NUEVA ELEKTRA DEL MILENIO, S. A. DE C. V.
AND SUBSIDIARIES
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2022 AND DECEMBER 31,2021
AND FOR THE NINE-MONTH PERIOD ENDED
SEPTEMBER 30,2022 AND 2021

Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries

Condensed consolidated financial statements as of September 30, 2022 and December 31, 2021, and for the nine-month period ended September 30, 2022 and 2021

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Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries

Condensed consolidated statements of financial position
September 30, 2022 and December 31, 2021
(Thousands of Mexican pesos)

	Note	2022	2021
Assets			
Current			
Cash and cash equivalents		$ 8,368,214	$ 4,791,158
Investments in securities	5	6,685,414	10,279,327
		15,053,628	15,070,485
Accounts receivable:			
Related parties	7	21,666,195	33,008,867
Accounts receivables, net	6	1,724,681	1,406,336
Recoverable taxes		2,025,722	1,143,296
Senior notes service reserve		755,122	761,124
Account receivable with collateral agent		662,099	681,684
Other accounts receivable		3,115,062	3,757,210
		29,948,881	40,758,517
Inventories, net	8	8,099,966	8,883,861
Prepayments		2,495,461	1,626,150
Assets held for sale		36,665	36,331
Total current assets		55,634,601	66,375,344
Investments in securities	5	2,132,109	1,913,683
Related parties	7	12,760,185	5,820,872
Investment in stores, furniture and equipment, net	9	5,416,799	4,450,521
Right-of-use assets	10-b	10,436,915	8,998,287
Deferred income tax		3,120,839	2,967,221
Investment in associates		978,466	1,002,951
Other assets		371,608	366,925
		35,216,921	25,520,460
Total assets		$ 90,851,522	$ 91,895,804

Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries

Condensed consolidated statements of financial position (Continued)
September 30, 2022 and December 31, 2021
(Thousands of Mexican pesos)

	Note	2022	2021
Liabilities			
Current			
Senior notes	12	$ 1,522,935	$ -
Stock certificates		500,000	-
Trade payables		5,519,496	5,420,403
Related parties	7	25,434,610	30,315,237
Provisions		2,012,601	1,772,718
Leases	10-c	1,671,386	1,470,507
Other accounts payable	13	5,626,914	4,994,699
Total current liabilities		42,287,942	43,973,564
Senior notes	12	8,424,993	9,976,833
Long term leases	10-c	9,959,179	8,514,695
Contributions for future capital increases	14-c	2,268,202	2,268,202
Income tax payable	16-b	649,017	792,622
Employee benefits		353,180	296,779
Other liabilities		55,842	51,736
		21,710,413	21,900,867
Total liabilities		63,998,355	65,874,431
Stockholders' equity	14		
Capital stock		4,373,858	4,373,858
Legal reserve		201,509	201,509
Retained earnings		14,376,702	13,580,518
Other comprehensive income		7,645,989	7,865,439
Total controlling equity		26,598,058	26,021,324
Total non-controlling equity		255,109	49
Stockholders' equity		26,853,167	26,021,373
Total liabilities and stockholders' equity		$ 90,851,522	$ 91,895,804

The accompanying notes are part of these condensed consolidated financial statements.

Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries

Condensed consolidated statements of comprehensive income
For the nine-month period ended September 30, 2022 and 2021
(Thousands of Mexican pesos)

	Note	2022	2021
Net sales and revenue from services	7 and 15	$ 46,386,546	$ 48,636,370
Cost of sales	15	26,073,945	25,238,691
Gross profit		20,312,601	23,397,679
Selling and administrative expenses	7	16,600,396	16,735,126
Depreciation and amortization		2,959,195	2,594,209
Other income, net		(39,433)	(96,665)
Total expenses		19,520,158	19,232,670
Profit from operations		792,443	4,165,009
Comprehensive financial results:			
Interest income	7	1,994,661	1,934,898
Interest expense	7	(1,976,699)	(1,523,338)
Exchange gain, net		8,036	65,317
(Loss) gain on investments		(157,836)	99,258
		(131,838)	576,135
Equity in the net profit of associated companies		61,260	103,554
Profit before income tax		721,865	4,844,698
Income tax	16	73,878	(1,273,337)
Profit before discontinued operations		795,743	3,571,361
Income (loss) from discontinued operations		319	(129,974)
Net profit for the period		796,062	3,441,387
Other comprehensive income (OCI):			
Exchange gain arising on translation of foreign operations in subsidiaries and associates	14-g	(219,323)	779,844
Total comprehensive income for the period		$ 576,739	$ 4,221,231
Profit (loss) for the year attributable to:			
Controlling interest		$ 796,184	$ 3,441,387
Non-controlling interest		(122)	-
		$ 796,062	$ 3,441,387
Total comprehensive income (loss) attributable to:			
Controlling interest		$ 576,734	$ 4,221,324
Non-controlling interest		5	(93)
		$ 576,739	$ 4,221,231

The accompanying notes are part of these condensed consolidated financial statements.

Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries

Condensed consolidated statements of changes in stockholders' equity
For nine-month period ended September 30, 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
Comprehensive income for the period (Notes 2-e and 14-g)	-	-	3,441,387	779,937	4,221,324	(93)	4,221,231
Dividends payments	-	-	(999,940)	-	(999,940)	-	(999,940)
Balances at September 30, 2021	$ 4,373,858	$ 201,509	$ 14,537,709	$ 7,973,959	$ 27,087,035	$ 46	$ 27,087,081
Balances at December 31, 2021	$ 4,373,858	$ 201,509	$ 13,580,518	$ 7,865,439	$ 26,021,324	$ 49	$ 26,021,373
Comprehensive income for the period (Notes 2-e and 14-g)	-	-	796,184	(219,450)	576,734	5	576,739
Capital Stock	-	-	-	-	-	255,055	255,055
Balances at September 30, 2022	$ 4,373,858	$ 201,509	$ 14,376,702	$ 7,645,989	$ 26,598,058	$ 255,109	$ 26,853,167

The accompanying notes are part of these condensed consolidated financial statements.

Nueva Elektra del Milenio, S. A. de C. V. and subsidiaries

Condensed consolidated Statements of cash flows
For nine-month period ended September 30, 2022 and 2021
(Thousands of Mexican pesos)

	2022	2021
Operating activities		
Profit before income tax	$ 721,865	$ 4,844,698
Items related to investment activities:		
Depreciation and amortization	2,959,195	2,594,209
Equity in net profit of associates, net	(61,260)	(103,554)
Interest income	(1,994,661)	(1,934,898)
Other items not realized	76,431	(82,755)
Loss investment valuation	96,791	-
Items related with financing activities:		
Interest expense	1,976,699	1,523,338
	3,775,060	6,841,038
Variations in:		
Decrease (increase) in inventories	783,895	(3,026,900)
Decrease (increase) in receivables and other assets	2,007,978	(9,317,207)
(Decrease) increase in liabilities	(2,366,405)	2,904,688
Income tax payment	(870,313)	(2,087,119)
Net cash flows from operating activities	3,330,215	(4,685,501)
Investment activities		
Decrease (Increase) in Investments	3,517,754	(2,503,283)
Investment in stores, furniture and equipment	(2,344,342)	(1,140,697)
Interest collected	3,495,271	1,592,574
Other	76,912	(5,075)
Net cash flows from investment activities	4,745,595	(2,056,481)
Cash flows to apply in financing activities	8,075,810	(6,741,982)
Financing activities		
Proceeds from debt	471,095	10,112,399
Lease payments	(1,352,428)	(1,703,056)
Dividends payment	-	(999,940)
Interest paid	(3,615,728)	(497,961)
Net cash flows from financing activities	(4,497,061)	6,911,442
Net decrease in cash and cash equivalents	3,578,749	169,460
Effect of exchange rate changes on cash and cash equivalents	(1,693)	(133,929)
Cash and cash equivalents at beginning of year	4,791,158	6,258,984
Cash and cash equivalents at end of the period	$ 8,368,214	$ 6,294,516

The accompanying notes are part of these condensed consolidated financial statements.

1. Activity

The main activity of Nueva Elektra del Milenio, S. A. de C. V. (NEM) and subsidiaries (the Company) (Subsidiary of Grupo Elektra, S. A. B. de C. V.), is the sales of motorcycles, consumer electronics furniture, household appliances, mobile phones, telephony, transportation equipment and computers, among other products, as well as provision of electronic money transfers, extended warranties and mobile phone airtime among other services, through a chain of 1,307 stores in Mexico and Central America; and affiliate lending and services provider.

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

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

2. Basis of preparation of condensed consolidated financial statements

a. Compliance with financial reporting standards

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

The accompanying condensed consolidated financial statements have been prepared in accordance with NIF B-8 "Consolidated or combined financial statements" and NIF B-9 “Interim Financial Reporting”, therefore they do not include all the information required for the annual financial statements in accordance with NIF, so it is recommended to read the annual financial statements as of December 31, 2021 as a whole.

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 condensed consolidated financial statements and to make the disclosures required therein. However, the actual results may differ from such estimations, therefore it is considered that the estimations and assumptions used where the adequate under the circumstances.

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

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

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

c. Functional and reporting currency

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

1. Subsidiaries

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

- Power over the subsidiary.

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

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

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

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

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

The main subsidiaries of NEM are the following:

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

2. Associates

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

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

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

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

The main associates companies of NEM are the following:

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

e. Segment information

The condensed financial information regarding business segments operated by the Company, whose operating results are reviewed in decision-making, is presented in Note 17.

f. Translation of foreign currency

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

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

g. Condensed consolidated statement of comprehensive income

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

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

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

h. Condensed consolidated cash flows statements

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

Outsourcing Law

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

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

3. Summary of significant accounting policies

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

a. Cash and cash equivalents

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

b. Investment in financial Instruments

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

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

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

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

Financial instruments held for trading

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

c. Accounts receivable and allowance for expected credit losses

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

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

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

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

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

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

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

Amortized cost and effective interest method

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

e. Prepaid expenses

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

f. Inventories and cost of sales

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

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

g. Allowance for inventory impairment losses

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

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

h. Investment in stores, furniture and equipment

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

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

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

Amortization of the investment in stores is calculated using the straight-line method based on initial monthly balances in periods that do not exceed five years. (See Note 9)

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

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

i. Investment in shares of subsidiaries and associates

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

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

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

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

k. Leases

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

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

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

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

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

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

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

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

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

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

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

l. Provisions

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

m. Revenue recognition

Performance obligations and timing of revenue recognition

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

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

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

Determining the transaction price

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

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

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

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

n. Foreign currency balances and transactions

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

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 Condensed 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 condensed consolidated financial statements. Contingent income, profits or assets are recognized until the moment that certainty will be realized.

4. Risk management

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

- Foreign exchange risk

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

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

a. Principal financial instruments

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

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

b. General objectives, policies and processes

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

Foreign exchange risk

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

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

5. Investments in securities

	2022	2021
Investments in high-liquidity securities	$ 6,506,221	$ 10,003,343
Debt securities	2,132,109	1,913,683
Capital instruments	179,193	275,984
Total Investments	$ 8,817,523	$ 12,193,010
Less, current investments	6,685,414	10,279,327
Non-Current investments	2,132,109	1,913,683

6. Accounts receivable, net

Accounts receivable as of September 30, 2022 and December 31, 2021 are integrated as follows:

		2022	2021
Trade receivables:			
Sale of shares		$ 1,515,647	$ 1,515,647
Accounts receivable from remittance companies		922,960	804,240
Commissions for remittances		584,352	449,171
Wholesale and employee sales		390,077	324,859
		3,413,036	3,093,917
Estimate for expected credit losses:			
Sale of shares	(1)	(1,515,647)	(1,515,647)
Accounts receivable from remittance companies and commissions	(2)	(7,633)	(19,494)
Wholesale and employee sales		(165,075)	(152,440)
		(1,688,355)	(1,687,581)
		$ 1,724,681	$ 1,406,336

(1) On August 6, 2013, the Company signed a sale contract with respect to 100% of the capital stock of Elektra de Argentina, S. A., for a total value of US $ 80,000 to be collected in five exhibitions; and whenever the payment obligation by the buyers, unrelated parties, has expired in the amount of US $ 72,000 ($1,515,647), a figure that has not been updated during the 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.	$ 6,192,411	$ 8,804,123
Dirección y Administración Central, S. A. de C. V.	3,789,604	5,958,257
Intra mexicana, S. A. de C. V.	2,761,226	2,846,072
Operadoras en Servicios Comerciales, S. A. de C. V.	1,795,007	1,773,439
Selabe Motors, S. A. de C. V.	1,481,688	1,784,804
Banco Azteca, S.A. de C. V.	1,125,447	1,142,674
Procesos de Oro y Metales, S. A. de C. V.	1,048,057	-
Purpose Financial, Inc.	147,513	8,620,585
Others	3,325,242	2,078,913
	21,666,195	33,008,867
Long-term intercompany loans: (1)	12,760,185	5,820,872
	$ 34,426,380	$ 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)	$ 434,544	$ 21,400	November 10, 2024
Grupo Elektra, S. A. B. de C. V. (1)	1,015,290	50,000	March 22, 2024
Grupo Elektra Global, SLU.	40,632	1,801	April 25, 2025
Purpose Financial, Inc. (2)	8,325,378	410,000	June 30, 2030
Purpose Financial, Inc. (3)	2,944,341	145,000	June 30, 2032
Long-term loans	$ 12,760,185	$ 628,201	

(1) Interest rate: libor + 4.30%
(2) Interest rate: 7.9%
(3) Interest rate: 8.28%

	2022	2021
Accounts payable:		
Elmex Superior, S. A. de C. V.	$ 7,728,088	$ 9,807,929
Mercadotecnia Tezontle, S. A. de C. V.	5,131,684	5,378,996
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	-	4,096,945
Mi Garantía Extendida, S. A. de C. V.	2,431,447	2,156,446
Salinas y Rocha, S. A. de C. V.	2,244,127	2,009,691
Compañía Operadora de Teatros, S. A. de C. V.	1,130,602	1,124,132
Others	6,768,662	5,741,098
	$ 25,434,610	$ 30,315,237

ii. Transactions with related parties

	2022	2021
Income		
Inventory Sales:		
Grupo Elektra, S. A. B. de C. V.	$ 11,248,860	9,058,820
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	1,366,539	-
Operadoras en Servicios Comerciales, S. A. de C. V.	467,503	303,207
Salinas y Rocha, S. A. de C. V.	199,817	153,289
Others	55,732	52,515
	$ 13,338,451	$ 9,567,831
Revenue from administrative services:		
Banco Azteca, S. A. Institución de Banca Múltiple	$ 9,316,282	$ 10,404,481
Seguros Azteca, S. A. de C. V.	521,535	560,459
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	-	266,040
Afore Azteca, S. A. de C. V.	50,684	164,605
Elektra Satelital, S. A. de C. V.	-	184,646
Banco Azteca de Guatemala S.A.	355,721	259,221
Punto Casa de Bolsa, S. A. de C. V.	41,416	116,303
Banco Azteca de Honduras	18,857	-
Others	266,452	613,202
	$ 10,570,947	$ 12,568,957
Interest income:		
Grupo Elektra, S. A. B. de C. V.	$ 1,180,509	997,066
Purpose Financial, Inc.	586,614	668,337
Inmuebles Ardoma S.A.	49,289	-
Banco Azteca, S. A. Institución de Banca Múltiple	45,436	63,137
Arrendadora Internacional Azteca, S. A. de C. V.	12,234	9,611
Elektra Satelital, S.A. de C.V.	4,312	-
Others	11,802	12,162
	$ 1,890,196	$ 1,750,313
Other income:		
Intra Mexicana, S. A. de C. V.	$ 119,115	$ 419,191
Operadoras en Servicios Comerciales, S. A. de C. V.	17,842	177,814
Grupo Elektra, S. A. B. de C. V.	190,837	169,059
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	140,588	120,805
Others	475,982	276,190
	$ 944,364	$ 1,163,059
Expenses		
Expenses from administrative and operational services:		
Dirección de Administración Central, S. A. de C. V.	$ 647,603	$ 637,058
Banco Azteca, S. A. Institución de Banca Múltiple	392,771	356,403
Selabe Diseños S.A. de C.V	235,754	-
Elmex Superior, S. A. de C. V.	65,432	1,495,153
Operadoras en Servicios Comerciales, S. A. de C. V.	218,973	1,163,698

TV Azteca, S. A. B. de C. V.	254,488	997,409
Procesos Boff, S. de R. L.	-	567,834
Grupo Elektra, S. A. B. de C. V.	735,465	108,495
Others	605,818	850,649
	$ 3,156,304	$ 6,176,699

	2022	2021
Interests expense:		
Grupo Elektra, S. A. B. de C. V.	$ 463,366	$ 213,593
Compañía Operadora de Teatros, S. A. de C. V.	-	67,614
Aerotaxis Metropolitanos, S. A. de C. V.	60,174	-
Inmuebles Ardoma, S.A de C.V.	-	36,182
Others	92,942	132,208
	$ 616,482	$ 449,597
Inventory purchases:		
Comercializadora de Motocicletas de Calidad, S. A. de C. V.	$ 1,452,490	$ 8,146,360
Mercancía Exclusiva Universal, S. A. de C. V.	1,113,786	786,976
Others	276,265	12,796
	$ 2,842,541	$ 8,946,132

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.

8. Inventories

a. At September 30, 2022 and December 2021 is as follows:

	2022	2021
Household appliances	$ 3,178,883	$ 2,929,356
Motorcycles	696,775	2,659,158
Electronic	2,498,359	1,556,148
Computer	819,021	972,054
Transport	196,946	215,874
Furniture	357,948	318,314
Telephones	351,919	232,610
Others	115	347
	$ 8,099,966	$ 8,883,861

9. Investment in stores, furniture and equipment, net

	2022				
	Initial balance	Additions	Disposals	Foreign effect	Final balance
Investment:					
Investment in stores	$ 12,064,162	$ 1,915,252	$ (3,712)	$ (25,374)	$ 13,950,328
Furniture and equipment	130,500	145,021	(15,630)	(1,876)	258,015
Computer equipment	215,742	167,752	(27,505)	(3,228)	352,761

Machinery and equipment	80,276	108,856	(5,981)	(1,089)	182,062
Transportation equipment	38,101	7,391	(3,389)	(877)	41,226
Others	45,696	-	(559)	(792)	44,347
	12,574,477	2,344,272	(56,776)	(33,236)	14,828,739
Depreciation:					
Investment in stores	(7,758,709)	(1,332,461)	3,712	23,530	(9,063,928)
Furniture and equipment	(87,659)	(6,997)	15,294	1,363	(77,999)
Computer equipment	(177,573)	(24,188)	27,096	2,925	(171,740)
Machinery and equipment	(57,840)	(5,340)	5,972	916	(56,292)
Transportation equipment	(27,220)	(3,833)	3,303	556	(27,194)
Others	(14,955)	(706)	555	319	(14,787)
	(8,123,956)	(1,373,525)	55,932	29,609	(9,411,940)
	$ 4,450,521	$ 970,747	$ (844)	$ (3,627)	$ (5,416,799)

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

10. Leases

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. As of September 30, 2022 right of use assets are as follows:

	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
Exchange differences	(9,174)				(9,174)
Contracts changes	821,732				821,732
Additions for new contracts	1,612,509	247	(1,759)	557,978	2,168,975
Disposals	(57,190)				(57,190)
Amortization	(1,377,042)	(3,057)	(21,155)	(84,461)	(1,485,715)
September 30, 2022	$ 9,682,990	$ 6,171	$ 103,380	$ 644,374	$ 10,436,915

c. As of September 30, 2022 lease liability is as follows

	2022
January 1, 2022	$ 9,985,202
Additions for new contracts and rent update	3,060,666
Interest accrued in the period	841,982
Disposals	(40,800)
Payments for leases	(2,194,410)
Currency effects	(9,333)
Decrease in lease payments	(12,742)
Total lease liabilities	$ 11,630,565
Less, current leases	(1,671,386)
Non-current leases	9,959,179

d. Amounts recognized in profit of the year

	2022	2021
Depreciation of right-on-use assets	$ 1,485,715	$ 398,111
Interest expense on lease liabilities	841,982	248,480
Decrease in liability for COVID-19 agreements	(12,742)	(62,518)
Cost of disposal of assets and liabilities DDU	(40,800)	(15,708)
	$ 2,274,155	$ 568,365

11. Disposal of business

(i). On May 8, 2015, the Company announced the beginning of the retirement process of all subsidiary operations in the Federative Republic of Brazil. As a result of the liquidation of subsidiary companies, the Company recognizes in the results of the year effects of this process. See Note 18.

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

The Company recognized the participation in the results of Elektra Peru as a discontinued operation in the consolidated income statement for the period ended as of September 30, 2021.

12. 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 September 30, 2022, the Senior Notes net outstanding balance was $9,947,928:

	2022
Outstanding balance	$ 10,152,900
Transaction costs	(204,972)
	$ 9,947,928
Less, current Senior notes	1,522,935
Non-current Senior notes	8,424,993

On October 15, 2022, the Company paid interest for US$6.1 million with the flows entering the financing structure in accordance with the transaction documents. In addition, the Senior Notes have a Debt Service Reserve for US$31,094 equal to the Maximum Quarterly Debt Service.

The Senior notes had a Monthly Debt Service Coverage Ratio of 113.0x, 122.8x, and 113.8x during July, August, and September 2022, respectively, and a Quarterly Debt Service Coverage Ratio of 116.5x during the third quarter of 2022.

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

	2022
2023	$ 1,522,935
2024	1,897,035
2025	1,993,012
2026	2,006,858
2027 hereafter	2,528,088
	9,947,928
Less current portion	(1,522,935)
Non-current debt	**$ 8,424,993**

13. Other accounts payable

	2022	2021
Creditor for goods and services	$ 4,213,448	$ 3,756,268
Merchandise reserve	1,116,816	986,542
Deferred income	130,104	127,920
Taxes to pay	94,194	64,768
Employee benefits	66,973	54,220
Liabilities attributable to assets		

held for sale	5,379	4,981
	$ 5,626,914	$ 4,994,699

14. Stockholders' equity

a. Capital stock

The capital stock consists of ordinary, common and nominative shares with a nominal value of one hundred pesos each. As of September 30, 2022 and December, 31 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.

c. Contributions for future capital increases

As of September 30, 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 September 30, 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 September 30, 2022 the updated balance of the account called "Updated contribution capital" amounts to $21,320,050. 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 September 30, 2022, the updated balance amounts to $7,916,134.

g. Other comprehensive income

Other comprehensive income as of September 30, 2022 and 2021 is composed as shown below:

	2022	2021
Net profit of the period	$ 796,062	$ 3,441,387
Exchange gain arising on translation of foreign operations in subsidiaries and associated	(219,323)	779,844
Comprehensive profit of the period	$ 576,739	$ 4,221,231

15. Revenue and costs

As of September 30, 2022 and 2021 the principal income of the Company is as follows:

	2022	2021
Inventory retail sales	$ 30,649,288	$ 31,089,578
Administrative services	11,515,773	13,611,133
Services not related to merchandise	3,578,365	3,270,113
Commissions and extended warranty services	643,120	665,546
	$ 46,386,546	$ 48,636,370

As of September 30, 2022 and 2021 costs by nature are as follows:

	2022	2021
Inventory retail sales	$ 25,377,733	$ 24,738,991
Services not related to merchandise	91,463	89,275
Commissions and extended warranty services	604,749	410,425
	$ 26,073,945	$ 25,238,691

16. Income taxes

This item is integrated as shown below:

	2022	2021
Current income tax	$ 67,329	$ 1,519,820
Deferred income tax	(141,207)	(246,483)
	$ (73,878)	$ 1,273,337

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.

17. Information by segments

Condensed financial information by geographic area as of September 30, 2022 and 2021 is presented below:

	Mexico	Central America	Other	Total
September 30, 2022				
Income	$ 42,347,866	$ 4,038,680	$ -	$ 46,386,546
Gross profit	18,994,451	1,318,150	-	20,312,601
Profit (loss) from operations	557,040	248,566	(13,163)	792,443
Depreciation and amortization	(2,808,006)	(151,173)	(17)	(2,959,195)
Income tax	284,647	(124,389)	(86,380)	73,878

	Mexico	Central America	Other	Total
September 30, 2021				
Income	$ 49,021,539	$ 3,614,831	$ -	$ 48,636,370
Gross profit	22,232,187	1,165,492	-	23,397,679
Profit (loss) from operations	3,846,148	330,645	(11,784)	4,165,009
Depreciation and amortization	(2,470,475)	(123,734)	-	(2,594,209)
Income Tax	(1,102,116)	(90,377)	(80,844)	(1,273,337)

18. Commitments and contingencies

a. Commitments

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

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

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

b. Contingencies

Closing of commercial operations in the Federative Republic of Brazil:

On May 8, 2015, the commercial subsidiaries initiated a judicial recovery process (similar to a commercial bankruptcy) before the 31st Civil Court in the capital of the State of Pernambuco, Brazil, in order to make an orderly payment to its creditors.

In June 2016, the assembly of creditors (maximum recovery body to approve any novation of obligations), approved the judicial recovery plan presented by the commercial subsidiaries (the "Recovery Plan"), which in turn was approved by the trial judge.

From 2017 to date, the Recovery Plan has been complied with and payments have been made to various creditors with the approved plan.

On April 24, 2022, the aforementioned judge, among other things, declared that the obligations assumed by the commercial subsidiaries have been fulfilled and, by virtue of this, decreed the closure of said judicial process.

The Company is involved in legal trials and lawsuits during its ordinary course of business (such as litigations, arbitrations, administrative proceedings relating to its business, including, without limitation, regulatory compliance matters, contractual disputes, clients' lawsuits, among other matters). Management considers that any of these legal procedures will not have any significant adverse effect in the business of the Company or in its financial status.

MEXICO,
November, 2022

CP. JAVIER RODRIGUEZ LLUCK
Accounting Director.

CP. MONICA URRUTIA FALCON
Controller.