



October 23, 2008

## MANAGEMENT DISCUSSION AND ANALYSIS ON THE COMPANY'S OPERATING AND FINANCIAL RESULTS FOR THE THIRD QUARTER 2008

*Figures corresponding to the third quarter of 2007 presented in this report are expressed in millions of pesos with purchasing power as of December 31, 2007. Figures corresponding to the third quarter of 2008 are expressed in millions of constant pesos. 'b.p.' represents basis points. "p.p." represents porcentual points. 'md' represents million dollars.*

As a result of the divestiture of our retail stores in December 2007, comparisons and figures are stated on a pro forma basis; thus, figures for the third quarter of 2007 exclude the results from the retail business with the goal of making them comparable to those obtained during this year's third quarter.

During September, the global financial markets experienced extreme volatility. In Grupo Gigante, we are conscious that the current uncertainty will affect consumption; nonetheless, we have the financial strength and experience to face the present environment.

Grupo Gigante has no derivative contracts and its debt in foreign currency at the close of 3Q08 amounted to **US\$21.5 million**.

### Operating and Financial highlights for the third quarter of 2008

- From July to September total sales and same store sales showed an increase of **15.1%** and **6.9%** respectively, vs. 3Q07.
- Gross profit for the quarter reached **\$1,023 mp**.
- Cost of sales showed an increase of **11.2%**.
- Operating expenses for the quarter showed an increase of **28.7%** versus 3Q07, due to the execution of our expansion plan. 33 units were opened in this period
- Operating income for 3Q08 was of **\$231 mp**.
- Operating cash flow showed a decrease of **0.54%** when compared to the same period of the previous year, to reach **\$306 mp**



**Grupo Gigante, S.A.B. DE C.V.**  
**Third Quarter 2008 Results**

	<b>3Q08</b>	<b>3Q07</b>	<b>Var %</b>
Net Sales	2,507	2,179	15.10
<b>Gross Profit</b>	<b>1,023</b>	<b>844</b>	<b>21.20</b>
Operating Income	231	228	1.15
<b>Net Income</b>	<b>106</b>	<b>361</b>	<b>(70.90)</b>

Figures in million pesos

**Sales.-** At the close of the third quarter, sales increased in all of our units, reflecting the client's preference for our products and services.

The beginning of the school cycle, the success of the no-interest campaigns and the right balance between product and prices benefited our office product sales, along with electronics. Parallel, the restaurant business continued consolidating among more demanding consumers due to its offering of quality and price balance.

Our stores Super Precio reached more clients as an option to supply basic products at competitive prices.

Furthermore, the strong portfolio of our real estate business and the opening of **33** new stores also contributed to the Group's total revenue.

As a result, total sales in 3Q08 amounted **\$2,508 mp**, representing an increase of **15.1%** from 3Q07; same store sales also rose by **6.9%**, totaling **\$2,223 mp**.

Accumulated total sales and same store sales in the first nine months of the year gained **18.9%** and **9.7%**, when compared to the same last year period, amounting to **\$6,943 mp** and **\$6,159 mp**, respectively.



**Cost of Sales.**- At the close of the July-September quarter, the cost of sales totaled **\$1,485 mp**, up **11.2%** from the 3Q07, however we observed a better proportion to sales of **59.2%**, **210 b.p.** below the registered in the same period of the previous year

Accumulated cost of sales in the first nine months of the year was **\$4,048 mp**, representing an increase **13.4%** from the same year ago period.

Two factors, among others, affected the cost of sales in the period. On one hand, the increase in sales volume, and on the other, the increase in raw material costs that our restaurants use.

**Gross Profit.**- At the close of 2008's third quarter, gross profit amounted to **\$1,023 mp**, showing a gain of **21.2%**. The gross margin of **40.8%**, favorable compares with the **38.7%** reached in the same 2007 period.

In accumulated terms, the gross profit totaled **\$2,895 mp**, amount which is **27.6%** above that of the January-September period of 2007. As a percentage of sales, gross margin represented **38.9%** in the first nine months of 2007, increasing to **41.7%** at the close of September 2008.

**Operating Expenses.** - During the third quarter of 2008, operating expenses totaled **\$792 mp**, or **31.6%** as a percentage of sales, which equals an increase of **28.7%** from 3Q07. This increase mainly stems from the opening of **33** new stores.

In accumulated terms, operating expenses reached **\$2,109 mp**, **20.7%** above the **\$1,747 mp** recorded in the first nine months of 2007.



**Operating Cash Flow.** - At the close of the July-September period, the operating cash flow totaled **\$306 mp**, decreasing **0.54%** from 3Q07.

Accumulated operating cash flow amounted to **\$1,011 mp**, representing a gain of **36.1%** from the **\$742 mp** registered in the same year ago period.

**Operating Income.** - At the close of 3Q08 operating income amounted to **\$231 mp**, **1.15%** above that of 3Q07. The operating margin declined **130 b.p.**, from **10.5%** in 3Q07 to **9.2%** this quarter.

During the first nine months of the year, operating income totaled **\$786 mp**, which is **50.5%** above the recorded operating income for the same year ago period.

**Comprehensive financing Result (CFR).**- At the close of 3Q08, the comprehensive financing cost amounted to **\$27.4 mp** and is **4.86 times** more than the figure recorded in the same 2007 quarter. The increase stems from the cost of no-interest promotions fees along with the interests paid for short-term loans for working capital.

In the period January-September, the comprehensive financing cost totaled **\$345 mp**, which compares unfavorably to the amount registered in the same 2007 period. Said variation is mainly explained by the foreign exchange loss registered in 2008, resulting from investments that the Group currently has in US dollars.

The foreign Exchange loss does not imply a flow of funds and is subject to the amount and actual spot price of the foreign currency at such point in time.



**Income Taxes.-** At the close of 3Q08, the income tax amounted to **\$58 mp**, which represents a **48.0%** decrease when compared to 3Q07. The decrease stems from a lower income base, which was affected by the foreign exchange loss in 2008.

Accumulated incomes taxes during the first nine months of 2008 totaled **\$126 mp**, equivalent to a **28.4%** decrease from the same year-ago period. As explained, the rate declined due to a lower income base as a consequence of the foreign exchange loss in the year.

**Net Income.** – During the period July-September 2008 a net income of **\$106 mp** was registered, which negatively compares to the net income registered in the 2007 period. This is explained by the cancelation of the provision for the Blanco case, which positively impacted the result in 3Q07.

In accumulated terms, net income amounted to **\$2,315 mp**, **3.7 times** higher than the **\$491 mp** from the same period of 2007. Net margin during the first nine months of the year was **33.3%**, **2,490 b.p.** above that registered in the same year ago period.

**Capital Investments (Capex).-** During the first nine months of the year, the Company invested a total of **\$1,051 mp** of the **\$1,750 mp** budgeted for 2008. Said amount was used to pay for the acquisition of land, construction and equipment for new stores, as well as remodeling and information systems improvements.


During the third quarter of 2008 we opened **33** new units: **9** Office Depot stores, **15** Super Precio stores, **3** Toks restaurants and **6** Radio Shack stores.



After adding the new units to our operations, we had **558** units at the close of September with a total sales floor of **289,397 m<sup>2</sup>** and **16,749** seats. In addition, we remodeled **2** Radio Shack stores and closed **2** other as well as **1** Office Depot.

It is worth nothing that capital investments are financed with own resources.

As of September 30, 2008 the number of stores and sales floor area by format were as follows:

	2Q08	Closings	Openings	3Q08	Sales floor Sqm.	Var. Sept. vs Dec.
	101	0	15	116	27,273	32.2%
	76	0	3	79	16,749	7.0%
	169	1	9	177	240,206	4.3%
	182	2	6	186	21,942	4.8%
<b>Total</b>	<b>528</b>	<b>3</b>	<b>33</b>	<b>558</b>	<b>289,397</b>	<b>8.3%</b>

\* Number of seats



### Openings

Store	Branch	City	State
Radio Shack	1 Gran Plaza Cancún	Cancún	Quintana Roo
	2 Villa de Juárez	Villa de Juárez	Nuevo León
	3 Sendero Apodaca	Apodaca	Nuevo León
	4 Sendero Saltillo	Saltillo	Coahuila
	5 Tres Ríos Culiacán	Culiacán	Sinaloa
	6 Lindavista	Monterrey	Nuevo León
Restaurantes	1 Córdoba	Córdoba	Veracruz
Toks	2 Mty Lindavista	Monterrey	Nuevo León
	3 Poza Rica	Poza Rica	Veracruz
Super Precio	1 Francisco Villa	Ecatepec	Edo. de Méx.
	2 Lomas de la Era	Alvaro Obregón	D.F.
	3 Sánchez Colín	Ecatepec	Edo. de Méx
	4 Alfredo Baranda	Chalco	Edo. de Méx
	5 San Andrés	Ecatepec	Edo. de Méx
	6 Tlaltenco	Tláhuac	Edo. de Méx
	7 Av. Hidalgo	Azcapotzalco	D.F.
	8 Culturas	Chalco	Edo. de Méx
	9 Independencia	Chalco	Edo. de Méx
	10 Paseo de San Agustín	Ecatepec	Edo. de Méx
	11 Granjas	Ecatepec	Edo. de Méx
	12 Zona Escolar	Gustavo A. Madero	D.F.
	13 Benjamin Hill	Ecatepec	Edo. de Méx
	14 Atlacomulco	Tlanepantla	Edo. de Méx
	15 San Pablo Xalpa	Azcapotzalco	D.F.
	1 Castorena	Cuajimalpa	D.F.
	2 Poza Rica	Poza Rica	Veracruz
	4 Pachuca II	Pachuca	Hidalgo
	4 Jinetes	Edo de Méx	Edo de Méx
	5 Piedras negras	Piedras Negras	Coahuila
	6 Plaza Dorada Mérida	Mérida	Yucatán
	7 Delicias	Delicias	Chihuahua
	8 Domingo Diez	Cuernavaca	Morelos
	9 Jesús del Monte	Huixquilucan	D.F.

### Closings

Store	Branch	City	State
Office Depot	1 Ruíz Cortínez	Monterrey	Nuevo León
Radio Shack	1 Soriana Cancún	Cancún	Quintana Roo
	2 Multiplaza Lindavista	Monterrey	Nuevo León

Sincerely,

Ángel Losada Moreno,

Chairman of the Board and

Chief Executive Officer, Grupo Gigante



Grupo Gigante, S.A.B. DE C.V.  
Income Statement  
Third Quarter 2008/2007  
Thousands of pesos

Items	2Q08	2Q07
<b>Net Sales</b>	<b>2,507,954</b>	<b>2,179,611</b>
Cost of Sales	1,485,102	1,335,873
<b>Gross Profit</b>	<b>1,022,852</b>	<b>843,738</b>
Total Operating Expenses	792,206	615,707
<b>Operating Income</b>	<b>230,646</b>	<b>228,031</b>
Other Income and Expenses (Net)	(4,585)	239,505
Comprehensive Financial Result (CFR)	(27,400)	(4,673)
Extraordinary Items	(465)	-
<b>Net Income Before Taxes</b>	<b>198,196</b>	<b>462,863</b>
Tax on Income	57,695	111,869
Net Income Before Discontinued operations	<b>140,501</b>	<b>350,994</b>
Discontinued Operations	(34,212)	10,564
<b>Net Consolidated Income</b>	<b>106,289</b>	<b>361,558</b>
Net Income of Minority Interest	1,955	1,402
Net Income of Majority Interest	<b>104,334</b>	<b>360,156</b>



**Grupo Gigante, S.A.B. DE C.V.**  
**Income Statement**  
**January 1, 2008 to September 30, 2008**  
**Thousands of Pesos**

<b>Items</b>	<b>2008</b>	<b>2007</b>
<b>Net Sales</b>	<b>6,943,064</b>	<b>5,838,976</b>
Cost of sales	4,048,339	3,569,654
<b>Gross profit</b>	<b>2,894,725</b>	<b>2,269,322</b>
Total Operating Expenses	2,108,459	1,746,886
<b>Operating Income</b>	<b>786,266</b>	<b>522,436</b>
Other Income and Expenses (Net)	(8,641)	204,428
Comprehensive Financial Result (CFR)	(344,098)	4,749
Extraordinary Items	9,395	-
<b>Net Income Before Taxes</b>	<b>442,923</b>	<b>731,613</b>
Tax on Income	126,219	176,379
Net Income Before Discontinued Operations	<b>316,704</b>	<b>555,234</b>
Discontinued Operations	1,998,412	(64,450)
<b>Net Consolidated Income</b>	<b>2,315,116</b>	<b>490,783</b>
Net Income of Minority Interest	3,178	2,947
Net Income of Majority Interest	<b>2,311,938</b>	<b>487,836</b>



**Grupo Gigante, S.A.B. DE C.V.**  
**Balance Sheet**  
**January 1, 2008 to September 30, 2008**  
**Thousands of Pesos**

<b>Items</b>	<b>2008</b>	<b>2007</b>
<b>Total Assets</b>	<b>20,982,761</b>	<b>25,040,915</b>
<b>Current Assets</b>	<b>6,598,355</b>	<b>11,497,643</b>
Cash and Temporary Investments	4,367,439	581,714
Trade Accounts Receivable (net)	142,969	121,464
Other Accounts Receivable (net)	657,008	241,937
Inventories	1,285,068	1,156,447
Other Current Assets	145,871	9,396,081
<b>Long Term Assets</b>	<b>218,314</b>	<b>225,830</b>
Accounts Receivable (net)	-	-
Investment in Equity Shares and Unconsolidated Subsidiaries	-	-
Other Investments	218,314	225,830
<b>Property, Plant and Equipment (Net)</b>	<b>13,564,062</b>	<b>12,621,668</b>
<b>Deferred Assets</b>	<b>543,145</b>	<b>524,984</b>
<b>Other Assets</b>	<b>58,885</b>	<b>170,790</b>



**Grupo Gigante, S.A.B. DE C.V**  
**Balance Sheet**  
**January 1, 2008 to September 30, 2008**  
**Thousands of Pesos**

<b>Items</b>	<b>2008</b>	<b>2007</b>
<b>Total Liabilities</b>	<b>3,870,861</b>	<b>10,644,473</b>
<b>Current Liabilities</b>	<b>2,422,064</b>	<b>9,170,283</b>
Accounts Payable	957,678	882,630
Bank Debt	74,502	60,908
Debt Securities	-	-
Other Credits	7,461	485
Accrued Taxes	828,170	471,808
Other Current Liabilities	554,253	7,754,452
<b>Long Term Liabilities</b>	<b>279</b>	<b>98,039</b>
Bank Debt	-	91,874
Debt securities	-	-
Other Debts	279	6,165
<b>Deferred Liabilities</b>	<b>-</b>	<b>-</b>
<b>Other Long Term Liabilities</b>	<b>1,448,518</b>	<b>1,376,151</b>
<b>Shareholder´s Equity</b>	<b>17,111,900</b>	<b>14,396,440</b>
<b>Minority Shareholder´s Equity</b>	<b>129,676</b>	<b>116,756</b>
<b>Mayority Shareholder´s Equity</b>	<b>16,982,224</b>	<b>14,279,684</b>
<b>Paid in Capital</b>	<b>10,360,897</b>	<b>10,302,050</b>
Capital Stock	2,689,399	2,689,056
Premium on Stock Sold	7,671,498	7,612,994
Contributions for Future Capital Increases	-	-
Increase (loss) in Capital	6,621,327	3,977,634
Cumulative Results and Equity Reserve	4,523,495	3,861,353
Other Cumulative Results	-	-
Reserve for Shares Repurchase	2,097,832	116,281



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