results from applying, a percentage differential over the amount of the accumulated deposits for the corresponding month added by the initial balance for the deposit products that Elektra promotes within its stores.

The aforementioned differential will be 50% and will be applied to the amount of the deposits valued with the average cost of deposits of BAZ, this same amount of deposits will be valued with the 28-day Mexican interest rate denominated *Tasa de Interés Interbancaria de Equilibrio* (or TIIE for its acronym in Spanish), and both results must be compared. The percentage differential of 50% will be applied to the difference determined; the resulting value will constitute the remuneration that BAZ must pay to the Company.

As of December 31, 2021 and 2020, the Company's income from the foregoing items amounted to $ 6,044,668 and $ 5,481,012, respectively.

e. TV Azteca, S. A. B. de C. V. (TV Azteca)

On January 1, 2004, NEM and TV Azteca, signed a contract whereby the parties compromise to provide each other administrative, technical, financial analysis, accounting, legal assistance, financial and the administration and preparation of specific plans for the development, commercial, industrial or technical business and support for the operation of each of the parties, as well as any other related to the corporate purpose of each of the parties, against the payment of a consideration.

Derived from these services, the Company recorded income and expenses for the aforementioned items, which represent a net expense in 2021 and 2020 of $ 969,008 and $ 1,271,778, respectively.

Additionally, the Company carried out operations to promote the business with other companies belonging to the TV Azteca Group. For those services, the Company recorded expenses as of December 31, 2021 and 2020 for $ 43,304 and $ 121,400, respectively.

Tiendas Súper Precio, S. A. de C. V. (Súper Precio)

The Company entered into a contract to render administrative services of accounting assistance, legal, and financing plans for developing the commercial business and operating support of Súper Precio, as well as any other service related to the corporate purpose thereof, and obtained revenues amounting to $ 8,627 and $ 93,213 in 2021 and 2020, respectively.

Procesos Boff

During 2021 and 2020 the Company rendered operation and process analysis administrative services to Procesos Boff to carry out its activities, on which the Company received revenues amounting to $ 467,443 and $ 932,996 during 2021 and 2020, respectively.

UPAX GS, S. A. de C. V. (UPAX)

The Company has entered into various contracts with UPAX, whereby UPAX renders market research services, trademark experience, promotion, animation staff, specialized sales force, operating audits, information compilation, socioeconomic studies, among other things, on which the Company recognized an expense amounting to $ 108,065 and $ 222,429 in 2021 and 2020, respectively.

f. Operadora en Servicios Comerciales, S. A. de C. V. (OSC) y Comercializadora de Motocicletas de Calidad (CMC)

During 2021 NEM, entered into forward derivative contracts on the exchange rate in dollars with OSC y CMC, as a result the company recognized net losses of $2,816 and $31,632, respectively. As of December 31, 2021, the derivative contracts were settled in full and there are no open positions.

8. Inventories

a. At December 31, 2021 and 2020 is as follows:

	2021	2020
Household appliances	$ 2,929,356	$ 2,005,636
Motorcycles	2,659,158	1,793,258
Electronic	1,556,148	1,104,525
Computer	972,054	477,578
Transport	215,874	247,172
Furniture	318,314	286,932
Telephones	232,610	272,445
Others	347	80,352
	$ 8,883,861	$ 6,267,898

b. The reserve for slow-moving inventories and obsolete is analyzed as follows:

	2021	2020
Balance at January 1	$ 169,059	$ 214,526
Charges (credits) to income statement:		
Additional reserve	259,970	76,358
Applications	(86,727)	(118,644)
Exchange differences	(534)	(3,181)
	$ 341,768	$ 169,059

9. Prepayments

	2021	2020
Administrative and operative services	$ 533,855	$ 597,947
Improvements to leased buildings	432,029	483,471
Tax prepayments	309,915	13,843
Leases	145,876	121,646
Advertising	-	38,324
Others	204,475	76,745
	$ 1,626,150	$ 1,331,976

10. Investment in stores, furniture and equipment, net

	2021				
	Initial balance	Additions	Disposals	Foreign effect	Final balance
Investment:					
Investment in stores	$ 10,291,847	$ 1,751,913	$ (5,793)	$ 26,193	$ 12,064,160
Furniture and equipment	122,904	8,621	(2,630)	1,605	130,500
Computer equipment	201,726	20,615	(10,820)	4,221	215,742
Machinery and equipment	70,625	8,730	(56)	977	80,276
Transportation equipment	34,082	4,968	(1,980)	1,031	38,101
Others	44,846	-	-	852	45,698
	10,766,030	1,794,847	(21,279)	34,879	12,574,477
Depreciation:					
Investment in stores	(6,137,884)	(1,601,905)	5,021	(23,941)	(7,758,709)
Furniture and equipment	(82,678)	(5,715)	1,723	(989)	(87,659)
Computer equipment	(167,875)	(16,496)	10,512	(3,714)	(177,573)
Machinery and equipment	(53,833)	(3,277)	56	(786)	(57,840)
Transportation equipment	(23,197)	(5,347)	1,970	(646)	(27,220)
Others	(13,578)	(1,033)	-	(344)	(14,955)
	(6,479,045)	(1,633,773)	19,282	(30,420)	(8,123,956)
	$ 4,286,985	$ 161,074	$ (1,997)	$ 4,459	$ 4,450,521

	2020				
Investment:					
Investment in stores	$ 11,109,063	904,509	(1,743,636)	21,911	10,291,847
Furniture and equipment	103,542	25,474	(9,277)	3,165	122,904
Computer equipment	168,455	25,177	(1,359)	9,453	201,726
Machinery and equipment	69,034	4,037	(4,899)	2,453	70,625
Transportation equipment	31,663	641	(172)	1,950	34,082
Others	42,138		(29)	2,736	44,846
	11,523,895	959,838	(1,759,372)	41,668	10,766,030
Depreciation:					
Investment in stores	(6,366,955)	(1,495,820)	1,740,311	(15,420)	(6,137,884)
Furniture and equipment	(83,490)	(5,347)	8,029	(1,870)	(82,678)
Computer equipment	(149,992)	(11,074)	1,240	(8,049)	(167,875)
Machinery and equipment	(53,749)	(3,326)	4,821	(1,579)	(53,833)
Transportation equipment	(16,406)	(6,144)		(647)	(23,197)
Others	(11,953)	(984)		(641)	(13,578)
	(6,682,545)	(1,522,695)	1,754,401	(28,206)	(6,479,045)
	$ 4,841,350	$ (562,857)	$ (4,971)	$ 13,462	$ 4,286,985

11. Leases

a. Nature of leasing activities

The Company leases land and buildings in diverse jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation and in others to be reset periodically to market rental rates. In some jurisdictions, the periodic rent is fixed over the lease term.

The Company has entered into furniture and equipment lease agreements, and has the option to purchase certain furniture and equipment for a nominal amount at the end of the lease term. The Company's obligations on the leases are guaranteed by the lessor's title to the leased assets. Generally, the Company has restrictions on assigning and subletting leased assets and some contracts require that certain financial ratios be maintained.

Leasing contracts with related companies are normally executed over a period of 10 years and with companies other than the commercial group to which the company belongs, the leases were made between 5 and 10 years, in both cases with the option to renew the contract lease after that date.

b. Right of use assets

	Properties	Computer equipment	Investment in stores	Transportation equipment	Total assets
January 1, 2021	$ 8,060,742	$ 8,232	$ 141,091	$ -	$ 8,210,065
Exchange differences	9,388				9,388
Contracts changes	663,251	1,571			664,822
Additions for new contracts	1,775,907	3,946	14,393	176,367	1,970,613
Disposals	(139,758)				(139,758)
Amortization	(1,677,375)	(4,768)	(29,190)	(5,510)	(1,716,843)
December 31, 2021	$ 8,692,155	$ 8,981	$ 126,294	$ 170,857	$ 8,998,287

c. Lease liabilities

	2021
January 1, 2021	$ 8,963,003
Additions for new contracts and rent update	2,635,435
Interest accrued in the period	1,011,312
Disposals	(145,006)
Payments for leases	(2,422,955)
Currency effects	10,941
Decrease in lease payments	(67,528)
Total lease liabilities	$ 9,985,202

d. Amounts recognized in profit of the year

	2021	2020
Depreciation of right-on-use assets	$ 1,716,843	$ 1,747,161
Interest expense on lease liabilities	1,011,312	974,890
Decrease in liability for COVID-19 agreements	(67,528)	(70,899)
Cost of disposal of assets and liabilities DDU	(5,248)	(18,196)
	$ 2,655,379	$ 2,632,956

e. Maturity of lease liabilities

Years of maturity	2021
Short term	$ 1,470,507
between 1 and 2 years	268,866
between 2 and 5 years	1,629,508
over 5 years	6,616,321
Long term	8,514,695
	$ 9,985,202

12. Investment in associates

i. The investment in subsidiaries and associates as of December 31, 2021 and 2020 is integrated as follows:

	2021		
	% of participation	Investment in shares	Equity in net results
Banco Azteca de Honduras, S. A.	29.10	$ 451,350	$ 20,687
Mercadotecnia Tezontle, S. A. de C. V.	5.20	186,387	17,345
Inmuebles Ardoma, S. A. de C. V.	10.20	171,799	12,468
Proveedora AOS de Servicios, S. A. de C. V.	33.50	104,215	6,067
Others		89,200	562
		$ 1,002,951	$ 57,129

	2020		
Banco Azteca de Honduras, S. A.	29.10	$ 453,908	$ 23,991
Mercadotecnia Tezontle, S. A. de C. V.	5.20	163,776	11,539
Inmuebles Ardoma, S. A. de C. V.	10.20	158,252	8,339
Proveedora AOS de Servicios, S. A. de C. V.	33.50	98,148	10,948
Others		87,778	8,513
		$ 961,862	$ 63,330

ii. Equity in net results of the associates and subsidiaries

As of December 31, 2021 and 2020, $ 57,129 and $ 63,330, respectively, were recognized in the income statement, corresponding to the equity in the net profits of the associated companies and non-consolidated subsidiaries.

13. Disposal of business

(i). On May 8, 2015, the Company announced the beginning of the retirement process of all subsidiary operations in the Federative Republic of Brazil. As a result of the liquidation of subsidiary companies, the Company recognizes in the results of the year effects of this process. See Note 22-b.

(ii). In December 2020 the Company decided to start closing the operations of the Elektra stores in Peru.

The Company recognized the participation in the results of Elektra Peru as a discontinued operation in the consolidated income statement for the year ended December 31, 2020.

The income, costs and expenses related to the discontinued operation are integrated as follows:

	2021	2020
Income	$ 31,287	$ 774,896
Cost	(5,640)	(604,270)
Expenses	(95,825)	(585,649)
Depreciation	(944)	(147,539)
Others	(59,621)	(95,493)
Total discontinued operations	$ (130,743)	$ (658,055)

14. Senior Notes

On January 20, 2021, NEM, as originator, issued Senior Notes through a special purpose vehicle (SPV) under Luxemburg laws for US$ 500 million within a 7 years period and a rate of 4.875%, under a financing program. NEM, among others, signed an escrow contract and a contribution agreement in order to transmit irrevocably certain collection rights ("Receivables" according to the transaction documents definition) that act as a main payment of the Senior Notes. The Senior Notes also have a corporate guarantee from the Company.

Under the financing program, the Company transferred the Receivables (as defined on the transaction documents) to the SPV and thus are not assets of the Company.

As of December 31, 2021, the Senior Notes net outstanding balance was $ 9,976,833:

	2021
Outstanding balance	$ 10,233,600
Transaction costs	(256,767)
	$ 9,976,833

On January 12, 2022, the Company paid interest for US$6.1 million with the flows entering the financing structure in accordance with the transaction documents. In addition, the Senior Notes have a Debt Service Reserve for US$37,188 equal to the Maximum Quarterly Debt Service.

The Senior Notes had a Monthly Debt Service Coverage Ratio of 101.8x, 110.7x, and 111.4x during October, November and December, 2021, respectively, and a Quarterly Debt Service Coverage Ratio of 108x during the fourth quarter of 2021.

15. Other accounts payable

	2021	2020
Creditor for goods and services	$ 3,756,268	$ 2,527,392
Merchandise reserve	986,542	899,055
Deferred income	127,920	294,306
Taxes to pay	64,768	549,788
Employee benefits	54,220	135,151
Liabilities attributable to assets held for sale	4,981	131,194
	$ 4,994,699	$ 4,536,886

16. Employee benefits

Employee benefit plans are established, related to the termination of the labor relation and for retirement due to reasons other than restructuring. The benefit plans at the end of the labor relation consider the severance indemnities (including the seniority premium earned), and which are not going to reach the benefits of the retirement or pension plan. The retirement benefit plans consider the years of service completed by the employee and his/her remuneration as of the retirement or pension date. The retirement plan benefits include the seniority premium that the workers are entitled to earn upon termination of the labor relation, as well as other defined benefits. The valuation of both benefit plans was made on the basis of actuarial calculations prepared by independent experts. Details of defined benefit schemes of the Company are as follows:

	2021	2020
Projected net liability	$ 296,779	$ 54,334
Benefits paid	(11,217)	(3,948)
Actuarial losses	124,416	16,127
Exchange effect	1,354	1,594
Total cost of the period	127,893	7,304

The most important assumptions used in determining the net cost of the plans for the period are as follows, weighted average rates:

	2021	2020
Discount rate	6.99%	4.21%
Salary increase rate	5.11%	4.02%

17. Stockholders' equity

a. Capital stock

The capital stock consists of ordinary, common and nominative shares with a nominal value of one hundred pesos each. As of December 31, 2021 and 2020, the share capital are as follows:

	Number of shares	Amount
Fixed capital stock	500	$ 50
Variable capital stock	39,204,850	3,920,485
	39,205,350	3,920,535
Restatement until December 31, 2007		453,323
		$ 4,373,858

b. Dividends Payments

The dividends distribution resulting from retained earnings and other capital reserves; as well as distributed earnings derived from reductions of capital, will be taxable for effects of the income tax (ISR for its acronym in Spanish) applying the current rate on the distribution or reduction date on a grossed-up base, except when the distribution of dividends comes from Net Tax Income Account (CUFIN for its acronym in Spanish) and when the distributed profits derived from the capital reduction come from the restated Contributed capital account (CUCA for its acronym in Spanish).

The tax paid for such distribution may be credited against the income tax for the year in which the dividend tax is paid and in the next two fiscal years against the tax for the year and the provisional payments thereof. The payment of dividends and distributed profits from profits generated as of January 1, 2014, to shareholders and individuals' resident abroad, are subject to an additional 10% of income tax on dividends as final payment in Mexico.

In a meeting of Unanimous Resolutions that generates the same effect as the General Shareholders' Meeting held on July 2021, dividends were decreed for $ 999,940, which did not cause ISR due to the CUFIN accumulated as of December 31, 2014 and were paid on July 15, 2021.

In a meeting of Unanimous Resolutions that generates the same effect as the General Assembly of Shareholders held on May 12, 2020 and September 30, 2020 dividends for $ 1,000,000 and $ 1,200,000 respectively were decreed, which did not cause income tax due to the CUFIN accumulated as of December 31, 2014 and were paid in the same month of their resolution.

c. Contributions for future capital increases

As of December 31, 2021, the Company has made contributions for future capital increases in the amount of $ 2,268,202, which have not been formalized in the minutes of the meeting consequently, they are presented in long-term liabilities.

d. Legal reserve

The Company recognizes what is stated in item 20 of the Mexican General Law of Mercantile Companies, relative to the separation of 5% of net profits to form the "reserve fund" until this fund reaches the amount of 20% of the capital stock; The fund is intended to protect the capital of the company against eventual losses and / or contingencies that arise. The Company has a reserve fund as of December 31, 2021 of $ 201,509.

e. Contribution capital account

The capital contributions made in cash, in kind, as well as the capitalization of liabilities, form the contribution capital account, which is updated annually in accordance with the provisions of the current Income Tax Law. As of December 31, 2021 and 2020, the updated balance of the account called "Updated contribution capital" amounts to $ 20,077,267 and $ 18,702,624, respectively. In the case of reimbursement to shareholders for the excess of said reimbursement over this amount, it must be given the tax treatment of a distributed profit

f. Net tax profit account

Accumulated profits, including those that have been capitalized, are subject to ISR payment, in the case of distribution in cash or in kind, except that they correspond to profits pending distribution, on which the tax has already been covered, which form the CUFIN. As of December 31, 2021 and 2020, the updated balance amounts to $ 4,270,710 and $ 5,060,863, respectively.

g. Other comprehensive income

Other comprehensive income as of December 31 is composed as shown below:

	2021	2020
Net profit of the period	$ 2,484,147	$ 3,653,893
Exchange gains arising on translation of foreign operations in subsidiaries and associated companies	692,687	1,121,901
Actuarial losses on employee benefits	(21,270)	-
Non-controlling	(41)	(27)
Comprehensive profit of the period	$ 3,155,523	$ 4,775,767

18. Revenue and costs

As of December 31, 2021 and 2020 the principal income of the Company is as follows:

	2021	2020
Inventory retail sales	$ 45,246,823	$ 39,795,164
Administrative services	18,369,479	22,140,863
Money transfers	4,447,174	3,949,810
Commissions and extended warranty services	950,256	891,324
	$ 69,013,732	$ 66,777,161

As of December 31, 2021 and 2020 costs by nature are as follows:

	2021	2020
Inventory retail sales	$ 36,223,244	$ 30,833,473
Money transfers	119,634	149,213
Commissions and extended warranty services	726,058	495,611
	$ 37,068,936	$ 31,478,297

19. Foreign exchange

The Company had the following monetary assets and liabilities in thousands of dollars shown below:

	2021	
	US Dollars (thousands)	National currency (thousands)
Assets	739,941	$ 15,144,520
Liabilities	(714,643)	(14,626,741)
Long position on foreign currency	25,298	$ 517,779

	2020	
Assets	620,882	$ 12,360,951
Liabilities	(479,514)	(9,546,495)
Long position on foreign currency	141,368	$ 2,814,456

The exchange rate used to evaluate the position in U.S. Dollars at year end 2021 and 2020 was $ 20.4672 and $ 19.9087, respectively. At the issue date of the audited consolidated financial statements, the exchange rate of the U.S. Dollar was $ 19.8632.

As of December 31, 2021 and 2020, there are not instruments of exchange hedge against exchange rate risks.

20. Income taxes

This item is integrated as shown below:

	2021	2020
Current income tax	$ 1,826,392	$ 2,317,700
Deferred income tax	(1,210,012)	(1,283,346)
	$ 616,380	$ 1,034,354

a. The ISR rate was 30% on a basis that differs from the accounting income mainly due to permanent differences such as annual adjustment for inflation, as well as certain non-deductible expenses.

b. Grupo Elektra, S. A. B. de C. V. (conciliatory entity of Nueva Elektra del Milenio, S. A. de C. V.) and its Subsidiaries considered as conciliatory entity and integrated entities, respectively; determine the ISR according to what is mentioned in Article 64 of the ISR Law, Chapter IV "Of the optional regimen for Company entities". This new optional regime requires a participation in the capital of the subsidiaries of at least 80% and will allow the integrating Company (Controlling) to differ the annual tax payments of its integrated subsidiaries who generated profits for a period equivalent to 3 years to the extent that its expenses due to taxes do not exceed individually the expense for comprehensive tax of the Controlling Company, without considering those companies that have tax losses pending amortization prior to 2014. Foreign subsidiaries determine their income taxes according to the applicable tax rates in each jurisdiction.

c. Below is a summary of the main temporary differences, not including the corresponding to foreign subsidiaries, on which deferred taxes were recognized:

	2021	2020
Deferred tax income asset:		
Lease liabilities	$ 2,788,505	$ 2,570,700
Investment in stores, furniture and equipment	1,848,528	1,474,206
Accounting provisions	787,346	770,994
Contingent provisions	482,830	337,219
Investment valuation	354,798	406,291
Employee benefits	64,413	-
Income to be earned	11,503	79,306
	6,337,923	5,638,716
Differed tax income liabilities:		
Right of use assets	(2,599,799)	(2,360,247)
Prepaid expenses	(327,103)	(408,539)
Others	(443,800)	(1,112,721)
	(3,370,702)	(3,881,507)
Differed tax income asset, net	2,967,221	1,757,209
Less:		
Deferred income tax from the previous year	1,757,209	473,863
Deferred income tax of the year	$ 1,210,012	$ 1,283,346

d. As of December 31, 2021 and 2020, the reconciliation of the statutory and effective ISR rate expressed as a percentage of income before ISR is as follows:

	2021 %	2020 %
Statutory rate	30.00	30.00
Plus (less):		
Inflationary effects	4.93	1.43
Non-deductible expenses	5.18	1.47
Others	(21.03)	(13.55)
Effective rate	19.08	19.35

21. Information by segments

Financial information by geographic area as of December 31, 2021 and 2020 is presented below:

	Mexico	Central America	Other	Total
December31, 2021				
Income	$ 63,845,384	$ 5,168,348	$ -	$ 69,013,732
Gross profit	29,914,972	2,029,824		31,944,796
Profit (loss) from operations	2,192,341	375,507	(7,364)	2,560,484
Depreciation and amortization	(3,348,583)	(172,151)	(3)	(3,520,737)
Income tax	(927,237)	420,627	(109,770)	(616,380)

	Mexico	Central America	Other	Total
December 31, 2020				
Income	$ 61,846,849	$ 4,930,312	$ -	$ 66,777,161
Gross profit	33,525,721	1,773,143		35,298,864
Profit (loss) from operations	4,098,052	684,832	(8,815)	4,774,069
Depreciation and amortization	(3,044,352)	(205,567)		(3,249,919)
Income Tax	(698,253)	(233,268)	(102,833)	(1,034,354)

22. Commitments and contingencies

a. Commitments

The Company is the Trustor and Second Trustee of an Irrevocable Administration Trust, Payment Source and Guarantee, established as a financing structure obtained by Grupo Elektra, S. A. B. de C. V. (Grupo Elektra), through which the Company provides the main source of payment, which are the commissions generated by the remittance payment service charged to various business partners.

On July 2017, Grupo Elektra made a disposition of the loan for $ 2,000,000 with Banco Nacional de Comercio Exterior, for a term of 10 years.

On June 2018, Grupo Elektra made an additional disposal for $ 1,000,000 with Banco Multiva, for a term of 5 years.

b. Contingencies

Closing of commercial operations in the Federative Republic of Brazil:

On May 8, 2015, the commercial subsidiaries started a judicial recovery procedure (similar to commercial bankruptcy) before the 31st Civil Court in the capital of the State of Pernambuco, Brazil with procedure number 6174-66-2015.8.17.0001, in order to make the orderly payment to their creditors, which consist of liquid credits with various creditors amounting to R$22 million (US$ 7 million) at December 1, 2015 (date on which the most recent list of creditors was published), and non-liquid credits of labor creditors are assumed in an amount approximating R$ 132 million (US$ 42 million).

In June 2016, the meeting of creditors (maximum body for recovery to approve any novation of obligations) approved the judicial recovery plan filed by the commercial subsidiaries (the "Recovery Plan"), which in turn was approved by the Lower Court. That plan reduced the liquid contingency from R$ 22 million (US$ 7 million) to R$ 7 million (US$ 2 million), and we estimate that the non-liquid contingency will be reduced from R$ 132 million (US$ 42 million) to R$ 2 million (US$ 600 thousand) as a result of the Plan.

In August 2016, junior creditors challenged the approval of the Recovery Plan before the Court of Justice of the State of Pernambuco, since that authority ruled that the plan discussed was juridically valid on April 12, 2017, since it complied with the formalities set forth in Brazilian legislation. That ruling was final.

The Recovery Plan has been carried out from 2017 to date, and payments have been made to various creditors with the approved plan.

23. New pronouncements

During 2021 standards amendments to standards, and interpretations which have been issued by the CINIF that are affective in future accounting periods that the Company has decided not to adopt early. The most significant of these are as follows, which are effective for the period beginning 1 January 2022.

Improvements 2022:

- NIF B-15 "Foreign currency conversion"

  As a practical solution, it is allowed not to carry out the conversion process to the functional currency and to present the financial statements based on the financial information in the recording currency, provided that they are financial statements exclusively for legal and fiscal purposes of entities that are entities individuals that do not have subsidiaries or a parent, or users that require financial statements considering the effects of conversion or are subsidiaries, associates or joint ventures that do not have users that require financial statements considering the effects of conversion.

- NIF D-3 "Employee benefits"

  In the cases in which the entity considers that the payment of PTU will be at a rate lower than the legal rate in force because this payment is subject to the limits established in the applicable legislation, the entity must make the best possible estimate of the rate with which the temporary differences will materialize at the date of the financial statements for purposes of deferred PTU.

24. Issuance of financial statements

These consolidated financial statements and related notes have been approved by C. P. Mónica Urrutia Falcón, Comptroller and by Mr. Mauro Aguirre Regis, Chief Financial Officer, as of March 30, 2022, both responsible for the financial information of Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries, and are subject to approval of Board of the Ordinary stockholder's meeting.