

**NUEVA ELEKTRA DEL MILENIO, S. A. DE C. V.  
(Subsidiary of Grupo Elektra, S. A. B. de C. V.)  
NON-CONSOLIDATED FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2020 AND 2019  
AND INDEPENDENT AUDITORS' REPORT**

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

Non-consolidated financial statements as of December 31, 2020  
and 2019, and independent auditors' report

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## INDEPENDENT AUDITORS' REPORT

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

(Thousands of Mexican pesos)

### Opinion

We have audited the non-consolidated financial statements of Nueva Elektra del Milenio, S. A. de C. V. (the "Company") (Subsidiary of Grupo Elektra, S. A. B. de C. V.), which comprise the non-consolidated statements of financial position as of December 31, 2020 and 2019, and the non-consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years then ended, as well as the notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material aspects, the non-consolidated financial position of Nueva Elektra del Milenio, S. A. de C. V., as of December 31, 2020 and 2019, and its non-consolidated financial performance and its non-consolidated cash flows for the years then ended in accordance with Mexican Financial Reporting Standards (NIF for its acronym in Spanish).

### Basis for opinion

We conducted our audits in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the non-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 issues

Without this having an effect on our opinion, we draw attention to the following:

1. As described in Note 2-a to the accompanying non-consolidated financial statements, these financial statements were prepared for internal use of the Company, as well as to comply with the legal and tax requirements. Therefore, they do not include the consolidation of the financial statements of the subsidiaries and associates of the Company, which have been accounted for using the equity method. Consolidated financial statements are not issued because they meet the exception requirements for an intermediate controlling stockholder, established in NIF B-8 "Consolidated or combined financial statements" of the Mexican NIF. For the evaluation of the financial situation and the results of the economic entity, the audited consolidated financial statements of Grupo Elektra, S. A. B. de C. V. and subsidiaries as of December 31, 2020 and 2019 for the years ended on that dates must be taken into account, which were issued separately on March 18, 2021.

2. As described in Note 7-a to the accompanying non-consolidated financial statements, sales from inventory and revenue from services from related companies for the year ended December 31, 2020 and 2019 amounted to \$ 30,869,373 and \$ 31,145,581 respectively, which represent 49% and 55%, respectively, of the total net sales and revenue from services shown in the non-consolidated statement of comprehensive income for both years. The accompanying non-consolidated financial statements are not necessarily indicative of the conditions that would have prevailed or of the results of operations and changes in the financial situation that the Company would have obtained without such affiliation.

#### **Responsibilities of the management and those charged with governance for the non-consolidated financial statements**

Management is responsible for the preparation and fair presentation of the non-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 non-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 non-consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the non-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 non-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 non-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 non-consolidated financial statements, including the disclosures, and whether the non-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 non-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,  
April 19, 2021

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

Non-consolidated statements of financial position  
December 31, 2020 and 2019  
(Thousands of Mexican pesos)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 4,118,242	\$ 2,656,310
Investments in securities	5	<u>4,102,035</u>	<u>6,752,906</u>
		<u>8,220,277</u>	<u>9,409,216</u>
Accounts receivable:			
Accounts receivables, net	6	1,204,031	1,395,408
Recoverable taxes		798,420	1,074,199
Related parties	7	20,207,230	21,190,177
Other accounts receivable		<u>3,187,424</u>	<u>3,681,139</u>
		<u>25,397,105</u>	<u>27,340,923</u>
Inventories, net	8	<u>5,400,760</u>	<u>5,132,174</u>
Prepaid expenses	9	<u>1,299,824</u>	<u>5,231,458</u>
<b>Total current assets</b>		<u>40,317,966</u>	<u>47,113,771</u>
Investment in stores, furniture and equipment, net	10	4,126,118	4,678,243
Investment in subsidiaries and associates	12	22,288,621	20,100,510
Right-of-use assets	11-b	7,867,491	7,858,366
Deferred income tax	17-c	2,639,311	1,225,055
Other assets		<u>181,351</u>	<u>141,895</u>
		<u>37,102,892</u>	<u>34,004,069</u>
<b>Total assets</b>		<u>\$ 77,420,858</u>	<u>\$ 81,117,840</u>

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

Non-consolidated statements of financial position (continued)  
December 31, 2020 and 2019  
(Thousands of Mexican pesos)

	Note	<u>2020</u>	<u>2019</u>
<b>Liabilities</b>			
<b>Current</b>			
Trade payables		\$ 4,186,988	\$ 4,343,915
Provisions		1,752,221	843,573
Related parties	7	30,632,283	37,592,323
Short term lease liabilities	11-e	951,944	1,178,123
Other accounts payable	13	<u>3,882,248</u>	<u>5,062,306</u>
<b>Total current liabilities</b>		<u>41,405,684</u>	<u>49,020,240</u>
Contributions for future capital increases	14-c	2,268,202	2,268,202
Long-term lease liabilities	11-e	7,643,678	7,038,395
Excess liabilities over associates and subsidiaries' assets	12	2,821,608	2,595,096
Income tax payable	17-b	<u>1,126,056</u>	<u>596,231</u>
		<u>13,859,544</u>	<u>12,497,924</u>
<b>Total liabilities</b>		<u>55,265,228</u>	<u>61,518,164</u>
<b>Stockholders' equity</b>			
Capital stock	14	4,373,858	4,373,858
Legal reserve		201,509	201,509
Retained earnings		10,177,757	9,029,190
Other comprehensive income		<u>7,402,506</u>	<u>5,995,119</u>
<b>Stockholders' equity</b>		<u>22,155,630</u>	<u>19,599,676</u>
<b>Total liabilities and stockholders' equity</b>		<u>\$ 77,420,858</u>	<u>\$ 81,117,840</u>

The accompanying notes are part of these non-consolidated financial statements.

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

**Non-consolidated statements of comprehensive income (see Note 1)**  
**For the years ended December 31, 2020 and 2019**  
**(Thousands of Mexican pesos)**

	Note	2020	2019
Net sales and revenue from services	7 and 15	\$ 62,195,326	\$ 56,274,106
Cost of sales		<u>28,321,129</u>	<u>23,527,500</u>
<b>Gross profit</b>		<u>33,874,197</u>	<u>32,746,606</u>
Selling and administrative expenses	7	26,992,250	28,582,816
Depreciation and amortization		3,040,698	2,750,794
Other income, net		<u>(258,224)</u>	<u>(480)</u>
Total expenses		<u>29,774,724</u>	<u>31,333,130</u>
<b>Profit from operations</b>		<u>4,099,473</u>	<u>1,413,476</u>
Comprehensive result of financing:			
Interest income	7	1,025,517	1,100,782
Interest expense		(1,642,804)	(1,838,461)
Exchange loss, net		(132,754)	(53,835)
Other financial expenses		<u>(623)</u>	<u>(1,050)</u>
		<u>(750,664)</u>	<u>(792,563)</u>
Equity in the net profit of subsidiary and affiliated companies, net	12	<u>698,011</u>	<u>695,254</u>
<b>Profit before income tax</b>		4,046,820	1,316,167
Income tax	17-a	<u>(698,253)</u>	<u>(220,827)</u>
<b>Profit before discontinued operations</b>		3,348,567	1,095,340
Loss from discontinued operations		<u>                    </u>	<u>(926)</u>
<b>Net profit for the year</b>		3,348,567	1,096,266
Other comprehensive income (OCI):			
Equity in the OCI of subsidiary and associated companies	14-g	<u>1,407,387</u>	<u>(612,532)</u>
<b>Total comprehensive income for the year</b>		<u>\$ 4,755,954</u>	<u>\$ 483,734</u>

The accompanying notes are part of these non-consolidated financial statements.

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

**Non-consolidated statements of changes in stockholders' equity**  
For the years ended December 31, 2020 and 2019  
(Thousands of Mexican pesos)

	<u>Capital stock</u>	<u>Legal reserve</u>	<u>Retained earnings</u>	<u>Other comprehensive income</u>	<u>Total</u>
<b>Balances at December 31, 2018</b>	\$ 4,373,858	\$ 201,509	\$ 11,032,924	\$ 6,607,651	\$ 22,215,942
Payment of dividends (Note 14-b)			(3,100,000)		(3,100,000)
Comprehensive income for the year (Notes 2-e and 14-g)			<u>1,096,266</u>	<u>(612,532)</u>	<u>483,734</u>
<b>Balances at December 31, 2019</b>	4,373,858	201,509	9,029,190	5,995,119	19,599,676
Payment of dividends (Note 14-b)			(2,200,000)		(2,200,000)
Comprehensive income for the year (Notes 2-e and 14-g)			<u>3,348,567</u>	<u>1,407,387</u>	<u>4,755,954</u>
<b>Balances at December 31, 2020</b>	<u>\$ 4,373,858</u>	<u>\$ 201,509</u>	<u>\$ 10,177,757</u>	<u>\$ 7,402,506</u>	<u>\$ 22,155,630</u>

The accompanying notes are part of these non-consolidated financial statements.

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

Non-consolidated Statements of cash flows  
For the years ended December 31, 2020 and 2019  
(Thousands of Mexican pesos)

	<u>2020</u>	<u>2019</u>
<b>Operating activities</b>		
Profit before income tax	\$ 4,046,820	\$ 1,316,167
Items related to investment activities:		
Depreciation and amortization	3,040,698	2,613,662
Income from sale of furniture and equipment		(7,464)
Cost on furniture and equipment sale	234	
Equity in net profit of subsidiaries and associates, net	(698,011)	(695,254)
Transfer of equipment to right-of-use assets		131,786
Interest income	(1,025,517)	(1,100,782)
Items related with financing activities:		
Interest expense	<u>1,642,804</u>	<u>1,838,461</u>
	7,007,028	4,096,576
Variations in:		
Accounts receivable and others	4,407,055	(7,703,467)
Inventories	(268,586)	(1,104,333)
Accounts payable	(8,172,426)	7,164,732
Income tax payment	<u>(419,528)</u>	<u>(1,039,152)</u>
<b>Net cash flows from operating activities</b>	<u>2,553,543</u>	<u>1,414,356</u>
<b>Investment activities</b>		
Interest collected	1,025,517	1,100,782
Investment in stores, furniture and equipment	(917,818)	(2,160,947)
Collection for the sale of furniture and equipment		29,140
Dividends collected	312	1,443,212
Reimbursement of investment in shares of (Acquisition) sales of shares	<u>(7,689)</u>	<u>6,759</u> <u>3,484</u>
<b>Net cash flows from investment activities</b>	<u>100,322</u>	<u>422,430</u>
<b>Cash flows to apply in financing activities</b>	<u>2,653,865</u>	<u>1,836,786</u>
<b>Financing activities</b>		
Dividends paid	(2,200,000)	(3,100,000)
Interest paid	<u>(1,642,804)</u>	<u>(1,838,461)</u>
<b>Net cash flows from financing activities</b>	<u>(3,842,804)</u>	<u>(4,938,461)</u>
Net decrease in cash and cash equivalents and investment securities	(1,188,939)	(3,101,675)
Cash and cash equivalents and investment securities at beginning of year	<u>9,409,216</u>	<u>12,510,891</u>
<b>Cash and cash equivalents and investment securities at end of the year</b>	<u>\$ 8,220,277</u>	<u>\$ 9,409,216</u>

The accompanying notes are part of these non-consolidated financial statements.

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

**Notes to the non-consolidated financial statements**  
**For the years ended December 31, 2020 y 2019**  
**(Thousands of Mexican Pesos)**

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## 1. Activity

The main activity of Nueva Elektra del Milenio, S. A. de C. V. (the Company) (Subsidiary of Grupo Elektra, S. A. B. de C. V.), is the purchase and sale of household appliances, white goods, home furnishings, cell phones, personal computers and motorcycles, through a chain of 1,143 stores in Mexico, as well as consumer financing and money transfer services that carried out in the United States of America (USA) to Mexico and within the national territory. In addition, it holds shares in companies from the countries of Central and South America.

The income from money transfers represents: i) the commissions paid by Western Union, Vigo, Orlani, BTS and MG 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, S.A.B. de C.V commercial and financial network. Both types of commissions are recorded as income as services are rendered.

The Company does not have employees and related parties provide all the services related to their activity.

Relevant event

Impact of the COVID-19 Pandemic

On March 11, 2020, the World Health Organization (WHO) declared the SARS-CoV2 (COVID-19) outbreak a pandemic. Subsequently, on March 30, 2020, the Federal Government of Mexico declared a health emergency and announced the implementation of various protection measures, including the suspension of all non-essential activities, as well as a voluntary confinement. Similar local measures were implemented in several states and in Mexico City during 2020.

The result of these measures caused a weakened Mexican economy, lower interest rates and the depreciation of the Mexican peso; This has affected Grupo Elektra, both directly and indirectly, due to the impacts on its clients, counterparts, suppliers and other interested parties.

Even though the Federal Government of Mexico and several states of the country began to progressively reopen their economies as of June 2020, in December of that year that reopening process was reversed in certain states and in Mexico City, with the suspension of non-essential activities and with a voluntary confinement. It is impossible to predict with certainty the duration of the COVID-19 pandemic, the restrictions or the preventive measures implemented by either the Mexican Federal Government or local governments.

Consumption habits could have altered even after the COVID-19 pandemic and government restrictions have ended, which could have an adverse effect on commercial activity and consequently on the possibility of financing the Group's clients. Elektra; it could also have an unfavorable effect on the results and financial condition of the Company. Nor can there be assurance that the adverse impact of the COVID-19 pandemic will not lead to tighter liquidity conditions or funding uncertainty.

Until December 31, 2020 and as of the date of issuance of these unconsolidated financial statements, COVID-19 has not had a significant impact on the Company's activities. For the year 2021, the degree of the impact of the COVID-19 pandemic on the Company's results will depend on the duration and level of disruptions in the Mexican, regional and global economic activity.

## 2. Basis of preparation of non-consolidated financial statements

### a. Compliance with financial reporting standards

The accompanying non-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).

The accompanying non-consolidated financial statements were prepared 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 do not include the consolidation of the financial statements of its subsidiaries, which were recognized under the equity method. Consolidated financial statements are not presented as they meet the exception requirements for a sub-controller, established in NIF B-8 "Consolidated or combined financial statements".

Grupo Elektra, S. A. B de C. V. (Grupo Elektra), direct holding of the Company, presented its consolidated financial statements in accordance with International Financial Reporting Standards on March 18, 2021, which include the consolidation of the Company and subsidiaries' financial statements.

### b. Use of estimates

The preparation of the financial statements in accordance with Mexican Financial Reporting Standards requires that use of certain estimations and assumptions to measure some amounts of the non-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 Equity investments. Investment impairment.
- Note 3-j Impairment in the value of long live assets and their disposal.
- 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 Contingencies. Assessment of the likelihood and amount of outgoing cash flows.

### c. Functional and reporting currency

The functional currency of the Company is the Mexican peso, since it is the currency of the economic environment in which it operates, since its sales and purchase transactions, as well as its main assets and liabilities are denominated in such currency. The reporting currency of the Company, for legal and fiscal purposes, is the Mexican pesos.

For disclosure purposes in the non-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. Effects of inflation

Effective January 1, 2008, the effects of inflation in the financial information are recognized only when the cumulative inflation of the previous three years in the Mexican economy is equal or greater than 26%, therefore the accompanying financial statements recognize the effects of inflation in the financial information until December 31, 2007

As of December 31, 2020 and 2019 the inflation percentage of the three previous years is 11.31% and 15.03%, respectively.

e. Non-consolidated statement of comprehensive income

The non-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.

f. Non-consolidated cash flows statements

The non-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.

g. Accounting policies changes

As of January 1, 2020 the CINIF issued several NIF, improvements and guidelines that came in to effect as of that date. However, they are not relevant for the Company's activities and they had no effects on the 2020 financial information.

The following NIF that came into force beginning January 1, 2019 generated significant accounting changes which are detailed below. Likewise, there are other NIF and modifications to NIF that came into force on the aforementioned date, which were not relevant to the Company's activities or that establish accounting requirements which are consistent with the Company's current policies.

NIF D-5 "Leases" provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value.

The Company adopted NIF D-5 using the retrospective approach; therefore, the aforementioned changes were recognized on the opening balances as of January 1, 2019, date of initial application. In order to do that, the Company elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under Bulletin D-5, and the supplementary application of IFRIC 4 "Determining whether an Contract Contains a Lease" were not reassessed. The definition of a lease under NIF D-5 was applied only to contracts entered into or changed on or after January 1, 2019.

On adoption of NIF D-5, the Company recognized right-of-use assets and lease liabilities as follows:

Operating leases that meet the definition of investment property. The right of use asset was measured at fair value as of January 1, 2019.

The resulting lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as of 1 January 2019.

Finance leases. Measured based on the carrying values for the lease assets and liabilities immediately before the date of initial application (i.e. carrying values brought forward, unadjusted).

The impact of adopting NIF D-5 on opening balances as of January 1, 2019 is show below:

- Decrease in investment in stores, furniture and equipment of \$ 131,786.
- Increase in Right-of-use assets of \$ 8,818,738.
- Decrease in payables due to related parties of \$ 266,871.
- Increase on lease liabilities of \$ 8,974,938.

The new accounting policies of NIF D-5 "Leases" are disclosed in note 11.

#### h. Reclassifications

The non-consolidated comprehensive income statement for the year ended December 31, 2019 has been reclassified in certain items to conform the presentation used in 2020.

	<u>Amounts previously reported</u>	<u>Reclassification</u>	<u>Reclassified amounts</u>
Net sales and revenue from services	\$ 62,601,229	\$ (6,327,123)	\$ 56,274,106
Selling and administration expenses	(31,330,139)	2,747,324	(28,582,815)
Depreciation and amortization	-	(2,750,794)	(2,750,794)
Other income, net	(6,336,105)	6,336,584	479
Interest expense	(732,737)	(4,941)	(737,678)
Other financial expenses	-	(1,050)	(1,050)
	<u>\$ 24,202,248</u>	<u>\$ -</u>	<u>\$ 24,202,248</u>

The non-consolidated statement of financial position for the year ended December 31, 2019 has been reclassified in certain items to conform its presentation to that used in 2020.

	<u>Amounts previously reported</u>	<u>Reclassification</u>	<u>Reclassified amounts</u>
	<u>reportadas</u>	<u>Reclasificación</u>	<u>reclasificadas</u>
Other accounts payable	\$ 5,658,538	\$ (596,232)	\$ 5,062,306
Income tax payable	-	596,232	596,232
	<u>\$ 5,658,538</u>	<u>\$ -</u>	<u>\$ 5,658,538</u>

### 3. Summary of significant accounting policies

#### 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 (IFCPI for its acronym in Spanish). See Note 3-d.

Financial instruments held to collect or trade (IFN for its acronym in Spanish). 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 (IFN for its acronym in Spanish)

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.

	<u>Annual rate %</u>
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 or 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 and MG 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, 2020 and 2019, amounted to \$ 7,402,505 and \$ 5,995,119, 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 (OCI) 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. 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

	<u>2020</u>	<u>2019</u>
Investments in high-liquidity securities	\$ 2,587,981	\$ 5,255,540
Private debt instruments	1,409,713	1,321,607
Investments in capital instruments	<u>104,341</u>	<u>175,759</u>
	<u>\$ 4,102,035</u>	<u>\$ 6,752,906</u>

## 6. Accounts receivable, net

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

	<u>2020</u>	<u>2019</u>
Trade receivables:		
Sale of shares	\$ 1,515,647	\$ 1,515,647
Accounts receivable from remittance companies	590,802	743,677
Commissions for remittances	372,029	487,769
Wholesale and employee sales	<u>302,035</u>	<u>331,142</u>
	<u>2,780,513</u>	<u>3,078,235</u>
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)	(126,411)
Wholesale and employee sales	<u>(41,341)</u>	<u>(40,769)</u>
	<u>(1,576,482)</u>	<u>(1,682,827)</u>
	<u>\$ 1,204,031</u>	<u>\$ 1,395,408</u>

(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 2020 and 2019 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

	<u>2020</u>	<u>2019</u>
Accounts receivable:		
Dirección y Administración Central, S. A. de C. V.	\$ 6,829,198	\$ 7,756,148
Grupo Elektra, S. A. B. de C. V.	4,353,265	3,405,349
Intra Mexicana, S. A. de C. V.	<u>2,640,777</u>	<u>2,388,473</u>
To the next page	13,823,240	13,549,970

	<u>2020</u>	<u>2019</u>
From the previous page	\$ 13,823,240	\$ 13,549,970
Operadoras en Servicios Comerciales, S. A. de C. V.	2,119,080	3,594,048
Elektra Lojas de Departamentos Ltda.	1,676,507	1,676,507
Selabe Motors, S. A. de C. V.	1,665,911	1,484,239
Elektra del Perú, S. A.	1,124,064	997,236
Banco Azteca, S. A. Institución de Banca Múltiple	727,821	285,743
Proveedora AOS de Servicios, S. A. de C. V.	679,053	765,415
Selabe Diseños, S. A. de C. V.	369,686	383,584
Elektra Panamá, S. A.	318,199	315,771
Grupo Elektrafín, S.A. de C.V.	237,997	
Arrendadora Internacional Azteca, S. A. de C. V.	213,713	173,994
Operadora SyR, S. A. de C. V.	179,783	179,787
Corporación, S. A. de C. V.	90,352	85,896
Afore Azteca, S. A. de C. V.	42,657	144,219
Comunicaciones Avanzadas, S. A. de C. V	71,670	67,920
Servicios de Asesoría en Medios de Comunicación, S. de R. L. de C. V.	35,599	40,973
Tiendas Super Precio, S. A. de C. V.	11,814	69,290
Servicios Laborales Ejecutivos, S. A. de C. V.	3,762	101,603
Others	<u>97,114</u>	<u>77,589</u>
	23,488,022	23,993,784
Estimate for expected credit losses (1)	<u>(3,280,792)</u>	<u>(2,803,607)</u>
	<u>\$ 20,207,230</u>	<u>\$ 21,190,177</u>

(1) Estimate for expected credit losses

It is mainly integrated from the following accounts receivable estimates with related parts as of December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Elektra Lojas de Departamentos, Ltda.	\$ 1,676,507	\$ 1,676,507
Elektra del Perú, S. A.	1,124,064	687,696
Elektra Panamá, S. A.	318,199	285,588
Corporación, S. A. de C. V.	90,352	85,896
Comunicaciones Avanzadas, S. A. de C. V.	<u>71,670</u>	<u>67,920</u>
	<u>\$ 3,280,792</u>	<u>\$ 2,803,607</u>

Due to the shutdown of operations of Elektra do Brasil operations, as of December 31, 2015 the account receivable from Elektra Lojas de Departamentos, Ltda., was reserved in the amount of \$ 1,676,507. The figure has not been updated in 2020 and 2019 because it is fully reserved as uncollectible.

During the 2018 financial year, the Company adhered to NIF C-16, considering the probability that the debtor Elektra Peru, S. A. has a very low possibility of being able to fulfill the contractual obligation to make payments of the outstanding balance due to the Company. Therefore, an allowance equivalent to the 100% the account receivable was recorded, affecting the Company's results by \$ 1,124, 064 for the year then ended.

	<u>2020</u>	<u>2019</u>
Accounts payable:		
Elmex Superior, S. A. de C. V.	\$ 10,427,845	\$ 10,432,048
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	4,006,044	6,380,926
Mercadotecnia Tezontle, S. A. de C. V.	6,873,969	4,743,745
Compañía Operadora de Teatros, S. A. de C. V.	2,397,799	3,231,385
Mi Garantía Extendida, S. A. de C. V.	1,758,798	1,223,746
Salinas y Rocha, S. A. de C. V.	1,720,463	2,882,566
Inmuebles Ardoma, S. A. de C. V.	410,863	2,482,387
Mercancía Exclusiva Universal, S. A. de C. V.	887,067	1,796,276
Elektra Satelital, S. A. de C. V.	456,265	475,738
Aero Taxis Metropolitanos, S. A. de C. V.	676,866	424,941
Grupo Proasa, S. A. de C. V.	425,391	393,562
Procesos BOFF, S. de R. L. de C. V.	196,483	147,831
TV Azteca, S. A. B. de C. V.	156,326	90,598
Telecomunicaciones 360, S. A. de C. V.	83,773	49,324
Elektra Trading & Consulting Group, S. A. de C. V.	38,192	38,178
NAFIN, S.N.C. Fideicomiso	32,637	32,637
Grupo Elektrafin, S. A. de C. V.		2,693,892
Others	<u>83,502</u>	<u>72,543</u>
	<u>\$ 30,632,283</u>	<u>\$ 37,592,323</u>

ii. Transactions with related parties

	<u>2020</u>	<u>2019</u>
<b>Income</b>		
Inventory Sales:		
Grupo Elektra, S. A. B. de C. V.	\$ 10,115,300	\$ 9,707,338
Operadoras en Servicios Comerciales, S. A. de C. V.	597,954	27,473
Elektra Com, S.A. de C.V.		318,915
Salinas y Rocha, S. A. de C. V.	186,581	182,660
Others	<u>46,989</u>	<u>38,079</u>
	<u>\$ 10,946,824</u>	<u>\$ 10,274,465</u>
Revenue from administrative services:		
Banco Azteca, S. A. Institución de Banca Múltiple	\$ 16,695,289	\$ 16,610,697
Seguros Azteca, S. A. de C. V.	758,298	583,941
Afore Azteca, S. A. de C. V.	353,985	601,348
Elektra Satelital, S. A. de C. V.	263,279	200,157
Grupo Elektrafin, S. A. de C. V.	256,850	402,083
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	255,320	
Procesos Boff, S. de R. L. de C. V.	210,161	809,425
Punto Casa de Bolsa, S. A. de C. V.	176,110	210,672
Mercancía Exclusiva Universal, S. A. de C. V.	133,893	
Grupo Elektra, S. A. B. de C. V.	124,787	371,275
TV Azteca, S. A. B. de C. V.	115,228	140,297
Tiendas Super Precio, S. A. de C. V.	93,213	171,153
Seguros Azteca Daños, S. A. de C. V.	90,383	66,087
Operadoras en Servicios Comerciales, S. A. de C. V.	<u>73,131</u>	<u>61,690</u>
To the next page	19,599,927	20,228,825

	<u>2020</u>	<u>2019</u>
From the previous page	\$ 19,599,927	20,228,825
Servicios de Asesoría en Medios de Comunicación, S. de R. L. de C. V.	54,024	60,756
UPAX, S. A. de C. V.	49,898	40,620
London Desarrollos, S. A. de C. V.	47,345	50,135
Mi Garantía Extendida, S. A. de C. V.	8,519	111,095
Intra Mexicana, S. A. de C. V.		153,155
Inmuebles Ardoma, S. A. de C. V.		25,000
Others	<u>162,840</u>	<u>201,530</u>
	<u>\$ 19,922,553</u>	<u>\$ 20,871,116</u>
Interest income:		
Grupo Elektra, S. A. B. de C. V.	\$ 634,417	\$ 1,037,923
Banco Azteca, S. A. Institución de Banca Múltiple	142,258	171,958
Arrendadora Internacional Azteca, S. A. de C. V.	14,452	10,509
Punto Casa de Bolsa, S. A. de C. V.	1,780	13,230
Total Play Telecomunicaciones, S. A. de C. V.		31,416
Others	<u>18,445</u>	<u>25,139</u>
	<u>\$ 811,352</u>	<u>\$ 1,290,175</u>
Other income:		
Intra Mexicana, S. A. de C. V.	\$ 417,821	\$ 358,315
Proveedora AOS de Servicios, S. A. de C. V.	319,904	317,608
Operadoras en Servicios Comerciales, S. A. de C. V.	303,463	
Telecomunicaciones 360, S. A. de C. V.	223,283	142,066
Mercancía Exclusiva Universal, S. A. de C. V.	202,369	
Grupo Elektra, S. A. B. de C. V.	187,226	570,089
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	165,009	235,202
Grupo Elektrafin, S. A. de C. V.	134,500	
Mi Garantía Extendida, S. A. de C. V.	118,720	131,989
Elektra Com, S. A. de C. V.		259,613
Others	<u>92,609</u>	<u>64,723</u>
	<u>\$ 2,164,904</u>	<u>\$ 2,079,605</u>
<b>Expenses</b>		
Expenses from administrative and operational services:		
TV Azteca, S. A. B. de C. V.	\$ 1,508,406	\$ 1,194,999
Operadoras en Servicios Comerciales, S. A. de C. V.	1,362,070	
Grupo Elektra, S. A. B. de C. V.	1,238,693	1,674,628
Procesos Boff, S. A. de C. V.	1,143,156	980,781
Elmex Superior, S. A. de C. V.	711,290	58,116
Estudios Azteca, S. A. de C. V.	636,540	617,600
Banco Azteca, S. A. Institución de Banca Múltiple	477,203	466,986
Intra Mexicana, S. A. de C. V.		158,043
UPAX, S. A. DE C. V.	269,774	227,620
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	159,857	1,292,996
Dirección de Administración Central, S. A. de C. V.	158,829	
Total Play Telecomunicaciones, S. A. de C. V.	139,130	
Mercancía Exclusiva Universal, S. A. de C. V.	<u>124,842</u>	<u>11,735,436</u>
To the next page	7,929,790	18,407,205

	<u>2020</u>	<u>2019</u>
From the previous page	\$ 19,599,927	20,228,825
Asesoría en Medios de Comunicación, S. A. de C. V.	112,688	104,416
Tiendas Super Precio, S. A. de C. V.	82,562	
Grupo Proasa, S. A. de C. V.	39,214	
Mercadotecnia Tezontle, S. A. de C. V.	36,382	
Servicios Aéreos Noticiosos S.A. de C.V.	34,377	
Elektra Com, S. A. de C. V.		3,076,115
Salinas y Rocha, S. A. de C. V.		59,630
Grupo Elektrafin, S. A. de C. V.		55,000
Inmuebles Ardoma, S. A. de C. V.		23,407
Others	<u>83,217</u>	<u>141,148</u>
	<u>\$ 8,318,230</u>	<u>\$ 21,866,921</u>
Interests expense:		
Grupo Elektra, S. A. B. de C. V.	\$ 340,725	\$ 428,056
Compañía Operadora de Teatros, S. A. de C. V.	189,272	286,008
Inmuebles Ardoma, S. A. de C. V.	48,619	51,772
EKT International Investment Zrt		83,122
Others	<u>175,374</u>	<u>207,714</u>
	<u>\$ 753,990</u>	<u>\$ 1,056,672</u>
Other operational expenses:		
Operadoras en Servicios Comerciales, S. A. de C. V.	\$ 3,481,283	\$ 1,072,477
Grupo Elektra, S. A. B. de C. V.	906,614	733,055
Intra Mexicana, S. A. de C. V.	280,163	
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	161,670	8,517
Aero Taxis Metropolitanos, S. A. de C. V.	97,528	109,559
Elektra Com, S. A. de C. V.		1,069,832
Salinas y Rocha, S. A. de C. V.	78,973	
Grupo Elektrafin, S. A. de C. V.	68,825	
Others	<u>150,074</u>	<u>22,751</u>
	<u>\$ 5,225,130</u>	<u>\$ 3,016,191</u>
Inventory purchases:		
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	\$ 8,174,515	\$ 8,053,481
Mercancía Exclusiva Universal, S. A. de C. V.	984,183	
Operadoras en Servicios Comerciales, S. A. de C. V.		870,947
Others	<u>115,685</u>	<u>116,229</u>
	<u>\$ 9,274,383</u>	<u>\$ 9,040,657</u>

iii. Contracts with related parties

a. Television advertising contracts

On an annual basis Nueva Elektra del Milenio, S. A. de C. V., and Estudios Azteca, S. A. de C. V. (Estudios Azteca) have entered into various advertising contracts, the purpose of which is to provide advertising transmission services on channels 1 and 7 of TV Azteca. For these services, Estudios Azteca received on December 31, 2020 and 2019 the amount of \$ 636,540 and \$ 610,962, 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, 2020 and 2019 for \$ 121,400 and \$ 4,358, respectively.

Due to the Company's sales strategy, the decision was made to pay for advertising services in advance for 2019 and 2020; The service will be received for \$ 797,020 and \$ 612,000 respectively, increasing its assets by \$ 1,409,020, less a discount applied for prompt payment, in fiscal year 2018.

b. Contracts entered into with Total Play

As part of the contracts that Total Play Telecomunicaciones, S. A. de C. V. (Total Play) received in their capacity as "assignees" of Grupo Iusacell, there is the one that was celebrated on February 1, 2005, with an indefinite term for the provision of voice, data, connectivity, monitoring and administration services of last mile equipment mainly (broadband connection). The rates charged depend on the destination of the call or the link capacity.

Derived from these services, Nueva Elektra del Milenio, S. A. de C. V., recorded income and expenses for the aforementioned items, which represent a net expense as of December 31, 2020 and 2019 of \$ 89,204 and \$ 82,084, respectively.

c. Financial Leasing agreements

Contracts entered into with Arrendadora Internacional Azteca, S. A. de C. V. (AIA)

Due to the entry into force of NIF D5 "Leases" in 2019, the balances payable for leasing concepts with Arrendadora Internacional Azteca, which amount to \$ 239,031, were reduced from accounts payable with related companies to form part of the item of Lease liabilities.

Consequently, from the operations and negotiations carried out by Financial Leasing, the company had an interest expense accrued during the years 2020 and 2019 is \$ 20,303 y \$ 20,707 respectively.

d. Commercial mediation contracts

Operations celebrated with 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 TIEE 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, 2020 and 2019, the Company's income from the foregoing items amounted to \$ 5,481,012 and \$ 4,270,205, respectively.

e. Service Contracts

Contracts entered into with TV Azteca, S. A. B. de C. V. (TVA)

On January 1, 2004, Nueva Elektra del Milenio, S. A. de C. V., 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 2020 and 2019 of \$ 1,271,778 and \$ 1,055,916, respectively.

Contracts entered into with Super Precio, S. A.

The Company entered into a contract with Super Precio, S. A. to provide administrative services for accounting, legal and financial assistance plans for the development of the commercial business and to support the operation with the company Super Precio, S. A. de C. V. as well as any others related to its corporate purpose, obtaining income in 2020 and 2019 for \$ 93,213 and \$ 208,986, respectively.

Contracts entered into with Procesos Boff

During financial years 2020 and 2019, Nueva Elektra del Milenio and Procesos Boff have provided administrative services in the analysis of operations and commercial processes in order to establish improvements to them and thus obtain benefits in resources and reduction of time; such operations between both companies have represented income for the Company of \$ 932,996 and \$ 178,047, respectively.

Contracts entered into with UPAX GS, S. A. de C. V. (UPAX)

With the proposal to have more control over the sales strategies within the branches, the Company signed a service provision contract with Upax on May 14, 2018 in order to receive specialized services that consists of carrying out the activities indicated to continued: market research, " Mystery Shopper ", brand experiences, execution and personnel control services, specialized sales force, other services that are within the corporate purpose of UPAX. For such operations, the company had an expense in 2020 and 2019 of \$ 222,429 and \$ 201,445, respectively.

**8. Inventories**

	<u>2020</u>	<u>2019</u>
Household appliances	\$ 1,878,200	\$ 1,336,014
Motorcycles	1,489,757	1,674,005
Electronic	968,315	856,445
Computer	419,954	401,130
Transport	244,229	322,224
Furnitures	245,618	250,476
Telephones	74,334	9,063
Others	<u>80,353</u>	<u>282,817</u>
	<u>\$ 5,400,760</u>	<u>\$ 5,132,174</u>



	2020				
	Initial balance	Additions	Disposals	Transfers	Final balance
From the previous page	8,206,659	2,160,947	(42,355)	(154,127)	10,171,124
<b>Depreciation:</b>					
Investment in stores	(4,345,712)	(1,125,778)		21,402	(5,450,088)
Furniture and equipment	(15,882)	(1,085)	2,289		(14,678)
Warehouse equipment	(17,095)	(479)	116		(17,458)
Computer equipment	(22,148)	(6,917)	18,338	(1) 939	(9,788)
Communication equipment and others	(827)	(42)			(869)
	(4,401,664)	(1,134,301)	20,743	22,341	(5,492,881)
	<u>\$ 3,804,995</u>	<u>\$ 1,026,646</u>	<u>\$ (21,612)</u>	<u>\$ (131,786)</u>	<u>\$ 4,678,243</u>

(1) Due to the entry into force of NIF D-5 "Leases" the Company made a decrease in amount they had for the concepts of Investment in stores and computer equipment as follows:

- Acquisition cost of leased computer equipment \$ 5,898.
- Accumulated depreciation of leased computer equipment \$ 939
- Acquisition cost of investment in stores \$ 148,229-
- Accumulated depreciation of investment in stores \$ 21,402.

These amounts were included in the asset for rights of use caption to comply with the provisions of NIF D-5 Leases.

## 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

Underlying asset	Initial balance January, 1 2020	Additions	Depreciation	Disposals	Modification on terms of leases	Final balance December, 31 2020
Land and buildings	\$ 7,726,580	\$ 1,504,133	\$ (1,475,581)	\$ (453,331)	\$ 416,367	\$ 7,718,167
Computer equipment	4,959	6,061	(3,113)		325	8,232
Investment in store	126,827	35,920	(19,714)		(1,943)	141,092
	<u>\$ 7,858,366</u>	<u>\$ 1,546,114</u>	<u>\$ (1,498,408)</u>	<u>\$ (453,331)</u>	<u>\$ (414,749)</u>	<u>\$ 7,867,491</u>

c. Lease liabilities

Underlying liabilities	Initial balance January, 1 2020	Additions	Interests	Disposals and covenants of COVID-19	Modification of terms of lease	Lease payments	Final balance December, 31 2020
Land and buildings	\$ 7,977,488	\$ 1,504,133	\$ 897,233	\$ (621,712)	\$ 358,926	\$ (1,672,570)	\$ 8,443,498
Computer equipment	7,259	7,031	2,039		(4,348)	(2,934)	9,047
Investment in stores	231,771	37,324	2,217		(88,583)	(39,651)	143,078
	<u>\$ 8,216,518</u>	<u>\$ 1,548,488</u>	<u>\$ 901,489</u>	<u>\$ (621,712)</u>	<u>\$ 265,995</u>	<u>\$ (1,715,155)</u>	<u>\$ 8,595,623</u>

d. Amounts recognized in profit of the year

	2020	2019
Depreciation of right-on-use assets	\$ 1,498,408	\$ 1,479,361
Interest expense on lease liabilities	901,489	899,570
Decrease in liability for COVID-19 agreements	257,372	
Cost of disposal of assets and liabilities DDU	88,992	
	<u>\$ 2,746,261</u>	<u>\$ 2,378,931</u>

e. Maturity of lease liabilities

Years of maturity	2020	2019
Short term	\$ 951,944	\$ 1,178,123
between 1 and 2 years	2,206,957	1,766,158
between 2 and 5 years	2,216,848	2,747,833
over 5 years	3,219,874	2,524,404
Long term	7,643,679	7,038,395
	<u>\$ 8,595,623</u>	<u>\$ 8,216,518</u>

12. Investment in shares with subsidiaries and associates

- i. The investment in subsidiaries, associates and joint ventures as of December 31, 2020 and 2019 is integrated as follows:

	2020		
	% of participation	Investment in shares	Equity in net results
EKT International Investment IZTR	100	\$ 20,445,032	\$ 1,189,967
Comercializadora EKT, S. A. de C. V.	99.99	601,500	(19,507)
Elektra Guatemala, S. A. de C. V.	99.99	510,050	132,504
Others		732,039	61,260
		<u>\$ 22,288,621</u>	<u>\$ 1,364,224</u>

	2019		
	<u>% of participation</u>	<u>Investment in shares</u>	<u>Equity in net results</u>
EKT International Investment IZTR	100.00	\$ 18,327,176	\$ 972,320
Comercializadora EKT, S. A. de C. V.	99.99	572,341	(41,066)
Elektra Guatemala, S. A. de C. V.	99.99	410,082	52,997
Others		<u>790,911</u>	<u>48,498</u>
		<u>\$ 20,100,510</u>	<u>\$ 1,032,749</u>

As of December 31, 2020 and 2019, the investment in Nafin, S.N.C. Fideicomiso AAA Elektra del Milenio, with a 100% stake, whose objective is to promote the development of micro, small and medium-sized companies, through the operation of a system of granting preferential financial support for the trustor's suppliers and distributors or the suppliers and distributors of other companies.

During the 2019 financial year there was a decrease in investment in its subsidiary companies, for a net amount as follows:

		2019
Banco Azteca El Salvador, S. A.	(1)	\$ 3,445
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	(2)	6,770
Others		<u>28</u>
		<u>\$ 10,243</u>

- (1) At the meeting of Unanimous Resolutions adopted by all the Company's shareholders, held on June 14, 2018, it was agreed to sell all the shares of Banco Azteca El Salvador, S. A. based in El Salvador.

In June 25, 2019, the Company sold all Banco Azteca El Salvador, S. A. shares to Grupo Perinversiones, S. A. de C. V., Grupo Salume's holding company. The transaction was authorized by the Superintendencia del Sistema Financiera of the Republic of El Salvador (the local financial system authority) and by the Superintendencia de Competencia of El Salvador (the local competition authority).

- (2) At the ordinary general shareholders' meeting held on November 14, 2019, a capital stock decrease of the associated company Comercializadora de Motocicletas de Calidad, S. A. de C. V. was approved through the amortization and cancellation of shares, owned by Nueva Elektra del Milenio, S. A. de C. V.

ii. Excess liabilities on subsidiary and partner company assets

As result of the merger mentioned in Note 1 above, the Company acquired joint and several liabilities for excess liabilities over assets of subsidiaries, the effect of which is recognized in the proportion corresponding to the investment and subsequently to the balances receivable and the remnants affected as a liability. As of December 31, 2020 and 2019, said excess liabilities over assets were recognized as follows:

	2020		
	<u>% of participation</u>	<u>Investments in shares</u>	<u>Equity in net results</u>
Ekt Lojas de Departamentos, Ltda.	100	\$ (1,552,145)	\$ (3,705)
Elektra del Perú, S. A. de C. V.	100	(1,098,057)	(653,807)
Ekt Servicios de Cobranza Ltda.	100	(109,484)	(357)
Others		<u>(61,922)</u>	<u>(8,344)</u>
Excess liabilities on subsidiary and associates' assets		<u>\$ (2,821,608)</u>	<u>\$ (666,213)</u>

	2019		
	<u>% of participation</u>	<u>Investments in shares</u>	<u>Equity in net results</u>
Ekt Lojas de Departamentos, Ltda.	100	\$ (1,892,120)	\$ (1,803)
Elektra del Perú, S. A. de C. V.	100	(510,824)	(323,087)
Ekt Servicios de Cobranza Ltda.	100	(133,366)	(44)
Others		<u>(58,786)</u>	<u>(12,561)</u>
Excess liabilities on subsidiary and associates' assets		<u>\$ (2,595,096)</u>	<u>\$ (337,495)</u>

iii. Equity in net results of the associates and subsidiaries

As of December 31, 2020 and 2019, \$ 698,011 and \$ 695,254, respectively, were recognized in the income statement, corresponding to the equity in the net profits of the associated companies and non-consolidated subsidiaries.

In December 2020, the closing of the commercial operation in Elektra del Peru begins and the operation is recognized through the equity method.

**13. Other accounts payable**

	<u>2020</u>	<u>2019</u>
Deferred income with related parties	\$ 264,356	\$ 2,648,060
Creditors for accrued expenses	3,617,892	2,413,275
Guaranty deposits		<u>971</u>
	<u>\$ 3,882,248</u>	<u>\$ 5,062,306</u>

**14. 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, 2020 and 2019, the share capital are as follows:

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

b. Payments of dividends

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 Assembly of Shareholders held on May 12, 2020 and September 30, 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.

In a meeting of Unanimous Resolutions that generates the same effect as the General Shareholders' Meeting held on November 5, 2019, dividends were decreed for \$ 3,100,000, which did not cause ISR due to the CUFIN accumulated as of December 31, 2014 and were paid on November 30, 2019.

c. Contributions for future capital increases

As of December 31, 2020, 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, 2020 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, 2020 and 2019, the updated balance of the account called "Updated contribution capital" amounts to \$ 18,702,624 and \$ 18,131,483, 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, 2020 and 2019, the updated balance amounts to \$ 5,060,863 and \$ 1,201,862, respectively.

g. Other comprehensive income

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

	<u>2020</u>	<u>2019</u>
Net income of the year	\$ 3,348,567	\$ 1,096,266
Participation in the OCI of subsidiary and associated companies	<u>1,407,387</u>	<u>(612,532)</u>
Comprehensive profit of the year	<u>\$ 4,755,954</u>	<u>\$ 483,734</u>

15. Net sales and revenue from services

As of December 31, the Company's retail sales and service income are as follows:

	<u>2020</u>	<u>2019</u>
Inventory retail sales	\$ 35,614,758	\$ 29,655,342
Service revenue	21,866,673	22,639,619
Other operational income	<u>4,713,895</u>	<u>3,979,145</u>
	<u>\$ 62,195,326</u>	<u>\$ 56,274,106</u>

16. Foreign exchange

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

	<u>2020</u>	
	<u>US Dollars (thousands)</u>	<u>National currency (thousands)</u>
Assets	620,882	\$ 12,360,951
Liabilities	<u>(479,514)</u>	<u>(9,546,495)</u>
Long position on foreign currency	<u>141,368</u>	<u>\$ 2,814,456</u>
	<u>2019</u>	
Assets	556,534	\$ 10,498,577
Liabilities	<u>(487,122)</u>	<u>(9,189,175)</u>
Long position on foreign currency	<u>69,412</u>	<u>\$ 1,309,402</u>

As of December 31, 2020 and 2019, the exchange rate was \$ 19.9087 and \$ 18.8642 per dollar, respectively.

As of December 31, 2020 and 2019, there are not instruments of exchange hedge against exchange rate risks.

## 17. Income taxes

This item is integrated as shown below:

	<u>2020</u>	<u>2019</u>
Current income tax	\$ (2,112,509)	\$ (680,023)
Deferred income tax	<u>1,414,256</u>	<u>459,196</u>
	<u>\$ (698,253)</u>	<u>\$ (220,827)</u>

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

	<u>2020</u>	<u>2019</u>
Deferred tax income asset:		
Right of use assets	\$ 2,570,700	\$ 2,184,060
Investment in stores, furniture and equipment	1,474,206	1,355,068
Accounting provisions	770,993	352,690
Investment valuation	406,291	384,865
Contingent provisions	337,219	
Income to be earned	<u>79,306</u>	<u>794,418</u>
To the next page	<u>5,638,715</u>	<u>5,071,101</u>
	<u>2020</u>	<u>2019</u>
From previous page	<u>5,638,715</u>	<u>\$ 5,071,101</u>
Differed tax income liabilities:		
Lease liabilities	(2,360,247)	(2,096,533)
Prepaid expenses	(408,539)	(1,519,821)
Others	<u>(230,618)</u>	<u>(229,692)</u>
	<u>(2,999,404)</u>	<u>(3,846,046)</u>
Differed tax income asset, net	2,639,311	1,225,055
Less:		
Deferred income tax from the previous year	<u>1,225,055</u>	<u>765,859</u>
Deferred income tax of the year	<u>\$ 1,414,256</u>	<u>\$ 459,196</u>

- d. As of December 31, 2020 and 2019, the reconciliation of the statutory and effective ISR rate expressed as a percentage of income before ISR is as follows:

	2020	2019
	<u>%</u>	<u>%</u>
Statutory rate	30.00	30.00
Plus (less):		
Inflationary effects	1.43	1.49
Non-deductible expenses	1.47	3.36
Others	<u>(15.65)</u>	<u>(18.07)</u>
Effective rate	<u>17.25</u>	<u>16.78</u>

## 18. Commitments and contingencies

### a. Commitments

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

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.

### b. Contingencies

- i. The Company is a party to various legal actions and complaints during the normal course of its operations. Management considers that none of these lawsuits against the Company will have a significant adverse effect on its business or financial position.
- ii. 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.
- iii. According to the ISR Law, when there are operations with related parties, these must be subject to tax limitations and obligations, as for the determination of agreed prices, since these must be equivalent to the ones that will be used with or between independent parties in comparable operations.
- iv. On November 30, 2012 were published in the Daily Gazette of the Federation (DOF for its acronym in Spanish) several changes to the Labor Federal Law, among which the following relative to the hiring and sub-hiring of personnel, as well as the labor rights of the employees. As of today, the legal, accounting and/or tax effects are unknown that as the case may be, could affect the Company by not being able to hire directly its personnel.

## 19. Subsequent events

In January 2021, the Company successfully placed, through a special purpose vehicle established under Luxembourg law, Senior Notes for US \$ 500 million, for seven years, and a 4.875% rate in international markets. Senior Notes come with a corporate guarantee (guaranty).

The issue that had a credit rating of BBB- by Fitch and BBB + by HR Ratings- will be used to fund reserve accounts for the payment of obligations under Senior Notes and will strengthen the liquidity of the Company, which will further boost plus the financial strength of Grupo Elektra.

The Senior Notes were offered through a private offering of securities abroad to qualified institutional investors in the United States pursuant to Rule 144A and outside the United States pursuant to Regulation S of the United States Securities Act. 1933 (Securities Law). The Company does not intend to register the Senior Notes in Mexico, the United States or in any other jurisdiction. The Senior Notes may not be offered or sold (i) in Mexico without the authorization of the National Banking and Securities Commission (CNBV for its Spanish acronym) in accordance with the Securities Market Act and all applicable regulations and the proper registration of the Senior Notes in the National Securities Registry maintained by the CNBV; nor (ii) in the United States without registration under the Securities Act or an exemption from registration thereof.

## 20. New pronouncements

During 2020 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 2020.

New standards:

- NIF C-17 "Investment properties" (It comes into effect for fiscal years beginning on January 1, 2021, its early application is allowed).

This NIF establishes the bases for the accounting recognition of investment properties, which allow such properties to be valued at their fair value or at their acquisition cost, according to the Company's decision, although it recommends the use of fair value.

Improvements 2021:

- NIF B-1 "Accounting changes and correction of errors"

The retrospective method is allowed when it is impractical to determine the accumulated effects of an accounting change or the correction of an error, recognizing the effects in the current accounting period.

- NIF C-2 "Investment in financial instruments"

The option of valuing investments in certain negotiable financial instruments that are not traded in the short term through the OCR is allowed, including, where appropriate, the corresponding exchange differences.

- NIF B-3 "Statement of comprehensive income", NIF C-2 "Investment in financial instruments", NIF C-19 "Financial instruments payable" and NIF C-20 "Financial instruments to collect principal and interest"

It is established that the gains and losses due to the cancellation of liabilities and the effects of the renegotiation of a financial instrument to collect principal and interest must be presented within the comprehensive financing result.

- NIF D-5 "Leases"

Mandatory disclosures required for expense related to short-term and low-value leases for which the right-of-use asset has not been recognized are clarified.

## **21. Issuance of financial statements**

These non-consolidated financial statements and related notes have been approved by C. P. Gildardo Lara Bayon, Comptroller and by Mr. Mauro Aguirre Regis, Chief Financial Officer, as of April 19, 2021, both responsible for the financial information of Nueva Elektra del Milenio, S. A. de C. V., and are subject to approval of Board of the Ordinary stockholder's meeting.