NUEVA ELEKTRA DEL MILENIO, S. A. DE C. V.
AND SUBSIDIARIES
(Subsidiary of Grupo Elektra, S. A. B. de C. V.)
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2022 AND 2021
AND INDEPENDENT AUDITORS' REPORT

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

Consolidated financial statements as of December 31, 2022
and 2021, and independent auditors' report

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries (the Company) (Subsidiary of Grupo Elektra, S. A. B. de C. V.), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the years then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries, as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Mexican Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of this report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by the Mexican Institute of Public Accountants, A. C. and we have fulfilled the other ethical responsibilities in accordance with such code. We consider that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the auditor’s opinion.

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

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

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

CASTILLO MIRANDA Y COMPAÑÍA, S. C.

C.P.C. José Luis Villalobos Zuazua

Mexico City,
April 28, 2023

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

Consolidated statements of financial position
December 31, 2022 and 2021
(Thousands of Mexican pesos)

	Note	2022	2021
Assets			
Current			
Cash and cash equivalents		$ 7,777,016	$ 4,791,158
Investments in securities	5	5,470,833	10,279,327
		13,247,849	15,070,485
Accounts receivable:			
Related parties	7	21,940,842	33,008,867
Accounts receivable, net	6	1,506,845	1,406,336
Recoverable taxes		1,989,542	1,143,296
Senior notes service reserve		720,006	761,124
Account receivable with collateral agent		642,130	681,684
Other accounts receivable		3,050,918	3,757,210
		29,850,283	40,758,517
Inventories, net	8	6,711,272	8,883,861
Prepayments	9	2,241,889	1,626,150
Assets held for sale		36,637	36,331
Total current assets		52,087,930	66,375,344
Non-current			
Investments in securities	5	2,031,021	1,913,683
Related parties	7	13,649,877	5,820,872
Investment in stores, furniture and equipment, net	10	5,631,462	4,450,521
Right-of-use assets, net	11-b	10,795,240	8,998,287
Deferred income tax	20-c	3,704,717	2,967,221
Investment in associates	12	995,827	1,002,951
Other assets, net		417,586	366,925
		37,225,730	25,520,460
Total assets		$ 89,313,660	$ 91,895,804

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

Consolidated statements of financial position (continued)
December 31, 2022 and 2021
(Thousands of Mexican pesos)

	Note	2022	2021
Liabilities			
Current			
Senior notes	14	$ 1,452,113	$ -
Stock certificates		500,000	-
Trade payables		3,954,688	5,420,403
Related parties	7	27,533,295	30,315,237
Provisions		2,340,921	1,772,718
Lease liabilities	11-e	1,873,159	1,470,507
Other accounts payable	15	5,341,599	4,994,699
Total current liabilities		42,995,775	43,973,564
Senior notes	14	8,040,950	9,976,833
Lease liabilities	11-e	10,156,127	8,514,695
Contributions for future capital increases	17-c	2,268,202	2,268,202
Income tax payable	20-b	467,599	792,622
Employee benefits	16	396,760	296,779
Other liabilities		55,389	51,736
Total non-current liabilities		21,385,027	21,900,867
Total liabilities		64,380,802	65,874,431
Stockholders' equity	17		
Capital stock		4,373,858	4,373,858
Legal reserve		201,509	201,509
Retained earnings		13,640,340	13,580,518
Other comprehensive income		6,473,404	7,865,439
Total controlling equity		24,689,111	26,021,324
Total non-controlling equity		243,747	49
Stockholders' equity		24,932,858	26,021,373
Total liabilities and stockholders' equity		$ 89,313,660	$ 91,895,804

The accompanying notes are part of these consolidated financial statements.

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

Consolidated statements of comprehensive income (see Note 1)
For the years ended December 31, 2022 and 2021
(Thousands of Mexican pesos)

	Note	2022	2021
Net sales and revenue from services	7 and 18	$ 62,993,603	$ 69,013,732
Cost		34,021,878	37,068,936
Gross profit		28,971,725	31,944,796
Selling and administrative expenses	7	24,933,676	25,985,905
Depreciation and amortization		4,075,282	3,520,737
Other income, net		(48,551)	(122,330)
		28,960,407	29,384,312
Profit from operations		11,318	2,560,484
Comprehensive financial results:			
Interest income	7	2,833,562	2,580,458
Interest expense		(2,747,010)	(2,084,113)
Exchange gain (loss), net		13,213	(19,883)
(Loss) gain on investments		(324,792)	137,194
		(225,027)	613,656
Equity in the net profit of associated companies	12	96,954	57,129
(Loss) profit before income tax		(116,755)	3,231,269
Income tax	20	176,042	(616,380)
Profit before discontinued operations		59,287	2,614,889
Income (loss) from discontinued operations	13	860	(130,742)
Net profit for the year		60,147	2,484,147
Other comprehensive income:			
Exchange (loss) gain arising on translation of foreign operations in subsidiaries and associates and actuarial losses on employee benefits		(1,392,031)	671,376
Total comprehensive (loss) income for the year	17-g	$ (1,331,884)	$ 3,155,523
Profit (loss) for the year attributable to:			
Non-controlling interest		$ 325	$ (49)
Controlling interest		59,822	2,484,196
		$ 60,147	$ 2,484,147
Total comprehensive (loss) income attributable to:			
Non-controlling interest		$ 329	$ (90)
Controlling interest		(1,332,213)	3,155,613
		$ (1,331,884)	$ 3,155,523

The accompanying notes are part of these consolidated financial statements.

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

Consolidated statements of changes in stockholders' equity
For the years ended December 31, 2022 and 2021
(Thousands of Mexican pesos)

	Capital stock	Legal reserve	Retained earnings	Other comprehensive income	Total controlling equity	Total non controlling equity	Total equity
Balances at December 31, 2020	$ 4,373,858	$ 201,509	$ 12,096,262	$ 7,194,022	$ 23,865,651	$ 139	$ 23,865,790
Payment of dividends (Note 17-b)	-	-	(999,940)	-	(999,940)	-	(999,940)
Comprehensive income for the year (Note 17-g)	-	-	2,484,196	671,417	3,155,613	(90)	3,155,523
Balances at December 31, 2021	4,373,858	201,509	13,580,518	7,865,439	26,021,324	49	26,021,373
Capital Stock						243,369	243,369
Comprehensive income for the year (Note 17-g)			59,822	(1,392,035)	(1,332,213)	329	(1,331,884)
Balances at December 31, 2022	$ 4,373,858	$ 201,509	$ 13,640,340	$ 6,473,404	$ 24,689,111	$ 243,747	$ 24,932,858

The accompanying notes are part of these consolidated financial statements.

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

Consolidated statements of cash flows
For the years ended December 31, 2022 and 2021
(Thousands of Mexican pesos)

	2022	2021
Operating activities		
(Loss) profit before income tax	$ (116,755)	$ 3,231,269
Items related to investment activities:		
Depreciation and amortization	4,075,282	3,520,737
Equity in net profit of associates, net	(96,954)	(57,129)
Interest income	(2,833,562)	(2,580,458)
Other items not realized	97,511	(72,775)
Loss (gain) on investment valuation	79,845	(171,643)
Items related to financing activities:		
Interest expense	2,747,010	2,084,113
	3,952,377	5,954,114
Variations in:		
Decrease (increase) in inventories	2,057,430	(2,585,705)
Increase in receivable and others assets	(3,995,824)	(3,808,339)
Increase in liabilities	2,304,274	1,389,403
Income tax paid	(952,790)	(2,778,852)
Net cash flows from operating activities	3,365,467	(1,829,379)
Investing activities		
Decrease (increase) in Investments	4,246,509	(5,554,245)
Investment in stores, and purchases of furniture and equipment	(3,095,890)	(1,794,847)
Sale of furniture and equipment	76,911	1,997
Interest received	4,430,434	1,685,872
Net cash flows from (used in) investing activities	5,657,964	(5,661,223)
Cash flows use in (obtain from) in financing activities	9,023,431	(7,490,602)
Financing activities		
Proceeds from debt	500,000	10,112,400
Lease payments	(3,058,374)	(2,422,955)
Payment of dividends	-	(999,940)
Change in non-controlling interest	251,361	-
Interest paid	(3,610,030)	(708,219)
Net cash flows (used in) from financing activities	(5,917,043)	5,981,286
Net Increase (decrease) in cash and cash equivalents	3,106,388	(1,509,316)
Cash and cash equivalents at beginning of year	4,791,158	6,258,984
Exchange (losses) gains on cash and cash equivalents	(120,530)	41,490
Cash and cash equivalents at end of the year	$ 7,777,016	$ 4,791,158

The accompanying notes are part of these consolidated financial statements.

1. Activity

The main activity of Nueva Elektra del Milenio, S. A. de C. V. (NEM) and subsidiaries (the Company), (subsidiary of Grupo Elektra, S. A. B. de C. V.), is the sale of consumer electronics, furniture, household appliances, mobile phones, telephony, transportation equipment and computers, among other products, as well as provision of electronic money transfers, extended warranties and mobile phone airtime among other services, through a network of 1,325 stores in Mexico and Central America; and affiliate lending and services providers.

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

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

2. Basis for the preparation of consolidated financial statements

a. Compliance with financial reporting standards

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

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

b. Use of estimates

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

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

- Note 3-c Accounts receivable and allowance for expected credit losses. Evaluation of the probability of non-payment of accounts receivable.
- Note 3-g Allowance for inventory impairment losses. Determination of the net realizable value.
- Note 3-i Investments in equity of subsidiaries and associates. Investment impairment.
- Note 3-j Impairment in the value of long live assets and their disposal.
- Note 3-k Leases. Determination of the incremental financing rate.

- Note 3-l Provisions. Identification and quantification of present obligations, determination of the present value of the obligation.
- Note 3-m Revenue recognition. Assessment of the timing of revenue recognition, over time or at a point in time, estimate of expected returns.
- Note 3-o Income tax. Provision of taxes on multiple jurisdictions.
- Note 3-p Employee benefits. Key actuarial assumptions.
- Note 3-r Contingencies. Assessment of the likelihood and amount of outgoing cash flows.

c. Functional and reporting currency

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

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

d. Consolidation

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

1. Subsidiaries

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

- Power over the subsidiary.
- Exposure or rights, to variable returns from its involvement with the subsidiary.
- The ability to use its power over the subsidiary to affect the amount of the Company's returns.

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

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

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

The main subsidiaries of NEM are the following:

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

2. Associates

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

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

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

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

The main associates companies of NEM are the following:

Company	Percentage of equity (%)	Activity
Banco Azteca de Honduras, S. A., a Honduran entity	29.1%	Banking services
Proveedora AOS de Servicios, S. A. de C.V., a Mexican entity	33.5%	Collection services
Inmuebles Ardoma, S. A. de C. V., a Mexican entity	10.2%	Real estate

e. Segment information

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

f. Translation of foreign currency

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

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

g. Consolidated of comprehensive income statement

The consolidated comprehensive income is presented in a single statement that includes the items that make up the net income or loss, including the other comprehensive income and the equity in the other comprehensive income 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 as a result of decreasing the net sales and sales income with the cost of sales and general expenses. This item is included since it contributes to a better understanding of the economic and financial performance of the Company. In addition, other expenses are included as it is considered convenient to present the amounts of activities that are not directly related to the Company's activities.

h. Consolidated statements of cash flows

The consolidated statements of cash flows were prepared by using the indirect method which consists of first presenting the income before income taxes and subsequently, then the changes on the working capital investing and financing activities.

3. Summary of significant accounting policies

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

a. Cash and cash equivalents

It is 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 (securities)

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

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

Financial instruments held to collect or trade.

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

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

Financial instruments held for trading

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 the related transaction, net of provisions for returns and discounts, and the allowance for expected credit losses for impairment in accounts receivable.

The Company established an accounting 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 during the period in which those services are received.

f. Inventories and cost of sales

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

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

g. Allowance of inventory impairment losses

The Company recognizes an allowance of impairment losses on inventories, 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.

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

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

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

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

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

i. Investment in equity 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 the use of an asset are obtained and the Company has the right to direct the use of an asset.

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

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

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

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

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

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

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

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

l. Provisions

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

m. Revenue recognition

Performance obligations and timing of revenue recognition

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

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

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

Determining the transaction price

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

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

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

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

n. Foreign currency balances and transactions

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

The financial statements of the subsidiaries and associated companies abroad maintain a recording currency that coincides with their functional currency, which served as the basis for converting foreign operations to the Company's reporting currency, causing a translation effect in the foreign currency at the end of each year, whose accumulated effect as of December 31, 2022 and 2021, amounted to $ 6,472,068 and $ 7,865,439, respectively, and was presented in the statement of changes in non-consolidated stockholders' equity in the accumulated effect of translation, which is included in the other comprehensive results.

o. Income tax

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

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

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

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

p. Employee benefits

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

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

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

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

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

q. Debt instruments at amortized cost

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

r. Contingencies

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

4. Risk management

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

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 NEM, and for which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Accounts receivable
- 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

	2022	2021
Investments in high-liquidity securities	$ 5,274,693	$ 10,003,343
Debt securities	2,031,021	1,913,683
Equity instruments	196,140	275,984
Total Investments	7,501,854	12,193,010
Less, current investments	5,470,833	10,279,327
Non-Current investments	$ 2,031,021	$ 1,913,683

6. Accounts receivable, net

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

		2022	2021
Trade receivables:			
Sale of shares		$ 1,515,647	$ 1,515,647
Accounts receivable from remittance companies		944,769	804,240
Commissions for remittances		407,053	449,171
Wholesale and employee sales		330,535	324,859
		3,198,004	3,093,917
Allowance for expected credit losses:			
Sale of shares	(1)	(1,515,647)	(1,515,647)
Accounts receivable from remittance companies and commissions	(2)	(96,014)	(19,494)
Wholesale and employee sales		(79,498)	(152,440)
		(1,691,159)	(1,687,581)
		$ 1,506,845	$ 1,406,336

(1) On August 6, 2013, the Company signed a sale agreement 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, third parties, has expired in the amount of US $ 72,000 $ (1,515,647), a figure that has not been updated during the 2022 and 2021 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

		2022	2021
Accounts receivable:			
Grupo Elektra, S. A. B. de C. V.		$ 6,577,895	$ 8,804,123
Purpose Financial, Inc.		96,808	8,620,585
Dirección y Administración Central, S. A. de C. V.		3,912,739	5,958,257
Intra Mexicana, S. A. de C. V.		2,762,930	2,846,072
Selabe Motors, S. A. de C. V.		1,506,738	1,784,804
Operadora en Servicios Comerciales, S. A. de C. V.		1,526,219	1,773,439
Banco Azteca, S. A. Institución de Banca Múltiple		1,315,406	-
Procesos de Oro y Metales, S. A. de C. V.		1,139,274	-
Others		3,102,833	3,221,587
		21,940,842	33,008,867
Long-term intercompany loans:	(1)	13,649,877	5,820,872
		$ 35,590,719	$ 38,829,739

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

		Amount MxN	Amount USD	Maturity date
Grupo Elektra, S. A. B. de C. V.	(1)	$ 1,897,427	$ 98,000	November 10, 2024
Grupo Elektra, S. A. B. de C. V.	(2)	968,075	50,000	March 8, 2025
Grupo Elektra Global, SLU.		38,742	2,001	April 6, 2025
Purpose Financial, Inc.	(3)	7,938,215	410,000	June 30,2030
Purpose Financial, Inc.	(4)	2,807,418	145,000	June 30,2032
Long-term loans		$ 13,649,877	$ 705,001	

(1) Interest rate: SOFR + 300 Puntos base
(2) Interest rate: libor + 4.30%
(3) Interest rate: 7.9%
(4) Interest rate: 8.28%

The Company paid the total balance of loan to Grupo Elektra for a value of US 21,400 with maturity date in November 2024, it was paid in November 2022.

	2022	2021
Accounts payable:		
Elmex Superior, S. A. de C. V.	$ 7,738,594	$ 9,807,929
Mercadotecnia Tezontle, S. A. de C. V.	5,141,387	5,378,996
Mi Garantía Extendida, S. A. de C. V.	2,519,810	2,156,446
Salinas y Rocha, S. A. de C. V.	2,408,725	2,009,691
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	1,332,480	4,096,945
Grupo Elektrafin S. A. de C.V.	1,646,148	271,658
Compañía Operadora de Teatros, S. A. de C. V.	1,195,317	1,124,132
Others	5,550,834	5,469,440
	$ 27,533,295	$ 30,315,237

ii. Transactions with related parties

	2022	2021
Revenue		
Sale of inventory:		
Grupo Elektra, S. A. B. de C. V.	$ 13,641,692	$ 12,373,970
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	1,366,539	-
Operadora en Servicios Comerciales, S. A. de C. V.	689,268	494,506
Salinas y Rocha, S. A. de C. V.	276,908	228,306
Others	102,402	70,144
	$ 16,076,809	$ 13,166,926
Revenue from administrative services:		
Banco Azteca, S. A. Institución de Banca Múltiple	$ 13,336,250	$ 14,432,111
Seguros Azteca, S. A. de C. V.	868,022	740,049
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	-	250,312
Afore Azteca, S. A. de C. V.	68,467	191,198
Elektra Satelital, S. A. de C. V.	-	184,646
Punto Casa de Bolsa, S. A. de C. V.	42,935	143,766
Others	835,576	893,725
	$ 15,151,250	$ 16,835,807
Interest income:		
Grupo Elektra, S. A. B. de C. V.	$ 1,739,956	$ 1,294,949
Purpose Financial, Inc.	731,741	900,515
Banco Azteca, S. A. Institución de Banca Múltiple	59,668	77,714
Others	139,248	30,020
	$ 2,670,613	$ 2,303,198
Other income:		
Grupo Elektra, S. A. B. de C. V.	$ 338,573	$ 240,129
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	189,856	153,881
Intra Mexicana, S. A. de C. V.	167,442	296,366
Operadoras en Servicios Comerciales, S. A. de C. V.	31,087	192,049
Others	692,351	772,582
	$ 1,419,309	$ 1,655,007
Expenses		
Expenses from administrative and operating services:		
Grupo Elektra, S. A. B. de C. V.	$ 1,336,157	$ 1,096,251
Dirección de Administración Central, S. A. de C. V.	1,201,517	1,213,989
Banco Azteca, S. A. Institución de Banca Múltiple	556,176	497,185
TV Azteca, S. A. B. de C. V.	331,923	1,076,944
Operadoras en Servicios Comerciales, S. A. de C. V.	298,734	1,428,552
Elmex Superior, S. A. de C. V.	85,496	1,453,087
Selabe Diseños S. A. de C. V.	353,143	-
Procesos Boff, S. de R. L.	-	567,834
Others	1,077,772	1,372,378
	$ 5,240,918	$ 8,706,220

	2022	2021
Interest expense:		
Grupo Elektra, S. A. B. de C. V.	$ 679,021	$ 322,899
Aero Taxis Metropolitanos, S. A. de C. V.	86,308	46,398
Grupo Elektrafin, S. A. de C. V.	46,146	-
Compañía Operadora de Teatros, S. A. de C. V.	-	43,012
Others	97,410	90,839
	$ 908,885	$ 503,148
Purchases of inventories:		
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	$ 1,461,585	$ 12,238,590
Mercancía Exclusiva Universal, S. A. de C. V.	1,734,143	1,219,825
Telecomunicaciones 360, S. A. de C. V.	365,872	-
Others	105,102	80,139
	$ 3,666,702	$ 13,538,554

As from April, 2022, the Company's management and its affiliates agreed to centralize the motorcycles Italika's logistic and merchandising, so from that date, the motorcycles sales is through Comercializadora de Motocicletas de Calidad, S. A. de C. V. and NEM only renders the distribution channel service.

iii. Contracts with related parties

The main transactions with related parties are as follows:

Contracts entered into with Comunicaciones Avanzadas, S. A. de C. V. and subsidiaries (CASA):

TV Azteca

The Company and TV Azteca, S. A. B. de C. V. and/or its subsidiaries (TV Azteca) have entered into various annual advertising contracts, in order to render advertising transmission services on channels 1.1, 7.1, 7.2 and 40.1 of TV Azteca. For these services, TV Azteca received $ 848,780 and $ 825,866 at December 31, 2022 and 2021, respectively.

The Company and TV Azteca, S. A. B. de C. V. (TV Azteca) signed a contract, whereby the parties bind themselves to render administrative, technical, financial analysis, air taxi services to each other, as well as accounting assistance, legal, financial, and management and preparation of specific plans for developing commercial, industrial or technical, and support services of the operation of each one of the parties, as well as other services related to the corporate purpose of each one of the parties, against payment of a consideration.

Pursuant to these services, the Company recorded revenues and expenses for the above items, which represented a net expense amounting in 2022 and 2021 of $ 316,731 and $ 969,008, respectively.

Arrendadora Internacional Azteca

The Company has acquired transportation equipment, computer equipment and corporate office improvements, by entering into capitalized lease agreements with Arrendadora Internacional Azteca, S. A. de C. V. (AIA), which amount to $ 894,986 and $ 301,552 at December 31, 2022 and 2021, respectively, and it is presented in line with the lease liability. The Company has further entered into pure lease agreements to improve its points of sale.

Accrued interest in profit or loss derived from the lease amounted to $ 77,346 and $ 18,280 for 2022 and 2021, respectively.

Contracts entered into with Banco Azteca, S. A. Institución de Banca Múltiple (Banco Azteca):

As of January 2003, one lease contract was signed between NEM and Banco Azteca, whereby NEM leases a space to Banco Azteca to operate within their stores. For this item, the Company received $ 976,660 and $ 729,600 for the years 2022 and 2021, respectively.

As of October 2002, Banco Azteca and NEM signed a contract for the provision of services, under which Banco Azteca carries out on behalf of NEM the transactions related to payment for goods and services. For this purpose, the Company paid $ 376,380 and $ 366,749 for the years 2022 and 2021, respectively.

As of January 2003 and May 2004, a commercial mediation contract was signed between NEM and Banco Azteca, through which Banco Azteca can offer in-store deposit and credit services. The Company received $ 9,143,128 and $ 6,044,668 for the years 2022 and 2021, respectively.

NEM and Banco Azteca have signed various contracts for the provision of advertising services, under which Banco Azteca paid to NEM $ 1,339,721 and $ 908,902 at December 31, 2022 and 2021, respectively.

NEM has signed various contracts with affiliate companies, for the provision of administrative services through which NEM paid for the years 2022 and 2021 the amount of $ 1,322,271 and $ 3,014,515, respectively.

Contracts entered into with Aerotaxis Metropolitanos, S.A. de C.V. (Aerotaxis):

The company entered into a contract with Aerotaxis for rendering unregulated international air transportation service under the air taxi modality in the amount of US$ 55,000 (fifty-five million dollars), with an initial payment amounting to US$5,000 and an annual payment amounting to US$ 5,000, on December 6, 2022. The contract is valid for 10 years, with the option of being extended up to an additional year.

Contracts entered into with Comercializadora de Motocicletas de Calidad, S. A. de C. V. (CMC):

In April 2022, the Company has entered into a contract with CMC for logistic services, which consist of storage and transfer of products, and also distribution channel service. For these services, NEM received $ 834,165 at December 31, 2022.

8. Inventories

a. At December 31, 2022 and 2021 is as follows:

	2022	2021
Household appliances	$ 2,714,460	$ 2,929,356
Motorcycles	773,849	2,659,158
Electronic	1,779,392	1,556,148
Computer	506,218	972,054
Transportation	226,024	215,874
Furniture	416,963	318,314
Telephones	294,335	232,610
Others	31	347
	$ 6,711,272	$ 8,883,861

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

	2022	2021
Balance at January 1	$ 341,768	$ 169,059
Charges (credits) to income statement:		
Additional reserve	22,206	259,970
Applications	(123,976)	(86,727)
Exchange differences	(23,920)	(534)
	$ 216,078	$ 341,768

9. Prepayments

	2022	2021
Administrative and operative services	$ 510,779	$ 533,855
Improvements to leased buildings	583,466	432,029
Tax prepayments	817,525	309,915
Leases	178,293	145,876
Others	151,826	204,475
	$ 2,241,889	$ 1,626,150

10. Investment in stores, furniture and equipment, net

	2022				
	Initial balance	Additions	Disposals	Foreign effect	Final balance
Investment:					
Investment in stores	$ 12,064,160	$ 2,419,296	$ (3,712)	$ (79,303)	$ 14,400,441
Furniture and equipment	130,500	235,528	(16,080)	(5,388)	344,560
Computer equipment	215,742	252,335	(32,708)	(9,671)	425,698
Machinery and equipment	80,276	163,856	(7,084)	(3,123)	233,925
Transportation equipment	38,101	24,875	(6,416)	(2,731)	53,829
Others	45,698	-	(559)	(2,558)	42,581
	12,574,477	3,095,890	(66,559)	(102,774)	15,501,034
Depreciation:					
Investment in stores	(7,758,709)	(1,831,559)	3,712	73,077	(9,513,479)
Furniture and equipment	(87,659)	(12,560)	15,733	3,855	(80,631)
Computer equipment	(177,573)	(41,901)	31,684	8,722	(179,068)
Machinery and equipment	(57,840)	(7,715)	5,990	2,531	(57,034)
Transportation equipment	(27,220)	(5,699)	6,273	1,649	(24,997)
Others	(14,955)	(891)	555	928	(14,363)
	(8,123,956)	(1,900,325)	63,947	90,762	(9,869,572)
	$ 4,450,521	$ 1,195,565	$ (2,612)	$ (12,012)	$ 5,631,462

	2021				
Investment:					
Investment in stores	$ 10,291,847	$ 1,751,913	$ (5,793)	$ 26,193	$ 12,064,160
Furniture and equipment	122,904	8,621	(2,630)	1,605	130,500
Computer equipment	201,726	20,615	(10,820)	4,221	215,742
Machinery and equipment	70,625	8,730	(56)	977	80,276
Transportation equipment	34,082	4,968	(1,980)	1,031	38,101
Others	44,846	-	-	852	45,698
To the next page	10,766,030	1,794,847	(21,279)	34,879	12,574,477

	2022				
	Initial balance	Additions	Disposals	Foreign effect	Final balance
From previous page	$ 10,766,030	$ 1,794,847	$ (21,279)	$ 34,879	$ 12,574,477
Depreciation:					
Investment in stores	(6,137,884)	(1,601,905)	5,021	(23,941)	(7,758,709)
Furniture and equipment	(82,678)	(5,715)	1,723	(989)	(87,659)
Computer equipment	(167,875)	(16,496)	10,512	(3,714)	(177,573)
Machinery and equipment	(53,833)	(3,277)	56	(786)	(57,840)
Transportation equipment	(23,197)	(5,347)	1,970	(646)	(27,220)
Others	(13,578)	(1,033)	-	(344)	(14,955)
	(6,479,045)	(1,633,773)	19,282	(30,420)	(8,123,956)
	$ 4,286,985	$ 161,074	$ (1,997)	$ 4,459	$ 4,450,521

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

As of December 31, 2022:

	Properties	Computer equipment	Investment in stores	Transportation equipment	Total assets
January 1, 2022	$ 8,692,155	$ 8,981	$ 126,294	$ 170,857	$ 8,998,287
Foreign exchange differences	(25,418)				(25,418)
Contracts changes	(80,833)				(80,833)
Additions for new contracts	3,247,532	247		769,056	4,016,835
Disposals	(74,065)		(1,759)	(1,570)	(77,394)
Amortization	(1,871,510)	(3,998)	(27,871)	(132,858)	(2,036,237)
December 31, 2022	$ 9,887,861	$ 5,230	$ 96,664	$ 805,485	$ 10,795,240

As of December 31, 2021:

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

c. Lease liabilities

	2022	2021
Balance at January 1	$ 9,985,202	$ 8,963,003
Additions for new contracts and rent update	4,181,862	2,635,435
Interest accrued in the period	1,162,359	1,011,312
Disposals	(190,237)	(145,006)
Payments for leases	(3,058,374)	(2,422,955)
Foreign currency effects	(26,620)	10,941
Decrease in lease payments	(24,906)	(67,528)
	12,029,286	9,985,202
Less, short-term	(1,873,159)	(1,470,507)
Long-term	$ 10,156,127	$ 8,514,695

d. Amounts recognized in profit of the year

	2022	2021
Depreciation of right-on-use assets	$ 2,036,237	$ 1,716,843
Interest expense on lease liabilities	1,162,359	1,011,312
Decrease in liability for COVID-19 agreements	(24,906)	(67,528)
Cost of disposal of assets and liabilities DDU	(190,237)	(5,248)
	$ 2,983,453	$ 2,655,379

e. Maturity of lease liabilities

Years of maturity	2022	2022
Short term	$ 1,873,159	$ 1,470,507
Between 1 and 2 years	2,634,253	268,866
Between 2 and 5 years	3,467,771	1,629,508
Over 5 years	4,054,103	6,616,321
Long term	10,156,127	8,514,695
	$ 12,029,286	$ 9,985,202

12. Investment in associates and others

i. The investment in subsidiaries and associates as of December 31, 2022 and 2021 is integrated as follows:

	2022		
	% of participation	Investment in shares	Equity in net results
Banco Azteca de Honduras, S. A.	29.10	$ 423,270	$ 70,041
Mercadotecnia Tezontle, S. A. de C. V.	5.20	187,778	1,391
Inmuebles Ardoma, S. A. de C. V.	10.20	178,705	6,897
Proveedora AOS de Servicios, S. A. de C. V.	33.50	112,606	8,392
Others		93,468	10,233
		$ 995,827	$ 96,954

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

ii. Equity in net results of the associates and subsidiaries

As of December 31, 2022 and 2021, $ 96,954 and $ 57,129, respectively, were recognized in the income statement, corresponding to the equity in the net profits of the associated companies and non-consolidated subsidiaries.

13. Disposal of business

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

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

	2022	2021
Income	$ -	$ 31,287
Cost	-	(5,640)
Expenses	(843)	(95,825)
Depreciation	(9)	(944)
Others	1,712	(59,620)
Total discontinued operations	$ 860	$ (130,742)

14. Senior Notes

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

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

As of December 31, 2022, the Senior Notes net outstanding balance was $ 9,493,063:

	2022
Outstanding balance	$ 9,680,751
Transaction costs	(187,688)
	9,493,063
Less, current Senior Notes	1,452,113
Non-current Senior Notes	$ 8,040,950

On April 17, 2023, the Company made the payment of the first amortization of the Senior Notes for an amount of US$ 25 million of principal and US$ 6.1 million of interest with the flows entering the financing structure in accordance with the transaction documents. In addition, the Senior Notes have a Debt Service Reserve for US$ 31,094 equal to the Maximum Quarterly Debt Service.

The Senior notes had a Monthly Debt Service Coverage Ratio of 121.6x, 116.2x, and 120.3x during October, November, and December 2022, respectively, and a Quarterly Debt Service Coverage Ratio of 119.4x during the fourth quarter of 2022.

The maturities of total debt of the Company are shown below:

	2022
2023	$ 1,452,113
2024	1,819,888
2025	1,898,582
2026	1,912,428
2027 hereafter	2,410,052
	9,493,063
Less current portion	(1,452,113)
Non-current debt	$ 8,040,950

15. Other accounts payable

	2022	2021
Creditor for goods and services	$ 4,334,154	$ 3,756,268
Merchandise reserve	775,909	986,542
Deferred income	64,296	127,920
Taxes payable	33,885	64,768
Employee benefits	128,003	54,220
Liabilities attributable to assets held for sale	5,352	4,981
	$ 5,341,599	$ 4,994,699

16. Employee benefits

a. Short-term benefits

Short-term employee benefits are recognized as expenses in income for the period, and their liabilities are stated at their nominal value.

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

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

b. Termination benefits

Retirement benefits under the scheme of defined benefits require actuarial assumptions to measure the obligations contracted and the expense corresponding to each period. In addition, there is the possibility of obtaining actuarial gains and losses. They are measured by using the projected credit unit method, by considering the present value of the obligation as of the date of the balance sheet.

The valuation of employee benefits is performed by independent experts, based on actuarial studies. Among other things, the following premises are used which can have a significant effect, such as interest rate, discount rate, rate of salary increase, increase rate of the minimum wage, long-term rate of inflation, turnover rate, and mortality rate based on recognized tables.

Benefit plans have been established for employees concerning the termination of the employment relationship, and retirement due to causes other than restructuring. Benefit plans upon termination of the employment relationship consider indemnifications for dismissal and accrued seniority premium, which are not going to reach the benefits of the retirement or pension plan. Retirement benefit plans consider the years of service completed by the employee and his or her remuneration as of the retirement date. Retirement benefit plans include the seniority premium to which workers are entitled to receive, upon termination of the employment relationship, as well as other defined benefits.

The net liability and the cost of the defined benefits plan are calculated by an independent actuary, in conformity with the bases defined in the plans, by using the projected unit credit method.

Details of defined benefit schemes of the Company are as follows:

	2022	2021
Projected net liability	$ 396,760	$ 296,779
Benefits paid	(16,176)	(11,217)
Actuarial (losses) gain	(12,789)	124,416
Exchange effect	6,229	1,354
Total cost of the period	419,495	127,893

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

	2022	2021
Discount rate	8.24%	6.99%
Salary increase rate	4.00%	5.11%

17. Stockholders' equity

a. Capital stock

The capital stock consists of ordinary, common and nominative shares with a nominal value of one hundred pesos each. As of December 31, 2022 and 2021, the share capital are as follows:

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

b. Dividends Payments

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

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

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

In 2022 the Company did not decreed dividends.

c. Contributions for future capital increases

As of December 31, 2022, 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, 2022 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, 2022 and 2021, the updated balance of the account called "Updated contribution capital" amounts to $ 21,645,302 and $ 20,077,267, 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, 2022 and 2021, the updated balance amounts to $ 11,029,683 and $ 4,270,710, respectively.

g. Other comprehensive income

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

	2022	2021
Net profit of the period	$ 60,147	$ 2,484,147
Exchange gains arising on translation of foreign operations in subsidiaries and associated companies	(1,381,330)	692,687
Actuarial losses on employee benefits	(10,706)	(21,270)
Non-controlling	4	(41)
Comprehensive loss (income) of the period	$ (1,331,885)	$ 3,155,523

18. Revenue and costs

As of December 31, 2022 and 2021 the principal income of the Company is as follows:

	2022	2021
Inventory retail sales	$ 40,040,494	$ 45,246,823
Administrative services	17,218,923	18,369,479
Money transfers	4,785,518	4,447,174
Commissions and extended warranty services	948,668	950,256
	$ 62,993,603	$ 69,013,732

As of December 31, 2022 and 2021 costs by nature are as follows:

	2022	2021
Inventory retail sales	$ 32,924,399	$ 36,223,244
Money transfers	122,273	119,634
Commissions and extended warranty services	975,206	726,058
	$ 34,021,878	$ 37,068,936

19. Foreign exchange

The Company had the following monetary assets and liabilities in thousands of dollars without including the net assets of the subsidiary companies abroad that maintain a registry currency that matches the functional currency, shown below:

	2022	
	US Dollars (thousands)	National currency (thousands)
Assets	509,521	$ 9,865,094
Liabilities	(524,489)	(10,154,887)
Short position on foreign currency	(14,968)	(289,793)

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

The exchange rate used to evaluate the position in U.S. Dollars at year end 2022 and 2021 was $ 19.3615 and $ 20.4672, respectively. At the issue date of the audited consolidated financial statements, the exchange rate of the U.S. Dollar was $ 18.1870.

As of December 31, 2022 and 2021, there are not instruments of exchange hedge against exchange rate risks.

20. Income taxes

This item is integrated as shown below:

	2022	2021
Current income tax	$ 561,454	$ 1,826,392
Deferred income tax	(737,496)	(1,210,012)
	$ (176,042)	$ 616,380

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

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

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

	2022	2021
Deferred tax income asset:		
Lease liabilities	$ 3,395,588	$ 2,788,505
Investment in stores, furniture and equipment	2,291,461	1,848,528
Provisions	876,463	787,346
Contingent provisions	496,078	482,830
Investment valuation	378,765	354,798
Employee benefits	92,981	64,413
Tax loss carryforwards	102,184	
Income to be earned	12,210	11,503
	7,645,730	6,337,923
Deferred tax income liabilities:		
Right-of-use assets	(3,127,483)	(2,599,799)
Prepaid expenses	(322,505)	(327,103)
Others	(491,025)	(443,800)
	(3,941,013)	(3,370,702)
Deferred income tax asset, net	3,704,717	2,967,221
Less:		
Deferred income tax from previous year	2,967,221	1,757,209
Deferred income tax of the year	$ 737,496	$ 1,210,012

d. As of December 31, 2022 and 2021, the reconciliation of the statutory and effective ISR rate expressed as a percentage of income before ISR is as follows:

	2022 %	2021 %
Statutory rate	30.00	30.00
Plus (less):		
Participation in the results of associates	68.40	(0.34)
Inflationary effects	77.76	4.93
Others	(25.38)	(15.51)
Effective rate	150.78	19.08

21. Information by segments

Financial information by geographic area as of December 31, 2022 and 2021 is presented below:

	Mexico	Central America	Other	Total
December31, 2022				
Income	$ 57,258,980	$ 5,734,623	$ -	$ 62,993,603
Gross profit	27,119,142	1,852,583	-	28,971,725
Profit (loss) from operations	(303,060)	331,365	(16,987)	11,318
Depreciation and amortization	(3,859,763)	(215,498)	(21)	(4,075,282)
Income tax	(105,599)	(159,201)	440,842	176,042

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

22. Commitments and contingencies

a. Commitments

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

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

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

b. Contingencies

Processes in Central and South America

Closing of bank transactions:

On May 11, 2015, Banco Azteca de Brasil informed the Banco Central de Brasil of its decision to stop operating the bank business in Brazil. All the necessary activities were carried out to liquidate its bank assets and pay its bank creditors.

As part of that closing process, on January 8, 2016, the Central Bank of Brazil notified the beginning of the out-of-court settlement process of Banco Azteca de Brasil.

Derived from the request for closure of the extrajudicial liquidation, the Central Bank of Brazil approved the closing plan, including: the change of name to Deler Consultoria, S. A., the amendment to its corporate purpose and the cancellation of the bank license, remaining consequently as an unregulated business in the financial system, which was approved by the Central Bank on November 27, 2018.

To date, Deler Consultoria, S. A. (unregulated business in the financial system) continues to make the corresponding negotiations with its creditors and hopes to solve the contingencies.

Tax proceeding against liquidation of income tax

The Company has filed four petitions for cancellation against income tax liabilities with the Divisions of the Federal Administrative Justice Court pursuant to tax years 2010, 2012, and 2014.

The Company is currently waiting for a ruling to be handed down.

The historical contingency of the matters discussed amounts to $1,281,084,805. (Amount presented in Mexican Peso).

We consider that there are serious, reasonable elements of defense to have a final ruling handed down in benefit of the interests of the company concerning the matters discussed above. However, as in any case of a litigation nature, it is not possible to guarantee results.

Finally, it is important to mention that the aforementioned tax credits are duly guaranteed before the tax authorities.

The Company is subject to various lawsuits and claims during the normal course of its operations (such as litigation, arbitration, administrative proceedings that are incidental to its business including, without limitation, regulatory enforcement matters, contract disputes, labor lawsuits, clients, among others). Management believes that none of these lawsuits will have any material adverse effect on its business or financial condition.

23. New accounting standards

There are amendments to standards which have been issued by the CINIF that are effective 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 2023.

Improvements 2022:

- NIF B-15 "Foreign currency conversion"

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

- NIF D-3 "Employee benefits"

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

The Company does not expect significant changes on the financial information, due to the adoption of the mentioned standards.

24. Issuance of financial statements

These consolidated financial statements and related notes have been approved by C.P Mónica Urrutia Falcón, Comptroller and by C.P.C Álvaro Alberto Calderón Jiménez, Chief Financial Officer, as of April 13, 2023, both responsible for the financial information of Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries, and are subject to approval of Board of the Ordinary stockholder's meeting.