2012 annual report

CHEDRAUI
cuesta menos



Price, Assortment, Quality + Technology =

GROWTH

...for the benefit of our customers

CHEDRAUI



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Financial Highlights

CONSOLIDATED INCOME STATEMENT

Figures in millions of pesos

	2011	2012	%
Net Sales	57,496	**63,944**	11.2
Gross Profit	11,325	**12,586**	11.1
Operating Income (without depreciation)	7,434	**8,333**	12.1
EBITDA	3,892	**4,252**	9.3
Net majority income	1,557	**1,502**	-3.5
Outstanding shares	963,917,211	**963,917,211**	
Share price (Dic 31, 2012)	35.08	**41.99**	19.7

CONSOLIDATED BALANCE SHEET

Figures in millions of pesos

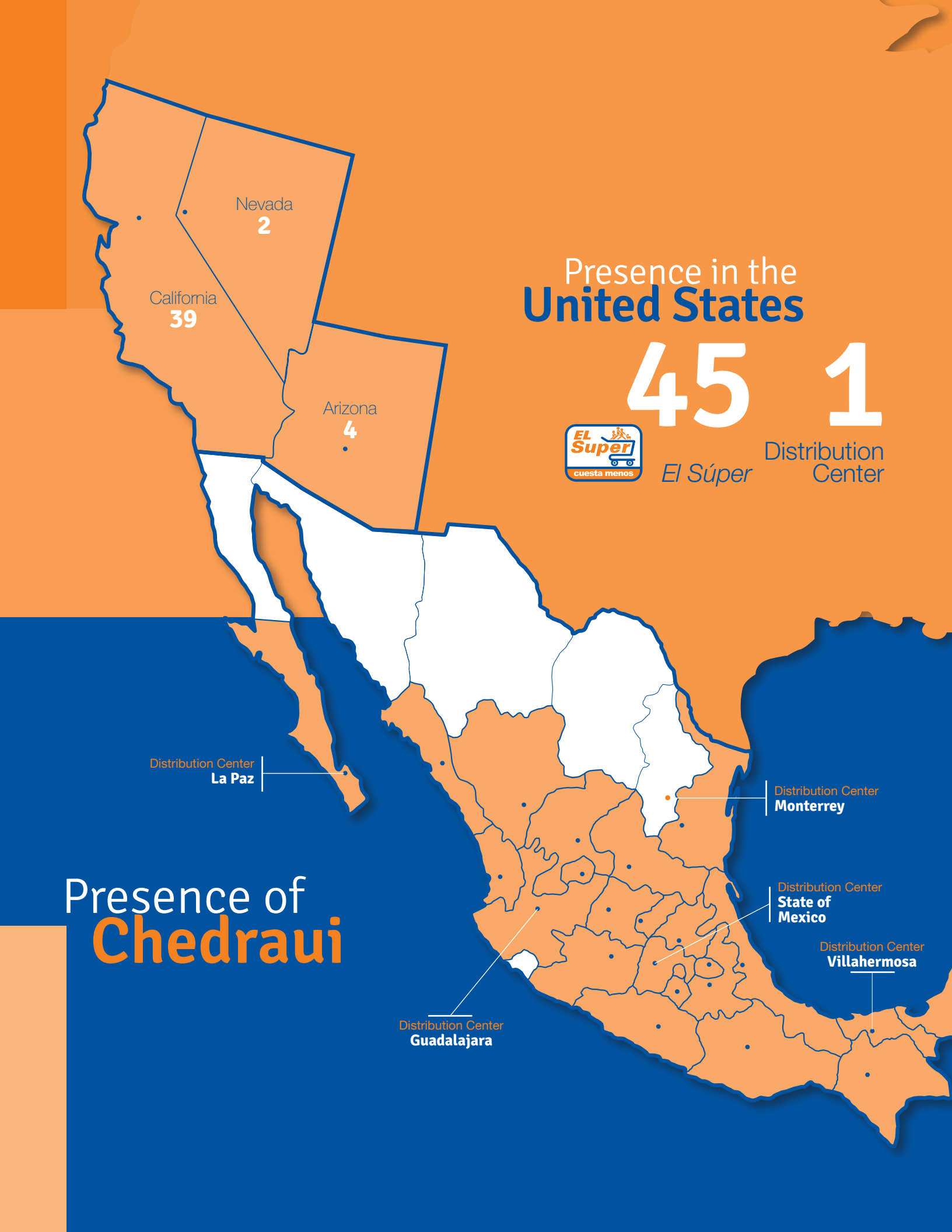
	2011	2012	%
Cash	873	**689**	-21.1
Inventories	6,375	**6,653**	4.4
Fixed assets (net)	23,057	**25,149**	9.1
Total assets	40,645	**43,390**	6.8
Suppliers	9,962	**10,522**	5.6
Total liabilities	21,195	**22,922**	8.1
Majority shareholder investment	19,339	**20,282**	4.9

Historical growth

Stores

CAGR *Stores* **15.2%**




Nevada
2
California
39
Arizona
4
Presence in the
United States
45
El Súper
1
Distribution Center
Distribution Center
La Paz
Distribution Center
Monterrey
Distribution Center
State of Mexico
Distribution Center
Villahermosa
Distribution Center
Guadalajara
Presence of
Chedraui



Stores in **Mexico**

1	Aguascalientes	1	Hidalgo	2	San Luis Potosí
5	Baja California Sur	7	Jalisco	1	Sinaloa
6	Campeche	2	Michoacán	15	Tabasco
8	Chiapas	3	Morelos	8	Tamaulipas
12	Mexico City	2	Nayarit	1	Tlaxcala
1	Durango	7	Oaxaca	37	Veracruz
23	State of Mexico	10	Puebla	9	Yucatán
5	Guanajuato	4	Querétaro	1	Zacatecas
9	Guerrero	18	Quintana Roo		

Presence in **Mexico**

198 Stores

- **44** *Súper* Chedraui
- **154** *Tiendas* Chedraui

5 Distribution Centers



Message from the Chairman of the Board of Directors and the Chief Executive Officer

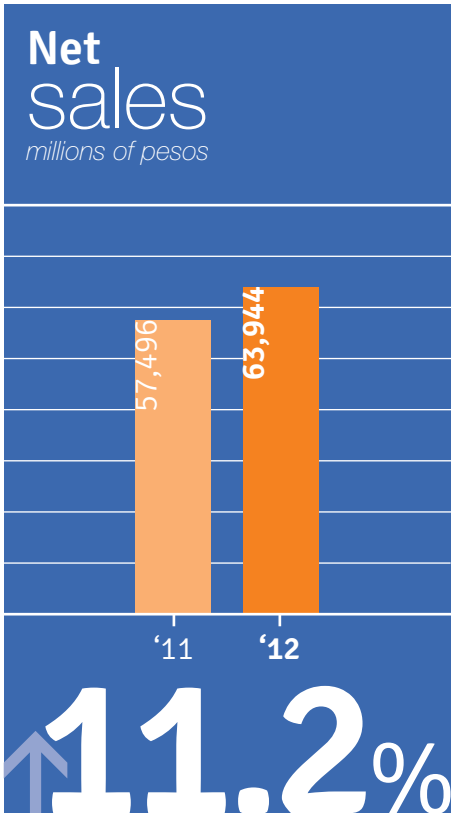
Dear Shareholders:

The year 2012 was full of challenges that presented a complex scenario at the world level and particularly in the Eurozone, that witnessed several of its members facing grave economic crises. For its part, Mexico showed signs of political and economic stability in a year that was dominated by the federal electoral cycle that culminated in the elections on the first of July.

With respect to Chedraui, in 2012 we were able to capitalize on the opportunities presented by the environment and to harvest what we had sown in prior years, registering greater growth in sales than the overall market, and consolidated our position as the third largest food retailer in the country. Sales in 2012 were $63,944 million pesos and increased by 11.2% with respect to the preceding fiscal period.

During the year we also added 24 stores in comparison to 2011 and expanded our number of stores to 243, with an

Our net sales grew by 11.2% in 2012 with respect to the previous year, which consolidated our position as the third largest food retailer in the country.



increase of 8.4% in square meters of sales space. It should be noted that this expansion was accomplished in an organic manner in Mexico, where we opened fifteen stores, and in the United States, where we inaugurated a new store and acquired eight more last August.

This double digit growth in sales was due in large measure to our strategy of low prices, the comfort of our stores and our efforts to improve our assortment on a store by store basis that resulted in better inventory levels. It is a fact that the effort involved in implementing SAP in our operations in Mexico is beginning to bear the expected results.

It should be mentioned that the discipline to utilize SAP and other technological tools has made operations more efficient and increased productivity as well and brought improvements to several of our key indicators such as:

- natural gross margin;
- inventory turnover;
- reduced inventory shrinkage;
- on shelf stockout improvement;
- improved assortment store by store, and
- stockout reduction.

This technological optimization put in place in recent years, together with the commitment to offer the lowest prices, optimal assortment and most comfortable stores, have been key elements in consolidating the growth we have experienced on an ongoing basis for more than a decade.

With respect to the retail business in Mexico, in addition to the new stores inaugurated, we worked on remodeling a total of eight more stores to assure that all our assets are in the best condition. Likewise, four units were converted to Selecto, bringing the total to ten stores that operate under this concept.

We intend to continue growing in our area of influence in the United States because we still see great potential there.

With reference to our stores in the United States, we strengthened our presence and strategy of serving Mexican consumers in the southwestern area of that country. In 2013, we will seek to consolidate the eight stores we purchased last year with the expectation that these acquisitions will be as successful as those of prior years. We intend to continue growing in our area of influence in the United States because we still see great potential there.

Driven by Mexico's demographic component and level of domestic consumption, together with our appropriate management of shopping centers and good business diversity, the real estate segment continues to maintain notable dynamism in its operations.

In Chedraui, we maintain a deep commitment to sustainability and believe that our economic growth must be accompanied by equally solid performance in the social and environmental dimensions.

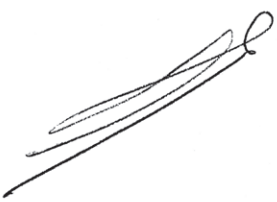
Thus, the Chedraui Foundation contributed to community development through support for social programs in the areas of nutrition, health, housing, wellbeing, support during natural disasters and education. In this latter area, the Liceos de Artes y Oficios, A.C. stand out by having taught more than 35 thousand students since 1995. Other important programs in this respect include the donation of foodstuffs and round-up campaigns in all our stores.

As to the environment, we have taken concrete measures in Chedraui to protect it and improve it by saving energy, water, paper and cardboard, recycling campaigns and the appropriate management of wastes.

Our associates are a fundamental part of our Group; we are proud of them, and of having been chosen as one of the Best Companies to Work For by the **Great Place to Work Institute** Mexico.

We know that the results mentioned above and discussed in detail throughout this report would not have been possible without the efforts, professionalism and dedication of our near 40 thousand associates and without the confidence that you, our shareholders, deposited in us again. The Board of Directors wishes to express its deepest gratitude to you in this report.

The fiscal year being reported was very positive and we foresee 2013 being a year full of opportunities for Chedraui. We will continue to make a reality of our mission of offer customers the products they want, in all possible locations, and at the best prices in order to continue on the path to growth and profitability to the benefit of our shareholders and all of our stakeholders.

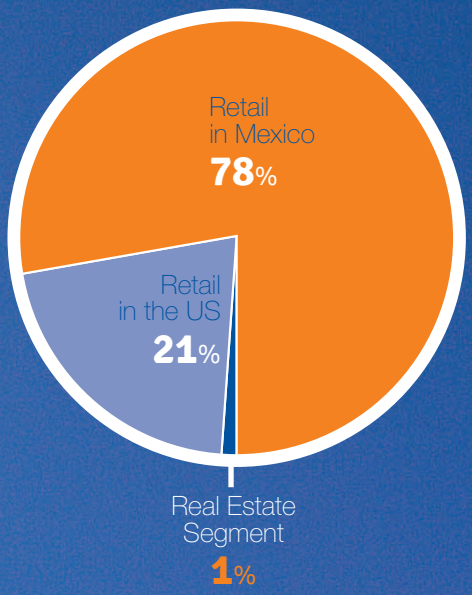


Alfredo Chedraui Obeso
Chairman of the Board of Directors

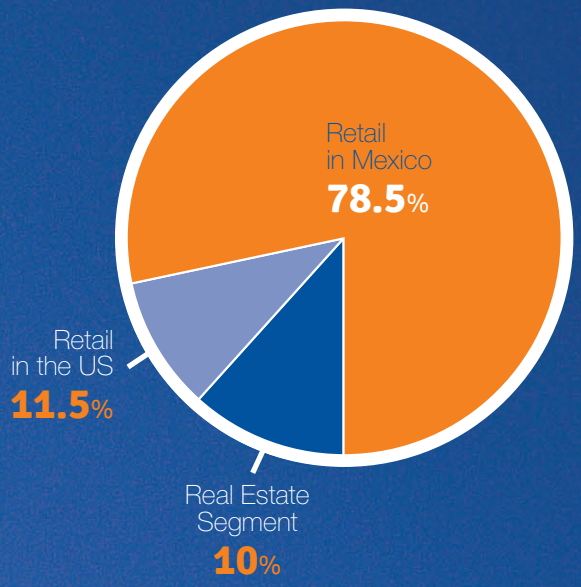


José Antonio Chedraui Eguía
Chief Executive Officer

Sales
per segment



EBITDA
per segment





Grupo Chedraui Today



Chedraui rounds up its value proposition through three divisions: Retail in Mexico, Retail in the United States and Real Estate Business.

Chedraui

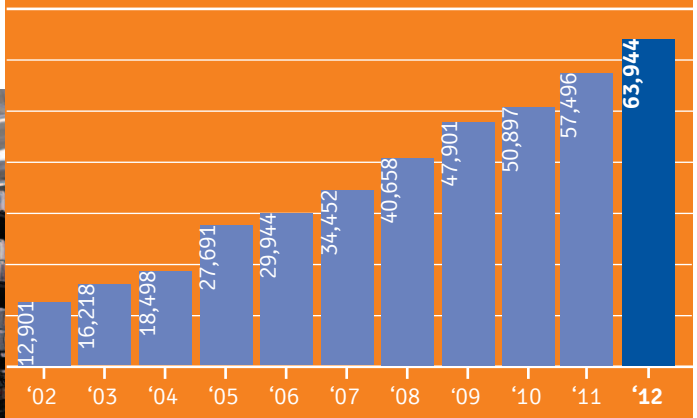
Chedraui is a publicly owned company with variable capital created under the name Grupo Comercial Chedraui, S.A.B. de C.V., that operates hypermarkets in Mexico and supermarkets in the United States and has a real estate division. The Company had annual sales of $63.9 billion pesos and growth in sales of 11.2% in 2012.

Retail in Mexico

Chedraui today is the third largest food retailer in the country with 198 stores in 26 states in the Republic with growth in sales of 10.6% in 2012. The Company operates two formats of hypermarkets that vary in size and assortment range: 154 Tiendas Chedraui and 44 Súper Chedraui. We have incorporated the Selecto concept in our stores in recent years that is aimed at the highest socioeconomic level of the population.



Consistent
growth
millions of pesos



17.4%
CAGR

We have been growing constantly for over a decade and again registered double-digit growth in our sales.

The strategy of Chedraui is based on three pillars: the lowest Prices, optimal Assortment store by store and a superior Shopping Experience.

This business segment represented 78% of the consolidated revenues of the Group and 78.5% of its EBITDA in 2012.

Retail in the United States

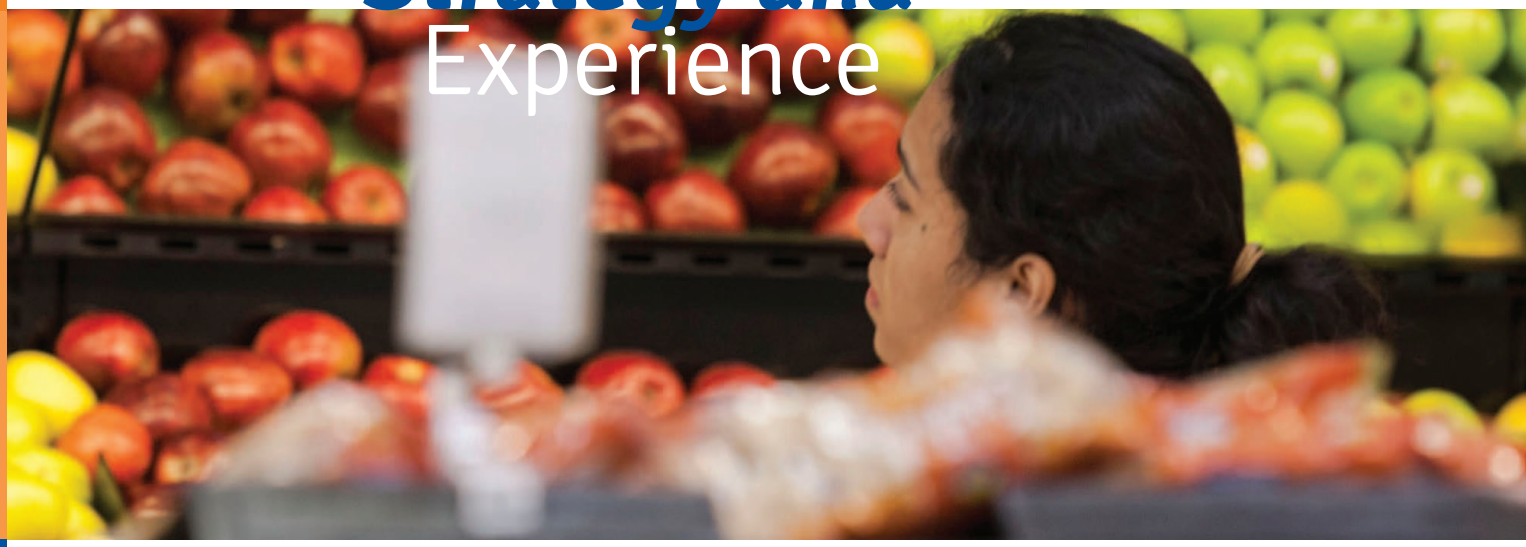
We have a solid presence in the United States focused on the market of Mexican consumers from three states in the southwestern region with growth in sales of 13.6% in 2012. During the last fiscal period we opened a new store and purchased eight more stores, bring the total to 45 stores operated in that country.

Retail in the United States accounted for 21% of the consolidated revenues of the Group and 11.5% of its EBITDA in 2012.

Real Estate Segment

The Real Estate Division locates and builds new stores, remodels existing stores and leases commercial space in the areas adjacent to our stores. In 2012, the contribution of this segment to the consolidated revenues of the Group was 1% and 10% to its consolidated EBITDA.

The Chedraui *Strategy and* Experience



Our strategy is based on three pillars: the lowest Price, an optimal Assortment on a store by store basis and a superior Shopping Experience.

Our strategy is based on offering customers the best prices, the most varied assortment and most comfortable stores enhanced by the Group's modern technological tools to optimize the operations of our stores.

Committed to our strategy of offering the lowest prices, every day we conduct market research in stores of competitors both at the central and local levels on a broad basket of products. This enables our customers to be fully confident that they are buying at the best price regardless of the city or store they are in.

Chedraui is committed to offering a broad assortment of products and brands for all tastes and price ranges. We know that not all markets are equal and that they serve different segments of the population so we adapt the assortment of products in our stores according to the preferences of our customers.

Consumers who enter any of our stores know that they will find them clean, comfortable, well-lighted, well-labeled and with adequate parking space. Added to excellent service, this guarantees that their shopping experience will be the best in all aspects and stages.

A corporate leader must have the elements necessary to make operations more efficient. Accordingly, at the end of 2011, we completed the installation of SAP, a centralized system that tracks the merchandise in our stores and integrates them into the finance module so that we have the full cycle of purchasing, inventory management and financial functions in a single system. It is a fact that the use of this system and other technological tools has improved our efficiency, productivity and key indicators.

Proof of the aforementioned is the improvement in our working capital at year-end 2012, with a 4.5-day reduction in inventory turnover in Mexico.





Retail in

Mexico



Outstanding Figures

Openings

198 *Stores*

3	Mexico City
5	State of Mexico
2	Jalisco
2	Veracruz
1	Morelos
1	Michoacán
1	Tabasco

154 *Tiendas* Chedraui

44 *Súper* Chedraui

Our retail business in Mexico operates under two hypermarket formats: Tienda Chedraui and Súper Chedraui and we have included the Selecto concept in both models. Each of these formats serves a different segment of the population although we always are careful to maintain the highest standards in terms of price, assortment and comfort.

The food retail is highly competitive in Mexico. This is why Chedraui has a solid strategy of organic growth in place that resulted in the opening of fifteen new stores in 2012 of which six were Súper Chedraui and nine were Tienda Chedraui. Of these new stores, 53% were located in the metropolitan area of Mexico City given its importance to our Company. With this step, we solidly positioned Chedraui as the third largest food retailer in the country.

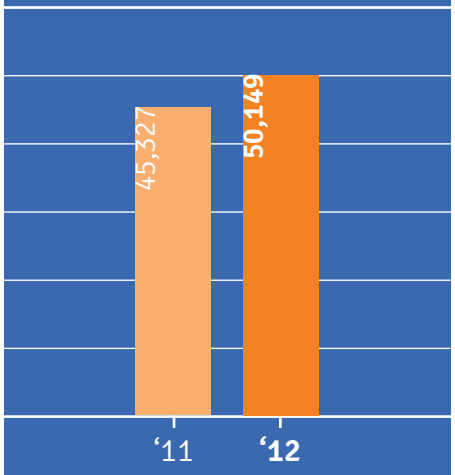


34,485

Full-time associates.

Net sales

millions of pesos

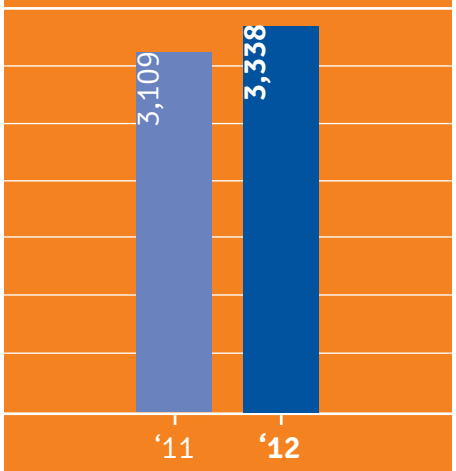


↑10.6%

- In Mexico we operate two formats of hypermarket: Tienda Chedraui and Súper Chedraui.
- Each of these formats serves a different segment of the population with high standards in terms of price, assortment and comfort.
- In 2012 eight stores were remodeled, four of which were converted to the Selecto concept.

EBITDA

millions of pesos



↑7.4%

- The sales of our retail business in Mexico represented 78% of the consolidated revenues of the Group.
- The segment's EBITDA grew by 7.4% with respect to the previous year.
- Our same store sales in 2012 increased by 1.9%

In addition to the new store openings, eight other stores were remodeled of which four were converted to the Selecto concept, that is aimed at the highest socioeconomic segment of the population and offers a careful assortment of the highest quality products. We will have to be vigilant that these new and remodeled stores meet the profitability ratios that we have established for each of our stores.

This segment generated sales on the order of $50,149 million pesos during 2012, a figure that increased 10.6% over the previous fiscal year and represented 78% of the consolidated revenues of the Group. EBITDA totaled $3,338 million pesos for an increase of 7.4% in relation to the prior year and represented 79% of the consolidated EBITDA of the Group. It should be noted that our same store sales in 2012 rose 1.9%.



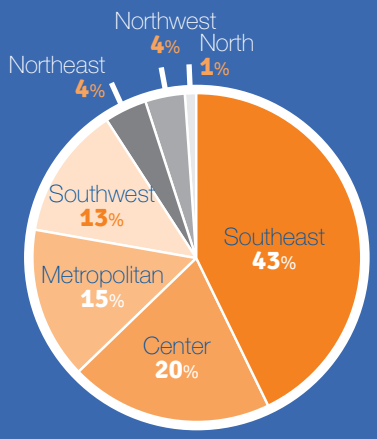


Growth in the metropolitan area of Mexico City

Over 50% of our 2012 openings were located in the metropolitan area of Mexico City given its importance to the Company.

Geographical distribution

ANTAD classification





1,179,075 m²

of sales space

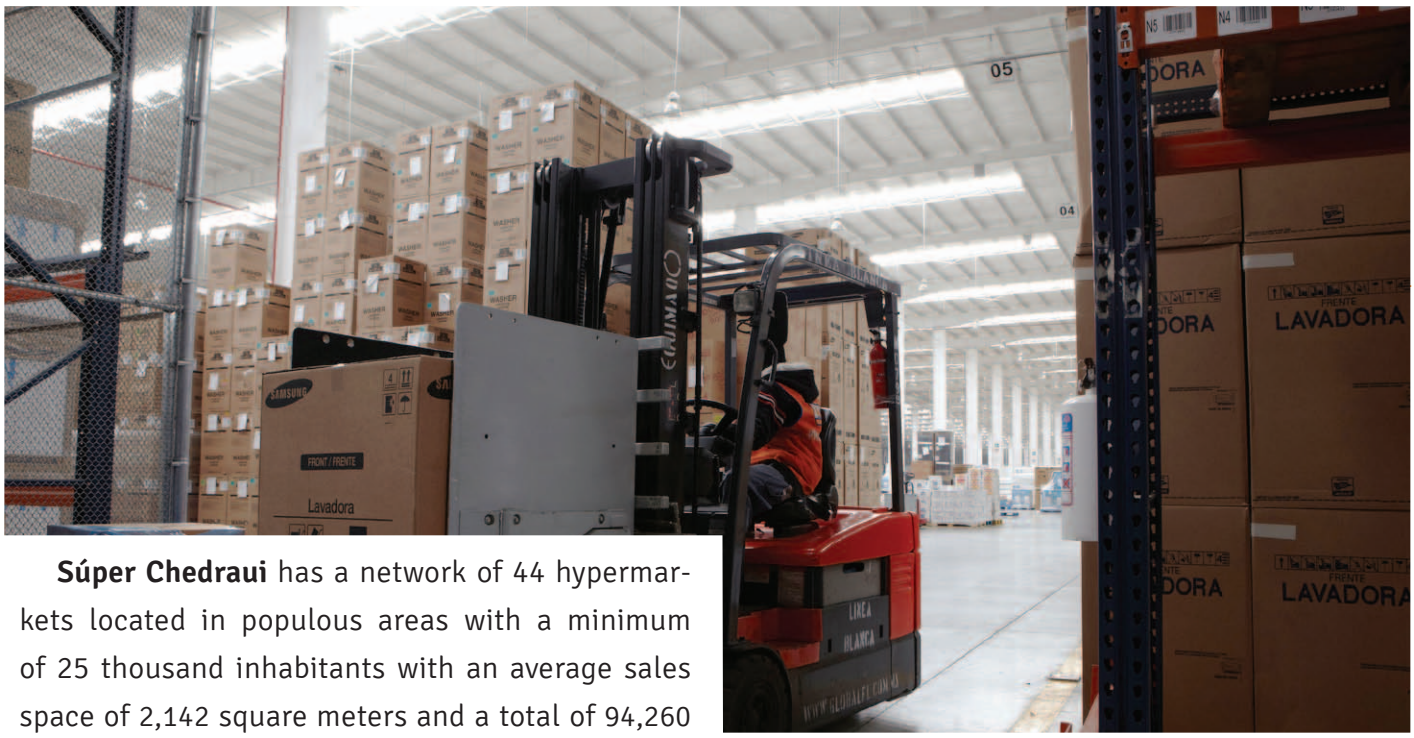


Store Formats

Tiendas Chedraui consists of a network of 144 hypermarkets located in cities of at least one hundred thousand inhabitants with an average sales space of 7,044 square meters and a total of 1,084,815 square meters.



122,646 m²
in five distribution centers



Súper Chedraui has a network of 44 hypermarkets located in populous areas with a minimum of 25 thousand inhabitants with an average sales space of 2,142 square meters and a total of 94,260 square meters.



Distribution Centers

We distribute 80% of the dry merchandise and 50% of the perishable items that we buy through five distribution centers strategically located throughout the country:

- **Zumpango, State of Mexico**

  This distribution center has 59,100 square meters of space with the capacity to service 151 stores. It handles dry, refrigerated and frozen merchandise with a monthly average of four million boxes of dry goods and one million boxes of fruit, vegetables and other perishable products. It has 169 loading docks for receiving and shipping. The area used for frozen products was expanded by 2,269 square meters in 2012.

- **Villahermosa, Tabasco**

  This is a distribution center of 60,457 square meters with capacity to serve 151 stores. It handles dry, refrigerated and frozen products with a monthly average of 2.4 million boxes of dry goods and 670 thousand boxes of fruit, vegetables and perishable items. It has 169 loading docks.

- **Monterrey, Nuevo León**

  This distribution center has 883 square meters of space and supplies eleven locations. It handles a monthly average of 184 thousand boxes solely of fruits and vegetables and has sixteen docks.

- **La Paz, Baja California**

  This facility has space of 506 square meters; it handles frozen goods and supplies five locations in addition to forwarding imported merchandise.

- **Guadalajara, Jalisco**

  This distribution center has 1,700 square meters of space and currently serves 24 stores. It handles average monthly volume of 74 thousand boxes of dry merchandise and 191 thousand boxes of fruits and vegetables with four loading docks.

Retail in the United States



Outstanding Figures

9 ↑ EL Super cuesta menos

Openings

4,295

Associates in 2012

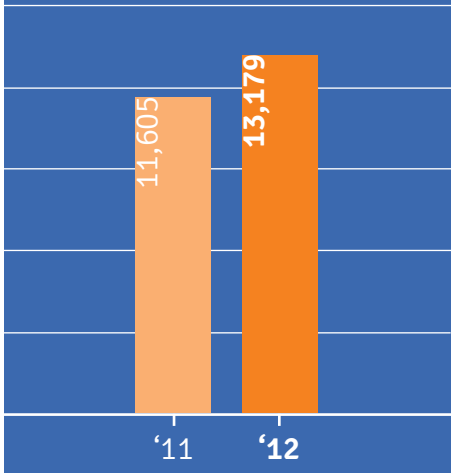
Our focus in the American market is centered on providing service to first, second and third generation Mexican consumers from the states of California, Nevada and Arizona under the same premise of offering the best price, assortment and comfort. Our product offering is focused on high quality groceries and perishable items in stores with an average of 3,700 square meters of sales space. Although there are other regional participants, today we are the largest food retailer in the southeastern United States in this market niche. Thanks to the rapid growth of the Hispanic population in these states, the outlook for us is highly encouraging.

During the fiscal year reported, we purchased eight stores in Los Angeles and inaugurated one more, bringing our presence in the United States to a total of 45 units today. The strategy that we have put into operation in this segment is to take advantage of opportunities that arise in our area of influence to purchase existing stores or grow organically by six stores per year.

Our supermarket operations in the United States registered sales equivalent to $13,179 million pesos in 2012, 13% above the prior year, that represented 21% of the consolidated revenues of the Group. These sales generated EBITDA of $489 million pesos, a level 20.9% higher than the amount obtained in the preceding fiscal year, and represented 12% of consolidated EBITDA of the Group.

With the objective of providing our suppliers with a single location for receiving merchandise, we opened our first distribution center in the United States in 2011. This step enabled us to optimize our operations in that country and to handle 50% of total purchases in 2012 for our retail business in the United States.

Net sales
millions of pesos



13.6%

Our retail operations in the United States rose 13.6% in sales and represented 21% of the Group's consolidated revenues.



Real Estate Segment



Besides building, remodeling and administrating our properties, the Real Estate Division operates our shopping centers.

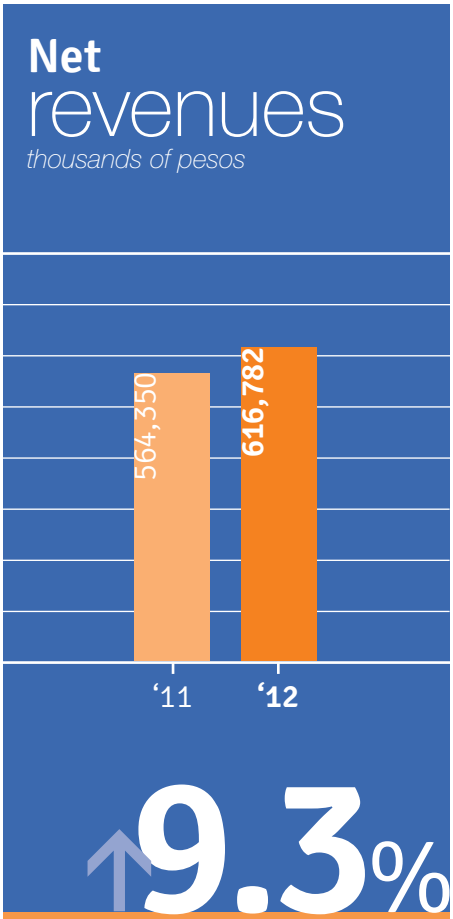
3,010

tenant spaces and kiosks

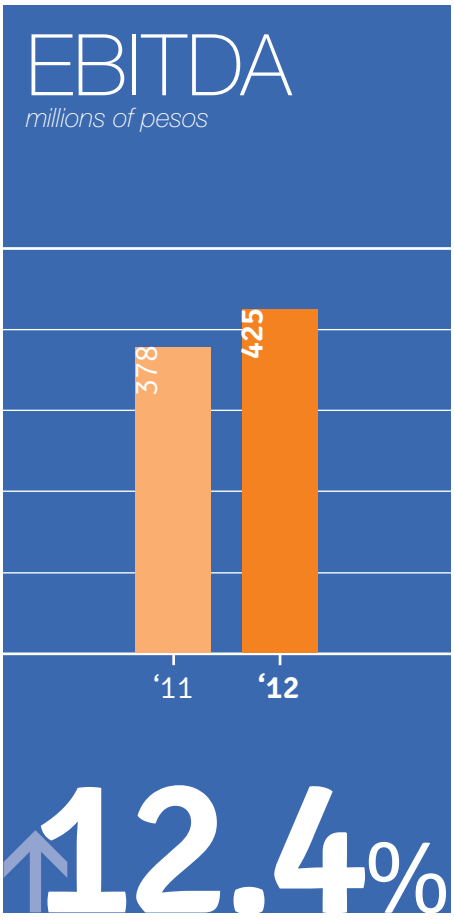
The Real Estate Division of Chedraui is in charge of three strategic tasks: managing the properties owned and leased by the Company; building and remodeling our stores in Mexico; and marketing and managing our shopping centers.

This segment now has 39 shopping centers, each anchored by one of our stores. At the end of December 2012, we had a gross leasable area of 276,222 square meters and an occupancy rate of 95%. Revenues of this segment represented 1% of the consolidated revenues of the Group and 10% of consolidated EBITDA.

The substantial demographic growth experienced by the country and its healthy levels of domestic consumption, added to the optimal maintenance we perform on our shopping centers and appropriate diversity of lessees that rent space, will enable us to continue operating this business in a solid manner in the short, medium and long terms.



Even though the Real Estate Division represented 1% of the total revenues, it contributed 10% of the Group's consolidated EBITDA.



- At year-end 2012 we had a gross leasable area of over 276 thousand square meters.
- We foresee solid results for this segment in the short, medium and long terms.



Sustainability

Our ecological store in Oaxaca makes a more efficient use of energy, reduces environmental impacts and promotes sustainable development.

(green flat roof in the store)

CHEDRAUI
cuesta menos

Our Values

Honesty, Commitment, Respect and Result-orientation

We are convinced in Chedraui that sustainability is an indispensable element of growth and the continued existence of the Company over the long term. This why our good economic performance is intimately linked to a solid strategy of environmental care and social responsibility, both inside and outside the Company.

Our People

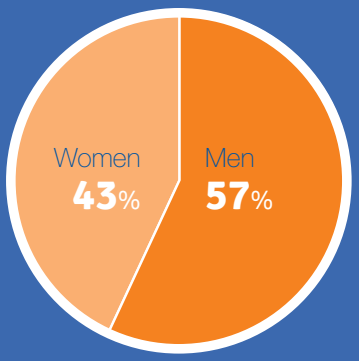
Due to our innovative focus on human capital, our associates represent more than a resource – they are the most important investment of Grupo Chedraui. At December 31, 2012, we had a workforce of 36,112 associates consisting 57% of men and 43% of women. Another 8,296 volunteers work as packers for us.

We provide training for our personnel through Chedraui University, a virtual classroom that offers tools



315,000
man-hours of training

Associates by gender



- We promote gender equity, training and respect to the human rights of our personnel.
- We offer a healthy work environment in which teamwork is given priority.

for improved performance in daily activities. We measure the performance of each associate based on indicators that aid us in evaluating their technical and management abilities so that we can always have the right person in the right position. We offered 315,000 man-hours of training to our personnel during 2012 at a total investment surpassing $5,000,000 pesos.

We have a firm conviction to offer equal opportunities to our associates with reference to hiring, training, development and promotion. We promote a healthy work environment in which teamwork is given priority that is free of discrimination whether by race, gender, religion, age, disability or sexual preference.

We respect human rights and the individual liberties of our associates and insist that they are respected. We only hire persons older than 18 years of age and no one is forced to work in the Company against their will. We also have programs to rehire elderly persons.

In March 2012, we were certified as one of the best companies to work for by the **Great Place To Work Institute** México as recognition of the actions Chedraui has implemented to have the best conditions and practices for its most important asset and greater competitive advantage: its extraordinary team of associates.

During the year we were certified as one of the best companies to work for by the *Great Place To Work* Institute Mexico.

GREAT PLACE TO WORK®



Environment

Grupo Chedraui wants to leave behind a better planet for future generations. To this end, we have taken concrete actions to protect the environment and avoid its degradation.

With reference to optimization of energy usage, during 2012 we strengthened our campaigns and programs aimed at awareness and saving electricity and gas.

Through numerous actions and programs such as the replacement of traditional lighting by new energy saving devices, added to our good operating practices

and other integrated projects, we were able to achieve savings of over 47 million kilowatts of energy in 2012. As a result, we ceased emitting 37,407 tons of CO2 and saved 103,481 trees.

Water is the most precious resource that the Earth offers us. Thanks to our wastewater treatment plants, the modernization of our sanitary service systems and continuing awareness campaigns in this area, among other actions, we were successful in saving over 101 million liters of water.

Through our programs to save paper, a reduction in the consumption of this product was achieved amounting almost eight million pages, thus avoiding the cutting of almost 1,000 trees. We also recycled a total of 25,371 tons of cardboard that was equivalent to saving 431,000 more trees.

In the framework of our program of recycling plastic, we processed 973 tons of this material in 2012 and consumed 4,865 fewer barrels of petroleum. In addition to these efforts, we utilize recyclable plastic bags with oxy-degradable technology in our stores. Moreover, we have strict management and separation of wastes both inside and outside our stores, shopping centers and offices.



We were able to achieve savings of over

47 millions of KW

of energy, as a result, we ceased emitting 37,407 tons of CO2 and saved 103,481 trees.

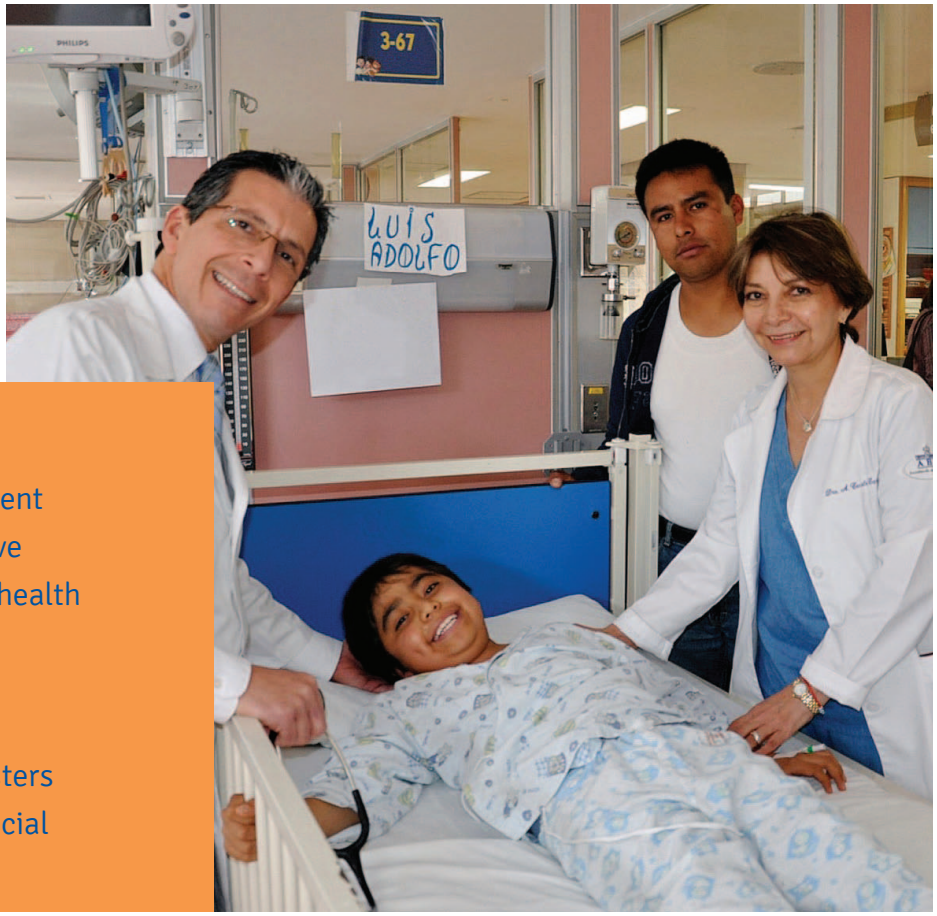
The Chedraui Foundation



The Chedraui Foundation makes contributions to Mexican society in the areas of education, nutrition, health, housing and support during natural disasters.

The Chedraui Foundation is an institution of great worth for the communities and areas in which the Group has operations and provides services, thanks to its contributions in the areas of education, nutrition, health, housing and support during natural disasters.

In education, it stands out the work of our three Liceos de Artes y Oficios, A.C. which are middle schools located in the cities of Xalapa, Villahermosa and Veracruz that were attended by more than two thousand students in 2012. These students had the opportunity to take courses for their diplomas or technical degrees and to attend numerous workshops and trade courses that will enable them to expand their educational and work horizons to the improvement of their quality of life. In addition, we are continuing our program of scholarships for outstanding students with



Mission:
Contribute to the development of Mexicans through decisive participation in education, health and social welfare.

Vision:
To be an institution that fosters human development and social welfare.

few resources in Anáhuac de Xalapa University and Universidad Veracruzana.

In the area of nutrition, each of our business units does important work by donating food to thousands of poor families through various institutions. We donated more than 3.5 million kilos of foodstuffs in 2012.

In health, we provided support for the work of a number of institutions this past fiscal year. As in prior years, the aid to the Federico Gomez Children's Hospital of Mexico in Mexico City stands out.

In housing through the Provivah trust, we helped hundreds of Mexican families with few resources so they could have dignified housing of their own; this year we provided 100 housing units in Matamoros, Tamaulipas and 414 more in La Paz, Baja California Sur.

Chedraui has an important presence in areas where the forces of nature provoke disasters. As a part of our social commitment, this is why we provided support for families with few resources that were stricken by natural disasters in the states of Mexico, Chiapas and Oaxaca.

The social investment of the Chedraui Foundation in 2012 was $21,398,157 pesos. If we add to that $3,525,486 in donations of food by our stores, $16,676,725 pesos that the Group invested in various highway projects that benefited the communities in which we operate, and $4,288,552 pesos collected in various round-up campaigns by all our stores that were fully turned over to various educational, health and social assistance institutions, the social responsibility activities of Grupo Chedraui come to a grand total of $45,889,920 pesos.

Accordingly, our Group is an important contributor to the subject of social responsibility and sustainability in Mexico.

Management's Discussion & Analysis

Grupo Comercial Chedraui, S.A.B. de C.V.
Analysis and discussion of results for fiscal year 2012

Net Sales

Our revenues grew 11.2% in fiscal year 2012 from $57,496 million pesos in 2011 to $63,944 million pesos in 2012. This increase was generated by the results in the three business segments discussed below:

- **Retail in Mexico:**
  Sales in our retail operations in Mexico grew 10.6% in relation to the previous year from $45,327 million pesos in 2011 to $50,149 million pesos in 2012. This was attributable to growth of 1.9% in same store sales and the inclusion of fifteen new stores during the fiscal period.

- **Retail in the United States:**
  Our retail operations in the USA reported growth of 13.6% in relation to those obtained the previous year and rose from $11,605 million pesos in 2011 to $13,177 million pesos in 2012. This was the result of the incorporation of nine new stores, of which eight were acquired, as well as the partial effect of a decline in same store sales of 0.8 percent.

- **Real Estate Segment:**
  Operations of the real estate business remained very stable with growth in revenues of 9.3% in relation to the prior year from $564 million pesos in 2011 to $617 million pesos in 2012, mainly as the result of increases in lease agreements that approximated the inflation rate.

Gross Profit

Consolidated gross profit was $12,586 million pesos and grew 11.1% in relation to 2011. The gross margin was 19.7% and similar to the figure of 19.7% obtained in 2011.

Operating Expenses

Consolidated operating expenses without including depreciation or amortization totaled $8,333 million pesos, 12.1% higher than the figure of $7,434 million pesos registered in 2011. The increase was due principally to pre-operating expenses at the fifteen stores opened in Mexico and nine stores in the USA during the year that still have not reached maturity, as well as higher electric energy costs in Mexico.

EBITDA

With the results mentioned above, consolidated EBITDA of $4,252 million pesos was 9.3% higher than the figure of $3,892 million pesos

in 2011. The EBITDA margin was 6.7% and slightly lower than the margin of 6.8% achieved in 2011. Results were as follows at the business segment level:

- **Retail in Mexico:**
  EBITDA in Retail Mexico of $3,338 million pesos was 7.4% higher than the figure of $3,109 million pesos in 2011 and represented a margin on sales of 6.7% that was lower than the margin of 6.9% achieved in 2011.

- **Retail in the United States:**
  The Retail USA division achieved EBITDA of $489 million pesos, 20.9% higher than the level of $405 million pesos in 2011 with a margin on sales of 3.7% that was higher than the margin of 3.5% in 2011. This result showed the benefit of having opened a distribution center in Los Angeles and also reflected appreciation of 5.4% in the exchange rate.

- **Real Estate Segment:**
  EBITDA in the real estate division was $425 million pesos, 12.6% higher than the level of $378 million pesos obtained in 2011 and represented a margin on sales of 68.9% that was higher than the margin of 66.9% achieved in 2011.

Comprehensive Financial Cost

Financing costs reached $978 million pesos, 20.6% higher than the expense of $811 million pesos incurred in 2011 and represented 1.5% of sales, a percentage higher than that of 1.4% of sales in 2011.

Income Taxes

The official tax rate remained at 30% in fiscal year 2012 whereas our rate remained at 22%. Income taxes in 2012 were $436 million pesos, 1.1% below the figure of $440 million pesos in 2011.

Net Profit

Lastly, consolidated net profit totaled $1,545 million pesos, 1.1% lower than the net profit of $1,562 million pesos in 2011 with a margin on sales of 2.4% that was slightly below the margin of 2.7% obtained in the previous year.

Debt and Capex

Net interest-bearing bank debt came to $4,957 million pesos at December 31, 2012, 13.7% greater than the level of $4,360 million pesos as the close of 2011, and represented a ratio of Net Bank Debt / EBITDA of 1.6 times.

Capex, including real estate, store and computing equipment and intangible assets was $3,574 million pesos and enabled us to open fifteen stores in Mexico and one in the United States as well as to purchase eight stores in that country.

Dividends

The General Shareholder's Meeting in 2012 authorized the decree for a dividend equivalent to 216 million pesos, or 22.42 cents per ordinary share.

José Antonio Chedraui Eguía

Chief Executive Officer

José Antonio Chedraui Eguía has worked at Chedraui for the past 23 years and has been a member of the Board and CEO since January 1995. Prior to this position, he served as CEO of our Galas division. Mr. José Antonio Chedraui Eguía has a Degree in Accounting and Finance from Universidad Anáhuac.

Cesar Alejandro Anaya Jiménez

Procurement Director

César Alejandro Anaya Jiménez holds a Degree in Business Administration from Universidad La Salle. Mr. Anaya has been Director of Purchasing since March 2007 and has worked at Chedraui for 21 years.

Pedro Benítez Obeso

Director of Real Estate Operations and Administration

Pedro Benítez Obeso holds a Degree in Business Administration from Universidad Iberoamericana. Mr. Benitez has served as Director of Real Estate Operations and Administration since August 2006 and has worked at Chedraui for 28 years.

José Ramón Chedraui Eguía

Private Label Director

José Ramón Chedraui Eguía holds a Degree in Business Administration from Newport University. Mr. Chedraui has been Director of Private Label since January 2007 and has worked at Chedraui for 17 years.

Senior *Executives*

Alfredo Chedraui López

Director of Real Estate

Alfredo Chedraui López holds a Degree in Business Administration from Universidad Anáhuac and a Diploma in Economics from the University of California, Los Angeles. Mr. Chedraui has served as Director of Real Estate since 2005 and has worked at Chedraui for 11 years.

Rafael Contreras Grosskelwing

Chief Financial Officer

Rafael Contreras Grosskelwing graduated as an Industrial Engineer from Universidad Panamericana, has a Diploma in Accounting and Finance from ITAM, a specialization in senior management from IPADE, and a Diploma in Financial Securities from ITAM. Mr. Contreras has served as CFO since September 2000 and has worked at Chedraui for the past 12 years.

Eduardo Fuentes Durán

Commercial Director

Eduardo Fuentes Durán holds a Degree in Electronic Systems Engineering from ITESM. Mr. Fuentes has been the Commercial Director since September 2012, and has worked at Chedraui for 12 years

Héctor Norberto González López

Director of Internal Audit

Héctor Norberto González López holds a Degree in Public Accounting and a Masters in Planning and Information systems from Universidad Iberoamericana, and specialization in Senior Management from IPADE. Mr. Gonzalez has served as Director of Internal Audit since May 2003 and has worked at Chedraui for the past 8 years.

Eduardo Guiot de la Garza

Director of Human Resources

Eduardo Guiot de la Garza holds a Degree in Industrial Relations from Universidad Iberoamericana, completed his graduate studies in Labor Law and Marketing at ITAM, and has an MBA from the School of Business Administration and Management ("ESADE"). Mr. Guiot has been the Director of Human Resources since August 1993 and has worked at Chedraui for the past 18 years.

Alejandro Rafael Lara Hakim

Director of Construction

Alejandro Rafael Lara Hakim graduated as an Architect from Universidad Veracruzana. Mr. Lara has been Director of Construction since August 1986 and has worked at Chedraui for 25 years.

Alberto Nava Gutiérrez

Director of Operations

Alberto Nava Gutiérrez graduated as a public accountant from the Universidad Veracruzana. Mr. Nava has worked at Chedraui since 1989 and is Director of Operations since September 2012.

Ricardo Salmón Valdés

Director of Expansion

Ricardo Salmón Valdés graduated as an Architect from Universidad Anáhuac and completed the Certification Module C1 101 at the Instituto CCIM. Mr. Salmón has been Director of Expansion since January 2007 and has worked at Chedraui for five years.

Arturo Eduardo Antonio Vasconcelos y de Pablo

Director of Logistics

Arturo Eduardo Antonio Vasconcelos y de Pablo holds a Degree in Administration from Universidad Anáhuac. Mr. Vasconcelos has been Director of Logistics since June 2010.

Board of *Directors*

Alfredo Chedraui Obeso • **Chairman of the Board**
José Antonio Chedraui Obeso • **Director**
José Antonio Chedraui Eguía • **Director**
Agustín Irurita Pérez[1] • **Director**
Olegario Vázquez Aldir[1] • **Director**
Alejandro Ramírez Magaña[1] • **Director**
Federico Carlos Fernández Senderos[1] • **Director**
Clemente Ismael Reyes-Retana Valdés[1] • **Director**
Juan Félix Rodríguez Montemayor[1] • **Director**
María Eugenia Sidaui Dib[1] • **Director**
Guillermo Ortiz Martínez[1] • **Director**
Primo Álvarez Villafañe • **Director**
José Ramón Chedraui Eguía • **Secretary of the Board of Directors**

Audit and Corporate Practices Committee

Clemente Ismael Reyes-Retana Valdés[1] • **Chairman**
Juan Félix Rodríguez Montemayor[1] • **Member**
María Eugenia Sidaui Dib[1] • **Member**

(1) Independent Director in accordance with the Securities Market Law

Auditing and *Corporate Practices* Committee Report

To the Board of Directors and Shareholders of
Grupo Comercial Chedraui, S. A. B. de C. V.

In compliance with the provisions of article 43 of the Securities Market Law, the corporate By-Laws and the recommendations contained in the Code of best Corporate Practices, in my capacity as Chairman of the Committee on Auditing and Corporate Practices (hereinafter the "Committee") of Grupo Comercial Chedraui, S.A.B. de C.V., I am pleased to report to you the relevant activities conducted by the Committee during the Company's fiscal year ended December 31, 2012.

In order to analyze the results of operations and events relevant to the Company, the Committee held meetings that enabled It to assure strict, adequate and ongoing supervision of the resolutions adopted In the exercise of its functions and invited members of the management of the Company to its meetings as it considered appropriate.

I. Activities related to auditing:

a. The Company has an internal auditing area and an internal control system that were monitored and evaluated along with the principal aspects that require improvement. For the purpose of making pertinent recommendations, the reports and opinions of the Independent Auditors and Independent Experts were taken into consideration. In addition, the preventive and corrective recommendations were reviewed that were implemented for the purpose of avoiding compliance failures under the guidelines and policies for operations and accounting records. In this respect, in the opinion of the Committee, no material differences or deviations were found that should be reported and these elements comply with what the Company requires to operate in a control environment.

b. We evaluated the performance of the independent auditing firm responsible for the opinion covering financial information for the fiscal period ended on December 31, 2012 and the degree of adherence to applicable accounting standards, taking into account that Galaz, Yamazaki, Ruiz Urquiza, S.C., a member of Deloitte Touche Tohmatsu and its partner, Francisco Javier Pérez Cisneros in charge of the audit, fulfill the necessary requisites of professional quality and

have the independence of intellectual and economic action that is required to audit the financial statements of the Company and its subsidiaries.

c. The additional or supplemental services rendered to the Company by the independent auditing firm were evaluated and It was concluded that the execution of such services did not impede the issuance of an opinion about the financial information with the required independence and diligence.

d. The Committee reviewed the Consolidated Financial Statements of the Company and its subsidiaries on a quarterly basis, including an analysis and approval of the operating policies, procedures and accounting practices of the Company and its subsidiaries that are periodically furnished to the Mexican Stock Exchange and the National Banking and Securities Commission, assuring ourselves that such information has the necessary quality and sufficiency and were prepared following the same accounting procedures, criteria and practices employed in the preparation of the annual information.

e. The Committee likewise prepared the opinion referred to in Article 28, section IV, paragraph c) of the Securities Market Law for subsequent presentation to the Shareholders' Meeting with respect to the audited consolidated financial statements of the Company and Its subsidiaries at December 31, 2012 that were audited by the Company's Independent Auditors.

f. Jointly with the management of the Company, Independent Auditors and internal auditors, the Committee verified the risk factors that might affect the operations of the Company and its net worth and determined that such risks have been appropriately identified and managed through an adequate Internal control environment.

g. The Committee held regular meetings with the Company's management to keep itself informed on its progress, activities and general guidelines proposed for reporting important and unusual events. The Committee also met with the independent and internal auditors to discuss their work and limitations that may have been encountered and to facilitate any private communications they might wish to have with the Committee.

h. The Committee reviewed the degree of the Company's adherence to the Code of Best Corporate Practices recommended by the Mexican Stock Exchange.

i. The members of the Committee have been vigilant in following up on all the resolutions adopted at the Shareholders' Meeting and in meetings of the Board of Directors, fundamentally through reports and the matters addressed in the meetings of this Committee.

II. Activities related to corporate practices:

a. We obtained current information on the process of evaluating the performance of senior management. No actions were detected or reported by senior management that were not in accordance with the legal framework for such actions, taking into account the circumstances under which they were carried out.

b. We reviewed the reports of transactions with related parties; these were carried out under market conditions and within the limits established in the Securities Market Law.

c. We reviewed the integral compensation packages and criteria for awards for the Chief Executive Officer and senior management and found no justification for any comments because they were within the policies established by the Board of Directors.

d. There were no exemptions of any kind contemplated by article 28, Section III, paragraph f) of the Securities Market Law during this fiscal period.

e. The corporate policies of the Company were analyzed and approval thereof was ratified.

Based on the reviews and comments set forth above and on the opinion on the financial information expressed by the Independent Auditor Galaz, Yamazaki, Ruiz Urquiza, S.C., the Committee believes that Grupo Comercial Chedraui, S.A.B. de C.V. has applied accounting policies and criteria appropriately and therefore its financial information is reasonable. Accordingly, it is RECOMMENDED to the Board of Directors that the audited consolidated financial statements of the Company for the fiscal year ended on December 31, 2012 be approved so that they may be included in the Annual Report of the Chief Executive Officer for fiscal year 2012 that is to be submitted at the appropriate time for approval at the Company's Shareholders' Meeting.

Sincerely,

Committee on Auditing and Corporate Practices



Clemente Ismael Reyes-Retana Valdés

Chairman


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Grupo Comercial Chedraui, S. A. B. de C. V. and Subsidiaries

Consolidated financial statements for the years ended December 31, 2012 and 2011, and Independent Auditors' Report Dated February 19, 2013

Independent auditors' report and consolidated financial statements 2012 and 2011

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Independent *Auditors'* Report

To the Board of Directors and Stockholder
of Grupo Comercial Chedraui, S. A. B. de C. V

We have audited the accompanying consolidated financial statements of Grupo Comercial Chedraui, S. A. B. deC. V. (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011 and January 1, 2011 (transition date), and the consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility over the Financial Statements

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

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Grupo Comercial Chedraui, S. A. B. de C.V. as of December 31, 2012 and 2011 and January 1, 2011 (transition date), and their financial performance and their cash flows for the years ended December 31, 2012 and 2011, in accordance with International Financial Reporting Standards.

Other Matters

As described in Note 2, the Entity's management adopted International Financial Reporting Standards on January 1, 2012; consequently, the consolidated financial statements for the year ended December 31, 2011 and the consolidated statement of financial position as of January 1, 2011 (date of transition), have also been prepared under IFRS for comparative purposes. Previously, the 2011 consolidated financial statements were prepared in conformity with Mexican Financial Reporting Standards (MFRS). The effects of the transition to IFRS on the financial position and financial performance as of December 31, 2011 and January 1, 2011 (date of transition) and for the year ended December 31, 2011 are shown in Note 27. This paragraph does not qualify our opinion related to the reasonability of the consolidated financial statements.

The accompanying consolidated financial statements have been translated into English for the convenience of readers.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited



C.P.C. Francisco Pérez Cisneros

February 19, 2013

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

As of December 31, 2012 and 2011 and January 1, 2011 (transition date)
(In thousands of pesos)

Assets	Notes	2012	2011	Transition date
Current assets:				
Cash		$ 688,846	$ 872,970	$ 2,720,129
Accounts and notes receivable - Net	5	1,666,888	1,274,608	1,365,705
Recoverable taxes	6	1,336,759	1,300,360	781,746
Accounts receivable from related parties	20	53,264	65,460	82,289
Inventories – Net	8	6,653,136	6,374,686	5,860,148
Total current assets		10,398,893	9,888,084	10,810,017
Noncurrent assets:				
Property and equipment - Net	9	25,148,628	23,057,375	19,506,048
Investment properties	10	5,274,314	5,121,012	5,121,012
Investments in shares of associated entities		24,289	27,049	31,828
Long-term accounts receivable	18	89,053	89,053	100,100
Other assets - Net	11	2,454,475	2,462,808	2,068,419
Total noncurrent assets		$32,990,759	$30,757,297	$26,827,407
Total		$43,389,652	$40,645,381	$37,637,424

The accompanying notes are part of the consolidated financial statements.

Liabilities and stockholders'equity		2012	2011	Transition date
Current liabilities:				
Accounts and notes payable to suppliers	12	$ 10,522,343	$ 9,962,345	$ 9,893,921
Loans from financial institutions	14	681,574	1,706,292	52,701
Current portion of long-term liabilities	15	425,916	1,050,000	300,000
Accrued taxes and expenses		2,431,008	2,078,524	1,717,285
Total current liabilities		14,060,841	14,797,161	11,963,907
Noncurrent liabilities:				
Long-term bank loans	15	4,538,759	2,476,892	3,458,763
Deferred income taxes	23	1,853,503	1,899,783	1,953,119
Employee benefits	16	223,348	189,300	153,059
Derivative financial instruments	17	362,762	388,909	561,699
Collection rights of trust contracts	18	959,364	356,718	400,336
Lease obligations	13	608,064	754,782	843,141
Other long-term liabilities		315,337	331,538	114,227
Total noncurrent liabilities		8,861,137	6,397,922	7,484,344
Total liabilities		22,921,978	21,195,083	19,448,251
Stockholders' equity:	19			
Common stock		252,120	252,120	252,120
Retained earnings		16,059,742	14,894,267	13,553,369
Foreign transaction conversion effect		45,109	88,660	16,849
Effect from recognizing the valuation of derivative instruments		(266,688)	(323,378)	(310,426)
Share placement premium		4,192,010	4,427,196	4,530,514
Controlling interest		20,282,293	19,338,865	18,042,426
Non-controlling interest		185,381	111,433	146,747
Total stockholders' equity		20,467,674	19,450,298	18,189,173
Total		$ 43,389,652	$ 40,645,381	$ 37,637,424

The accompanying notes are part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2012 and 2011
(In thousands of pesos)

	Notes	2012	2011
Income			
Net sales		$ 63,944,327	$ 57,496,149
Cost of sales		51,358,620	46,170,796
Gross profit		12,585,707	11,325,353
Operating expenses:			
Wages		3,779,104	3,328,219
Professional services		1,078,718	962,515
Advertising and publicity		690,875	624,944
Maintenance		456,626	430,123
Electricity		1,007,332	852,553
Leases		611,066	461,723
Depreciation and amortization		1,293,234	1,081,758
Other expenses		709,591	773,726
Total operating expenses		9,626,546	8,515,561
Profit before comprehensive financing result, equity held in the results of associated entities and income taxes		2,959,161	2,809,792
Financing Cost:			
Interest expense		(655,734)	(603,170)
Interest income		45,241	97,697
Exchange income - Net		16,997	2,276
Other financial costs		(384,839)	(307,748)
		(978,335)	(810,945)
Share profit in associates		-	3,220
Profit before income taxes		1,980,826	2,002,067
Income taxes	23	435,781	440,455
Consolidated net profit		$ 1,545,045	$ 1,561,612
Controlling interest		$ 1,501,850	$ 1,557,010
Non-controlling interest		43,195	4,602
Consolidated net profit		$ 1,545,045	$ 1,561,612
Basic earnings per common share (Mexican pesos per share)		1.56	1.62

The accompanying notes are part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2012 and 2011
(In thousands of Mexican pesos)

		2012		2011
Consolidated net profit	$	1,545,045	$	1,561,612
Other comprehensive (loss) income components:				
Changes in actuarial assumptions		(49,773)		-
Foreign transaction conversion effects		(43,551)		71,811
Acquisition of shareholding interest		(70,487)		-
Effect from recognizing the valuation of derivative instruments		56,690		(12,952)
Consolidated net comprehensive income of the year	$	1,437,924	$	1,620,471
Controlling interest	$	1,394,729	$	1,615,869
Non-controlling interest		43,195		4,602
Consolidated net profit	$	1,437,924	$	1,620,471

The accompanying notes are part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the years ended December 31, 2012 and 2011
(In thousands of pesos)

	Common stock	Net share placement premium	Retained earnings
Balance at January 1, 2011	$ 252,120	$ 4,530,514	$ 13,553,369
Dividends paid	-	-	(216,111)
Balances before comprehensive income	252,120	4,530,514	13,337,258
Comprehensive income	-	-	1,557,010
Purchase of shares of non-controlling interest	-	(103,318)	
Balance at December 31, 2011	252,120	4,427,196	14,894,268
Dividends paid	-	-	(216,116)
Balances before comprehensive income	252,120	4,427,196	14,678,152
Comprehensive income	-	-	1,501,850
Purchase of shares of non-controlling interest	-	(235,186)	-
Balance at December 31, 2012	$ 252,120	$ 4,192,010	$ 16,180,002

The accompanying notes are part of the consolidated financial statements.

Foreign transaction conversion effects	Effect from recognizing the valuation of derivative instruments	Changes in actuarial assumptions	Purchase in non-controlling shares	Non-controlling interest	Total stockholders' equity
$ 16,849	$ (310,426)	$ -	$ -	$ 146,747	$ 18,189,173
-	-	-	-	-	(216,111)
16,849	(310,426)	-	-	146,747	17,973,062
71,811	(12,952)	-	-	4,602	1,620,471
-	-	-	-	(39,916)	(143,234)
88,660	(323,378)	-	-	111,433	19,450,298
-	-	-	-	-	(216,116)
88,660	(323,378)	-	-	111,433	19,234,183
(43,551)	56,690	(49,773)	(70,487)	43,195	1,437,924
-	-	-	-	30,753	(204,433)
$ 45,109	$ (266,688)	$ (49,773)	$ (70,487)	$ 185,381	$ 20,467,674

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended December 31, 2012 and 2011
(In thousands of pesos)

	2012	2011
Operating activities:		
Profit before income taxes	$ 1,980,826	$ 2,002,067
Items related to investment activities:		
Depreciation and amortization	1,291,288	1,081,758
Gain from the sale of property and equipment	17,174	43,860
Receivable interest	(45,239)	(97,697)
Dividends received	2,760	4,779
Employee benefits	34,048	36,241
Items related to financing activities:		
Payable interest	655,734	603,170
	3,936,591	3,674,178
(Increase) decrease of:		
Accounts and notes receivable - Net	(392,280)	51,983
Inventories – Net	(278,450)	(514,538)
Other assets – Net	(36,399)	(374,541)
Accounts receivable from related parties – Net	12,196	16,829
Accounts and notes payable to suppliers	559,998	68,424
Other accounts payable	(145,774)	(147,199)
Net cash flows generated by operating activities	3,655,882	2,775,136
Investment activities:		
Acquisition of property and equipment	(3,345,680)	(4,786,093)
Sale of property and equipment	29,398	225,558
Installment expenses and intangibles	(228,403)	(604,711)
Acquisition of non-controlling interest	(39,733)	(39,918)
Collected interest	45,239	97,697
Net cash flows used in investment activities	(3,539,179)	(5,107,467)
Financing activities:		
Loan payment	413,064	1,421,720
Paid interest	(655,734)	(603,170)
Paid dividends	(216,116)	(216,111)
Decrease in capital	(284,960)	(103,318)
Lease obligations	(146,718)	143,600
Derivative instruments	30,542	(185,742)
Trust contract collection rights	602,646	(43,618)
Net cash flows (used in) generated by financing activities	(257,276)	413,361
Net decrease of cash	(140,573)	(1,918,970)
Effects from cash value changes	(43,551)	71,811
Cash at the beginning of the year	872,970	2,720,129
Cash at the end of the year	$ 688,846	$ 872,970

The accompanying notes are part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011
(In thousands of pesos)

1. Nature of business

Grupo Comercial Chedraui, S. A. B. de C. V. and Subsidiaries (the Entity) are engaged in the operation of self-service stores and real estate companies; they specialize in the marketing of electronic goods, groceries and general merchandise.

The Entity is incorporated in Mexico; its domicile is located at Constituyentes No. 1150, Col. Lomas Altas, Mexico City, Miguel Hidalgo C.P. 11950

2. Basis for presentation

a. Explanation for translation into English - The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico. These consolidated financial statements are presented on the basis of International Financial Reporting Standards ("IFRS"). Certain accounting practices applied by the Entity that conform with IFRS may not conform with accounting principles generally accepted in the country of use.

b. Adoption of International Financial Reporting Standards (IFRS) As of January 1, 2012, the Entity adopted IFRS and their adaptations and interpretations issued by the International Accounting Standards Board (IASB), in effect at December 31, 2012, and consequently applied IFRS 1, *Initial Adoption of International Financial Reporting Standards*. These consolidated financial statements have been prepared in accordance with the standards and interpretations issued and effective as of the date thereof.

IFRS transition

Previously, the consolidated financial statements as of December 31, 2011 were prepared in accordance with Mexican Financial Reporting Standards (MFRS - NIF), which differ in some respects from IFRS. The comparative figures as of December 31, 2011 and for the year ended have been modified to reflect these adoptions. Reconciliations and descriptions of the effects of the transition from MFRS to IFRS in the consolidated statements of financial position and of comprehensive income are explained in Note 27.

c. Basis of measurement

The consolidated financial statements of the Entity have been prepared on the historical cost basis, except for Investment properties, financial instruments and deferred tax liabilities and employee benefits, which are stated at fair value, as explained in more detail in accounting policies below.

i. Historical cost – Historical cost is usually based on the fair value of the payment made for assets.

ii. Fair value - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

d. Consolidation of financial statements

The consolidated financial statements include the financial statements of Grupo Comercial Chedraui, S. A. B. de C. V. and those of its subsidiaries where it holds control. Control is achieved where the entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Company or Group	Activity
Tiendas Chedraui, S. A. de C. V.	A chain of 198 self-service stores specializing in the marketing of groceries, clothing and general goods, and which includes 44 self-service stores operating under the Super Chedraui commercial name.
Real estate division	A group of companies engaged in the acquisition, construction, marketing and lease of real property used for real estate activities.
Services division	A group of companies providing administrative, goods transportation and personnel services.
Bodega Latina Co.	A chain of self-service stores with 45 units located in the southern United States and which operate under the El Super commercial name.
Grupo Crucero Chedraui, S. A. de C. V.	The holding company of three real estate companies and three services entities.

Significant intercompany balances and transactions have been eliminated.

Non-controlling interests in subsidiaries are identified separately in respect of investments that the entity has in them. Non-controlling interests may be initially valued either at fair value or at the proportionate share of non-controlling interests on the fair value of the net identifiable assets of the acquired entity. The choice of the appraisal is performed on an individual basis for each transaction. Following the acquisition, the carrying value of the controlling interest represents the amount of the initial recognition of the equity portion after the consolidated statement of changes in stockholders' equity. Comprehensive income is attributed to non-controlling interests even if it leads to a deficit.

i. Subsidiaries - Subsidiaries are all entities (including special purpose entities - SPE's-) over which the Entity has the power to govern its financial and operating policies, generally owning more than half of its voting shares. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Entity controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Entity, and are no longer consolidated from the date that control is lost. According to the former Standing Interpretations Committee (SIC, for its acronym in English) SIC 12, SPE's are consolidated when the substance of the

relationship between the entity and the SPE's indicate that they are controlled by the Entity.
Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Entity.

II. Associates - Associates are all entities over which the Entity has significant influence but not control. Usually these entities are those maintaining a shareholding of between 20% and 50% of the voting rights. Investments in associates are initially recognized at historical cost and subsequently through the equity method. The Entity's investment in associates includes goodwill (net of any accumulated impairment loss, if any) identified at acquisition date.

Changes in the equity of existing subsidiaries

Changes in investments in subsidiaries of the Entity that do not result in a loss of control are recognized as equity transactions. The carrying value of investments and non-controlling interests of the Entity are adjusted to reflect changes in the related investments in subsidiaries. Any difference between the amount by which the non-controlling are adjusted and the fair value of the consideration paid or received is recognized directly in the equity and attributed to owners of the Entity.

e. Conversion of subsidiaries' financial statements denominated in foreign currency

The individual financial statements of each subsidiary of the Entity are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each entity are expressed in pesos of different purchasing power, which is the functional currency of the Entity and the reporting currency of the consolidated financial statements.

When preparing the financial statements of the individual companies, transactions denominated in currencies other than the entity's functional currency (foreign currency) are recognized by utilizing the exchange rates in effect at each transaction date. At the end of each reporting period, monetary items denominated in foreign currency are reconverted based on the exchange rates in effect at that date. Nonmonetary items recorded at their fair value and denominated in foreign currency are reconverted by using the exchange rates in effect when this fair value was determined.

f. Comprehensive income

Comprehensive income represents the modification of stockholders' equity during the year due to items other than capital contributions, reductions and distributions. Comprehensive income is composed by the net profit of the year plus other items representing a gain or loss of the same period, which are directly presented in stockholders' equity, without affecting the consolidated statement of income. Other comprehensive income items include the conversion effects of foreign transactions and the

valuation of hedge derivatives. When the assets and liabilities generating other comprehensive income items are realized, the latter are recognized in the consolidated statements of income.

3. Summary of principal accounting policies

The accompanying consolidated financial statements comply with IFRS issued by the IASB. IFRS require that the Entity's management make certain estimates and utilize different assumptions to value certain items of the consolidated financial statements and to make the necessary disclosures. However, actual results could differ from those estimates. The administration of the Entity, applying professional judgment, considers that estimates and assumptions used were adequate under the circumstances. The significant accounting policies followed by the Entity, are as follows:

a. Accounting changes

Standards and interpretations that affect the amounts reported in the current period (and / or prior periods)

- IFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets - The Entity has applied the amendments to IFRS 7 in the current year. These amendments increase the disclosure requirements for transactions involving transfers of financial assets in order to provide greater transparency around risk exposures that would be if the financial assets are transferred.

- IAS 1, Presentation of financial statements - The Entity has applied the amendments to IAS 1 in anticipation of the effective date (annual periods beginning on or after July 1, 2012). The amendments introduce a new terminology for the statement of comprehensive income and income statement. The amendments to IAS 1 are: the "statement of comprehensive income" is renamed to "statement of profit or loss and other comprehensive income" and "income statement" is renamed to "state of profit or loss". The amendments to IAS 1 retain the option to present results and other comprehensive income in a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income that are grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be subsequently reclassified to profit or loss when certain conditions are met. It requires that income tax on items of other comprehensive income is allocated in the same and the changes do not change the option of presenting items of other comprehensive income either before tax or after tax. The amendments have been applied retrospectively and therefore the presentation of items of other comprehensive income has been modified to reflect the changes. In addition to the aforementioned changes in presentation, the application of the amendments to IAS 1 will not result in any impact on the profit or loss, other comprehensive income and total comprehensive income.

In addition, the Entity has applied the amendments in advance to IAS 1 as part of the annual improvements to IFRSs 2009-2011 (annual periods beginning on or after January 1, 2013).

IAS 1 requires an entity to change accounting policy retrospectively or makes a retrospective correction or reclassification must submit a statement of financial position at the beginning of the previous period (third statement of financial position). The amendments to IAS 1 clarify that the entity is required to submit a third statement of financial position only when retrospective application, restatement or reclassification of a significant effect on the financial information in the third statement of financial position, without being obliged to include related notes of the third statement of financial position.

b. Cash – Cash primarily consists of bank deposits in checking accounts and short-term investments, highly liquid cash convertible with daily maturing from its acquisition date and subject to insignificant risk of changes in value. Cash is stated at nominal value and cash equivalents are measured at fair value, the changes in value are recognized in earnings.

As a condition when contracting derivative financial instruments as interest rate hedges, financial institutions require that guarantees be maintained to cover the surplus between the market and contracted rates. This surplus is maintained in cash deposited in a bank account, thereby restricting its use. This warranty is presented within other net assets as a long-term based on the maturity of the instrument employed.

c. Financial assets

Financial assets are recognized when the entity becomes a party to the contractual provisions of the instruments.

Financial assets are initially valued at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or subtracted from the fair value of financial assets, if any, in the recognition initial. Loans, receivables and cash are valued at amortized cost using the method of effective interest rate.

Financial assets are classified into the following categories: financial assets' at fair value with changes through profit or loss' (FVTPL), amortized cost, investments' held at maturity 'financial assets' available for sale '(AFS) and' loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at initial recognition. All purchases and sales of financial assets are recognized on a regular basis and eliminated on the trade date. Purchases or sales performed routinely are those purchases or sales of financial assets that require delivery of assets within the time frame established by law or custom in that market. To date the financial assets of the Entity are classified as "accounts receivable".

i. Effective interest rate method

The method of effective interest rate is a method of calculating the amortized cost of a financial asset and of allocating financial income or expense over the relevant period. The effective interest rate is the rate that exactly receivable cash flows estimated over the expected life of the financial instrument to the net carrying amount of the financial asset.

Income is recognized on an effective interest rate basis for debt instruments other than those financial assets classified as FVTPL.

ii. Derecognition of financial asset

The Entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to retain control of the transferred asset, the Entity will recognize its interest in the asset and the associated liability for amounts it may have to pay. If the Entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognize the financial asset and also recognizes a collateralized borrowing for proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

d. Inventories and cost of sales - Inventories are presented at the lower of their acquisition cost or net realizable value. Costs, including an appropriate portion of indirect fixed and variable costs, are assigned to inventories by using the method most applicable to the inventory in question, which is valued at its average cost. The net realizable value represents the estimated sales price less termination and sales costs.

e. ***Leases -*** Leases are classified as capital leases whenever their terms involves the substantial transfer of the risks and rewards of ownership to leaseholders. All other leases are classified as operating leases.

The Entity as lessor

The amounts owed by leaseholders under capital leases are recognized as accounts receivable for up to the net amount invested by the Entity in the leases. Capital lease income is distributed throughout accounting periods to reflect the periodic and constant rate of return from the Entity's net investment in leases.

The rental income generated by operating leases is recognized by utilizing the straight line method during the lease period. The initial direct costs incurred to negotiate and agree an operating lease are added to the book value of the leased asset and recognized by means of the straight line method throughout the lease period.

The Entity as leaseholder

Assets maintained under financial leases are recognized as the Entity's assets at their fair value at the start of the lease period or, if this amount is lower, at the current value of minimum lease payments. The liability payable to the lessor is included in the consolidated statement of changes in financial position as a liability resulting from lease obligations.

Lease payments are distributed among financial expenses and the reduction of lease obligations in order to attain a constant interest rate for the outstanding liability. Financial expenses are charged directly to results. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease rental payments are charged to results by using the straight line method throughout the lease period unless another systematic basis more clearly reflects the pattern of user lease benefits. Contingent rentals are recognized as expenses in the periods in which they are incurred.

f. ***Property and equipment -*** Expenses incurred for property and equipment are recognized based on their acquisition cost less depreciation. Depreciation is calculated according to the straight line method, while considering the asset's remaining useful life:

At the date of the transition to IFRS, January 1, 2011, certain assets involving real property are recognized at their fair value (see Note 9). The Entity utilizes the services of independent third-party appraisers to determine fair value. The Entity applied a market approach as regards assets with an observable, comparable market; however, it utilized a cost approach for specific assets with a limited or nonexistent exchange market. The main assumptions used to apply the market and cost approaches involve the identification of comparable elements, a greater or lesser degree of asset utilization and estimated asset depreciation, among others.

Depreciation is calculated according to the straight line method based on the useful life determined by the appraiser, as follows:

	Years
Buildings	60
Store equipment	12 on average
Furniture and fixtures	10
Computer equipment [1]	3
Vehicles	4

[1] *Presented within the furniture and fixtures heading*

Estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period.

For production, supply, administration or other purposes yet to be determined, property under construction is recorded at cost less any recognized impairment loss. Cost includes professional fees and, in the case of qualifying assets, loan costs capitalized according to the Entity's accounting policy. As in the case of other property, the depreciation of these assets starts when they are ready for their planned use.

As in the case of the Entity's assets, those maintained under capital leases are depreciated according to their estimated useful lives or, when lower, based on the respective lease period.

g. Investment properties - Investment properties are those held by the Entity to obtain rentals and/or increase their value (including investment properties under construction for these purposes) and are initially valued at cost, including transaction costs. Following their initial recognition, investment properties are valued at their fair value. Gains or losses resulting from the change in fair value of investment properties are included in the results of the period in which they arise.

An investment property is removed upon disposal or when permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from the disposal of property (calculated as the difference between the net proceeds of disposal and the carrying amount of the asset) is included in the consolidated statements of income in the period in which the property is removed.

h. Loan costs - These are general loan costs or those directly attributable to the acquisition, construction or production of qualifying assets, which constitute assets for which a substantial period of time is required to prepare them for their intended use. Costs subject to capitalization include exchange rate differences related to loans denominated in foreign currency, which are considered as an interest expense adjustment.

The income obtained from the temporary investment of specific loan funds intended for use in qualifying assets is deducted from the loan costs eligible for capitalization.

All other loan costs are recognized during the period in which they are incurred.

i. ***Investments in shares of associated entities –*** An associated entity is one over which the Entity has a significant influence, but which is not a subsidiary or joint venture. Significant influence implies the power to participate in the determination of the financial and operating policies of the entity in which the investment is made, albeit without the control or joint control of these policies. The investment in the shares of associated entities is valued according to the equity method. Under this method, the share acquisition cost is proportionately modified based on changes after the acquisition date and recorded in the stockholders' equity accounts of the associated entities. The equity held by the Entity in the results of associated entities is presented separately in the consolidated statement of income. If signs of impairment are detected, impairment tests are applied to investments in associated entities.

Any excess of the cost of acquisition over the Entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

j. ***Impairment of long-lived assets in use -*** At the end of each reporting period, the Entity reviews the book values of its tangible and intangible assets to determine signs of impairment losses. If indications of impairment are detected, the recoverable asset amount is calculated to determine the impairment loss (if applicable). When the recoverable amount of an individual asset cannot be estimated, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a fair, consistent distribution basis can be identified, corporate assets are also assigned to individual cash-generating units or to the smallest company with cash-generating units for which a fair, consistent distribution basis can be identified.

The recoverable amount is the higher of the asset's fair value less its sales cost and the use value. When evaluating use value, future estimated cash flows are discounted at their current value by utilizing a pretax discount rate reflecting the current market assessment of the value of money

over time and the specific risks of the asset for which future cash flow estimates have not been adjusted.

If the recoverable amount of a given asset (or cash-generating unit) is considered to be less than its book value, the latter (or that of the cash-generating unit) is reduced to reflect the recoverable amount. Impairment losses are immediately recognized in results.

When an impairment loss is subsequently reversed, the book value of the asset (or cash-generating unit) is increased to reflect the reviewed estimated value of the recoverable amount in such a way that the increased book value does not exceed the book value that would have been determined if an impairment loss had not been recognized for the asset in question (or cash-generating unit) in subsequent years. The reversal of an impairment loss is immediately recognized in results.

At the date of issuance of the consolidated financial statements, the Entity has not presented evidence of impairment at December 31, 2012 and 2011 that required adjustment to the value of their investments.

k. Derivative financial instruments - The Entity obtains financing under different conditions. Consequently, when obtaining financing at a variable rate, it contracts these instruments to reduce its exposure to interest rate volatility risks. Other instruments are used when the contracted financing is denominated in foreign currency. Accordingly, the Entity mitigates its exposure to these risks by contracting derivative financial instruments involving interest or exchange rate swaps which convert its interest payment profile from variable to fixed or from foreign currency to Mexican pesos. The Entity only performs transactions involving derivative financial instruments with institutions of recognized solvency and based on the individual limits established with each. The Entity's policy is not to perform transactions with derivative financial instruments for speculative purposes.

The Entity recognizes all assets or liabilities generated by transactions involving derivative financial instruments at their fair value in the balance sheet, regardless of the reason for which these instruments were acquired. Fair value is determined based on the prices of recognized markets; however, when these instruments are not quoted on markets, their fair value is determined by using the valuation techniques accepted by the finance community.

When derivative instruments are contracted to hedge risks and fulfill hedging requirements, the designation is documented at the start of the hedge transaction by describing the purpose, characteristics, accounting recognition and how transaction effectiveness will be measured.

Derivative instruments designated as hedges recognize valuation changes according to the nature of each particular hedge: (1) in the case of fair value hedges, fluctuations affecting the derivative instrument and hedged item are valued at their fair value and recognized in results; (2) in the case of cash flow hedges, the effective portion is temporarily recognized in comprehensive income and applied to results when affected by the hedged item; the ineffective portion is immediately recognized in results.

The Entity suspends its hedge accounting when the derivative has expired, is sold, canceled, exercised, when it fails to reach the high effectiveness level needed to offset changes in the fair value or cash flows of the hedged item, or when the entity decides to cancel the hedge designation.

When the Entity suspends its hedge accounting, in the case of cash flow hedges, the amounts recorded under stockholders' equity as part of comprehensive income remain in equity until the effects of the forecast transaction or agreed commitment affect results. When it is unlikely that the agreed commitment or forecast transaction will take place, the gains or losses accrued to the comprehensive income account are immediately recognized in results.

l. Goodwill – Goodwill represents the amount by which the paid price exceeds the market value of the assets and liabilities assumed for the 17 stores located in the south of Los Angeles, California, and the three stores located in Baja California Sur, Mexico. This amount is classified as an intangible asset.

In order to evaluate impairment, goodwill is assigned to each of the cash-generating units from which the Entity expects to obtain benefits from the synergies of this combination. The cash-generating units to which goodwill is assigned are subject to impairment evaluations annually or more frequently whenever there are signs that the unit may have undergone impairment. If the recoverable amount of the cash-generating unit is lower than its book value, the impairment loss is initially assigned so as to reduce the book value of the goodwill assigned to the unit, after which it is proportionately assigned to the unit's other assets based on the book value of each of its assets. The impairment loss recognized for goodwill purposes cannot be reversed in a subsequent period.

When the Entity has availability of a relevant cash-generating unit, the attributable amount of goodwill will be included in the determination of the profit or loss at disposition time.

At issuance of the consolidated financial statements date, the Entity has not presented evidence of impairment at December 31, 2012 and 2011 that required adjustment to the value of their investments.

m. Provisions - Provisions are recognized when the Entity has a current obligation (whether legal or assumed) as a result of a past event, when it is likely that the Entity will have to settle this obligation and its amount can be fairly estimated.

The amount recognized as a provision is the best estimate of the disbursement required to settle the current obligation at the end of the reporting period, while also considering the risks and uncertainty surrounding the obligation. When a provision is valued according to the estimated cash flows needed to settle a current obligation, its book value represents the current value of these cash flows.

When the Entity expects to recover some or all of the economic benefits needed to settle a provision from a third party, an account receivable and effect are recognized when it is virtually certain that the disbursement will be received and the account receivable amount can be fairly valued.

n. Financial liabilities - Financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instruments.

Financial liabilities are initially valued at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of financial liabilities, as appropriate, in recognition initial. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

i. Classification as debt or capital

Debt instruments are classified as financial liabilities based on the terms of each contractual agreement.

ii. Financial liabilities

Financial liabilities are classified at their fair value with changes through results or as other financial liabilities.

iii. Financial liabilities at fair value with changes through profit and loss

A financial liability at fair value with changes through results is classified for trading purposes or designated at its fair value with changes through profit and loss.

Derivative financial instruments, except those designated as effective as hedges, are classified as held for trading purposes.

The Entity has no financial liabilities designated as with changes through results.

iv. Other financial liabilities

Other financial liabilities (including loans and payables) are subsequently valued at amortized cost using the method of effective interest rate.

The effective interest rate method is used to calculate the applied cost of a financial asset and the assignment of financial expenses throughout the period. The effective interest rate exactly discounts estimated cash payments throughout the expected life of the financial asset (or, when applicable, during a shorter period) from the net book value initially recognized for the financial asset.

v. Elimination of financial liabilities

The Entity only eliminates financial liabilities when its obligations have been fulfilled, canceled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in income.

o. ***Statements of comprehensive income -*** The Entity opted to present a consolidated statement of comprehensive income and a consolidated statement of income.

Costs and expenses were classified according to their nature based on the Entity's different economic and business activities.

p. ***Cost of long-term employee and retirement benefits -*** The Entity grants seniority premiums to all employees with at least 15 years' service or those who are dismissed, regardless of their seniority. The benefits consist of a single payment equal to 12 days' wages for each year of service valued at the employee's most recent salary, without exceeding twice the current general minimum wage.

The seniority premium liability is recorded as it is accrued and is calculated by independent actuaries using the projected unit credit method and nominal interest rates. Actuarial gains and losses are directly recognized in the Entity's results.

q. ***Employee statutory profit-sharing (PTU) -*** PTU is recorded in the results of the year in which it is incurred and presented net under the heading of general administrative expenses in the accompanying consolidated statements of comprehensive income.

r. ***Income taxes -*** The Entity is subject to the provisions of the Income Tax Law ("ISR") and Business Flat Tax Law ("IETU").

Current income tax

The ISR and IETU are recorded in the results of the year they are incurred.

Deferred income tax

In order to recognize deferred tax, the Entity determines whether, based on financial projections, it will essentially incur ISR or IETU. It then recognizes deferred tax according to the tax bases and rates applicable to the tax which its projections estimate it will incur in subsequent years. Deferred taxes are recognized based on the temporary differences between the book values of the assets and liabilities included in the consolidated financial statements and the respective tax bases used to determine tax income. A deferred tax liability is generally recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences and tax loss carryforwards to the extent that the Entity will generate future tax income to which these deductible temporary differences can be applied. These assets and liabilities are not recognized if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable nor accounting profit.

A deferred tax liability is recognized for taxable temporary differences related to investments in subsidiaries and associated entities and the equity held in joint ventures, except when the

Entity is able to control the reversal of the temporary difference and when is likely that the latter will not be reversed in the foreseeable future. The deferred tax assets generated by temporary differences associated with investments and equity are only recognized when it is likely that the future tax income of the position will be generated to allow these temporary differences to be utilized and when they are expected to be reversed in the near future.

The book value of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is unlikely that there will be sufficient tax income to permit the total or partial recovery of the asset.

Deferred assets and liabilities tax are measured using enacted tax rates expected to apply in the period when the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantially approved at the end of the reporting period under review. The valuation of liabilities and assets for deferred income tax reflects the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period under review, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when the Entity has the legal right to offset short-term assets and liabilities, when they refer to income taxes involving the same tax authority and the Entity has the intention to settle its assets and liabilities on a net basis.

Current and deferred income tax

Current and deferred income taxes are recognized as income or expenses in the consolidated statements of comprehensive income, except when involving items recognized outside results, whether in comprehensive income or directly in stockholders' equity. Tax is also recognized outside results when these items result from the initial recognition of a business combination. Similarly, the tax effect is included when recognizing a business combination.

Asset tax

The asset tax (IMPAC) expected to be recovered is recorded as a tax credit and is presented in the balance sheet under deferred income taxes.

s. ***Foreign currency transactions -*** Transactions denominated in foreign currency are recorded at the exchange rate in effect on each transaction date. Monetary assets and liabilities in foreign currency are valued in Mexican pesos based on the exchange rate in effect at the date of the consolidated financial statements. Exchange rate fluctuations are recorded in the results of the year.

t. ***Revenue recognition -*** Revenues are calculated based on the fair value of the collected or receivable payment, while considering the estimated amount of customer sales returns, rebates and other similar discounts.

Sale of goods

Income generated by the sale of goods must be recognized when each of the following conditions has been fulfilled:

- The Entity has transferred the significant risks and rewards of goods ownership to the buyer;
- The Entity does not have continuous managerial participation at the level usually associated with ownership and does not retain effective control over the sold goods;
- The income amount can be reliably valued;
- It is likely that the entity will receive the economic benefits derived from the transaction; and
- The transaction costs incurred or to be incurred can be reliably valued.

Good sales resulting from customer credit incentives based on the Entity's electronic wallet scheme are recorded as transactions with income composed by multiple elements, while the fair value of the received or receivable payment is distributed among the delivered goods and incentive credits. The payment assigned to incentive credits is valued according to its fair value – the amount for which these incentive credits can be separately sold. This payment is not recognized as income when the sale transaction initially takes place. However, the respective income is deferred and recognized once the incentive credits are applied and the Entity's obligations have been fulfilled.

Dividend and interest income

Dividend income generated by investments is recognized once the stockholders' right to receive this payment has been established (provided it is likely that the Entity will generate economic benefits and that this income can be reliably valued).

Interest income is recognized when it is likely that the Entity will receive economic benefits and when this income can be reliably valued. Interest income is recorded according to a base period with reference to outstanding principal and the applicable effective interest rate, which exactly discounts the estimated cash flows to be received throughout the expected life of the financial asset and is equal to its initially recognized net book value.

Income from the lease of premises

It is recorded when accrued.

u. Profit per share - The basic profit per ordinary share is calculated by dividing net consolidated profit by the weighted average of outstanding ordinary shares throughout the year.

4. Critical accounting judgment and key sources for estimating uncertainty

When applying the Entity's accounting policies, as described in Note 3, the Entity's management must utilize its judgment, estimates and assumptions regarding the book values of assets and liabilities. These estimates and assumptions are based on historical experience and other significant factors, although actual results may differ from these estimates.

Underlying estimates and assumptions are periodically reviewed. Accounting estimate reviews are recognized in the review and future periods if they affect current and future periods.

a. *Essential judgments when applying accounting policies*

Below we present essential judgments, apart from those involving estimates, made by management during the application of the Entity's accounting policies, and which have a significant effect on the consolidated financial statements.

- The calculation of the use value to perform the impairment tests requires the Entity to determine the future cash flows that should arise from the cash generating units and an appropriate discount rate to calculate the present value. Goodwill is assigned to each of the Entity's cash generating units which expects to obtain benefits from the synergies of this combination.
- The Entity has entered into lease agreements, as lessor, with GE Capital, Water Capital and Apoyo Mercantil (BBVA). The store operating assets are maintained in contracts for a period of seven years, whereas electronic equipment is leased for three years. Both types of assets contemplate a purchase option at market values when the lease ends and have fulfilled certain characteristics, which the Entity does not believe comply with the definition of an operating lease.

b. *Key sources of uncertainty in the estimates*

Below we discuss the basic assumptions regarding the future and other key sources of uncertainty in the estimates at the end of the reporting period, which have a significant risk of causing significant adjustments in the book values of the assets and liabilities over the coming year.

- As discussed in Note 23, the Entity has accumulated tax losses and recoverable asset tax, whose recoverability must be assessed before a deferred asset is recognized.
- For purposes of determining the deferred tax, the Entity must make tax projections to determine whether the Entity will incur IETU or ISR and thus consider the tax incurred as the basis for the determination of the deferred taxes.
- The Entity prepares valuations of its financial derivatives which are contracted to mitigate the risk of interest rate volatility and exchange fluctuations.
- The Entity reviews the estimate of the useful life, residual value and amortization method

for its fixed assets at the end of each reporting period and the effect of any change in the estimate is recognized prospectively. Furthermore, at the end of each reporting period the Entity reviews the book values of its tangible and intangible assets to determine whether there is any indication that they have suffered a loss from impairment.

- The Entity reviews the fair value of the investment properties based on future cash flows, applying an appropriate discount rate. At the end of each period, if applicable, it makes the respective adjustments in results for the year.

5. Accounts and notes receivable – Net

		2012		2011
Customers	$	599,795	$	689,793
Allowance for doubtful accounts		(4,528)		(10,595)
		595,267		679,198
Sundry debtors		1,054,203		573,311
Notes receivable		17,418		22,099
	$	1,666,888	$	1,274,608

a. Accounts receivable from customers

The accounts receivable from customers detailed in the above table are classified as accounts receivable and valued at their amortized cost.

The accounts receivable from customers detailed in the preceding paragraphs include the amounts overdue at the end of the reporting period (see aging analysis below) for which the Entity has recognized an allowance for doubtful accounts because it is highly likely that customers will default on their payments. This provision is recorded following its determination, while the reserve amount is updated at least on every reporting date. The additional disclosures required by IAS 32, "Presentation of financial instruments", for estimating the allowance for doubtful accounts have not been included as they are considered to be immaterial.

Accounts receivable aging is as follows:

		2012		2011
Current	$	1,540,279	$	1,123,058
At 30 days		26,291		15,946
31 – 60 days		4,180		49,712
61 – 90 days		14,916		38,294
More than 90 days		85,750		58,193
Total	$	1,671,416	$	1,285,203
Allowance for doubtful accounts		(4,528)		(10,595)
Accounts and notes receivable – Net	$	1,666,888	$	1,274,608

In determining the recoverability of the account receivable, the Entity considers any change in the credit quality of the account from the date credit was initially granted up to the end of the reporting period under review. Concentration of credit risk is limited due to the type of business.

6. Recoverable taxes

		2012		2011
Recoverable Income Tax and Flat Tax	$	104,846	$	80,191
Creditable Value Recoverable Added Tax and Excise Tax (IEPS)		1,148,880		1,135,790
Others, IMPAC mainly		83,033		84,379
	$	1,336,759	$	1,300,360

7. Derivative financial instruments

The Entity has contracted interest rate collars to manage the loan interest rate risk, while also controlling the movement of the debt from fixed to variable rates and vice versa. On December 3, 2009, the Entity contracted four interest rate collars under this scheme, through which it pays or receives amounts calculated according to a fixed interest rate floor and ceiling linked to the 28-day TIIE rate. The first of these collars, for a notional amount of $1,750 million pesos, expires on August 4, 2017; and the second, for a notional amount of $339 million pesos, expires on December 28, 2016. The notional amounts and expiration dates of these derivative financial instruments are related to the hedged loans.

During the first quarter of 2012 and based on the interest rate collars discussed above, the Entity paid an 11.125% rate and received a 4.7808% interest rate. The difference was recorded in the RIF, thereby offsetting the variable interest rate effect of the hedged loan.

In May 2011, the Entity contracted a dollar loan maturing on May 16, 2016 and a floating interest rate in dollars, so it took on a cross currency swap to convert the floating rate for converting weights and also commitment of capital payment in dollars to pesos. The derivative has a notional amount of $ 52 million and it tied exactly with maturities that have credit, so it is considered a hedging instrument.

In August 2011, the Entity contracted an Interest Rate Swap linked to the loan contract for the amount of US$ 52 million, which established a fixed interest rate whereby the Entity pays annual interest at the 6.48% fixed rate on the notional amount converted to Mexican pesos. This instrument exactly reflects hedged loan maturities.

In April 2012, the Entity contracted another loan denominated in US dollars with maturity on April 24, 2017 and a floating interest rate denominated in that currency. Accordingly, it acquired a Cross Currency Swap to convert the floating interest rate and payment of principal denominated in US dollars to Mexican pesos. Given that the derivative instrument has a notional amount of US$20 million and exactly reflects loan maturities, it is considered as a hedge instrument.

During August 2012, Bodega Latina, Co., a subsidiary of the Entity, entered into a bank loan with Wells Fargo in the amount of USD $ 50 million with a term of five years and a quarterly amortization from March 2013. Because the bank loan was contracted with a variable rate, Bodega Latina Co., hired a derivative swaps to fix the interest rate you will pay for the bank loan since September 2013. The notional amount of the swap was USD$20.8 million covering 50% of the loan outstanding at the beginning of the term of the derivative in an amount of USD$41.7 million. There is a difference between the amount of the bank loan and the notional primary derivative for USD$8.2 million, corresponding to the installments between March and September 2013, all before the start of the period of hedging transaction. This instrument is tied exactly with the maturity of the credit that is covering, so it is considered a hedging instrument.

8. Inventories

		2012		2011
Raw materials	$	211,144	$	237,558
Production in process		10,393		10,851
Finished goods		6,437,722		6,166,665
Others		61,570		37,138
		6,720,829		6,452,212
Inventory reserve		(67,693)		(77,526)
	$	6,653,136	$	6,374,686

Reserve at January 1, 2011	$	(116,135)
Reserve created during the year		(235,216)
Reserve canceled during the year		273,825
Reserve at December 31, 2011		(77,526)
Reserve created during the year		(368,850)
Reserve canceled during the year		378,683
Reserve at December 31, 2012	$	(67,693)

9. Property and equipment – Net

		2012		2011
Cost	$	26,792,835	$	24,262,300
Construction in progress		467,016		338,434
Land		5,536,102		5,176,751
		32,795,953		29,777,485
Accumulated depreciation		(7,647,325)		(6,720,110)
	$	25,148,628	$	23,057,375

a. The reconciliation of property and equipment is as follows:

Cost		Building		Store equipment		Furniture and fixtures		Vehicles		Construction in progress		Land		Total
Balance at January 1, 2011	$	13,127,254	$	5,159,640	$	1,429,247	$	194,147	$	390,117	$	5,147,754	$	25,448,159
Acquisitions and exchange rate differences		2,671,838		1,233,156		286,773		11,213		627,036		133,636		4,963,652
Disposals		(129,201)		(93,677)		(144,441)		(90,578)		-		(176,429)		(634,326)
Transfers		351,352		217,375		38,196		6		(678,719)		71,790		-
Balance at December 31, 2011	$	16,021,243	$	6,516,494	$	1,609,775	$	114,788	$	338,434	$	5,176,751	$	29,777,485
Acquisitions and exchange rate differences		1,617,927		694,424		131,946		11,428		653,339		140,267		3,249,331
Disposals		(36,686)		(43,843)		(32,509)		(5,811)		(983)		(20,797)		(140,629)
Transfers		(4,522)		193,223		5,143		(185)		(523,774)		239,881		(90,234)
Balance at December 31, 2012	$	17,597,962	$	7,360,298	$	1,714,355	$	120,220	$	467,016	$	5,536,102	$	32,795,953

Depreciation	Building	Store equipment	Furniture and fixtures	Vehicles	Total
Balance as of January 1, 2011	$ (2,528,232)	$ (2,396,351)	$ (998,175)	$ (88,680)	$ (6,011,438)
Expense from depreciation and exchange rate differences	(312,776)	(464,582)	(169,369)	(23,398)	(970,125)
Disposals	(7,874)	93,555	124,501	51,271	261,453
Balance as of December 31, 2011	(2,848,882)	(2,767,378)	(1,043,043)	(60,807)	(6,720,110)
Expense from depreciation and exchange rate differences	(324,473)	(455,025)	(246,607)	(18,965)	(1,045,070)
Disposals	28,737	51,194	34,380	3,544	117,855
Balance as of December 31, 2012	$ (3,144,618)	$ (3,171,209)	$ (1,255,270)	$ (76,225)	$ (7,647,325)

10. Investment properties

	2012	2011
Fair value of investment properties	$ 5,274,314	$ 5,121,012

The fair value of the Entity's investment properties was obtained at acquisition date, through an appraisal performed by Organización Levin de México, S.A. de C.V. (Levin), a firm of independent appraisers which is not related to the Entity. The financial projections prepared by Entity Management were also utilized to determine the fair value of its assets.

The appraisal, which was performed according to International Valuation Standards, was based on evidence regarding the market prices of transactions with similar characteristics and the premise of continued use, whereby the goods in question will remain at their current location and will be utilized throughout their remaining useful life to generate benefits to allow their value to be recovered.

All the Entity's investment properties are free from third-party interests.

11. Other assets – Net

	2012	2011
Guarantee deposits	$ 450,021	$ 365,119
Goodwill	934,437	675,494
Other long-term assets	791,552	855,043
Software and licenses	869,209	888,066
Restricted cash [1]	56,168	126,323
	3,101,387	2,910,045
Accumulated amortization	(646,912)	(447,237)
	$ 2,454,475	$ 2,462,808

[1] *Represents the condition in contracting derivative financial instruments to hedge interest rate, financial institutions are required to maintain collateral to cover the excess of the market rate and the contracted. This surplus is secured by cash held in the bank account, which has a restriction on the use of the same.*

12. Accounts and notes payable to suppliers

	2012	2011
Suppliers	$ 10,522,343	$ 9,962,345

The amount recognized for suppliers is based on source documentation, whether the amount indicated by the respective receipt or contract at the balance sheet date, or the disbursement required to settle the current obligation. The Entity has implemented financial risk management policies to ensure that all accounts payable are settled according to pre-agreed credit terms.

The debt with suppliers is calculated according to agreed contractual maturities. At December 31, 2012 and 2011, the Entity's debt obligation is composed as follows:

	2012	2011
Current	$ 2,545,171	$ 3,499,337
At 30 days	4,195,340	3,878,608
At 60 days	2,089,669	1,933,536
At 90 days	980,870	522,841
More than 90 days	711,293	128,023
	$ 10,522,343	$ 9,962,345

13. Lease obligations

The Entity has executed operating and electronic equipment lease contracts with GE Capital, Water Capital and Apoyo Mercantil (BBVA), for the periods of 7.5 and 3 years, respectively. Similarly, it executed a five-year capital lease contract with IBM for computer equipment.

The Entity's lease obligations are guaranteed by its ownership title to the goods in question..

a. Capital lease liabilities

	Minimum lease payments		Current value of minimum payments	
	2012	2011	2012	2011
Less than one year	$ 224,487	$ 244,450	$ 172,764	$ 174,508
Between one and five years	487,608	674,192	435,300	554,545
Five years or more	-	26,417	-	25,729
	712,095	945,059	608,064	754,782
Less future financing charges	(104,031)	(190,277)	-	-
Current value of minimum lease payments	$ 608,064	$ 754,782	$ 608,064	$ 754,782

b. Fair value

The fair value of capital lease liabilities is approximately equal to their book value.

14. Loans from financial institutions

	2012	2011
Promissory note payable to BBVA Bancomer, S. A., Institución de Banca Múltiple, which enables the Entity to acquire working capital at an annual interest rate of 5.66% and with maturity on January 4, 2013.	$ 200,000	$ 494,000
Loan contracted by Bodega Latina Co. with Wells Fargo Bank for the amount of US$ 48,000, at an interest rate fluctuating between 1.75% and 3.5%.	-	669,485
Credit line contracted with BBVA (Switzerland) S.A., which allows the Entity to acquire working capital at the monthly LIBOR rate plus 0.75%, for the period from December 20, 2012 through December 20, 2013.	11,059	42,807
Promissory note payable to HSBC México, S.A., which allows the Entity to acquire working capital at the annual interest rate of 5.60%, with maturity on April 3, 2012.	-	500,000
Promissory note payable to Santander, S.A., which allows the Entity to acquire working capital at the interest rate of 6.00%, with maturity on March 17, 2013.	70,515	-
Credit line contracted with Inbursa, S.A., which allows the Entity to acquire working capital at the 5.65% rate for a one-year period as of January 7, 2013.	400,000	-
	$ 681,574	$ 1,706,292

15. Long-term bank loans

	2012	2011
Loan from Banco Nacional de México, S.A. (Banamex) warranted by several significant subsidiaries at an annual rate of TIIE plus 0.60%, effective for ten years as of September 2007, with payment of principal beginning on August 3, 2015. The rates charged as of December 31, 2012 and 2011 were 5.39% and 5.45%, respectively.	$ 1,750,000	$ 1,750,000
Loan from BBVA Bancomer, S.A. (BBVA), warranted by several significant subsidiaries at a rate of TIIE plus 0.55 percentage points, with a five-year grace period for payment of principal as of September 13, 2007. The rate charged as of December 31, 2012 and 2011 was 5.35% and 5.95%, respectively.	750,000	750,000
Loan from BBVA Bancomer, S.A. (BBVA), warranted by several significant subsidiaries at a rate of TIIE plus 0.375 percentage points with a four-year grace period for payment of principal as of June 12, 2008. The rate charged as of December 31, 2011 was 5.17%.	-	300,000
Loan from Bank of America, S.A. warranted by Tiendas Chedraui, S.A. de C.V. at a rate of Libor plus 1.32 percentage points with a first repayment on May 16, 2013. The rate charged as of December 31, 2012 and 2011 was 6.48% and 1.57%, respectively.	676,525	726,892
Loan obtained by Bodega Latina Co. with Wells Fargo Bank for US$50,000 at a rate of 2.75%, with a grace period for payment of principal up to December 31, 2012.	777,948	-
Loan with Bank of America, S.A., warranted by several significant subsidiaries at a rate of 1.5 percentage points with a first repayment on April 24, 2014. The rate charged as of December 31, 212 was 6.02%	260,202	-
Loan with BBVA Bancomer, S.A. (BBVA), warranted by several significant subsidiaries at a rate of TIIE plus 1.10 percentage points with a one-year grace period for payment of principal as of March 29, 2013. The interest rate charged as of December 31, 2012 was 5.95%	450,000	-
Loan with BBVA Bancomer, S.A. (BBVA), warranted by several significant subsidiaries at a rate of TIIE plus 1.10% percentage points with a one-year grace period for payment of principal as of March 29, 2013. The interest rate charged as of December 31, 2012 was 5.95%	300,000	-
Long-term liabilities	4,964,675	3,526,892
Less – current portion	425,916	1,050,000
	$ 4,538,759	$ 2,476,892

At December 31, 2012 and 2011, the Entity was in compliance with the covenants set forth in each of the contracts.

16. Employee benefits

The Entity maintains a defined benefit pension plan which covers all employees who reach 65 years of age.

This plan also provides seniority premium benefits, which consist of a lump sum payment of 12 days' wage for each year worked, calculated using the most recent salary, not to exceed twice the minimum wage established by law. The related liability and annual cost of such benefits are calculated by an independent actuary on the basis of formulas defined in the plans using the projected unit credit method..

a. Present value of these obligations and the rates used for the calculations are:

		2012		2011
Defined benefit obligation	$	202,883	$	162,558
Fair value of plan assets		-		(350)
Unfunded benefit obligations		202,883		162,208
Bodega Latina liabilities		20,465		27,092
Net projected liability	$	223,348	$	189,300

b. Nominal rates used in actuarial calculations are as follows:

	2012 %	2011 %
Discount of the projected benefit obligation at present value	6.75%	7.75%
Expected yield on plan assets	-	8.75%
Salary increase	3.50%	4.50%

Unamortized items are applied during the year.

c. Changes in present value of the defined benefit obligation:

		2012		2011
Present value of the defined benefit obligation as of January 1,	$	189,300	$	150,349
Current service cost		23,352		-
Cost recognized through comprehensive income		10,696		38,951
Present value of the defined benefit obligation as of December 31,	$	223,348	$	189,300

The Entity engaged independent professionals to measure the present value of the defined benefit obligation and the market value of the respective assets for the pension plan, death or disability and seniority premium.

The appointed consultants issued their report in conformity with the guidelines of international accounting standards.

Adjustments to actuarial assumptions, including the change in the discount rate for valuing employee benefits, are recognized directly in other comprehensive income in stockholders' equity without affecting profit or loss.

17. Financial instruments

a. *Significant accounting policies*

The details of the significant accounting policies and the methods used (including recognition criteria, valuation bases and the bases for income and expense recognition) for each class of financial asset, financial liabilities, and equity instruments are disclosed in Note 3.

b. *Financial instrument categories*

		2012		2011
Financial assets				
Cash	$	688,846	$	872,970
Accounts and notes receivable		1,666,888		1,274,608
Accounts receivable from related parties		53,264		65,460
Investment in shares		24,289		27,049
Long-term accounts receivable		89,053		89,053
Financial liabilities				
Accounts and notes payable to suppliers	$	10,522,343	$	9,962,345
Loans from financial institutions		681,574		1,706,292
Current portion of long-term debt		425,916		1,050,000
Long-term bank loan		4,538,759		2,476,892
Derivative financial instruments		362,762		388,909
Lease obligations		608,064		754,782

c. *Financial risk management objectives*

The activities carried out by the Entity expose it to a number of financial risks, including market risk (which encompasses foreign exchange, interest rate and price risks – such as investment in share certificates and commodity prices futures), credit risk and liquidity risks.

The Entity seeks to minimize the potential negative effects of these risks on its financial performance through an overall risk management program. The Entity uses derivative and non-derivative financial instruments to hedge against some exposures to financial risks embedded in the balance sheet (recognized assets and liabilities) and off-balance sheet risks (firm commitments and highly probable forecasted transactions).

Both, financial risk management and the use of derivative and non-derivative financial instruments are ruled by Entity policies approved by the Board of Directors and are carried out by the Entity's treasury. The Entity identifies, assesses and hedges financial risks in collaboration with its subsidiaries. The Board of Directors has approved written policies of a general nature with respect to the management of financial risks, as well as policies and limits associated to other specific risks; guidelines for permissible losses, when the use of certain derivative financial instruments is approved, or when such instruments can be designated as hedges, or when they do not qualify for hedge accounting, but rather for trading, and certain interest rate and / or foreign currency forwards and swaps that have been contracted. Compliance by the Entity's management of established policies and exposure limits is reviewed by internal audit on an ongoing basis.

The Entity's policy is not to perform operations with the purpose of speculation with derivatives.

d. Market risk

The Entity's activities mainly expose it to exchange rate and interest rate financial risks.

The Entity executed interest rate collars to manage the interest rate risk on the loans received and control the integration of its debt from fixed to variable interest rates and vice versa. On December 3, 2009, the Entity executed four interest rate collars under this scheme whereby it pays or receives amounts calculated based on interest rates with a fixed floor and ceiling related to the 28-day TIIE. As of December 31, 2012 only two collars are current, the first collar has a notional amount of $1,750 million Mexican pesos expires on August 4, 2017 and the second has a notional amount of $339 million Mexican pesos and expires on December 28, 2016. The notional amounts and the expiration dates of the derivative instruments are related to the hedged loans.

During 2012, for the swaps discussed above, the Entity paid an interest rate of 11.25% and received an average weighted interest rate of 6.48%. The difference was recorded under comprehensive financing cost, offsetting the variable rate effect of the hedged loan. The asset generated by the collars is recognized in stockholders' equity under the comprehensive income line item and applied to results.

During August 2012, Bodega Latina, Co., a subsidiary of the Entity, entered into a bank loan with Wells Fargo of USD$50 million with a term of five years and quarterly amortizations from March 2013. Because the bank loan was contracted with a variable rate, Bodega Latina Co., hired a derivative swaps to fix the interest rate that will pay for the bank loan since September 2013. The notional amount of the swap was USD$20.87 million that covers 50% of the loan outstanding at the beginning of the term of the derivative in an amount of USD$41.75millons. There is a difference between the amount of the bank loan and the notional primary derivative for USD$8.25 million, which corresponds to the amortizations between March and September 2013, all before the start of the period of the swap. This instrument is tied exactly with the maturity of the credit that is covering, so it is considered a hedging instrument.

e. *Exchange risk management*

The Entity carries out transactions in foreign currency, thereby generating exposure to exchange rate fluctuations, which are handled within the parameters of the approved policies using foreign currency forwards.

The book values of the foreign currency-denominated monetary assets and liabilities at the end of the reporting period are as follows:

	2012	2011
Assets	$ 92,839	$ 80,649
Liabilities	252,522	(209,650)
Net US dollar liabilities	(159,683)	(129,001)
Yearend exchange rate (MXP per 1USD)	12.97	13.94

- Approximately 1.77% of goods inventories were imported by the Entity in 2012 and 2.57% in 2011.
- Transactions in thousands of US dollars as of December 31, 2012 and 2011 include import purchases of $69,537 and $88,215, respectively.
- **Foreign currency sensitivity analysis**

  The Entity is mainly exposed to the US dollar.

  The following analysis details the Entity's sensitivity to a 10% increase and/or decrease in the Mexican peso to US dollar exchange rate. Such fluctuation represents management's assessment of the possible fair change in the exchange rate. The sensitivity analysis only includes the monetary position at the end of the period, eliminating the US$72 million liabilities whose fluctuation is covered with a financial instrument. The sensitivity analysis includes external loans as well as foreign transaction loans within the Entity where the loan is denominated in a currency other than that of the borrower or the lender, regardless of the elimination of intercompany balances in consolidation. When the Mexican peso appreciates 10% against the US dollar, there is an increase in results and stockholders' equity. When the Mexican peso depreciates, there is a decrease in results and stockholders' equity.

  The exchange parity variance results in an adjustment of $113,687 and $103,259 for the years ended December 31, 2012 and 2011, respectively.

  The sensitivity analysis may not be representative of the exchange risk during the period due to variances in the net foreign currency-denominated position

f. *Interest rate risk management*

The Entity is exposed to interest rate risks because it obtains loans at both fixed and variable interest rates. The risk is managed by the Entity by maintaining an appropriate combination of fixed rate and variable rate loans and by using interest rate collars. Hedging activities are regularly assessed

to align them with interest rates and the defined risk appetite, ensuring the application of more profitable hedging strategies.

The Entity's exposures to the interest rates of financial assets and liabilities are detailed in the following liquidity risk management section in this note.

- **Interest rate sensitivity analysis**

  The following sensitivity analyses have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For variable rate liabilities, an analysis is prepared assuming that the liability amount is in effect at the end of the period. An increase or decrease of 10% over the average annual rate, which represents management's assessment of the possible fair change in interest rates. If the interest rates had been 100 basis points above/below and all other variables had remained constant, the result and stockholders' equity would have varied by $10,627 and $4,436 as of December 31, 2012 and 2011, respectively.

The sensitivity analysis may not be representative of the interest rate risk during the period due to variances in debt balances.

Accounting policy for the valuation of derivative financial instruments

The Entity values and recognizes all derivatives at fair value, regardless of the purpose for holding them, supported on valuations provided by counterparties (appraisers). The values are calculated using fair value techniques recognized in the financial environment and supported by sufficient, reliable, and verifiable information. The fair value is recognized in the consolidated statement of financial position as an asset or liability according to the rights or obligations in the executed contracts.

When the transactions fulfill all hedge accounting requirements, the Entity designates the derivatives as hedging financial instruments. For fair value hedges, the valuation fluctuation is recognized both for the derivative and for the open risk position, in the results of the period in which it occurs. For cash flow hedges, the effective portion is temporarily recognized under comprehensive income/loss in stockholders' equity and subsequently reclassified to results when affected by the hedged item; the ineffective portion is reflected in the results of the period in which it is known.

g. Credit risk management

Credit risk refers to the risk that the counterparties may default on their contractual obligations, resulting in a loss for the Entity. The main credit risk relates to cash and cash equivalents, accounts receivable and derivative financial instruments. The Entity's policy is to only execute transactions with renowned institutions with a high credit rating, thereby minimizing the exposure to risks

derived from cash and cash equivalents and derivative financial instruments. In regard to accounts receivable, the Entity has credit and collection policies which include the periodic review and the creation of allowances in accordance with such policies. Note 5 includes a breakdown of accounts receivable. The maximum exposure to credit risk as of December 31, 2012 and 2011 is $1,666,888 and $1,274,608, respectively.

h. Liquidity risk management

The Entity manages liquidity risk by maintaining adequate reserves and bank loans, by continuously supervising projected and actual cash flows. Long-term debt maturities are presented in Note 15. The Entity prepares financial runs to quarterly estimate its cash flows.

The following tables as of December 31, 2012 and 2011 show the Entity's remaining contractual maturities for non-derivative financial liabilities with agreed-upon payment periods. The tables have been designed based on the non-discounted cash flows of the financial liabilities as of the most recent date on which the Entity must make payments; consequently, they include both principal and interest cash flows, as applicable. Insofar as interest is calculated at a variable rate, the non-discounted amount derives from the interest rate curves at the end of the reporting period. Contractual maturities are based on the minimum date on which the Entity must make the payment:

2012	Less than one year	One to less than five years	Over five years	Total
Bank loans	$ 681,574	$ -	$ -	$ 681,574
Long-term liabilities (including current portion)	146,187	4,005,928	972,350	5,124,465
Accounts and notes payable to suppliers	10,648,519	-	-	10,648,519
Lease obligations	224,487	487,608	-	712,095
Total	$ 11,700,767	$ 4,493,536	$ 972,350	$ 17,166,653

2011	Less than one year	One to less than five years	Over five years	Total
Bank loans	$ 1,706,292	$ -	$ -	$ 1,706,292
Long-term liabilities (including current portion)	1,132,029	2,823,775	1,360,361	5,316,165
Accounts and notes payable to suppliers	10,083,780	-	-	10,083,780
Lease obligations	244,450	674,192	26,417	945,059
Total	$ 13,166,551	$ 3,497,967	$ 1,386,778	$ 18,051,296

The following tables as of December 31, 2012 and 2011 presents the liquidity analysis of the Entity's derivative financial instruments. The table has been designed based on non-discounted contractual cash inflows and outflows which are settled on a net basis, and non-discounted gross cash inflows and outflows of those derivatives that require a gross settlement. When the amount payable or receivable is not fixed, the amount disclosed was determined in reference to projected interest rates, as shown by the yield curves as of the end of the reporting period.

2012	Less than one year	One to less than five years	Over five years	Total
Derivative financial instruments	$ 132,804	$ 335,065	$ - .	$ 467,869

2011	Less than one year	One to less than five years	Over five years	Total
Derivative financial instruments	$ 179,810	$ 449,673	$ 18,317	$ 647,800

i. Fair value of financial instruments

Fair value of financial instruments recorded at amortized cost

Except for what is detailed in the following table, the top executives believe that the book values of the financial assets and liabilities recognized at amortized cost in the consolidated financial statements are approximate to fair value:

	2012	2011
Financial assets		
Long-term accounts receivable	$ 89,053	$ 89,053
Accounts receivable from related parties	53,264	65,460
Financial liabilities		
Loans from financial institutions	$ 681,574	$ 1,706,292
Current portion of long-term debt	425,916	1,050,000
Long-term bank loan	4,538,759	2,476,892

Valuation techniques and assumptions used to determine fair value

The fair value of financial assets and liabilities is determined as follows:

- The fair value of derivative instruments is calculated using quoted prices. When market prices are not available, an analysis of discounted cash flows using the applicable yield curve for the period of non-optional derivatives and pricing models for optional derivatives. The foreign currency forward contracts are valued using the forward exchange rates quoted and yield curves derived from quoted interest rates matching maturities of the contracts. The interest

rate collars are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

18. Collection rights of trust contracts

The Entity together with six group subsidiaries (trustors) established a non-business trust with Supervisión y Mantenimiento de Inmuebles, S.A. de C.V. (Supermant), in which a multiple banking institution was designated as the trustee and was instructed by Supermant to execute a loan with another multiple banking institution and to acquire a loan by subscribing the trustor assignment agreement, the accounts receivable, the existing and future collection rights of certain lease, advertising, and parking contracts.

The trust requires the creation of a cash reserve which will be recovered when the contract is concluded. Such reserve is presented under noncurrent assets as a long-term account receivable.

Per the trust contract, as the collection rights are realized, the resources obtained will be used to cover the trust's expenses, such as, mainly, manager fees, taxes incurred, commissions and interest on the agreed-upon debt; the remnant will be applied to advance payments of the contracted debt. If such remnant does not cover the minimum debt payment, the difference is obtained from the cash reserve discussed above, which must be replenished with the realization of future collection rights; if the reserves are insufficient, the trustors may, but are not obligated to, assign and contribute in favor of the trustee the eligible collection rights necessary to replenish such shortage.

According to the Entity's projections on portfolio recovery and utilization, management believes that the loan will be settled ten years before the agreed-upon term.

As of December 31, 2012 and 2011, the Entity had recorded collection rights of $959,364 and $356,718, respectively, and a long-term account receivable of $89,053 in both years.

Revenues are recorded in the results of each year in the proportion in which such collection rights are earned or materialized.

19. Stockholders' equity

a. Common stock as of December 31, 2012 and 2011 is composed of 963,917,211 no-par value common shares. Fixed capital shares are nonwithdrawable and variable capital may not exceed ten times the fixed capital.

b. During a Stockholders' Ordinary Meeting held on March 23, 2011, it was approved the creation of the reserve for the repurchase of shares by a maximum of $500,000. The Entity repurchased a total of 5,000 on October 25, 2011, of which 4000 shares at purchase price of $ 32.26 and 1,000 to the purchase price of $ 32.36. On December 23, 2011 were sold the 5,000 shares; 4.600 shares at a price of $ 33.75 and 400 shares at a price of $ 33.89, representing movements in the variable portion of the capital stock of the Entity.

c. During a Stockholders' Ordinary Meeting held on March 23, 2011, the stockholders approved the payment of cash dividends to the Entity's stockholders at $ 0.22 (twenty-two cents) per each outstanding paid-in share at the dividend payment date. The payment was made against the Entity's net tax income account through S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores. Dividends paid in 2011 were $216,111.

d. During a Stockholders' Ordinary Meeting held on March 29, 2012, the stockholders approved the payment of cash dividends to the Entity's stockholders at $ 0.22 (twenty-two cents) per each outstanding paid-in share at the dividend payment date. The payment was made against the Entity's net tax income account through S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores. Dividends paid in 2011 were $216,116.

e. Retained earnings include the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value. The legal reserve may be capitalized but may not be distributed unless the entity is dissolved. The legal reserve must be replenished if it is reduced for any reason. As of December 31, 2012 and 2011, the legal reserve at par value was $36,687.

f. Stockholders' equity, except for restated paid-in capital and tax retained earnings will be subject to income tax payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income tax of the year in which the tax on dividends is paid and the following two fiscal years, against the tax of the year and the provisional payments thereof.

g. The balance of the tax income account as of December 31, are:

		2012		2011
Contributed capital account	$	457	$	442
Net tax profit account (CUFIN)		625,185		1,195,309
Total	$	625,642	$	1,195,751

h. Capital risk management

The Entity manages its capital to ensure that it will continue as a going concern while maximizing stockholder profits by optimizing its capital structure.

Entity management reviews the capital structure when presenting its financial projections as part of the business plan to the Board of Directors and the Entity's stockholders. As part of this review, the Board of Directors considers the cost of capital and the associated risks.

The Entity is incorporated as an "S.A.B. de C.V." (Public Stock Entity with variable capital) pursuant to the Mexican Securities Act and, in conformity with the General Corporate Law, the minimum fixed capital is $183,436.

20. Transactions and balances with related parties

a. Transactions with related parties, carried out in the ordinary course of business were as follows:

		2012		2011
Interest income	$	1,243	$	5,523
Lease revenues		1,222		1,757
Administrative revenues		5,479		905
Maintenance expenses		(96,034)		(96,068)

b. Balances receivable from related parties are as follows:

		2012		2011
Operadora de Inmobiliarias del Sureste, S. A. de C. V.	$	41,249	$	37,599
Chefu de Tuxpan, S. A. de C. V.		2,405		7,966
Hípico Coapexpan, S. A. de C. V.		2,623		3,676
Supervisión y Mantenimiento de Inmuebles, S. A. de C. V.		6,325		15,469
Other		662		750
	$	53,264	$	65,460

c. Long-term accounts receivable from related parties relate to transactions executed with the Entity's stockholders.

d. Average employee benefits granted to the Entity's key personnel were as follows:

		2012		2011
Direct benefits	$	91,201	$	91,374
Variable benefits		61,177		62,587
	$	152,378	$	153,961

The compensation of the directors and key executives is determined by the compensation committee based on the performance of the individuals and market trends.

21. Operating lease agreements

a. *The Entity as lessee*

Lease agreements

Operating leases are related to the lease of land and buildings with lease periods of up to 30 years with the possibility of renewal for up to 15 additional years. All operating lease agreements include clauses to adjust the rent for inflation and there is a variable lease component on the revenues generated.

Transportation equipment is also under a three-year lease, and an aircraft under a nine-year lease.

The Entity is not obligated to purchase the leased real property and equipment at the end of the lease periods but it does have right of first refusal on possible offers made by the lessor.

The Entity has recognized lease expenses of $611,066 and $461,723 as of December 31, 2012 and 2011, respectively.

Operating lease commitments not subject to cancellation

		2012		2011
No later than 1 year	$	698,671	$	584,132
Later than 1 year and not longer than 5 years		2,569,730		2,201,129
Later than 5 years		3,513,994		3,607,423
	$	6,782,395	$	6,392,684

b. *The Entity as lessor*

Lease agreements

Operating leases relate to leases of land and buildings lease whose terms are up to 30 years, with the option of extending them for up to 20 additional years. All operating lease agreements include market and inflation lease review clauses with a variable rent for all the revenues generated. The lessee has no option to purchase the property at the date of expiry of the lease period.

The property rental income earned by the Entity on its investment property, all of which are leased under operating leases, amounted to $586,909 and $544,743 at December 31, 2012 and 2011, respectively.

The operating expenses related to the rental income earned from the investment properties are $198,161 and $178,375 as of December 31, 2012 and 2011.

NON-CANCELLABLE OPERATING LEASES RECEIVABLE:

	2012	2011
No later than one year	$ 485,884	$ 535,155
Later than 1 year and not longer than 5 years	769,791	857,356
Later than 5 years	209,937	226,583
	$ 1,465,612	$ 1,619,094

22. Financing cost

In 2012 and 2011, qualifying assets of $1,851,294 and $1,580,882, respectively, were acquired; and capitalized comprehensive financing cost (FC) was $51,815 and $20,312, respectively.

The capitalization of FC was determined using an annualized average rate of 5.85% and 5.20% in 2012 and 2011, respectively.

23. Income taxes

The Entity and Grupo Crucero Chedraui, S. A. de C. V. (subsidiary included in the consolidation) have separately been authorized by the Treasury Department to determine ISR and asset tax (the latter until the date it was repealed in 2007) under the tax consolidation scheme together with their direct and indirect subsidiaries, in conformity with the respective laws.

The management of the Entity has assessed the possibility of incorporating the companies of Grupo Crucero Chedraui, S. A. de C. V. to its tax consolidation scheme. To do so, it must comply with certain legal and administrative provisions.

The Entity is subject to ISR and IETU.

ISR – The rate is 30% for 2011 and 2010; it will be 30% for 2012, 29% for 2013 and 28% for 2014.

On December 7, 2009, amendments to the ISR Law were published, to become effective beginning in 2010. These amendments state that: a) ISR relating to tax consolidation benefits obtained from 1999 through 2004 should be paid in installments beginning in 2010 through 2014, and b) ISR relating to tax benefits obtained in the 2005 tax consolidation and thereafter, should be paid during the sixth through the tenth year after that in which the benefit was obtained. Payment of ISR in connection with tax consolidation benefits obtained from 1982 (tax consolidation starting year) through 1998 may be required in those cases provided by law.

IETU - Revenues, as well as deductions and certain tax credits, are determined based on cash flows of each fiscal year. Beginning in 2010, the IETU rate is 17.5% and for 2009 it was 17.0%. The Asset Tax (IMPAC) Law was repealed upon enactment of the IETU Law; however, under certain circumstances, IMPAC paid in the ten years prior to the year in which ISR is paid for the first time, may be recovered, according to the terms of the law. In addition, as opposed to ISR, the parent and its subsidiaries will incur IETU on an individual basis.

Income tax incurred will be the higher of ISR and IETU.

Based on its financial projections, the Entity determined that it will basically pay ISR. Therefore, it only recognizes deferred ISR.

a. Income taxes for the period ended December 31, are as follows:

		2012		2011
ISR expense:				
Incurred	$	482,061	$	315,211
Deferred		(46,280)		125,244
	$	435,781	$	440,455

b. The reconciliation of the legal and effective ISR rates expressed as a percentage of profit before taxes as of December 31 is as follows:

	2012	2011
Legal rate	30%	30%
Effects of inflation	(15%)	(10%)
Effects of changes in rates	(3%)	-
Change in the asset tax valuation estimate	10%	3%
Effective rate	22%	23%

c. The main items that give rise to the deferred ISR liability are:

		2012		2011
Deferred ISR asset:				
Effect of tax loss carryforwards	$	225,117	$	65,977
Allowance for doubtful accounts		1,313		3,179
Allowance for shrinkage		19,631		23,258
Advances from customers		73,597		75,435
Accrued liabilities		283,334		392,905
Derivative financial instruments		10,953		5,937
Deferred ISR asset		613,945		566,691

Deferred ISR liability:		
Prepaid expenses	(22,515)	(23,077)
Tax inventory of 2004, not yet taxable	(52,391)	(53,699)
Property and equipment	(2,860,436)	(2,880,610)
Deferred ISR liability	(2,935,342)	(2,957,386)
Recoverable IMPAC paid	1,092,861	924,396
Valuation allowance for recoverable IMPAC paid	(624,967)	(433,484)
Total liability	$ (1,853,503)	$ (1,899,783)

d. The benefits of restated tax loss carryforwards and recoverable IMPAC for which the deferred ISR asset and tax credit, respectively, have been recognized, can be recovered subject to certain conditions. Expiration dates and restated amounts as of December 31, 2012, are:

Year of expiration	Tax loss carryforwards	Recoverable IMPAC
2013	$ -	$ 394,659
2014	-	180,034
2015	-	159,164
2017	-	185,884
2017	-	173,120
2018	-	-
2019	-	-
2020	-	-
2022	776,265	-
	$ 776,265	$ 1,092,861

24. Commitments

The Entity has executed operating lease agreements for real property and operating equipment. Some of these agreements require an annual review of the fixed lease portion, expecting the expired agreements to be renewed or replaced by similar agreements.

In 2010, the Entity signed an agreement with the minority shareholders of its subsidiary Bodega Latina Co., for the purchase of its shares to acquire all of them, starting in 2010 in the amount of USD$ 14 million and from 2011 in the amount of USD$ 10 million.

25. Contingencies

a. As of December 31, 2012 and 2011, the Entity has filed some amparo lawsuits and proceedings for annulment challenging the rulings of various tax administrations. It has also filed a motion for reconsideration against an assessed tax liability for which the opinion of legal counsel is still unavailable due to the current stage in the proceedings.

b. The Entity as its assets are subject, except as noted in the previous paragraph, type some legal action other than routine and to its activity.

c. Derivative lawsuit filed against Grandes Superficies de México, S. A. de C. V. by various individuals and which claimed among other possession of the building located at Carretera Picacho-Ajusco No. 175, Colonia Heroes de Padierna, Tlalpan, C.P. 14200, Mexico, D.F. resolved by rulling, the restitution of possession in favor of individuals. Currently, the Entity is waiting on resolving various process-related incidents. If final judgment is obtained in favor of individuals, the owner of which the Entity obtained the property would be required under a previous agreement, to indemnify the Entity against any loss or damage arising as a result of that decision, without being able to guarantee to indemnify the Entity.

26. Business segment information

The Entity adopted IFRS 8, *Operating Segments*, from January 1, 2011. The IFRS 8 requires the classification of segments of operation identified based on internal reports about components of the entity, which are regularly reviewed by the officer making the operational decisions of the Entity in order to allocate resources to the segments and assessing their performance. In contrast, the previous standard (IAS 14 Segment Financial Information) required an entity to identify two sets of segments (business and geographical) using a risks and rewards approach, with the "information system for the administration" of the Entity only used as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8 did not alter the identification of segments of the Entity used in previous years, on which it has to be informed.

The Entity's main business is the sale of electronic goods, groceries, and general goods in its stores, as well as operating real property.

a. Analytical information by operating segment:

	Revenues	
Segment	2012	2011
Domestic supermarkets	$ 50,148,910	$ 45,327,181
US supermarkets	13,178,635	11,604,619
Real estate	616,782	564,349
	$ 63,944,327	$ 57,496,149

There are no individual clients that have contributed on 10% or more of the Entity's revenues.

	Profit before financing cost, equity in results of associates and income taxes	
	2012	2011
Domestic supermarkets	$ 2,215,048	$ 2,231,740
US supermarkets	322,756	255,983
Real estate	421,357	322,069
	$ 2,959,161	$ 2,809,792

	Lease - Intersegments	
	2012	2011
Domestic supermarkets	$ 1,695,378	$ 1,410,284
Real estate	(1,695,378)	(1,410,284)
	$ -	$ -

	Total assets	
Segment	2012	2011
Domestic supermarkets	$ 31,713,044	$ 29,844,725
US supermarkets	3,149,084	2,697,518
Real estate	5,665,854	5,405,517
Non-assignable items	2,861,670	2,697,621
	$ 43,389,652	$ 40,645,381

	Depreciation and amortization	
	2012	2011
Domestic supermarkets	$ 1,123,246	$ 931,237
US supermarkets	166,463	148,623
Real estate	3,525	1,898
	$ 1,293,234	$ 1,081,758

	Net fixed asset investments	
Segment	2012	2011
Domestic supermarkets	$ 1,978,501	$ 3,321,318
US supermarkets	110,508	184,462
Real estate	162,614	86,481
Non-assignable items	(7,068)	(40,934)
	$ 2,244,555	$ 3,551,327

27. Explanation for the transition to IFRS

The consolidated financial statements for the year ending December 31, 2012 to be issued by the Entity will be its first annual consolidated financial statements that comply with IFRS. The transition date is January 1, 2011. In preparing these consolidated financial statements, the Entity applied IFRS 1, according to which the Entity will apply the relevant mandatory exceptions and certain optional exemptions to the retroactive application of IFRS, as follows:

i. The Entity applied the mandatory exception for accounting estimates regarding the consistency with estimates made for the same period under Mexican Financial Reporting Standards ("MFRS").

ii. The Entity believes that hedge relationships previously designated under MFRS comply with IFRS requirements.

The Entity chose the following optional exemptions to the retroactive application of IFRS:

i. The Entity decided to recognize as of the transition date all of the actuarial gains and losses that had not been recognized at that date previously under MFRS using the corridor method.

ii. The assumed cost exemption will be applied; therefore, the Entity has opted for using the fair value as of the date of transition as assumed cost for certain real property and investment property, and has opted for using the restatement amount under MFRS as of the date of transition as assumed cost for store equipment, furniture and equipment, and transportation equipment.

Reconciliation between IFRS and MFRS – The following reconciliations quantify the effects of the transition and the impact on stockholders' equity as of the transition date of January 1, 2011 and as of December 31, 2011, as follows:

Effects of adoption in the consolidated statements of financial position:

Adjustment	Description	December 31, 2011	January 1, 2011
	Stockholders' equity under MFRS	$ 17,228,624	$ 16,018,033
a.	**Revaluation of fixed assets**	1,394,802	1,369,307
b.	**Layaway sales**	(1,077)	(3,234)
c.	**Investment properties**	1,864,658	1,864,658
d.	**Capital leases**	(48,213)	(76,656)
e.	**Provisions**	(17,588)	(17,589)
f.	**Effect of deferred taxes**	(952,157)	(939,125)
g.	**Labor obligations**	(18,751)	(26,221)
	Total adjustments	2,221,674	2,171,140
	Stockholders' equity under IFRS	$ 19,450,298	$ 18,189,173

Effects of adoption in the consolidated statement of comprehensive income:

Adjustment	Description		Period ended December 31, 2011
	Net profit under MFRS	$	1,515,409
a.	**Revaluation of fixed assets**		836
b.	**Layaway sales**		2,157
d.	**Capital leases**		48,772
f.	**Effect of deferred taxes**		(13,032)
g.	**Labor obligations**		7,470
	Total adjustments		46,203
	Net comprehensive income under IFRS	$	1,561,612

Explanation of the main impacts resulting from the adoption of IFRS in the Entity's accounting policies:

a. The Entity used the fair value as of the transition date as its assumed cost for real property and investment properties. The effects of the recognition of the appraisals at the transition date in the different asset categories is as follows:

		MFRS January 1, 2011		Adjustment		IFRS January 1, 2011
Real property	$	18,067,063	$	(2,420,182)	$	15,646,881
Investment properties		-		5,121,012		5,121,012
Total	$	18,067,063	$	2,700,830	$	20,767,893

b. The Entity recognizes layaway sales under MFRS when the layaway is made, according to the industry practice. In conformity with IAS 18, Revenues these sales have been reversed as of the opening balance sheet date, January 1, 2011, because the risks and benefits of the goods have not been transferred to the buyer; the goods have not been physically or legally transferred and a minor advance payment has been received from the customers.

c. The Entity opted for valuing investment properties using the fair value model; MFRS only allow using the cost method.

d. Bulletin D-5, Arrendamientosestablishes a series of conditions which, if present at the beginning of the lease agreement, indicate jointly or individually, that such lease must be classified as

capitalizable by the lessee; these indicators are also established in IAS-17Leases; however, IAS 17 mentions other indicators not included in Bulletin D-5. Upon analyzing the Entity's lease agreements, we concluded that the leases with GE Capital, Water Capital and Apoyo Mercantil (BBVA), must be accounted for as capital leases under IFRS.

e. The Entity revalued its provisions at the transition date.

f. The Entity recalculated deferred taxes in accordance with IAS 12, Income taxes, with the adjusted values of the assets and liabilities under IFRS.

g. According to IFRS, the severance payment provision is not recognized until the Entity is capable of evidencing its commitment to end the relationship with the employee or has made him/her an offer to encourage voluntary retirement; therefore, the liability recorded under MFRS was eliminated.

h. For IFRS purposes, the credit risk must be included as one of the components in the valuation of liabilities at fair value of the financial instruments.

28. New accounting pronouncements

The Entity has not applied the following new and revised IFRS that have been analyzed but has not implemented yet.

IFRS 9, *Financial Instruments*
IFRS 10, *Consolidated financial statements*
IFRS 12, *Disclosure of Interests in Other Entities*
IFRS 13, *Fair Value Measurement*
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures
Amendments to IFRS 10, IFRS 11 Consolidated Financial Statements, Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities: Transition Guidance
IAS 19, (as revised in 2011) Employee Benefits
IAS 28, (as revised in 2011) Investments in Associates and Joint Ventures
Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities
Amendments to IFRSs Annual Improvements to IFRSs 2009-2011 cycle except for the amendment to IAS 11

IFRS 9, Financial Instruments - IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010

to include requirements for the classification and measurement of financial liabilities and for derecognition.

The key requirements of IFRS 9 are described as follows:

- The IFRS 9 requires that all recognized financial assets that are within the scope of IAS 39 Financial Instruments: *Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial assets relates to the accounting treatment of changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities designated as at fair value through profit or loss, the amount of change in fair value of the financial liability that is attributable to changes in credit risk of that liability is presented under other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or increase a discrepancy in the accounting statement. Changes in fair value attributable to credit risk of financial liabilities not classified subsequently to the income statement. Previously, under IAS 39, the entire amount of the change in fair value of financial liabilities designated as at fair value through profit or loss are presented in the income statement.

Management expects that the implementation of IFRS 9 may have a significant impact on the amounts reported in respect of the assets and liabilities of the entity (for example, the Bank's investments in redeemable documents now classified as available for sale will be measured at fair value at the end of subsequent reporting periods and changes in fair value are recognized in the consolidated statements of income). However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The principal requirements of these five statements are described as follows:

IFRS 10, *Consolidated Financial Statements* - IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 12, *Disclosure of Interests in Other Entities*- The IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

IFRS 13, *Fair Value Measurement* - IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities –The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

Amendments to IFRS 7, Transition Disclosures - The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting

requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

IAS 19 (revised in 2011), Employee benefits - The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs.

The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to IAS 19 apply to fiscal years beginning on or after January 1, 2013 and requires retrospective application to certain exceptions. The directors expect that the amendments to IAS 19 be adopted in the consolidated financial statements of the Group for the financial year beginning January 1, 2013 and that the application of the amendments to IAS 19 may have an impact on the amounts reported with respect to defined benefit plan of the Group. However, the directors have not made a detailed analysis of the impact of the implementation of the changes and therefore have not yet quantified the extent of the impact.

Annual Improvements to IFRSs 2009 – 2011 Cycle

The Annual Improvements to IFRSs 2009 – 2011 Cycle include a number of amendments to various IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to IFRSs include:

- *Amendments to IAS 16 Property, Plant and Equipment; and*

- *Amendments to IAS 32 Financial Instruments: Presentation.*

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS 16 and as inventory otherwise. The directors do not anticipate that the amendments to IAS 16 will have a significant effect on the Group's consolidated financial statements.

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to

Transaction costs of an equity transaction should be accounted for in accordance with IAS 12 Income Taxes.

29. Authorization to issue the financial statements

The issuance of the accompanying consolidated financial statements was authorized on February 19, 2013 by the Engineer Rafael Contreras Grosskelwing, Administrative and Finance Director; consequently these consolidated financial statements does not include the events occurred after that date, is subject to the approval of the Entity's ordinary stockholders' meeting, where they may be modified, based on provisions set forth in the Mexican General Corporate Law.

This annual report may contain future projections about Grupo Comercial Chedraui S.A.B. de C.V. and its subsidiaries based on assumptions made in good faith by management. Such information, as well as any statements about future events and expectations, are subject to risks and uncertainties as well as factors that could cause the results, performance or profits of the Company to be completely different at any time in the future. Such factors include changes in general economic conditions, domestic and international governmental and/or business policies as well as changes in interest rates, inflation and volatility in foreign exchange rates, etc.

Because of these risks and factors, actual results could vary materially from the estimates presented in this document. Grupo Comercial Chedraui, S.A.B. de C.V. does not accept responsibility for any such changes.

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Stock Exchange

Mexican Stock Exchange (BMV): ticker CHDRAUI

Auditor

Galaz Yamazaki, Ruiz Urquiza, S.C.
(Deloitte Touche Tohmatsu)

cotiza en Bolsa Mexicana
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