Liverpool®

SAVOR the EXPERIENCE!

2008
Annual Report

Contents

01 Financial Highlights

03 Letter from the Chairman

05 The Board of Director's Report to the General Shareholder's Meeting

07 Retail Division

11 Real Estate Division

15 Liverpool and Fabricas de Francia Credit

17 Liverpool and Fabricas de Francia Associates

19 Dividends and Final Considerations

21 Senior Management's Report

24 Board of Directors

25 Operations Committee

26 Financial Statements

Profile

Liverpool is the Mexican department store company with the most geographical coverage in this Country. It operates 78 units, in three formats: Liverpool, Fábricas de Francia and Liverpool Duty Free; twelve Galerias; and has 2.6 million holders of its own credit card. Personalized customer service and the constantly renewed range of articles and services have positioned the Company as the chain of stores and shopping centers of choice for the Mexican family. ■

Store Openings

1 Atizapan
2 Zapopan
3 Celaya
4 Tijuana
5 Saltillo
6 Los Mochis
7 Acapulco

1

2

7

6

3

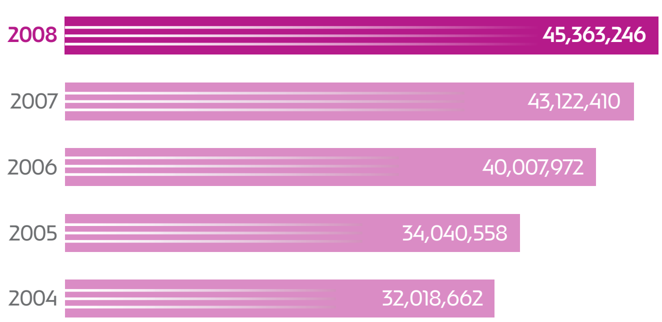
4

5

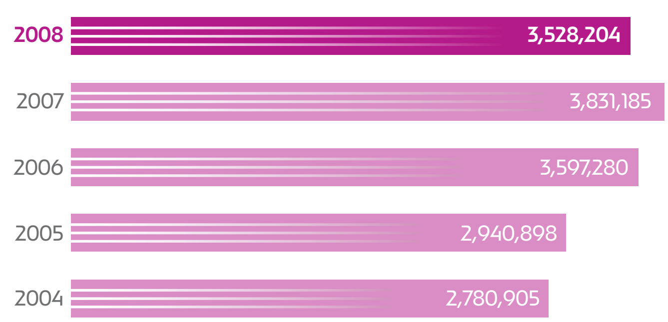

Liverpool
Both
fábricas de francia
Liverpool
DUTY FREE

	2004	2005	2006	2007	2008	CAGR
OPERATIONS						
Number of stores	53	56	62	70	**78**	10.1%
Number of shopping centers under management	8	9	9	11	**12**	10.7%
Own brand credit cards	1,817,825	1,878,687	2,171,288	2,517,597	**2,690,037**	10.3%
% of sales made with own brand credit card	58.3%	58.3%	59.3%	58.1%	**54.8%**	-1.5%
INCOME STATEMENT						
Total revenue	32,018,662	34,040,558	40,007,972	43,122,410	**45,363,246**	9.1%
Revenue from Retail Division	29,724,182	31,703,091	36,584,396	39,479,904	**41,443,169**	8.7%
Revenue from Real Estate Division	938,582	1,064,930	1,131,297	1,263,299	**1,405,786**	10.6%
Revenue from Credit Division	1,355,897	1,272,536	2,292,279	2,379,207	**2,514,291**	16.7%
Operating profit	2,035,527	2,022,589	3,215,367	3,598,067	**2,944,727**	9.7%
Net profit (after deducting minority interests)	2,780,905	2,940,898	3,597,280	3,831,185	**3,528,204**	6.1%
Cash flow	4,065,505	2,925,763	4,189,784	4,850,860	**4,248,931**	1.1%
Capital expenditures	2,866,121	2,963,014	2,793,195	3,479,297	**3,011,730**	1.2%
BALANCE SHEET						
Total Assets	35,521,449	39,904,876	44,147,772	49,773,298	**52,375,924**	10.2%
Total liabilities	16,992,478	19,085,197	20,333,799	22,589,078	**22,188,956**	6.9%
Majority Stockholders' Equity	18,526,213	20,815,916	23,810,002	27,183,681	**30,186,199**	13.0%
Profit per share	2.07	2.19	2.68	2.85	**2.63**	6.1%
Number of shares outstanding	1,342,196,100	1,342,196,100	1,342,196,100	1,342,196,100	**1,342,196,100**	

Total Revenue
CAGR 9.1%



Net Profit
CAGR 6.1%



Figures at December 31, 2007, 2006, 2005 and 2004 are expressed in Mexican pesos with purchasing power at such dates.
Figures at December 31, 2008 are expressed in historical Mexican pesos at that date.
CAGR: Composite average growth rate.

"The bases on which the **Company's strategy** is founded are **customer service,** a broad variety of products, the development of its associates, and the **constant improvement of processes,** all factors that contribute to creating a **great shopping experience."**

Liverpool continued to grow during 2008, strengthening its presence in several cities in Mexico, with one million, two hundred thousand square meters of combined sales and leasable space, and stores in 50 cities. Its geographical coverage situates it in a privileged and unique position to attend to and serve a larger number of Mexican families. Total revenues grew by 5.2% during the year, thanks to the expansion of operations, with an 11.7% level of leverage, permitting the Company a calm glimpse into the future.

The bases on which the Company's strategy is founded are customer service, a broad variety of products, the development of its associates, and the constant improvement of processes, all factors that contribute to creating a great shopping experience. Personalized attention in all of the customer-Company interactions is fundamental; this premise has been developed through several training programs in Liverpool's Virtual University. The delivery and enthusiasm of the associates is exemplary, enabling the Company to a promising future, thanks to their participation.

The constant improvement in all of the internal processes leaves its mark on the business and contributes to aligning the IT and logistics system platforms with the central service strategy. By furnishing personalized attention, having a committed employee base, and perfecting each one of the organization's internal operations, the Company achieves financial profitability.

For 2009, Liverpool Ciudad Juarez will join the Fabricas de Francia store in that City, and the format of Fabricas de Francia Morelia will be changed to Liverpool, and will be located in a space larger than the one it now occupies in the shopping mall. Expansion work continues in Mexico City, in the Polanco and Coapa stores, while such work is about to conclude in Cancun. The Galerias Saltillo and Galerias Chilpancingo malls will accompany the recently inaugurated Galerias Atizapan as part of the plan to expand the shopping centers.

Financial events occurred worldwide during 2008 generate uncertainty and at the same time, lead to changes that will open the way to new possibilities for products, services and concepts that Liverpool will utilize to its customers' benefit. Once again, we extend our deepest gratitude to our shareholders, for their trust; to our associates, for their commitment; and to our suppliers and tenants for their firm support.

"Liverpool´s **geographical coverage** situates it in a **privileged and unique position** to attend to and serve a larger number of Mexican families."

Very truly yours

Max David
Chairman of the Board of Directors
March 12, 2009

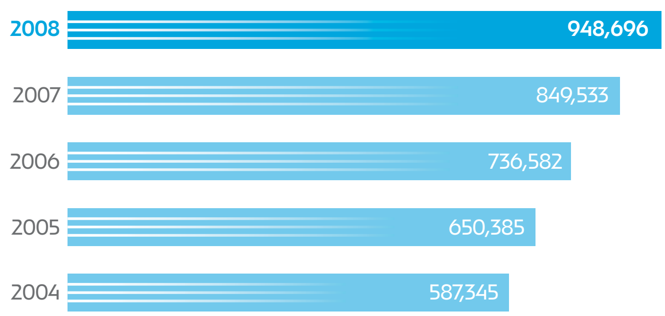
The new Zapopan Liverpool, functionality and convenience for the customer

Right Page:
Reference to fashion at both the domestic and international levels

Personalized attention, to provide a **complete shopping experience.**

It was the year 2008 that witnessed Liverpool's arrival to new markets, as well as the Company's consolidation in several cities in which it is already present. We now have **78 stores: 49 Liverpools; 25 Fabricas de Francia; and four Duty Frees.** Sale space **increased by 12.7%** during the year, reflecting the **opening of six stores and one Duty Free** during 2008. The Cities of **Saltillo, Los Mochis and Celaya are the new hosts of a Liverpool store.** They all represent a cumulus of opportunities with extensive target markets and exceptional urbanization and development that accommodate the stores. The Emerald Zone in **Atizapan de Zaragoza, in the State of Mexico,** is an area that has been growing rapidly for several years. **Liverpool opened its doors with a store,** and went on to build a shopping mall about to be inaugurated in the Emerald Zone, thereby reaffirming the Company's commitment of growth in the greater Mexico City metropolitan area.

Retail Sale Space in Square Meters
CAGR 12.7%



The district of **Zapopan** in the City of Guadalajara is home to important commercial activities, and Liverpool joins them with a **new store,** bringing the number of locations in this area to six. During 2008, **Liverpool Acapulco** opened in the La Isla **shopping mall** - the Company's second location in this City.

Two stores - **Polanco and Coapa** - very important because of their size and tradition – began expansion work during 2008. In the first case, ten thousand square meters of sales floor were added, to reach 36 thousand square meters; the second was enlarged by six thousand square meters, for a total of 28 thousand. These two projects are part of the redesigning plan of the Mexico City and its metropolitan area stores, all of which have been remodeled, giving them a modern image that offers a wonderful new experience when visiting them.

Liverpool has always been interested in offering something new and different, constantly changing to attract its customers' attention. A complete shopping experience is offered, and to reinforce this concept, during 2008, the focus was directed to a fundamental part of this experience - **personalized attention.**

The service now provided by the Company's associates can be measured by comments from the customers themselves, a tool that permits knowing how the salesclerk contributes to making **the shopping experience** a pleasant one. Thus, by surpassing expectations, the impression improves with each visit to the stores.

LIVERPOOL HAS ALWAYS BEEN INTERESTED IN offering something **new** and **different, always changing,** to attract its customers' attention.

In 2008, work was done to align strategic objectives and initiatives, thereby improving the critical processes through synergies among the organization's different areas, as well as with its suppliers. The result was reflected in an increase in **customer satisfaction and value generated.**

Competition intensified during the year, and steps were taken, that included new formats on one single level and **Duty Free, the store's private labels and the development of new markets.**

The first stores occupying one floor, with all of the advantages of a large-scale store, were opened two years ago. The **opening of Los Mochis** increased the number of units with this format to four, along with the corresponding benefits in the shopping experience and functionality for the client. The **Liverpool Duty Free stores** presented **solid results** during the year; **Tijuana** was added to the three current locations, in an on-going effort to continue to expand this segment, which is engaged in the sale of cosmetics and sundry accessories.

The restaurants located in several of the stores have become an attractive option for Liverpool's clientele. Many new low-calorie and regional dishes added to the menu during 2008; a children's playground was also introduced, to make the restaurants more inviting for families.

Delivery of merchandise directly to the customer's home, as a special courtesy in even the smallest details.

The **growth in e-business** has been notable; Liverpool is at the forefront of this business, with its **Internet portal,** which has the infrastructure necessary to surpass the client's expectations, by providing **quicker response** time, security certificates for the client's protection, and an offering of products and services that is constantly renewed.

In these times, when the **worldwide order of business is being rewritten,** Liverpool is proceeding with **caution, to exploit its strengths and to consolidate its operation.** A critical part of this process lies in presenting a commercial offer consistent with current times. The Company's private labels bring a varied assortment of all types of products for the family. Through research and the constant quest for the **highest level of trademark** development, Liverpool offers the latest products and an **unbeatable quality/price** ratio. These trademarks create trends within everyone's reach, with constant updating and innovation.

The Company's IT system-supported **inventory management** is an initiative that permits it to **control stock levels efficiently,** to reduce shortages of merchandise, maximize turnover and generate cash flow.

Establishing **fashion trends** in Mexico continues to be one of the Company's priorities. Current fashion trends in Mexico are defined at the seasonal presentations that take place at Liverpool's bi-annual **Fashion Fest,** creating great expectations, with world-famous models who position the Company as a fashion leader at the national and international levels.

The **home** products **departments** incorporate fashion trends, with domestic and imported merchandise to offer **new ways** to live, to decorate, and to address different lifestyles. Sections such as **Our House** bring the boutique experience in avant-garde articles for the home within the reach of all of our customers.

The perfume and cosmetic department introduced new lines of products, services and trends, including the concepts of bath & body, dermatology and pharmacy.

Post-sales services include delivery of merchandise to our customers' homes; this is a process that adds value to **the shopping experience** by means of a comprehensive commercial package that brings importance to all of the many details involved in a purchase.

FASHION AND HOUSEHOLD ARTICLES CREATE atmospheres and styles for the **entire family.**

The association with the Spanish company, **Sfera,** continued consolidating its operations during the year and opened three locations. At the year-end, **nine units are operating** in the following shopping centers: **Perisur, Plaza Satelite, Parque Tezontle in Mexico City, Galerias Cuernavaca, Galerias Monterrey, Galerias Puerto Vallarta, Altabrisa in Merida, Altaria in Aguascalientes and Andares in Guadalajara.** The quick fashion concept that this business model offers is focused on a young market with different tastes. The results of Liverpool's **growth plan have brought it closer to its customers.** The Company's geographical coverage is unique in its class; thanks to this coverage, Liverpool occupies a privileged place in its customers' minds and hearts. With a proper balance between avant-garde and comfort, Liverpool continues to be the department store of choice for the Mexican family.

Innovation and style in each store and shopping mall

Liverpool Atizapan reinforces the Company's presence in the Mexico City metropolitan area.

The shopping malls the Company runs have become a very important part of the lives of many people in Mexico. Due to their security, the **variety of business lines they offer, the size of the facilities and the new concepts of entertainment in general,** customers' preference for these malls is on the rise. At the close of 2008, the twelve shopping malls in administration have an average 92% occupancy rate, which reflects the appeal of these commercial facilities.

The Galerias trademark was introduced on the market more than twenty years ago; today, it is firmly ensconced in the minds of the millions of visitors to these malls. The concept it covers is a **comprehensive entertainment and shopping experience in a safe, comfortable and commercially** diverse environment, that encourages more frequent visits. The **Galerias Magazine** is distributed free of charge in all of the Company's shopping malls, reinforcing the concept of the trademark.

Variety of entertainment and commercial activities

Square Meters of Leasable Space
CAGR 8.3%

Year	Square meters
2008	233,045
2007	233,045
2006	189,595
2005	189,595
2004	169,454

12

Shopping center under managment

SECURITY, A VARIETY OF COMMERCIAL offerings, ample facilities and new entertainment concepts.

This magazine stands alone in addressing various matters of overall interest and information in all of the shopping malls, as well as their schedules of activities and events.

The real estate division's **commitment to service** extends to both the visitors and to the tenants. Through associations, the Company has been able to establish a commercial locales base that accompanies it in the different malls, to offer better customer service.

The various **social, entertainment and cultural event**s that take place in the malls are a perfect complement to a **complete shopping experience.** The unequaled **visual presentation** adapted to each season of the year is a key factor in making the **customer's visit spectacular.** This type of decorating was innovated both inside and out during the Christmas season, with the best lighting and holiday atmosphere.

The experience of visiting Liverpool's shopping malls has become a tradition. Offering **something new and different surprises** the customer and keeps them coming back.

THE GALERIAS TRADEMARK IS **FIRMLY ENSCONCED** in the millions of visitors to these malls.

The **Liverpool, Fabricas de Francia and Premium Cards complete the shopping experience,** bringing added value to the customer.

The economic environment experienced during 2008 suggested that we proceed with **caution in the process of granting consumer credit.** The Company took **specific steps** to conserve the financial health of its credit portfolio, including making the credit systems more robust, to obtain **greater assurance** of recovering payments, so as to grant lines of credit in a more responsible, consistent and objective manner, as well as to strengthen the collections area to carry out more coordinated and uniform procedures.

THE NEW LIVERPOOL PREMIUM CARD IS **accepted** in millions of establishments **worldwide.**

During 2008, the credit portfolio **decreased by 1.7%** with respect to the balance in 2007, reaching $16,275 million pesos, and thereby reducing the risk of a larger overdue portfolio. **Credit card revenues increased by 5.7%** during 2008, as compared to the prior year. **Operating expenses grew 11.5%,** including new stores, and the provision for past due accounts was increased by 72.1% in order to have a reasonable ratio between this reserve and past due accounts. The new **Liverpool Premium Card Visa** was launched during 2008, to diversify the credit program. This card offers the opportunity for the trademark to be accepted in millions of establishments worldwide. **All of the above is a new experience.**

The **Insurance Center's** operations increased by 11.5% during 2008. **New programs and services were consolidated,** the most important being insurance policies for senior citizens, the **Liverpool Premium Protection plan and the Llama Seguro** (**SafeCalling**) plan for contracting cell phones.

Consequently, the **Liverpool and Fabricas de Francia credit card, the Premium Card** and the sale of insurance and services c**onstitute an important part of the shopping experience.** The **launching of new products** places the Company at the **forefront** of the consumer credit offering, and guarantees the customer's preference.

Developing talent to reinforce **personalized attention.**

One of the Company's most distinguishing elements over time has been its personnel. To foment this image, the **associates' talent** has been developed by the **direct interaction between the department heads and their personnel. Liverpool's Virtual University** (**UVL**) has come to support and complement this model of identification and development of talent. Throughout 2008, the University continued with its strategy of encouraging the development of the associates, to strengthen the competitive advantage represented by personnel prepared with professional know-how and managerial skills.

THROUGHOUT THE YEAR, **2,208 STUDENTS** took some type of program through the UVL.

During the year, 2,208 students took some type of program, and at date we have **1,746 alumni** corresponding to **six classes of bachelor's degrees, three classes of master's degrees, three classes of the Department Head Operations School, one class of the Managers' and Directors' Operations School, and ten certification courses.**

Eighty certificates of primary and secondary education were also awarded, thanks to the 23 community locations implemented in the Company as strategy to reduce the lag in education. This program was instrumented in conjunction with the National Institute for Adult Education.

At the end of 2008, the UVL took upon a new challenge: **the inclusion of the associates' relatives in the bachelor's and master's programs, beginning with a group of 50 people.** Several activities have been gradually introduced into the virtual area, generating important benefits such as timing and **efficiency in training,** and the reduction of travel and communication expenses. During the year, slightly more than 2,500 new associates assigned to the seven new stores opened, joined the UVL through the distance learning mode.

Finally, to promote continuous improvement through the participation of its associates, notice was issued for the **First Liverpool Innovation Award,** which, at December 31, 2008, had received 147 ideas and seven projects. ■

THE GENERAL ORDINARY SHAREHOLDERS' MEETING held on March 7, 2008 **declared a dividend of $591 million pesos, on 1,342,196,100** shares representing the Company's capital stock.

Final Considerations

Thus, another year comes to an end, and the Company consolidates its operations, to confront new challenges. Thanks to **firm and steady measures,** at date, Liverpool holds a privileged position in the department store market. The Company will continue to honor its **commitment with Mexico and with its customers.** Current times require additional efforts to set oneself apart from the rest; thus, we shall continue to **act firmly to offer innovations, a comprehensive shopping experience,** and strict control over expenses and investments.

To our shareholders, for their trust; to our associates, for their commitment; to our suppliers and tenants for their support; and to our customers for their preference, Liverpool extends its deepest gratitude.

Sincerely,

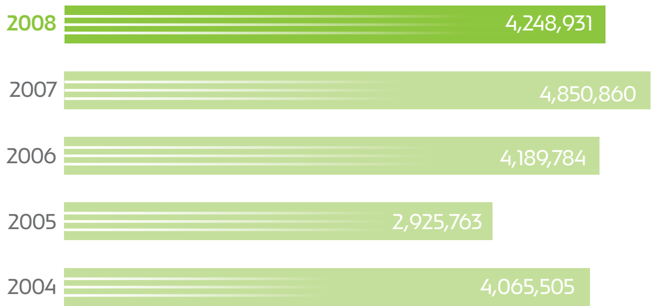
The Board of Directors
Mexico, D.F.; December 31, 2008

Total revenues increased by 5.2%, reaching $45,363 million.

Year 2008 was one of strong growth for Liverpool; we **opened seven new stores** in different parts of the Country. It was also a year of **great challenges,** due to the rapid deterioration of the world's economy, especially in the third quarter. This **abrupt change in the market** made it necessary for us to make adjustments in the way we run the Company, **placing special care on managing the working capital and in generating cash flow,** so as to **reduce the impact on profitability and to conserve our financial solidity.** At the year-end, **total revenues increased by 5.2%,** reaching **$45,363 million. Total sales of the retail division** reached **$41,085 million,** for a **4.9% increase** with respect to the prior year. We must keep in mind that due to the elimination of inflation accounting (B-10), the variance percentages come from comparing nominal figures in

LONG TERM DEBT IS DENOMINATED IN **mexican pesos,** primarly with fixed rates.

Cash Flow
CAGR 1.1%



Capital Expenditure
CAGR 1.2%

2008, with figures adjusted to year-end closing pesos in 2007. The **consolidation** of the existing **shopping malls** and the leasing rights collected on the units about to be opened supported the **increase in the real estate division's revenues** during 2008, growing by **11.3%** with respect to 2007. **Credit card revenues increased by 5.7%** during the year, while 54.8% of sales were made with the Company's own credit card. **Operating profits declined by 18.2%,** as a result of the pre-operating expenses and the start-up of depreciation for the seven stores incorporated during 2008, and due to the increase in the reserve for bad debts, in turn the result of the increase in payment arrears. Finally, **net profits fell by 7.9%** compared to the prior year.

Derivative financial instrument operations were used to cover the interest rates. At December 31, 2008, they reflect a profit of $69 million. This type of transactions has been duly approved by the respective internal bodies and has been reported to the corresponding authorities in conformity with the applicable regulations. The stock certificate with ticker code, Livepol 08, was placed on the **stock market** in September, for a total amount of **$1,000 million pesos.** This issue, added to the debt contracted previously, achieves a **favorable expiry profile** that groups **67.7% of such expiries between 2014 and 2018. Long-term debts equal to only 21.5%** of the total will be due and payable during **2009.** All of the Company's financial debt is denominated in Mexican pesos, primarily with fixed rates. The expansion plan became a reality during the year, and **places the Company in a strategic position** to absorb the possible impacts of a foreboding worldwide economic environment. The business and financial measures taken **permit the Company to continue to be the leader in its sector.** ■

Max David [1]
Chairman

Madeleine Brémond [1]
Vice Chairman
DIRECTOR OF ORION TOURS S.A. DE C.V.

Miguel Guichard [1]
Vice Chairman
CHAIRMAN OF THE EXECUTIVE COMMITTEE

Enrique Brémond [1]
ADMINISTRATOR OF VICTIUM S.A. DE C.V.

José Calderón Muñoz de Cote [3]
CEO, EL PUERTO DE LIVERPOOL, S.A.B. DE C.V.

Juan David [1]
DIRECTOR OF INVEX CASA DE BOLSA, S.A. DE C.V.

Pedro Velasco [2]
PARTNER, SANTAMARINA Y STETA S.C.

Juan Miguel Gandoulf [2, 4]
BOARD MEMBER, SAGNES CONSTRUCTORES, S.A. DE C.V.

Armando Garza Sada [2]
DIRECTOR OF DEVELOPMENT, CORPORATIVO ALFA, S.A. DE C.V.

Ricardo Guajardo [2]
CHAIRMAN, BBVA HOLDINGS USA

Graciano Guichard [1]
DIRECTOR, M. LAMBERT Y CÍA. SUCS. S.A. DE C.V.

Luis Francisco Javier Mallet [2, 4]
DIRECTOR, BGL, S.A. DE C.V.

Esteban Malpica [2]
DIRECTING PARTNER, PRAEMIA, S.C.

Max Michel G. [1]
MANAGER, SERVICIOS LIVERPOOL, S.A. DE C.V.

Luis Tamés [2, 4]
INDEPENDENT BUSINESSMAN

Ignacio Pesqueira
Secretary
PARTNER, GALICIA ROBLES, S.C.

Norberto Aranzábal
Deputy Secretary
LEGAL DIRECTOR, SERVICIOS LIVERPOOL, S.A. DE C.V.

1 Patrimony Board Member
2 Independent Board Member
3 Related Board Member
4 Member of the Audit Committee

EXECUTIVE COMMITTEE

Miguel Guichard
Chairman of the
Executive Committee

Miguel Bordes

José Calderón

Max David

Jorge Salgado

Héctor Guzmán

Norberto Aranzábal
Secretary

PATRIMONY ADVISORY BOARD

Enrique Brémond
Co-Chairman

Juan David
Board Member

Madeleine Brémond
Alternate Board Member

Magdalena Guichard
Alternate Board Member

Alejandro Duclaud
Secretary

Max Michel
Co-Chairman

Juan Guichard
Board Member

Monique David
Alternate Board Member

Elena Michel
Alternate Board Member

HONORARY BOARD MEMBERS

HONORARY PRESIDENTS

Max Michel

Enrique Brémond

HONORARY BOARD MEMBERS

J. Claudio Montant

Pedro Robert

Agustín Santamarina

Hugo Lara

El Puerto de Liverpool, S. A. B. de C. V. and Subsidiaries

Consolidated Financial Statements

December 31, 2008 and 2007

27 Report of independent auditors

28 Audit and Professional Practices Committee

Consolidated financial statements:

30 Balance sheets

31 Statements of income

32 Statements of changes in stockholders' equity

34 Statement of cash flows

35 Statement of changes in financial position

36 Notes to the financial statements

Report of Independent Auditors

PRICEWATERHOUSECOOPERS

Mexico City, March 3, 2009

To the Stockholders' Meeting of
El Puerto de Liverpool, S. A. B. de C. V.

We have examined the consolidated balance sheets of El Puerto de Liverpool, S. A. B. de C. V. and subsidiaries at December 31, 2008 and 2007 and the consolidated statements of income and of changes in stockholders' equity relative for the years then ended, we also examined the consolidated statements of cash flows and of changes in the financial position for the year ended on December 31, 2008 and 2007, respectively. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and that they were prepared in accordance with Mexican Financial Reporting Standards (MFRS). An audit consists of examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the standards of financial information used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As explained in Note 3, as of January 1, 2008 four new MFRS became effective, which particularities and prospective adoption effects as of 2008 are described in that Note, being these: a) B-10 "Inflation effects", b) B-2 "Cash flows statement", c) D-3 " Employees' benefits" and e) D-4 " Income tax".

In our opinion the consolidated financial statements referred to above present fairly, in all material respect, the consolidated financial position of El Puerto de Liverpool, S. A. B. de C. V. and subsidiaries as of December 31, 2008 and 2007, and the consolidated results of their operations, changes in stockholders' equity for the years then ended, as well as, the cash flows and changes in the financial position for the year ending on December 31, 2008 and 2007, respectively, in conformity with Mexican Financial Reporting Standards.

PricewaterhouseCoopers, S. C.

C.P.C. Manuel García Braña
Audit Partner

Audit and Professional Practices Committee

Mexico, D.F., January 23, 2009

To the Board of Directors
El Puerto de Liverpool, S. A. B. de C. V.

We, the undersigned, appointed to form part of the Company's Audit and Societary Practices Committee, present the report on activities developed, in compliance with article 43 of the Securities Trading Act.

We held four sessions of the Committee, at which we discussed the following points (among others):

I. The Company's General Stockholders' Meeting held on March 7, 2008, designated Mr. Luis Tames García as president of the Audit and Societary Practices Committee for 2008.

II. With respect to the audit:

a) We evaluated the external audit plan and the professional services proposal accepted by management and recommended to the Board of Directors, that it appoint the firm, PricewaterhouseCoopers, through its audit partner, Manuel García Braña, as external auditor to audit the financial statements of the Company and of its subsidiaries, corresponding to the year ended December 31, 2008.

b) We determined that the Company has the internal and external mechanisms to ensure compliance with the laws and regulations applicable to it.

c) We were informed as to changes in the application of accounting principles and accounting record policies followed by the Company, as well as their impact on the amounts in the financial statements at December 31, 2008, ascertaining that they are duly expressed in the presentation of the financial information.

d) We followed up on the organization and functioning of the Company's internal audit department; we heard its annual report on activities of 2008, the relevant findings and its audit plan for 2009.

e) We determined that the Company has systems, policies and operating procedures that permit considering that it has an adequate internal control and accounting environment.

f) We were made aware of the Company's adhesion to the Best Corporate Practices Code, recommended by the Mexican Stock Exchange, per the report with information at December 31, 2007, submitted on June 29, 2008.

g) We were informed as to lawsuits and litigations in process, and the result of those already concluded.

h) We reviewed the consolidated financial statements at December 31, 2008, the notes thereto, and the audit thereon, issued by the external auditors.

i) We were informed as to the status of the reserves and estimates included in the financial statements at December 31, 2008.

j) We heard the external auditors' observations and recommendations related to the examination of the consolidated financial statements at December 31, 2008.

III. With respect to societary practices:

a) With respect to the performance of the relevant executives, we consider that such performance has been adequate and efficient, considering the circumstances under which they have carried out their duties.

b) We were informed with respect to the transactions with related parties, evaluating that their amounts are not significant in relation to the Company's operations and that they adhere to market conditions.

c) We were made aware, in general terms, of the criteria of allotment of the comprehensive remunerations paid to the Company's directors; we consider these remunerations to be reasonable and that they correspond to market conditions.

As a result of the activities developed by this Committee, and of the opinion expressed by the Company's external auditors, we hereby recommend to the Board of Directors that the financial statements of El Puerto de Liverpool, S. A. B. de C. V. and Subsidiaries at December 31, 2008, be presented to the general stockholders' meeting for their approval, in the terms in which they have been prepared and submitted by the Company's management.

Sincerely,

Audit and Societary Practices Committee

Juan Miguel Gandoulf

Javier Mallet Arellano

Luis Tames García

Consolidated Balance Sheets

(Notes 1, 2, 3, 4, 16, 17, 18, 21 and 22)
(Amounts expressed in thousands of Mexican pesos, as explained in Note 3)

		December 31		
		2008		2007
Assets				
CURRENT:				
Cash and marketable securities	$	1,247,160	$	666,949
Accounts and notes receivable (Notes 5 and 21b.)		12,517,077		13,272,979
Inventories (Note 6)		6,826,931		6,333,788
Prepaid expenses and others		368,758		332,608
		20,959,926		20,606,324
LONG TERM ACCOUNTS AND NOTES RECEIVABLE (Note 21b.)		3,426,317		3,410,759
PERMANENT INVESTMENTS IN SHARES (Note 7)		724,997		686,179
PROPERTY, FURNITURE AND EQUIPMENT (Note 8)		34,722,578		31,790,821
Accumulated depreciation		(8,944,842)		(8,075,430)
		25,777,736		23,715,391
DERIVATIVE FINANCIAL INSTRUMENTS (Note 19)		97,013		–
LABOR OBLIGATIONS (Note 11)		245,387		347,034
AMORTIZABLE EXPENSES AND OTHER ASSETS (Notes 5c. and 9)		1,144,548		1,007,611
Total assets	$	52,375,924	$	49,773,298
Liabilities				
CURRENT:				
Trade accounts payable	$	6,061,867	$	6,638,958
Sundry creditors and accrued liabilities		4,798,303		4,730,540
Bank loans (Note 10)		1,585,714		985,714
Employees' profit sharing		37,213		30,764
		12,483,097		12,385,976
LONG-TERM LIABILITIES:				
Notes payable (Note 10)		5,792,857		5,878,572
Derivative financial instruments (Note 19)		28,823		48,855
Deferred income tax (Note 15)		3,800,322		4,136,537
Labor obligations (Note 11)		83,857		139,138
CONTINGENT (Note 12)		–		–
Total liabilities		22,188,956		22,589,078
Stockholders' Equity (Note 13):				
CAPITAL STOCK		6,595,397		6,595,397
RESERVE FOR ACQUISITION OF OWN SHARES (Note 14)		467,432		467,432
RESERVE FOR FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS (Note 19)		(8,247)		(56,220)
INITIAL EFFECT OF DEFERRED INCOME TAX		–		(2,911,555)
DEFICIT IN RESTATEMENT OF STOCKHOLDERS' EQUITY		–		(12,422,219)
RETAINED EARNINGS (Note 15):				
From prior years		19,603,413		31,679,661
For the year, as per consolidated income statements		3,528,204		3,831,185
		23,131,617		35,510,846
Total majority stockholders' equity		30,186,199		27,183,681
MINORITY STOCKHOLDERS' EQUITY		769		539
Total stockholders' equity		30,186,968		27,184,220
Total liabilities and stockholders' equity	$	52,375,924	$	49,773,298

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

(Notes 1, 2, 3, 4, 16, 17, 18, 19, 21 and 22)
(Amounts expressed in thousands of Mexican pesos, as explained in Note 3)

	Year ended December 31	
	2008	**2007**
Net sales of merchandise	$ 40,102,833	$ 38,267,248
Cost of sales	26,345,538	25,408,507
Profit on sales of merchandise	13,757,295	12,858,741
Related income with merchandise	982,721	871,036
Rental income	1,405,786	1,263,299
Services income	357,615	341,620
	16,503,417	15,334,696
Operating expenses:		
Administrative	12,503,376	10,843,295
Depreciation and amortization	1,055,314	893,334
	13,558,690	11,736,629
Operating income	2,944,727	3,598,067
Other income, net	159,685	179,535
Comprehensive financial income:		
Interest collected from customers	2,514,291	2,379,207
Interest paid to credit institutions and return on investments in securities, net	(696,536)	(712,983)
Foreign-exchange loss, net	(73,580)	(10,522)
Monetary position loss	–	(50,709)
	1,744,175	1,604,993
Income before taxes from earnings	4,848,587	5,382,595
Income tax of earnings (Note 15)	1,320,153	1,551,093
Net consolidated income for the year	$ 3,528,434	$ 3,831,502
Net income to:		
Majority interest (Note 20)	$ 3,528,204	$ 3,831,185
Minority interest	230	317
	$ 3,528,434	$ 3,831,502
Income per share (amounts in pesos and attributable to the majority interest)	$ 2.63	$ 2.85

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2008 and 2007
(Amounts expressed in thousands of Mexican pesos, as explained in Note 3)

	Capital stock	Reserve for acquisition of own shares	Reserve for fair value of derivative financial instruments	Initial effect of deferred income tax	Deficit in restatement of stockholders' equity: Result from holding nonmonetary assets	Deficit in restatement of stockholders' equity: Accumulated monetary position result
Balances as of December 31, 2006	$ 6,595,397	$ 467,432	$ (152,344)	$ (2,911,555)	$ (5,724,532)	$ (6,678,600)
Resolutions agreed at the General Ordinary Stockholders' Meeting held on March 8, 2007, with respect to the appropriation of the income for 2006 as follows:						
Unappropriated earnings						
Dividends declared						
Comprehensive income (Note 20)			96,124		(19,087)	
Balances as of December 31, 2007	6,595,397	467,432	(56,220)	(2,911,555)	(5,743,619)	(6,678,600)
Resolutions agreed at the General Ordinary Stockholders' Meeting held on March 7, 2008, with respect to the appropriation of the income for 2007 as follows:						
Unappropriated earnings						
Dividends declared						
Application of unappropriated earnings				2,911,555	5,743,619	6,678,600
Comprehensive income (Note 20)			47,973			
Balances as of December 31, 2008	$ 6,595,397	$ 467,432	$ (8,247)	$ –	$ –	$ –

The accompanying notes are an integral part of these consolidated financial statements.

Prior years' retained earnings						
Legal reserve	Reinvestment reserve	Other reserves	Unappropriated	Income for the year	Minority stockholders' equity	Total
$ 1,138,559	$ 184,357	($ 33,899)	$ 27,327,907	$ 3,597,280	$ 3,971	$ 23,813,973
			3,045,745	(3,045,745)		
				(551,535)		(551,535)
		16,992		3,831,185	(3,432)	3,921,782
1,138,559	184,357	(16,907)	30,373,652	3,831,185	539	27,184,220
			3,240,619	(3,240,619)		
				(590,566)		(590,566)
			(15,333,774)			
		16,907		3,528,204	230	3,593,314
$ 1,138,559	$ 184,357	$ –	$ 18,280,497	$ 3,528,204	$ 769	$ 30,186,968

Consolidated Statement of Cash Flows

(Amounts expressed in thousands of Mexican pesos, as explained in Note 3)

		Year ended December 31
		2008
Operating Activities:		
Income before taxes from earnings	$	4,848,587
Investing activities related items		
Depreciation and amortization		1,055,314
Net cost for the year to labor obligations		108,611
Income from property, furniture and equipment sale		(4,879)
Interest in favor		(2,638,979)
Financing activities related items		
Interest in charge		821,224
Investing and financing activities related items		(658,709)
Interest receivable to the clients		2,493,309
Decrease in accounts and notes receivable		861,361
Charges for tax recovery		171,320
Decrease in sundry creditors and accrued liabilities		(11,543)
Increase in prepaid expenses and others		(36,150)
Increase in inventories		(493,143)
Decrease in trade accounts payable		(577,091)
Income taxes paid		(1,927,723)
Operating activities net cash flows		480,340
Investing activities:		
Charges interests		124,688
Charges for property, furniture and equipment sale		121,746
Increase in permanent investments		(38,817)
Amortizable expenses and other assets acquisition		(328,812)
Property, furniture and equipment acquisition		(3,011,730)
Investing activities net cash flows		(3,132,925)
Financing activities:		
Cash entry for debt instruments issuance		1,000,000
Short-term loan acquisition		500,000
Derivative financial instruments		(69,072)
Dividends paid		(590,566)
Interest paid		(811,729)
Loans paid		(985,715)
Financing activities net cash flows		(957,082)
Net cash increasing and temporary investments		580,211
Balance at beginning of year		666,949
Balance at end of year	$	1,247,160

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Financial Position

(Amounts expressed in thousands of Mexican pesos of purchasing power of December 31, 2007)

	Year ended December 31, 2007
Operating activities:	
Net consolidated income for the year	$ 3,831,502
Add:	
Items applied to income not requiring the use of funds:	
Depreciation	893,334
Deferred income tax	126,024
	4,850,860
Funds provided by (used in):	
Increase in accounts and notes receivable	(1,656,253)
Increase in inventories	(989,686)
Increase in prepaid expenses and other	(345,607)
Decrease in income tax payable	(319,635)
Increase in labor obligations	(251,738)
Decrease in employees' profit sharing payable	(5,571)
Increase in sundry creditors and accrued liabilities and other	243,697
Increase in trade payables	225,042
Increase in deferred income tax	72,503
Funds provided by operations	1,823,612
Financing activities:	
Increase in long-term notes payable	2,187,888
Decrease in short-term bank loans	(138,639)
Cash dividends paid	(551,535)
Funds provided by financing activities	1,497,714
Investing activities:	
Acquisition of property, furniture and equipment, net	(3,479,297)
Increase in permanent investments in shares	(187,917)
Decrease in amortizable expenses and other assets	23,110
Funds used in investing activities	(3,644,104)
Decrease in cash and marketable securities	(322,778)
Balance at beginning of year	989,727
Balance at end of year	$ 666,949

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

As of December 31, 2008 and 2007
(Amounts expressed in thousand of Mexican pesos, as explained in Note 3)

Note 1 - Incorporation and Purpose:

a. The main activity of the Liverpool Group is operating department stores, having started its operations in 1847. In 1980, it modified its legal structure to also engage in the leasing and sale of chattels and real estate, in addition to operating shopping centers. Additionally, in recent years, interest income derived from the financing of the goods sold by the department stores has shown a significant growth. During fiscal years 2008 and 2007, the amount of sales with the Liverpool credit card accounted for 54.8% and 58.1%, respectively, of total sales.

b. El Puerto de Liverpool, Sociedad Anónima de Capital Variable changed its business name to El Puerto de Liverpool, Sociedad Anónima Bursátil de Capital Variable (S. A. B. de C. V.), for compliance with the provisions of the Stock Market Law, in effects as from June 28, 2006.

c. The corporate purpose of El Puerto de Liverpool, S. A. B. de C. V. (the Company) is to be a holding company of shares and lessor of chattels and real estate to its subsidiaries. The most important subsidiaries are listed below, in accordance with their activity and stockholders' equity:

Company	Principal activity	Percentage in the shares that form the capital stock
Operadora Liverpool, S. A. de C. V.	Holder of the shares of the companies that operate the Group's department stores	100.00%
Bodegas Liverpool, S. A. de C. V.	Warehousing and distribution of goods to the Group's companies	99.99%
Servicios Liverpool, S. A. de C. V.	Rendering of advisory and management services to the Group's companies	99.99%
Real-estate companies	Development of real-estate projects, particularly shopping centers, whose premises are leased to others	99.93%

Note 2 - Significant Events:

a. In 2008, six department stores opened in the states of Coahuila (Saltillo), Sinaloa (Los Mochis), Guerrero (Acapulco), Jalisco (Zapopan), México (Atizapán), Guanajuato (Celaya). Additionally were opened one "Duty Free" in Baja California (Tijuana).

In May 2008, a sale-and-lease-back operation was conducted for the Mérida (Yucatán) and Puerto Vallarta (Jalisco) malls. The company leased those commercial centers for ten years.

b. In 2007, two new malls were opened in Mérida (Yucatán) and Puerto Vallarta (Jalisco). Also, seven Liverpool department stores opened in the states of Aguascalientes (Aguascalientes), Durango (Durango), Guerrero (Chilpancingo), Guanajuato (San Miguel de Allende), Jalisco (Puerto Vallarta), Nayarit (Tepic) and Mexico City (Tezontle). Additionally were opened two "Duty Free" in Quintana Roo (Playa del Carmen) and Baja California Sur (Cabo San Lucas).

Note 3 - Basis of Preparation:

The accompanying consolidated financial statements at December 31, 2008 and 2007 have been prepared to comply with the Mexican Financial Reporting Standards (MFRS), which fairly state the financial position of the Company. For these purposes, the Company has prepared its income statement classifying it by the function of their components, since the global classification of costs and expenses discloses the different profit level.

Additionally, for a better analysis of the financial situation, the Company has considered necessary to include the operation profit amount separately in the income statement, since such information is a common disclosure practice in the industry to which the Company belongs.

Beginning on January 1, 2008, the following MFRS issued by the Mexican Financial Reporting Standards Board (CINIF by its Spanish acronym), which have been adopted by the Company for the preparation of these financial statements.

MFRS B-10 "Inflation Effects" (MFRS B-10)

The new provisions of the MFRS B-10 define that as of 2008, the Mexican economy is not an inflationary environment, since there has been a cumulative inflation below 26% in the last three years (limit to define that an economy should be considered as inflationary). Therefore, as of January 1, 2008 is required to discontinue the recognition of the inflation effects in the financial information (disconnection from inflationary accounting). Consequently, the figures of the financial statements at December 31, 2008 are stated in historical Mexican pesos modified by the cumulative inflation effects on the financial information recognized up to December 31, 2007. The figures at December 31, 2007 are stated in Mexican pesos of the purchasing power of that date.

The inflation percentages are indicated as follows:

	December 31	
	2008	**2007**
Year inflation	6.53%	3.75%
Cumulative inflation in the last three years	15.01%	11.56%

MFRS B-2 "Cash flows statement" (MFRS B-2)

As established in the MFRS B-2, the Company prepared the new cash flows statement, as an integrated part if its four basic financial statements for the year ending at December 31, 2008. This financial statement shows cash inflows and outflows representing the generation or application of the entities resources over the year. At December 31, 2007 the statement of changes in the stockholders' equity is presented as a core financial statement since the new MFRS B-2 is of prospective application.

MFRS D-3 "Employee benefits" (MFRS D-3)

The new MFRS D-3 provisions are applicable as of January 1, 2008. The new main provisions, among others are:

The reduction in the amortization periods or the unamortized items corresponding to past services. In this case the unamortized items are being amortized in a five-year term. The effect is presents in the Note 11. Up to December 31, 2007, the past services were amortized according to the estimated working life of the employees was 20 to 23 years.

The cancellation of the additional liability and its intangible assets counterparts and, in its case, the separate component in stockholders' equity. At December 31, 2007, these concepts were presented separately in the balance sheet at that date.

The deferred Employees' Profit Sharing (ESPS) recognition is based in the assets and liabilities with an integral approach method, as long as the payment or application by recovering these benefits to employees rendering future services is probable. The Company recorded no deferred employees' profit sharing (EPS), as it grants it employees a guaranteed EPS payment, which has exceeded the statutory EPS in the past few years. In addition, calculation of deferred EPS is not significant and represents an asset corresponding to these benefits which are not expected to be recovered as payment to employees is determined based on the guaranteed EPS.

MFRS D-4 "Income Tax" (MFRS D-4)

The new MFRS D-4 requires, among other, the reclassification of the cumulative deferred income tax effect recognized at December 31, 2007 to the retained earnings. Since it was not practical to identify the effects of the non-monetary assets giving place to the deficit in the restatement of capital, in realized and non-realized concepts, the net amount was transferred to the retained earnings, according to the provisions of the New MFRS B-10.

Note 4 - Accounting Policies:

The most significant accounting policies are summarized as follows, which have been consistently applied in the reporting years, unless otherwise indicated. As explained in Note 3, the accompanying financial statements at December 31, 2008 are stated in historical Mexican pesos modified by the inflation effects in the financial information recognized at December 31, 2007. The figures at December 31, 2007, are expressed in Mexican pesos at the purchasing power of that date.

The MFRS require the use of some critical accounting estimates in the preparation of the financial statements. Also, Management judgment is required in the process of defining the Company's accounting policies.

a. Consolidation - The practice has been established of preparing consolidated financial statements, which include the financial position and result of the operations in which the Company and its subsidiaries has a direct or indirect interest in more than 50% of the capital stock. All material intercompany accounts and transactions have been eliminated in the consolidation.

b. Permanent investments in shares - The investments in shares of associated companies are restated through the equity method. The Company's equity in the result of its associates appears under other incomes due their lack of materiality. The other permanent investments are presented at cost and the acquired after December 31 2007, are presented of purchasing power of this date.

c. Inventories and cost of sales - Inventory is expressed at cost, based on the mobile average cost method. The cost of goods sold is recognized at the historical cost of the inventory purchases and sold during 2008, plus the restated costs of the final inventory of 2007, sold during 2008. These values do not exceed market value. At December 31, 2007, the inventory and cost of sales are expressed at their restated value.

d. Property, furniture and equipment - At December 31, 2008, are expressed as follows: i) acquisition subsequent to January 1, 2008 at their historical cost and ii) acquisitions at their restated value determined by applying NCPI factors to their acquisition cost up to December 31, 2007. Consequently, at December 31, 2008, the property, furniture and equipment are expressed at their modified historical costs.

At December 31, 2007, the property, furniture and equipment, are expressed at their restated value, determined as indicated in ii) of the paragraph above.

The acquisition of the property, furniture and equipment requiring a substantial period to be in conditions for its use, include the capitalization of the comprehensive financial result accrued on such period, and attributable to its acquisition. The values so determined do not exceed their recovering value.

Works in progress and advances to suppliers - They are recorded at the value at which the expenditures are made. Until 2007, are restated through the application of the NCPI, in accordance with the age of the expenditure.

e. Depreciation - Is calculated by the straight line method based on the estimated useful lives of property, furniture and equipment, taking as the base the probable useful lives of the assets.

f. Capital stock, reserve for acquisition of own shares and retained earnings - The amounts shown at December 31, 2007 are expressed at their restated historical cost, determined through the application to their originally determined values of factors derive from the NCPI. The movements of these accounts made during 2008, are expressed at its historical cost. The transfers to the retained earnings described in Note 3, were stated at pesos of purchasing power at December 31, 2007.

Deficit in the capital stock restatement - At December 31, 2007, the deficit in the restatement of capital is comprised mainly by the initial cumulative effects of initial monetary position and the loss from withholding non-monetary assets. Since it was not practical to identify the effects of the non-monetary assets giving place to the deficit in the restatement of capital, in realized and non-realized concepts, the net amount of $12,422,219 was transferred to the retained earnings, according to the provisions of the new MFRS B-10.

At December 31, 2007 the result for monetary position represents the inflation loss, measured in the terms of the NCPI over the net of the monthly monetary assets and liabilities, expressed in pesos of purchasing power of that date.

g. Marketable securities - They are recorded at their acquisition cost, which is similar to their market value.

h. Amortization - Leasehold improvements are amortized by the straight-line method on monthly ending balances starting with their capitalization, using for accounting purposes the rate derived from the minimum compulsory term of the respective contracts. On the other hand, the expenses derived from the information system's platform of the Group are amortized at the annual rate of 25% annually.

i. Obligations for labor benefits upon retirement - The Group have established retirement plans for their personnel, to which they do not contribute. The benefits under these plans are based mainly on the years of service and remuneration at retirement. Obligations and costs corresponding to these plans and to seniority premiums to which employees are entitled after 15 years of service, are recorded as per actuarial studies made by independent experts.

Other plans have also been established to cover benefits in the event of dismissal for reasons other than restructuring, which are based on actuarial studies made by independent experts.

The Net Cost for the Period for each employee benefit plan is recognized as an operating expense in the year it is accrued, which includes, among others, the amortization of the labor cost of past services and the prior years' actuarial gains (losses).

Unamortized items at December 31, 2007, known as transition liabilities which include labor cost for past services and the unamortized actuarial gain (loss), will be amortized as of January 1, 2008, over a five-year term instead of the estimated working life of the employees (20 to 23 years) up to 2007. As a result of this change, there was an additional charge of $1,986 to net income.

Subsequent to January 1, 2008, the employees' benefits establish, among other things, the reduction in the amortization period of the unamortized past services, a new actuarial assumption related to the compensation increase as a part of the Defined Benefits Liability, and the cancellation of the additional liability, and its corresponding intangible asset and its separate equity component. The adoption of the New Statement NIF D-3 originated a decrease in the intangible asset, additional liability and equity component in $54,064 $71,863 and $17,799, respectively.

j. Transactions in foreign currency - Transactions in foreign currency are recorded at the exchange rate of the date on which they are carried out. The assets and liabilities receivable and payable in foreign currency are valued in Mexican currency at the exchange rate in effect as of the date of the financial statements (see Note 17). The exchange differences resulting from that valuation are applied to income for the year, and presented in the comprehensive financial income.

k. Income tax and IETU tax - The Company and its subsidiaries use the comprehensive asset and liability method, which consists of calculating deferred income tax by applying the respective income tax rate to the differences between the accounting and tax value of assets and liabilities at the date of the consolidated financial statements.

The company recognized the deferred tax provision on income tax whenever the financial and tax projections prepared by the Company show that they will essentially pay income tax (see Note 15).

At January 1, 2008, the Company reclassified to the retained earnings the balance corresponding to the cumulative deferred income tax originated at its initial recognition by an amount of $2,911,555.

l. Comprehensive income - This represented by the different concepts that integrate the capital gained during the exercise and is in the statements of changes in stockholder's equity under the concept of comprehensive income.

m. Derivative financial instruments - All the derivative financial instruments hired, classified as trading purposes or market risk hedging, are recognized in the balance sheet as assets and/or liabilities at their fair value. The fair value is determined with base on the recognized market prices and, when are not listed in a market is determined with base in valuation techniques accepted in the financial environment.

The Company secures financing under different conditions; when these are at variable rates, in order to reduce exposure to interest rate volatility risks, it contracts derivative financial instruments, interest-rate swaps, which convert its interest payment profile from variable rate to fixed rate. Derivative instruments are traded only with institutions of recognized solvency and limits have been established for each institution.

The changes in fair value on such derivative financial instruments are recognized in the financing comprehensive result, except when are hired with risk hedging purposes and meet all hedging requirements, its designation at hedging operation beginning is documented describing the objective, primary position, risks to be hedged and the relationship effectiveness measurement, characteristics, accounting recognition and how the effectiveness measurement will be carried out, applicable to this operation. In the fair value hedging both the derivative and the hedged item are valued at fair value and the valuation fluctuations are recorded in the income statement in the same line as the position they hedge; in the cash flow hedging, the effective portion temporarily is recorded in the comprehensive income, within stockholders' equity and reclassifies to the income statement when the position it covers affects the income statement. The ineffective portion is immediately recognized in the income statement.

The Company cancels hedging accounting when the derivative has expired, has been sold, is cancelled or is exercised, when the derivative does not reach a high effectiveness to compensate fair value changes or cash flows of the hedged item or when the Company decides to cancel the hedging designation.

When withdrawing the hedging accounting, in the case of cash flow hedging, the amounts accrued in stockholders' equity as part of comprehensive income remain in equity until the forecasted transaction effects or firm commitment affect the income statement. In the event it is not likely that the firm commitment or forecasted transaction take place, the income or loss accrued in the comprehensive income are immediately recognized in the income statement. When the hedging is of a forecasted transaction, it tis proportionately recorded in the income statement, to the extent the forecasted asset or liability affects the income statement.

Certain derivative financial instruments, though hired with hedging purposes from an economic perspective, for not meeting all the requirements asked by regulation for accounting purposes have been designated as for trading. The fluctuations of such derivatives fair value are recognized in the financing comprehensive income.

n. Long-lived assets - Tangible and intangible, (including goodwill) are subject to an annual study to determine their value of use and define if there is indication of impairment.

ñ. Liabilities and provisions - The liabilities payable by the Company and its subsidiaries represent a current obligation and the provisions recognized in the balance sheet represent current obligations in which the disbursement of funds to pay the obligation is likely. These provisions have been recorded in the accounting, under the best reasonable estimate made by Management to liquidate the present obligation. However, real results may differ from the provisions recognized.

o. The intangible assets - Are recognized in the balance sheet, provided that such intangible assets are identifiable, provide reasonably expected future economic benefits, and there is control over such benefits. Intangible assets with an undefined useful life are not amortized, and intangible assets with a defined life are amortized systematically, based on the best estimated useful life determined in accordance with the expected future economic benefits.

p. Income per share - It is the result of dividing the majority net income for the year by the weighted average of the outstanding shares.

q. New accounting pronouncements - During the last months of 2008, the CINIF issued a series of MFRS and one of their interpretation (IMFRS), whose validity will be as from January 1, 2009, and January 1, 2010 for IMFRS 14. It is considered that such MFRS and their IMFRS will not have a significant affectation in the financial information to be presented by the company.

MFRS B-7, "Business acquisitions" - Establishes the general standards for valuation and disclosure in the initial recognition of the net assets acquired in a business acquisition at acquisition date, as well as the non controlling involvement and other items that may arise in them, such as goodwill and purchase gain. This standard leave the Bulletin B-7 "Business acquisitions" effective up to December 31, 2008 without effect.

MFRS B-8 "Consolidated and combined financial statements" - Establishes the general standards for the preparation and presentation of the consolidated and combined financial statements; as well as for the disclosures accompanying such financial statements. This MFRS leaves the Bulletin B-8 "Consolidated and combined financial statements and valuation of permanent share investments", effective up to December 31, 2008 without effect.

MFRS C-7 "Investment in associates and other permanent investments" - Establishes the standards for the accounting recognition of the investments in associates, as well as other permanent investments on which there are no control, joint control or significant influence.

MFRS C-8 "Intangible Assets" - Establishes the valuation, presentation and disclosure rules for the recognition both initial and subsequent of the intangible assets acquired individually or through a business acquisition, or internally generated during the normal course of the entity's operations. This MFRS leaves the Bulletin C-8 "Intangible Assets" effective up to December 31, 2008 without effect.

MFRS D-8 "Shared based payments" - Establishes the standards that should be observed in the recognition of the shared based payments in the financial information. This MFRS leaves the supplemental application in Mexico of the IFRS 2 Shared based payments issued by the Consejo Internacional de Normas de Información Financiera without effect.

Also the CINIF has issued the following IMFRS:

IMFRS 14 "Contracts on construction, sale and rendering of services related to real estate" which contemplates the regulation in the Bulletin D-7 Contracts on construction and manufacturing of some capital goods. This IMFRS will became effective as from January 1, 2010 for all the entities celebrating contracts on construction, sale and rendering of services related to real estate. Its early adoption is allowed.

Note 5 - Accounts and Notes Receivable:

a. The balance of this account is made up as follows:

	2008	2007
Trade accounts receivable	$ 12,849,039	$ 13,146,592
Recoverable Value-Added Tax	594,188	628,783
Other debtors	280,245	418,342
Recoverable taxes	212,754	55,527
Officers and employees	147,448	116,857
Tenants	54,758	60,014
Associated companies	2,818	67,906
	14,141,250	14,494,021
Allowance for doubtful accounts	(1,624,173)	(1,221,042)
	$ 12,517,077	$ 13,272,979

b. The receivables payable by customers of Distribuidora Liverpool, S. A. de C. V. (DILISA) -subsidiary- are supported by promissory notes issued in their favor when acquiring goods or services by customers.

c. On December 2006, DILISA entered into an agreement for the sale of the accounts receivable to a Trust which subsequently issued Certificados Bursatiles (bonds). The agreement provides and option to make subsequent sales, in order for the Trust to maintain a balance for the bought accounts receivable of $2,250 million pesos over the following four years. Under said agreement, DILISA is not liable as to the sold accounts receivable. The accounts receivable with interest was sold at its nominal value and the no-interest accounts receivable was sold at its value adjusted as per the terms of the agreements, thus generating interest paid in advance ($90 million pesos at nominal value at December 31, 2008 and $88 million pesos at December 31, 2007), being amortized at the sold accounts receivables average maturity of approximately 9 months. Under the agreement, DILISA is to be issued a certificate granting it the right to receive the remaining trust capital, if any, after the Trust has settled all its commitments. At December 31, 2008 and 2007, the certificate is valued at $402 million pesos, recorded in a long-term assets account. The nominal value of the sold accounts receivable was $2,722 million pesos at December 31, 2006.

d. The estimate for doubtful accounts represents nearly twice the balance of past-due trade accounts receivable (over 90 days). The Company's management considers the reserve to be sufficient based on the experience in recent years.

Note 6 - Inventories:

At December 31, 2008 and 2007, this item's balance is composed as follows:

	2008	2007
Inventory of merchandise for sale	$ 7,042,132	$ 6,501,560
Inventory of supplies and maintenance	151,008	130,099
	7,193,140	6,631,659
Reserve for inventory shortfalls	(366,209)	(297,871)
	$ 6,826,931	$ 6,333,788

Note 7 - Permanent Investments in Shares:

Investments in other companies apply mainly to the trusts created by Centro Comercial Angelópolis in Puebla, Centro Comercial Plaza Satélite in the State of México, Centro Comercial Galerias Querétaro in the state of Querétaro and another in Monterrey; as well as investments in the stock of variable mutual funds and investments in the stock of 49% in the associated companies Moda Joven Sfera México, S. A. de C. V. and Operadora Sfera México, S. A. de C. V., and variable rent investments.

Note 8 - Property, Furniture and Equipment:

a. The balance of this account is shown below:

	2008	2007
Buildings and other structures	$ 13,015,383	$ 12,786,987
Land	4,512,256	4,609,612
Furniture and equipment	2,859,992	2,815,069
Fiduciary rights over real estate	1,402,216	1,205,891
Leasehold improvements	958,925	854,612
Electronic computer equipment	199,034	227,381
Transportation equipment	3,946	7,611
Construction works in progress and advances to suppliers	2,825,984	1,208,228
	$ 25,777,736	$ 23,715,391

b. The balance of construction works in progress and advances to suppliers at the end of the year 2008 corresponds to various projects in which the Company and some subsidiaries contemplate participating in the building of shopping centers and the remodeling of stores, both in the metropolitan area and in the rest of the Mexican Republic; the projects and the remodeling of the stores will require an additional investment of approximately $1,675 million of pesos and it is estimated that they will be concluded during 2009 and 2010.

c. In May 2008, a sale-and-leaseback (to a trust) operation was conducted by two subsidiaries of the Group for the Mérida (Yucatán) and Puerto Vallarta (Jalisco) malls amounting to approximately $853 million pesos, of which $671 million pesos correspond to construction and $182 millions pesos to land.

d. In 2008 capitalized $30,903 of the comprehensive financial result in the buildings and others structures.

Note 9 - Amortizable Expenses:

The balance of this caption corresponds to implementation of the systems platform of the Group, which is being carried out since 2001 and which through 2008 has required an investment of approximately US$71 millions.

Note 10 - Notes Payable:

a. The main features of this account are:

	2008	2007
Issuance of debt instruments in pesos, with maturities payable December 5, 2014, at the 28-day EIIR rate plus 0.04 percentage points.	$ 4,000,000	$ 4,000,000
Syndicated loan in Mexican pesos, with partial maturities beginning in April 2007 and ending in April 2010, at the 28-day EIIR rate plus 0.55 percentage points.	1,178,571	1,964,286
Issuance of debt instruments in pesos, with maturities payable August 18, 2018, at 9.36% annual interest, payable semianually.	1,000,000	–
Direct bank loan in Mexican pesos, with partial maturities payable from April 2007 to April 2010, at 10.05%. annual interest.	700,000	900,000
Loan in Mexican pesos, payable in January 19, 2009, at 12.85% annual interest.	500,000	–
	$ 7,378,571	$ 6,864,286
Less- Short-term debt	1,585,714	985,714.
Long-term debt	$ 5,792,857	$ 5,878,572

b. Two cash flow coverage were contracted in March 2008 for $4,000 million pesos debt instrumets, for $2,000,000 pesos each. The first switched the 28- day EIIR interest rate plus .04 points for a 7.89% interest rate and the second switched the 28- day EIIR interest rate plus .04 points for the 7.47% interest rate with the option to cancel at March 8 2011 (see Note 19).

c. A financial derivative trading operation was carried out in September 2008 for the $1,000 million pesos debt instruments, whereby the 9.36% interest rate was switched for 28-day EIIR interest rate plus .18 points (see Note 19).

d. In 2005, the Company restructured its syndicated loan (the amount was increased and the maturity date is now April 30, 2010). It also entered into a cash flow coverage operation (it switched the 28-day EIIR rate for the fixed rate of 9.46%). That operation has same due dates and the same duration as the syndicated loan (see Note 19).

e. A cash flow coverage was contracted for the $700 million pesos loan (the 10.05% interest rate was switched for the 28-day EIIR rate plus 0.55 points). This operation has the same due dates and duration as the loan (see Note 19).

f. Issuance of debt instruments and the syndicated loan agreement requires the Company and its material subsidiaries (in the terms of the contract) to maintain certain financial hedging ratios with respect to debt, interest paid, and stockholders' equity, as well as certain restrictions to the dividends paid, fusions, splits, change of social purpose, capital stock issued and sold, capital investments, and encumbrances. The terms discussed above have been entirely met by the Company and its subsidiaries.

Note 11 - Labor Obligations Upon Retirement:

a. The Group has a pension and seniority premium plan to cover the obligations established by its labor contracts and the Federal Labor Law currently in effect. Personnel is entitled to this plan only after having worked a certain number of years.

b. The companies have plans of defined contributions and benefits defined for their pensions.

c. The Group has also established plans to cover severance pay in the event of dismissal for reasons other than restructuring, based on actuarial studies made by independent experts.

d. Following is a reconciliation of the initial and final balances of the defined benefit obligations (OBD for its Spanish acronym) present value for the 2008 period:

	Pensions	Seniority premiums	Indemnities
OBD at January 1, 2008	$ 537,764	$ 96,215	$ 109,760
More (less):			
Labor cost of the current service	14,149	11,547	24,883
Finance cost	47,994	8,295	8,677
Actuarial losses (earnings)			
generated in the period	(12,382)	(9,277)	11,552
Paid benefits	(36,906)	(10,941)	(33,269)
Reductions	(31,560)	–	–
OBD at December 31, 2008	$ 519,059	$ 95,839	$ 121,603

e. The value of the acquired benefits obligations at December 31, 2008 and 2007 amounted $523,604 and $543,198 respectively.

f. Reconciliation of the fair values of the plan assets (AP for its Spanish acronym).

Below is reconciliation between the initial and final balances of 2008 and 2007, on the fair value of the employees' benefit plan assets is shown as follows:

	Pensions		Seniority premiums	
	2008	2007	2008	2007
AP at January 1	$ 521,331	$ 388,300	$ 89,134	$ 76,864
More (less):				
Expected yield	44,071	25,074	7,642	4,801
Actuarial (losses)				
earnings for the period	(64,827)	(84,578)	(14,308)	5,893
Company's contributions	50,059	287,055	12,968	10,042
Paid benefits	(81,801)	(94,520)	(10,943)	(8,466)
Advance payments	(25,980)	–	–	–
AP at December 31	$ 442,853	$ 521,331	$ 84,493	$ 89,134

g. Conciliation of the OBD, AP and the Net Projected Asset/Liability (A/PNP for its Spanish acronym).

Reconciliation between the OBD present value and the AP fair value and the A/PNP recognized in the balance sheets:

	Pensions		Seniority premiums		Indemnities	
	2008	2007	**2008**	2007	**2008**	2007
Labor assets (liabilities):						
OBD	$ (519,059)	$ (406,093)	$ (95,839)	$ (96,215)	$ (121,603)	$ (142,810)
AP	442,853	521,331	84,493	89,134	–	–
Financing situation	(76,206)	115,238	(11,346)	(7,081)	(121,603)	(142,810)
Less amortization pending items:						
Actuarial losses	161,825	126,943	7,618	4,332	–	–
Transition liability	17,042	22,030	2,178	2,749	39,296	61,502
Changes in assumption of plan	142,726	28,760	–	–	–	14,033
A/(PNP)	$ 245,387	$ 292,971	$ (1,550)	$ –	$ (82,307)	$ (67,275)

h. Period Net Cost (CNP for its Spanish acronym) An analysis of the CNP by plan type is presented as follows.

	Pensions December 31		Seniority premiums December 31		Indemnities December 31	
	2008	2007	**2008**	2007	**2008**	2007
Labor cost of the current service	$ 14,149	$ 4,513	$ 11,547	$ 9,739	$ 24,883	$ 28,633
Finance cost	47,993	22,337	8,295	4,020	8,677	5,906
Plan assets axpected yield	(44,070)	(24,109)	(7,640)	(4,616)	–	–
Net actuarial (earning) loss	9,061	(286)	193	899	(19,017)	1,478
Labor cost of past service	22,694	13,792	573	–	22,205	23,646
Reductions and early settlements	9,068	–	–	–	–	–
Total	$ 58,895	$ 16,247	$ 12,968	$ 10,042	$ 36,748	$ 59,663

i. Plan Assets Integration:

Following is a detail of plan assets valued at their fair value, the percentage of total plan assets, and the value of instruments issued and the assets used by the entity included in the plan assets.

At December 31, 2008, the integration of the defined benefits plan assets is as follows.

	Pensions		Seniority premiums	
	Value	%	Value	%
Equity instruments	$ 162,983	37	$ 15,670	19
Market investments	117,261	26	14,593	17
Term operations	149,911	34	54,230	64
Others	12,698	3	–	–
Value of the issued instruments	$ 442,853	100	$ 84,493	100

j. Criteria to determine the yield of plan assets:

The yield expected for each type of plan assets is based on projections over historical market rates. The difference as compared to actual rates is shown in actuarial gains (losses) for the year.

k. The main actuarial assumptions used, expressed in absolute terms, as well as the discount rates, the plan assets yield, salary increases and changes in the indexes or other changes, referred at December 31, 2008, are as follows:

Discount rates	5.50%	(Real)
Plan assets yield	7%	(Real)
Salaries increases	1%	(Real)

l. OBD and AP value and Plan Situation at the end of the last four annual periods.

Below are the OBD value, the faire value of plan assets (PA), the plan situation, as well as adjustments for experience for the last four years:

	Year	Historical values OBD	AP	Plan Situation
Pensions:				
	2008	(519,059)	442,853	(76,206)
	2007	(406,093)	521,331	115,238
	2006	(492,686)	438,145	(54,541)
	2005	(532,022)	450,027	(81,995)
Seniority premiums:				
	2008	(95,839)	84,493	(11,346)
	2007	(96,215)	89,134	(7,081)
	2006	(82,407)	76,864	(5,543)
	2005	(73,541)	64,431	(9,110)
Indemnities:				
	2008	(121,603)	–	(121,603)
	2007	(142,810)	–	(142,810)
	2006	(131,836)	–	(131,836)
	2005	(118,386)	–	(118,386)

m. Estimation of plan contributions for the next period:

It is estimated that for year 2009, contributions to the employees' benefit plans assets will be made as follows:

Pension plan	$	54,602
Seniority premiums		13,650
	$	68,252

Note 12 - Contingent:

There are some pending matters and claims derived from different cases whose final resolution, in the opinion of the Group's officers and lawyers, will not substantially affect the Group companies' financial position or result of operations.

Note 13 - Stockholders' Equity:

a. At year-end, the capital stock is made up as follows:

		2008		200 7
Minimum fixed circulating capital without withdrawal rights, represented by 1,144,750,000 nominative common Series "1" shares, and 197,446,100 nominative common Series "C-1" shares, subscribed and paid in, both registered and without expression of par value.	$	269,112	$	269,112
Variable capital for up to $2,773,225, represented by nominative common Series "2" or Series "C-2" shares, both registered and without expression of par value.		–		–
	$	269,112	$	269,112

b. The capital stock includes $3,084 of capitalized earnings as well as $276,878, corresponding to the effects of restatement, which could be subject to income tax, payable by the stockholders, in the event of reimbursement due to capital stock reduction or liquidation of the Corporation. Such reimbursement could be taxed under certain considerations established by the respective law based on the amount of adjusted contributed capital.

Note 14 - Reserve for Acquisition of own Shares:

a. At the General Ordinary Stockholders' Meeting, held on April 24, 1992, the setting up of a reserve for the acquisition of treasury shares was authorized, and the Board of Directors was empowered to acquire, when it so considers advisable, the Company's shares in accordance with the provisions contained in the Securities Market Law and those issued by the National Banking and Securities Commission.

b. At the date of the consolidated financial statements, the market value per outstanding share is 39 Mexican pesos for Series "1" and "C-1" (61 Mexican pesos for Series "1" and 60 Mexican pesos for Series "C-1" in 2007).

Note 15 - Income Tax, Assets Tax, Ietu Tax and Restrictions on Earnings:

a. Net income is subject to the legal provision stipulating that 5% of the income for each year be allocated to increase the legal reserve, until the amount of this reserve reaches the equivalent of one-fifth of paid-in capital stock.

b. Tax treatment of dividends:
Dividends will be free of Income Tax if they are paid out of the Net Taxable Income Account (CUFIN). Those dividends will further be taxed at a rate fluctuating between 4.62% and 7.69% if they are paid out of the Reinvested CUFIN. Dividends paid in excess of the CUFIN balance will be subject to a tax equivalent to 38.91%. The current tax is payable by the Company and may be credited against its income tax in the same year or the following two years or in its case against the flat tax of the period. Dividends paid coming from profits previously taxed by income tax are not subject to tax withholding or additional tax payment.

In the event of a capital reduction, the provisions of the Income Tax Law arrange any excess of Stockholders' equity over capital contributions, is accounted with the same tax treatment as dividends.

During the year, dividends were declared and paid in the amount of $590,566 ($551,535 in 2007), which were not subject to the payment of income tax because the entirety of them derived from the CUFIN.

c. As of the date of the consolidated financial statements, the balances of the net tax income account amount to:

	2008	2007
Net taxable income account	$ 30,715,052	$ 24,091,062
Reinvested net taxable income account (CUFINRE)	591,107	554,926

d. The Income Tax rate was changed in 1999, by establishing a general 35% rate and implementing a deferment scheme for reinvesting earnings. A 30% rate was applied to reinvested taxable income and the remaining 5% tax will be paid when dividends are declared. The applicable rate for reinvested earnings was 32% in 1999, hence, the dividends declared that are paid out of the CUFINRE created in that year will be subject to a 3% tax. The procedure described above was in effect up to 2001. The deferred taxes applicable to the CUFINRE balance will be reversed as dividends are paid in future years.

e. The Income Tax Law in effect permits offsetting tax loss carryforwards against future income generated in the ten years following that in which such losses were incurred and restated by using inflation indexes. At December 31, 2008, some subsidiaries have losses amounting to $628,780 at can be offset as follows:

Year incurred	Restated amount	Expiration year
2002	$ 831	2012
2003	1,420	2013
2004	2,361	2014
2005	3,372	2015
2006	50,575	2016
2007	65,174	2017
2008	505,047	2018
	$ 628,780	

In 2007 tax losses amounting to $243,595 were offset at nominal values.

f. Until 2007, there were companies of the Group that did not incur income tax. Therefore, assets tax was considered as an account receivable by those companies that are assured that this amount can be offset against the income tax incurred in future years and it is shown in the consolidated balance sheet together with deferred taxes. At the date of the financial statements, there is $85,344 de IA , at nominal values of assets tax for which refund or offsetting may be petitioned, as per the tax provisions in force, within the next ten years (subject to approval), provided that income tax is greater than the assets tax in any of those years.

g. The provision for income tax for the years ended December 31, 2008 and 2007 is comprised as follows:

	2008	2007
Income tax incurred	$ 1,654,970	$ 1,425,069
Deferred income tax	(334,817)	126,024
	$ 1,320,153	$ 1,551,093

h. The reconciliation between real (28%) and effective income tax rates at December 31, 2008 and 2007, is shown as follows:

	2008	2007
Income tax at the real rate	$ 1,357,604	$ 1,507,127
Add (less) - Effect of income tax on:		
Cost of sales/purchases	1,426	99,071
Taxable inventory	301,394	301,394
Sales in installment payments (net)	277,620	(28,513)
Restatement	–	10,499
Depreciation	(455,726)	(390,450)
Inflationary tax effect acumulable	130,609	67,826
Tax losses	141,365	(22,149)
Deductible reserves	(128,054)	(105,427)
Other accounts, net	28,732	(14,309)
Income tax incurred during the year	$ 1,654,970	$ 1,425,069
Deferred income tax	(334,817)	126,024
Provision for income tax	$ 1,320,153	$ 1,551,093
Effective rate	27.2%	28.8%

i. At December 31, 2008 and 2007, the Management of the Company and its subsidiaries determined, whit founds in his financial projections, that his tax will be income tax, for these reason they are recognized a liability for deferred taxes at this date for amount of $3,885,666 and $4,220,482 respectively.

j. Deferred taxes at December 31, 2008 and 2007 were originated mainly by the following temporary differences.

	2008	2007
Assets:		
Tax loss carryforwards	$ 181,646	$ 266,791
Allowance for doubtful accounts	526,533	341,892
Other items	314,415	352,070
	1,022,594	960,753
Liabilities:		
Customers for installment payment sales, net	(923,170)	(968,669)
Property, furniture and equipment	(2,726,249)	(2,677,316)
Inventories	(1,051,833)	(1,367,181)
Other items	(207,008)	(168,069)
	(4,908,260)	(5,181,235)
Deferred income tax	(3,885,666)	(4,220,482)
Recoverable assets tax	85,344	83,945
Liability for deferred income tax	$ (3,800,322)	$ (4,136,537)

During fiscal year 2007, the Company recognized a $280,153 increase to the deferred tax liability, which reduced the profit for the period by the same amount. Further, a total of $154,129 was reclassified from gain on monetary position to deferred tax for the year, which corresponds to restatement of the liabilities included in the deferred tax calculation. Therefore, the net effect on income for the year was a charge of $126,024. Moreover, said deferred tax liability showed an increase of $60,711 in 2007, corresponding to recoverable asset tax for the period.

k. On October 1, 2008, the IETU Tax Law was approved, which becomes effective as of January 1, 2008. This law applies to individuals and corporations with permanent establishment in Mexico. IETU Tax of the period is calculated by applying the 16.5% rate (17% and 17.5% for 2009 and 2010 respectively) to an income determined based on the cash flows. Such income is determined through the decreasing of the total income received by taxable activities, the authorized tax deduction. From the previous result the called IETU tax credits are decreased, according to procedures established on the law.

Note 16 - Savings Fund Pension Plan and Employees' Saving Fund:

On September 1, 2004, the operating and service companies of Liverpool Group, together with their personnel, entered into a new irrevocable trust agreement as grantors to create another pension fund in addition to the existing fund in benefit of active personnel, in order for them to have a patrimony at retirement age. The contribution to the pension fund during 2008 increase to $80,705 ($95,115 in 2007).

To date there is a Savings Fund with which employees have the possibility of disposing of their savings every year through loans. The contribution of the operating and service companies of Liverpool Group to the savings fund for this year amounted to $73,691 ($67,878 in 2007).

In addition to the funds referred to above, employees of the operating and service companies of Liverpool Group created a Mutual Savings Bank (thereby substituting the additional savings fund) on September 1, 2004. Under certain rules, loans can also be obtained therefrom. At December 31, 2008, the fund amounted to $1,337,883 ($1,321,989 in 2007).

Note 17 - Foreign Currency Position:

a. At the date of the consolidated financial statements, the group companies showed the following foreign currency position:

	In thousands of dollars		In thousands of euros	
	2008	2007	2008	2007
Assets	4,696	11,125	58	10
Liabilities	11,063	15,252	936	6,274
Net short position	6,367	4,127	878	6,264

b. The exchange rates used in valuing the US dollar and euro position at the 2008 and 2007 period close are as follows:

	2008	2007
Exchange rates:		
US dollar	$ 13.7738	$10.9157
Euros	$ 19.5189	$16.0337

c. Said position in US dollars and euros at the 2008 and 2007 period closes is shown at nominal value as follows:

	Dollars		Euros	
	2008	2007	2008	2007
Assets	$ 64,682	$ 121,437	$ 1,132	$ 160
Liabilities	152,380	166,486	18,270	100,595
Net short position	$ 87,698	$ 45,049	$ 17,138	$ 100,435

d. The transactions carried out by the Group in foreign currency during fiscal years 2008 and 2007, are summarized as follows:

	In Thousands of Dollars		In Thousands of Euros	
	2008	2007	2008	2007
Inventory purchases	267,454	240,660	60,952	35,031
Fixed assets purchases and other	78,057	96,668	1,115	–
Advisory services	5,741	3,440	1,620	1,402
Leasing	1,093	1,439	–	–
Exchange buying	375	384	–	–

Note 18 - Information by Segments:

a. The activities that the Group companies carried out and which are mentioned in Note 1, are grouped mainly in two large business segments, for department stores (commercial) and leasing of real estate.

The principal financial information for these segments for 2008 and 2007 is summarized as follows:

	2008		2007	
	Commercial	Real Estate	Commercial	Real Estate
Net sales	$ 40,102,833	$ 1,405,786	$ 38,267,248	$ 1,263,299
Operating profit	$ 4,703,284	$ 755,734	$ 4,814,481	$ 679,778
Identifiable assets	$ 42,122,010	$ 10,253,914	$ 39,544,569	$ 10,228,729

The real estate segment consists of commercial premises located in the principal shopping centers of the Federal District and the rest of the Mexican Republic.

The operating profit of the commercial segment includes $2,514,291 ($1,896,192 in 2007 after discounting the monetary position of the customers' balances), for interest derived from the Liverpool credit card.

b. As a supplement to the aforementioned information, the net sales and profit margins of the commercial segment by product group and geographic area, are shown below:

By product group

	2008		2007	
Group	Net sales	Profit margin	Net sales	Profit margin
Bigticket	$ 13,156,370	$ 4,444,960	$ 13,030,670	$ 4,379,490
Softline	26,946,463	9,312,335	25,236,578	8,479,251
	$ 40,102,833	$ 13,757,295	$ 38,267,248	$ 12,858,741

By geographic area

	2008		2007	
Area	Net sales	Profit margin	Net sales	Profit margin
Center	$ 12,903,266	$ 4,396,959	$ 12,517,595	$ 4,189,698
Mexican Republic (except Center)	27,199,567	9,360,336	25,749,653	8,669,043
	$ 40,102,833	$ 13,757,295	$ 38,267,248	$ 12,858,741

Note 19 - Financial Instruments:

Financial risk is managed as per policies approved by the Board of Directors. The entity identifies assets and hedges the financial risks in close cooperation with its subsidiaries. The Board of Directors has approved general written policies for financial risks management, as well as policies addressing specific interest-rate risk, and the use of derivative financial instruments for trading and/or hedging in accounting terms and non-derivative financial instruments and the investment of treasury surpluses.

The risk of the group's interest rates comes from their contractual profile, associated with borrowings and issuance of long term debt. Borrowings and debt issued at variable rates exposes the group to the interest-rate variability risk and therefore to its cash flow risk. Borrowings and issuances contracted at fixed rates expose the group to a drop in reference rates, which give rise to higher financial cost of the liability. The group policy is to hedge the majority of its borrowings and debt issuances up to a fixed rate profile, regardless of their contractual rate profile. During 2008 and 2007, the Group's borrowings and debt issuances, at fixed or variable rates, were denominated in pesos.

The group permanently analyses its exposure to interest rates. Various scenarios are simulated considering the refinancing renovation of the existing positions, alternative financing and hedging. On the basis of those scenarios, the group calculates the impact of a change in interest rates defined in the profit or the loss. For each of the simulations, the same change in interest rates is used for all currencies. Only the scenarios for liabilities representing the main positions accruing interests are run.

Based on the diverse scenarios, the group manages its cash flow interest-rate risks through the use of variable or fixed rate swaps. These interest rates swaps have the economic effect of translating the variable rate borrowings into fix rates. Generally, the group has long term borrowings at variable rates and exchanges them for fixed rate borrowings with a view to mitigating the effects of the volatility affecting their financial cost. With the interest rate swaps, the group agrees with other parties to deliver or receive the difference between the contractual fixed rate interest and the variable rate interests, calculated on theoretical amounts agreed at specific intervals (mainly monthly).

The group also contracts fixed to variable interest-rate swaps in order to cover the fair value interest rate risk arising when borrowing at fixed rates.

In order to reduce the risk of adverse movements attributable to the profile of interest rates contracted on long term debt and other liabilities accruing interest recognized in the balance sheet, the Company has entered into the following interest-rate swap contracts:

	Dates of:		Interests rates:		
Notional amount	Starting	Expiration	Fixed	Variable	Fair Value
$ 2,000,000	March 2008	December 2014	7.89%	EIIR +.04	$ 27,942*
1,000,000	September 2008	August 2018	EIIR + .18%	9.36%	69,071
Total					$ 97,013
$ 2,000,000	March 2008	December 2014	7.47%	EIIR + .04	$ (5,388)*
1,178,571	June 2005	April 2010	9.45%	EIIR	(14,075)*
700,000	October 2005	April 2010	10.05%	EIIR + .55%	(9,360)*
Total					$ (28,823)

* These derivative financial instruments were designated from their beginning as cash flow hedging and their effectiveness is periodically measured. The documentation of for their designation describes the objectives, justification, type of hedging and methodology for measuring their effectiveness.

The notional amounts related to derivative financial instruments reflect the contracted reference volume; however, they do not reflect the amounts at risk with respect to future flows. The amounts at risk are generally limited to the income or loss not realized due to valuation at market of such instruments, which can vary according to the changes in the marked value of the underlying item, its volatility and the credit rating of the counterparties.

The main market risk for the above mentioned operations is movement in the ten-year swap rate from the interbank compensation rate. Such a movement would give rise to changes in the fair value of derivative financial instruments. In a probable scenario in which that rate stands at around 8%, there would be a profit on fair value of approximately 10 million pesos. In a possible scenario where the rate is 11%, there would be a loss our fair value of approximately 130 million pesos. In an unlikely scenario where the rate is 13%, there would be a loss on fair value of approximately 290 million pesos.

The fair value of swaps is determined with valuation techniques accepted in the financial environment, measuring the future net cash flows of the swap at present value. In 2008 and 2007, it gave rise to the recognition of a liability and a charge in stockholders' equity of $881 and $48,855, respectively for derivatives designated as hedging, and to the recognition of an asset and a credit to comprehensive financing gain for the period of $69,071 in 2008, due to derivatives designated as for trading.

The figure included in the comprehensive profit under stockholders' equity will be recycled to income when the covered item affects it. That amount is subject to changes in market conditions.

Note 20 - Comprehensive Income:

Comprehensive income for the years ended December 31, 2008 and 2007 is comprised as follows:

		2008		2007
Income for the year, per income statements	$	**3,528,204**	$	3,831,185
Reserve for fair value of derivative financial instruments		**47,973**		96,124
Result from holding nonmonetary assets for the year		–		(19,087)
Adjustment to provisions for labor obligations		**16,907**		16,992
Minority interest		**230**		(3,432)
Comprehensive income	$	**3,593,314**	$	3,921,782

Note 21 - Related-party Transactions:

a. During 2008 and 2007, the Company received the following administration services: pension plans and saving funds; automatic teller machine transactions; Visa Liverpool Club Card credit card; payments to third parties accepting the Liverpool card; and trust services with Grupo Financiero Invex, S. A. de C. V. Fees paid for these services amounted to $7,036 in 2008 and $9,050 in 2007. At December 31, 2008 and 2007, there are no outstanding balances pertaining to this item.

b. In September 2008, Distribuidora Liverpool, acquired from Grupo Financiero Invex, S. A. de C. V. accounts receivable related to the Visa Liverpool Club Card amounting to $301,213 and automatics teller machines amounting to $2,535.

c. Direct and post-retirement benefits paid to relevant directors in 2008 amounted to $98,172 ($83,807 in 2007).

Note 22 - Aproval of the Financial Statements:

On February 20, 2009, the Company's Board of Directors approved the financial statements at December 31, 2008 presented to them by the Management, and which can be issued as from that date.

Information for Investors

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The 2008 Liverpool Annual Report may include certain expectations regarding the results of El Puerto de Liverpool, S. A. B. de C. V. and its Subsidiaries. All such projections, which depend on the judgment of the Company management, are based on up-to-date, known information; however, expectations may vary as a result of the facts, circumstances and events beyond the control of Liverpool, S. A .B. de C. V. and its Subsidiaries.

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