2011
Annual
Report

CHEDRAUI
cuesta menos

The lowest prices...



...only in

CHEDRAUI

cuesta menos



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Market Presence



LOCATION OF STORES IN MEXICO

1	Aguascalientes	2	Nayarit
5	Baja California	7	Oaxaca
6	Campeche	10	Puebla
8	Chiapas	4	Querétaro
9	Distrito Federal	18	Quintana Roo
1	Durango	2	San Luis Potosí
18	State of Mexico	1	Sinaloa
5	Guanajuato	14	Tabasco
9	Guerrero	8	Tamaulipas
1	Hidalgo	1	Tlaxcala
5	Jalisco	35	Veracruz
1	Michoacán	9	Yucatán
2	Morelos	1	Zacatecas

Our stores in the United States

36 "El Super" Stores

1 Distribution Center

Our stores in Mexico

183 Stores in Mexico

144 Chedraui Stores

39 Súper Chedraui

36,052 Associates

Financial Highlights

Consolidated Income Statement

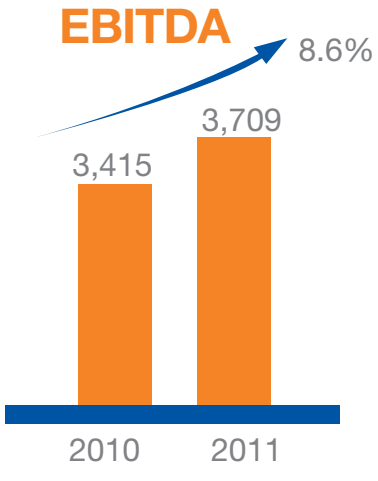
	2010	2011	% change
Net Sales	50,897	57,487	12.9%
Gross Profit	9,956	11,323	13.7%
Operating Income (without depreciation	6,541	7,614	16.4%
EBITDA	3,415	3,709	8.6%
Net majority income	1,428	1,517	6.3%
Basic earnings per common share	1.48	1.57	6.1%
Outstanding shares	963,917,211	963,917,211	
Share price (Dic 31, 2011)	37.53	35.08	6.5%

* Figures in millions of pesos

Consolidated Balance Sheet

	2010	2011	% change
Cash	2,951	999	(66.1)%
Inventories	6,177	6,752	9.3%
Fixed assets (net)	20,627	24,347	18.0%
Total assets	33,964	37,122	9.3%
Suppliers	10,224	10,345	1.2%
Total liabilities	17,946	19,893	10.8%
Majority shareholder investment	15,871	17,125	7.9%

* Figures in millions of pesos





Message from the CEO and Chairman of the Board



To all our shareholders:

For Mexico and the rest of the world, 2011 was a year of important challenges and great opportunities which we took advantage at Chedraui, achieving good results as we have done throughout our history. On the other hand, even though internal, a challenge of no less importance to our company was the implementation of the SAP merchandise modules in all of our Mexico branches an achievement which represented an important operational effort.

At Grupo Chedraui we face these challenges with discipline, effort and responsibility. Despite the unfavorable environment, we closed one more year of operations with profitability and growth.

With $57,487 million pesos in sales and 12.9% of growth with respect to the previous year our results were positive. We also fulfilled our commitment to open 29 branches and ensuring the committed ROI for each of them, representing a growth of 15.1% in m^2 compared to the previous year and fulfilling our company mission to “offer customers the products they want, in all possible locations and at the best prices.”

Keeping our mission always in mind, in 2011 we focused on two strategic priorities: making sure that all our stores offer the lowest prices in all products and having the best products in all the branches according to the preferences of the local customers.

Some of the outstanding initiatives of the Group in 2011 were the following:

- Reinforcement and improvement of the commercial strategy always focused on price,
- Best store-by-store product assortment based on the shopping expectations of our customers. This initiative includes the *Selecto* concept at some of our branches to cater to a higher socioeconomic level sector with greater purchasing power through an improvement in the selection and presentation of products,
- Remodeling of branches, which generated double-digit growth in most of them with respect to 2010
- Improvement in the quality of perishables,
- SAP implementation in all branches.

The real estate division has shown growing profitability in the operation of shopping centers, demonstrated by greater revenues and a decrease in the cost of operations.

With the implementation of SAP in all our stores, in 2012 we will strive for an improvement in the product range of our stores, a reduction in shrinkage and reduction of the inventory days we currently have.

Regarding U.S. Retail, we can highlight that at Bodega Latina in 2011 we consolidated the growth achieved in 2010 through the acquisition of Fiesta Foods in Southern California and the opening of our distribution center; it should be mentioned that in spite of the unfavorable economic environment for consumer spending in the United States, our operations there remain profitable and growing.

Grupo Chedraui is a responsible company concerned about the environment and good management of natural resources and distinguishes itself by an active participation in the community. Since 1996, the Chedraui Foundation has had the mission of contributing to the development of Mexicans through its decisive participation in education, health and social welfare, through programs aimed at the community especially to low income families and unprotected persons with projects like: Education, Nutrition, Health, Housing, Welfare, and Support in Natural Disasters.

In education standout the three Schools of Arts and Trades A.C. in Mexico, which offer technical careers, high school, training, workshops and skill courses for low income persons.

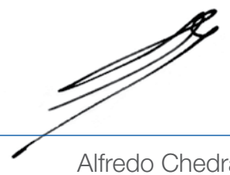
Other important programs in all of our Chedraui Stores are the food donation to Food Banks and authorized institutions and our Round-off Program in favor of education, welfare, health and care institutions and care for victims of natural disasters.

Concerning the care of the environment and natural resources, Chedraui carries out initiatives to reduce energy and other resources standing out the “Green” and environment friendly store format in Oaxaca, Mexico.

We have closed one more working year for Mexico and its people; a year of challenges which we translated into opportunities. The renowned flexibility of our branch format has allowed us to successfully adapt our product selection and serve a greater number of customers managing to sustain our ability to fulfill our mission.

We are grateful for the confidence of our shareholders as well as for the talent, dedication and commitment of our associates; thanks to you, Grupo Chedraui is able to fulfill its main objective of offering our customers the best price and the best quality for the best products in the comfort of our branches.

Our positive results encourage us to look forward to 2012 with enthusiasm and great expectations of growth and profitability in the short, medium and long term.



Alfredo Chedraui Obeso
Chairman of the Board

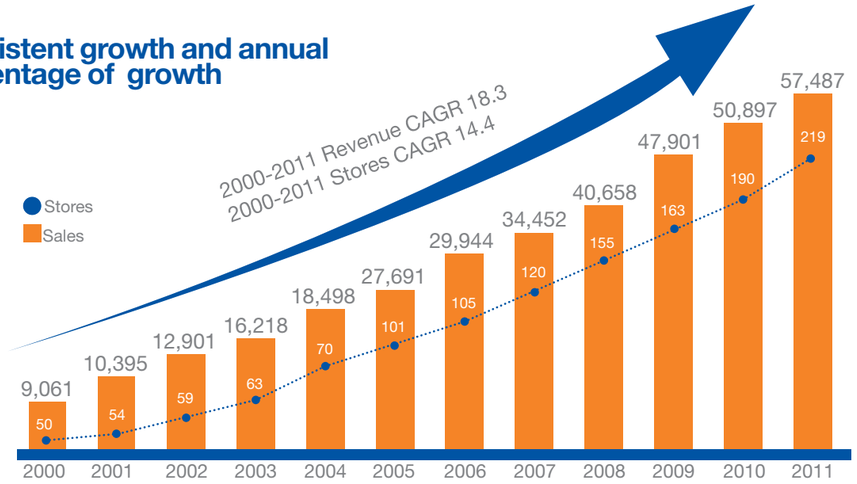


José Antonio Chedraui Eguía
Chief Executive Officer

GRUPO CHEDRAUI TODAY

Offer in all possible locations, products that customers want, at the best prices.

Consistent growth and annual percentage of growth



* Figures in millions of pesos

Sales per segment

	2010	2011	Increase
Mexican Retail	41,125	45,318	10.2%
U.S. Retail	9,251	11,605	25.4%
Real Estate	521	564	8.3%
Total	50,897	57,487	12.9%

* Figures in millions of pesos

Grupo Comercial Chedraui, S.A.B. de C.V. is a leading Mexican retailer with operations in Mexico and the United States.

We currently have the following business segments:

Mexican Retail.
A business division present in 26 states in Mexico which operates in two hypermarket formats: Chedraui and Super Chedraui, both distinguished by size and depth of product offerings to target different cities and market niches. At the end of 2011 it had 183 stores and generated 78.8% of the consolidated revenues of the Group.

U.S. Retail.
A business division which operates in three states in the United States where we operate El Super services stores targeted at the Mexican American population market niche in the U.S. At the end of 2011 it had 36 stores and generated 20.2% of the consolidated revenues of the Group.

Real Estate Operations.
This business division is responsible for the planning and construction of our new stores; additionally, it obtains income from leasing of store space to third parties. At the end of 2011 it had 270,130 m^2 of available leasable area and an occupation rate of 94.7%, which generated 1.0% of consolidated revenues.

Priorities and strategies of our business

Providing the best prices in combination with an adequate product offer has been a key strategic differentiator and a determining factor for the growth of our business. Also, the combination of these two factors together with the fact that we provide a superior shopping experience to our customers has satisfactorily maintained a record of profitability and sustained growth for our company.

Our good annual results are mainly due to the following factors:

- A consistent commercial strategy focused on the best price which has allowed us to earn market share and become the third largest retailer in Mexico
- Store-by-store assurance of customer product preference, which included incorporating the *Selecto* concept in the stores catering to customers with greater purchasing power.
- Remodeling of stores has yielded very good results, achieving double-digit growth with respect to previous year sales.



The Chedraui Experience

Shopping Experience

Every one of our branches is carefully designed to provide customers with an excellent shopping experience. At Chedraui branches our customers will always find order, cleanliness, comfort and accessibility, as well as customer service attitude and a superior level of attention.

We have a remodeling policy that ensures that our branches and equipment is always in the best conditions to provide the best customer experience.



Quality and Best Product Selection



At our hypermarkets we strive to always have what our customers prefer, that is why we have areas for perishables, groceries, apparel, electronics, general merchandise and food, offering a wide range of commercial and own brands for every product category. Our branches cater to different markets, so we adjust product selection of each one to the customers' preferences, which vary according to region, climate and socioeconomic factors among others.

Through a system of logistics and strategically located modern distribution centers we attend product demand of our branches with promptness and efficiency; our stores have an average of 57,000 SKUs.

Lowest Prices

The main feature that distinguishes Chedraui by positioning us and generating widespread recognition as well as customer loyalty is offering the lowest prices in all our products and all the markets we operate in.

With the purpose of achieving this goal and to guarantee our strategy, supported by innovative technology that provides us with a quick response capacity we carry out local and central price comparisons every day in order to make daily price adjustments at any store that requires it.





Mexican Retail

Our retail segment in Mexico operates in two hypermarket formats: Tiendas Chedraui and Super Chedraui. These two formats include the *Selecto* concept: stores that carry this name because of their product selection; depending on their geographic location, our stores serve different population segments.

Our growth in 2011 has been significant and was centered on the opening of 22 Chedraui Stores and five Super Chedraui, among which, one Chedraui Store and one Super Chedraui included the Selecto *Selecto*, as well as the remodeling of eight stores, of which three of them converted to the *Selecto* concept so that each opening would achieve the required ROI to sustain our profitability levels.

Our sales in 2011 were $45,318 million pesos and reflect an increase of 10.2% compared to the previous year, while they represented 78.8% of the consolidated revenues and 78.7% of the consolidated EBITDA.

Our consistent strategy allowed for a 2.3% growth in same store sales in 2011.

The capacity of our distribution centers, logistics network and technology allowed us to support this growth and will help us to continue to grow in the coming years.

We are confident that the three pillars of our strategy (low prices, quality and best product selection and shopping experience) will keep us in a competitive position in the present and the long term and will allow us to enter new markets and increase our base of satisfied customers.

Opening of **22** Chedraui Stores in 2011

Opening of **5** Super Chedraui in 2011

Clients served **252 million**



We have the best selection of products for our clients.

At Chedraui we are aware that investment on technology is fundamental to retain our market position and to support our growth. This is why we have invested on equipment and systems that will allow us to optimize operations and improve customer service. A clear example of this is the full implementation of the SAP system in merchandise module.

The implementation of the SAP system will help us toreduce inventory shrinkage, stockouts and optimize product distribution and on time delivery.



Market overview

The retail business in Mexico is very competitive; however, in the face of these circumstances we maintained our competitive position by becoming the third retailer in Mexico thanks to our commitment of providing the lowest prices to our customers.

$ 45,318
millions of pesos
Net Sales in 2011

Store Formats



Chedraui Stores: Network of 144 hypermarkets located in towns with at least 100,000 inhabitants with an average sales floor of 7,116 m^2, which at the end of 2011 had 25,743 associates.

Super Chedraui: Network of 39 hypermarkets located in towns with at least 25,000 inhabitants with an average sales floor of 2,102 m^2, which at the end of 2011 had 3,817 associates.

Openings in 2011

During 2011 we opened 27 stores, three of them in states in which we arrived for the first time: Durango, Zacatecas and Sinaloa. Only six states remain to be covered to achieve nationwide coverage.

Mexican Retail

	2009	2010	2011
Units	142	156	183
Percentage of consolidated revenues	83.6%	80.8%	78.8%
Sales area (square meters)	875,745	949,910	1,106,696
Net sales (million pesos)	40,033	41,125	45,318
Percentage of same-store growth	1.7%	3.3%	2.3%
EBITDA (million pesos)	2,525	2,689	2,918
Associates	26,535	27,512	29,559

Selecto Concept



1 Selecto Super Chedraui



4 Selecto Chedraui Stores



The *Selecto* concept is aimed to a higher economic sector of the population.

We have continued our strategy of providing the best product selection for a higher economic sector of the population by developing the *Selecto* concept, a careful selection of top quality products and top level customer service for this type of customers and integrating it also to the Chedraui Stores and Super Chedraui.

As of 2011 we have four *Selecto* Chedraui Stores and one *Selecto* Super Chedraui.

Distribution Centers

80% of our purchases are currently distributed on a centralized basis through four Distribution Centers in the State of Mexico, Villahermosa, Tabasco, Monterrey, Nuevo León and La Paz, Baja California.

Zumpango, State of Mexico

Our Distribution Center has 59,100 m^2 and capacity for supplying 151 branches. It currently serves 118 stores and has the infrastructure to handle dry, refrigerated and frozen goods with an average of 4 million boxes for dry goods and 1 million boxes of fruits, vegetables and perishables every year. It also has 169 shipping docks.

Monterrey, Nuevo León

Our 883 m^2 center in the state of Nuevo León supplies ten of our branches and handles only fruits and vegetables; it has 16 docks or gates.

Villahermosa, Tabasco

This center has 60,457 m^2 and capacity for supplying 151 branches. The Distribution Center serves 64 of our stores with an average of 2.2 million boxes for dry goods and 670,000 boxes for fruits, vegetables and perishables. This Distribution Center has also 169 shipping docks.

La Paz, Baja California

Our fourth distribution center has 506 m^2 of infrastructure and handles only frozen goods. The center supplies five of our stores in the Baja California peninsula and it also handles imported merchandise for those stores.

Our current centers have a capacity to supply 302 of our Chedraui branches nationwide.

Our 2012 strategy will focus on the consolidation of all our distribution centers, as well as on the shipping of dry and refrigerated goods.

We strive for efficiency that will allow increasing the service levels of our branches to make the most of our installed capacity.



U.S.A Retail

Our retail operations in the United States are focused on the Hispanic market, particularly the Mexican American communities in California, Nevada, and Arizona, which represented 20.2% of our consolidated revenues and 11.2% of consolidated EBITDA on 2011. El Super Stores only sell groceries and perishables. These operations are managed through Bodega Latina Corporation, in which Grupo Comercial Chedraui holds a 74.61% stake.

As of 2011 we had 36 El Super Stores in the United States.

Although El Super's operations are completely independent from the Mexican retail operations, we employ many of the same strategies and policies developed from our experience and know-how in the industry. We are focused on significantly lower prices than those offered at conventional or large independent food retailers, quality, product selection and shopping experience. We also continuously analyze our U.S. customer's shopping and consumption habits in order to provide them with the products and brands of their preference.

Opening of **2** El Super Stores

We offer the Hispanic market their preferred brands and products.





3,598
Associates in 2011

$11,605
Millions of pesos Net sales
Sales growth of **25.4%**

Market overview

The Hispanic market niche in the United States provides important growth opportunities due to the high growth rate of the Hispanic population and the rising purchasing power of the consumers in this sector.

Sales in the U.S. increased by 25.4 % growing from $9,251 million pesos in 2010 to $11,605 million pesos in 2011.

Business situation

Growth opportunities of our business in the U.S. are directly proportional to the growth of the Mexican-American population in the southern states. There are over 15 million Hispanics in the three states where we operate representing a huge potential.

2011 was an important year for U.S. Retail due to the stability of operations of the Fiesta stores in Southern California in 2010 and the opening of the distribution center which will serve all of the chain.

USA Retail

	2009	2010	2011
Units	21	34	36
Percentage of consolidated revenue	15.4%	18.2%	20.2%
Sales area (square meters)	91,415	128,757	134,413
Net Sales (million pesos)	7,363	9,251	11,605
Same store growth percentage (dollars)	10.7%	- 0.8%	- 0.4%
EBITDA (million pesos)	245	379	416
Associates	2,575	3,900	3,598

U.S. Distribution Center

Our goal is to provide our suppliers with a consolidating point for merchandise reception to maximize distribution efficiency for El Super Stores.

Benefits

- Consolidated delivery point:
- Reduce the number of drivers and all associated costs.
- Less administrative costs (one invoice, less paper work).
- Reduce high risk of automotive civil liability.
- Decrease in cost of investment on new tractors and tow trucks.
- Less tractor maintenance cost.
- One-point delivery and presence at all El Super Stores (currently in 3 states).
- Consolidation of all release orders.
- More economical transportation.
- Increase of the efficiency for reducing multiple stops.





Real Estate Operations

Our Real Estate operations are responsible for the following functions:

- Administration of company-owned and leased real estate.
- Commercialization and administration of our shopping centers.
- Expansion,construction, and remodeling of our Mexico branches.

2,912
tenant spaces and kiosks

This business segment generates value to the Group by being in charge of the process of expansion through the opening of new stores; additionally, it efficiently manages space leased to third parties. During 2011 it generated 1.0% of company revenues and 10.1% of the EBITDA.

Our customers have access to different services in our shopping centers.

Through our real estate division, we operate shopping centers in which our store is the main anchor tenant and we lease remaining space to third parties. Our customers thus have the comfort of being able to access different services when visiting any of our branches. In 2011 we incorporated a new shopping center at Comalcalco, Tabasco which brought about an increase in the revenues of this segment.

Real Estate

	2009	2010	2011
Revenues (million pesos)	505	521	564
Sales percentage	1.1%	1.0%	1.0%
Gross leasable area (square meters)	267,368	267,002	270,130
Total tenant spaces and kiosks	2,817	2,810	2,912
Occupancy rate	93.0%	94.0%	94.7%
EBITDA (million pesos)	340	348	375
Revenue Margin	67.4%	66.7%	66.5%



Our green store in Oaxaca shows our commitment with sustainability.

Sustainability

Grupo Chedraui is a sustainable company; in all our operations we continuously strive to make good use of natural resources, care for the environment and support our associates and the communities where we operate.

We are committed to our values: Honesty, Commitment, Respect and Result-orientation. We are also committed to having the best facilities for the sale of our products, providing the best shopping experience to our customers and maintaining a strict quality control of our products.

Our operational practices are based on austerity of operations; our associates make the best use of the resources they utilize to carry out their activities.

At Grupo Chedraui there is no discrimination or distinction between our associates, all of them are treated with respect, dignity and justice based on a Code of Ethics and Conduct as well as other policies which must be observed at all times.

Our Values

Honesty, Commitment,
Respect and Result-orientation



Stakeholders

At Chedraui we are aware that the success of our company depends greatly on our stakeholders, so we are in permanent communication with them through different channels for the best relationship.

Every day we work to offer our customers the best prices, the best product selection and a good shopping experience.

We maintain a close relationship with our more than 3,100 suppliers with whom we share the values of Grupo Chedraui.

We are constantly attentive to the needs and suggestions of our associates to provide them with the best work place conditions, tools for improved performance and continuous training and education for their personal and professional development.

We uphold the commitment to the interests of our shareholders and the generation of value for their investment, delivering timely and transparent information.

Through the Chedraui Foundation we aid the most vulnerable sectors of the communities in which we operate with education, health, social welfare and disaster relief programs.

All business and relations with government authorities are carried out within the limits of the law.

We have different mechanisms to attend our stakeholders and receive their comments, complaints and suggestions. All reports are attended by an external company to ensure fairness and a prompt response to every case.

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Our People

Our most valuable resource is our associates. At the end of 2011 we had a total of 36,052, of which 57% are men and 43% women. We also have 8,701 voluntary packers.

We respect and enforce respect for the human rights of all our associates, we favor non-discrimination, equal opportunity and their professional and personal development; we seek their well-being and health; we provide senior citizen programs through which we manage to reinsert them into work activities.

36,052
Associates
57% Men
43% Women

We carry out training of our associates through the Chedraui University, a virtual classroom which provides tools to improve their activities. We also have a robust data base with performance indicators to help us measure their technical and managerial skills.

Concerned by the continuous training and education of our associates, in 2011 we imparted 735,944 hours of training on which we invested over $10.5 million pesos.

$10.5
Million pesos in
Training Investment



735,944
Training hours

The Environment

In 2011 we continued making significant investments to protect and care for the environment and applied initiatives related to energy and water saving, emissions, material recycling and waste management. Some of the most outstanding were:

Energy

Savings of 15.46 million kilowatts through investment-campaigns and awareness, promoting reductions in the use of electrical energy and gas.

Water

Through our waste water treatment plants, programs such as the installation of dry urinals and water saving faucets, permanent awareness campaigns and other actions, we managed to save 103 million liters of water.

Paper

In 2011 we achieved savings of 7,768,561 sheets of paper, resulting in 932 trees saved.

Recycling and Waste

Recycling of 25,775 tons of cardboard through an Alliance with Smurfit Kappa, stopping the logging of 438,175 trees.

The recycling of 1,030 tons of packing plastic with the same company, meant not using 128,875 oil barrels.

Use of recyclable bags that use oxodegradable technology at our stores.

Handling and separation of waste inside and outside our stores and offices.

15.46
Millions of Kw saved

103
Million litters of water saved

An outstanding initiative is our first green store, located in the city of Oaxaca; environment-friendly, it incorporates innovative technologies to make more efficient use of electrical energy consumption, reduce water use and have a positive impact on the environment.

Society

At Grupo Chedraui all of our stores carry out initiatives to support low-income families, institutions and other social sectors such as the following:

Food donations through the Mexican Association of Food Banks (AMBA) and institutions authorized by the Chedraui Foundation.

Our round-off campaigns which this year managed to collect $ 5'670,500 pesos which have been assigned to various institutions for social programs in education, health and social welfare.



Year	Food kilos	Beneficiary families
2010	2'528,006	333,018
2011	2'789,283	367,437

FUNDACIÓN CHEDRAUI oyudamos de corazón

Chedraui Foundation

Most outstanding initiatives:

In education we continued to support different education institutions. Through our schools "Liceo de Artes y Oficios, A.C." and its three campuses in Xalapa, Villahermosa and Veracruz, in 2011 we attended more than 3,000 students who were able to study high school, technical careers and various workshops and trades to enable them to continue their professional studies, start their work life, improve it or open their own business. In a similar way we have granted scholarships to outstanding, low-income students at the Universidad de Xalapa and the Universidad Veracruzana.

In the area of health we can highlight the financial support for different institutions such as the Federico Gomez Children's Hospital.

We support victims of natural disasters; this year as a consequence of floods caused by hurricanes and rains in eastern and southern Mexico.

Through the Provivah Trust, we keep supporting thousands of low-income families who cannot have decent and own housing; this time it was the turn of Villahermosa, where 948 houses were delivered.

Social investment of the Chedraui Foundation in 2011 was $18 million pesos.

Through such actions and initiatives we confirm the commitment of Grupo Chedraui as a sustainable company.

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.



$18
Millions of pesos in social investment

Management´s Discussion & Analysis

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

Management´s Discussion & Analysis of results for fiscal year 2011.

INCOME STATEMENT

Net Sales

During 2011 our revenues grew by 12.9% with respect to 2010, from $50,897 million pesos to $57,487 million pesos in 2011. This increase was generated by the results of our three business segments as discussed below:

Retail Mexico:

Sales in our hypermarket operations in Mexico grew by 10.2% from $41,125 million pesos in 2010 to $45,318 million pesos in 2011, due to growth of 2.3% in same store sales and the addition of 27 new stores in the period, of which 22 were Chedraui Stores and five were Super Chedraui.

Retail United States:

Our supermarket operations in the United States posted growth of 25.4%, from $9,251 million pesos in 2010 to $11,605 million pesos in 2011, as a result of the addition of two new stores, as well as the partial impact of a 0.4% decline in same stores sales and the 1.4% appreciation in the exchange rate.

Real Estate Business:

Operations in our real estate business had a revenue growth of 8.3% compared to 2010, rising from $521 million pesos in 2010 to $564 million pesos in 2011 essentially as a result of the addition of a new shopping center and increases in lease rates that were similar to the rate of inflation.

Gross Profit:

Consolidated gross profit was $11,323 million pesos and rose 13.7% over 2010, resulting in a gross profit margin of 19.7% that was higher than the 19.6% margin in 2010 thanks to a better sales mix.

Operating Expenses

Consolidated operating expenses (excluding depreciation and amortization) totaled $7,614 million pesos, 16.4% higher than the $6,541 million pesos in 2010. This increase was principally attributable to pre-operating expenses at the 29 stores opened during the year, an increase in electricity costs in Mexico and maintenance payments for new systems licenses acquired in the fiscal period.

EBITDA

In light of the results mentioned above, consolidated EBITDA rose 8.6% to $3,709 million pesos, from the $3,415 million pesos achieved in 2010. The EBITDA margin was 6.5% and slightly lower than the 6.7% margin achieved in 2010. Results of the business segments were as follows:

Retail Mexico:

EBITDA in our retail segment in Mexico was $2,918 million pesos, 8.5% higher than the $2,689 million pesos in 2010. As a percentage of sales, EBITDA margin was 6.4%, lower than the 6.5% margin achieved in 2010.

Retail United States:

Our Retail US stores segment generated an EBITDA of $416 million pesos, 9.9% above the $379 million pesos achieved in 2010, with an EBITDA margin of 3.6%, which was lower than the 4.1% margin achieved in 2010 and included the effects of the 1.4% appreciation in the exchange rate.

Real Estate Business:

EBITDA of $375 million pesos in the real estate division was 7.9% higher than the $348 million pesos obtained in 2010 and represented an EBITDA margin of 66.5%, lower than the 66.7% margin achieved in 2010.

Comprehensive Financial Cost

During 2010 and 2011 investment was made of resources derived from the capital obtained from the initial public offering at the end of April 2010. The comprehensive cost of financing during 2011 increased 9.7% from 2010, and totaled $748 million pesos, compared to $682 million pesos obrtained in 2010. This figure represented 1.3% of sales, similar to 2010.

Income Taxes

In 2011, the effective tax rate for the Group was 22%. Income taxes in 2011 were $427 million pesos, 1.6% higher than the $421 million pesos generated in 2010.

Net Income

Lastly, consolidated net income profit totaled $1,515 million pesos and was 4.6% higher than the $1,449 million pesos in net profit obtained in 2011. The net profit margin of 2.6% was slightly lower than the 2.8% margin reported in 2010.

Debt

Net interest-bearing debt was $4,234 million pesos at December 31, 2011, higher than the $860 million in 2010. Increase in the debt is due to the depletion of resources derived from the public offering in April, 2010.

Dividends

During fiscal year 2011, the company's general shareholder's meeting authorized the decree for a dividend equivalent to $216 million pesos or 22.42 cents per ordinary share.

Senior Executives

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.

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 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

Héctor Norberto González López
Internal Audit Manager

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 Manager of Internal Audit since May 2003 and has worked at Chedraui for the past 8 years.

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.

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.

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.

Eduardo Fuentes Durán
Director of Operations

Eduardo Fuentes Durán holds a Degree in Electronic Systems Engineering from ITESM. Mr. Fuentes has been the Director of Operations since January 2009, and has worked at Chedraui for 11 years.

Federico Ortiz González
Commercial Director

Federico Ortiz González graduated as an Industrial Engineer from Universidad Anáhuac and, holds a Masters in Senior Management from IPADE. Mr. González joined Chedraui as Commercial Director in October 2010 and has 21 years experience in the supermarket sector.

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.

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.

Martín Ruiz Chiarandani
IT Director

Martín Ruiz Chiarandani holds a Degree in Computer Science from of the Center for Advanced Mathematics Studies at Universidad de Buenos Aires. Mr. Ruiz has been Director of IT since April 2010.

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 of the Audit and CorporatePractices Committee**
Juan Félix Rodríguez Montemayor[1] | **Member**
María Eugenia Sidaui Dib[1] | **Member**

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

Auditing and Corporate Practices Committee Report

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

In compliance with the provisions of articles 42 and 43 of the Securities Market Law and the recommendations set forth in the Code of Best Corporate Practices, on behalf of the Committee on Auditing and Corporate Practices of Grupo Comercial Chedraui, S.A.B. de C.V. (hereinafter the Committee), I am pleased to submit the Annual Report of the activities conducted by this committee during the fiscal year ended December 31, 2011.

The Committee met monthly during the year in order to analyze the results of operations and events relevant to the company and its subsidiaries to ensure strict, adequate and permanent follow up of its agreements. The Committee invited personnel from the company to attend these meetings as necessary to carry out its analysis.

I. Activities Related to Auditing:

a) The Committee has an area of internal audit and internal control system, which were monitored and assessed, and the principal aspects that require improvement. In order to obtain the pertinent recommendations we considered the opinion of independent auditors and experts. In addition, the recommendations of the independent auditors for preventive and corrective actions implemented in order to avoid violations of the guidelines and policies of operation and accounting were reviewed and approved. In the opinion of this Committee no material deviations or differences were found and the company is operating under an adequate internal control system.

b) The Committee evaluated the independent auditing firm that is responsible for expressing an opinion on the reasonableness of the financial information provided to December 31, 2011 and its conformity to applicable accounting standards, and deemed that Galaz, Yamazaki, Ruiz Urquiza, S.C., a member of Deloitte Touche Tohmatsu, and its partner, Francisco Javier Pérez Cisneros, responsible for the audit, meet the requirements for auditing the company and possess the intellectual and economic independence of actions required to carry out the auditing in an adequate manner.

c) We assessed the additional or complementary services rendered by the auditing firm to the company and concluded that they do not impede the issuance of an opinion on the financial information with the required independence and diligence.

d) The Committee reviewed the quarterly Consolidated Financial Statements of the Company and its subsidiaries. This review included the analysis and approval of the accounting policies, procedures and practices of the Company and its subsidiaries which is periodically submitted to the *Bolsa Mexicana de Valores, S.A.B. de C.V.* and the *Comisión Nacional Bancaria y de Valores* following the same procedures, criteria and practices used in the preparation of the annual report.

e) The Committee also prepared for later submission to the Shareholder's Meeting the opinion to which Article 28, Section IV, paragraph c) of the Securities Market Law refers regarding the audited consolidated financial statements of the company and its subsidiaries to December 31, 2011, according to the independent External Auditing firm.

f) The Committee reviewed the risk factors that could affect the operations of the Company and its net worth with the Company's management and the independent and internal auditors and determined that such risks have been appropriately identified and managed.

g) The Committee held regular meetings with the Company's management to keep itself informed on its progress, relevant activities and events and unusual matters. 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 members of the Committee have followed up on the resolutions adopted at the Shareholders' Meeting and meetings of the Board of Directors through reports and matters that are discussed in the meetings of the Committee.

II. Activities Related to Corporate Practices:

a) We obtained current information on the process of evaluating the performance of senior management. No violation of the corresponding legal framework was detected or reported.

b) We reviewed reports of transactions with related parties and verified that they were carried out at market prices and within the limits established by the Securities Market Law.

c) We reviewed the compensation packages of the Chief Executive Officer and senior management and found no justification for any comments, being found to be within the policies established by the Board of Directors.

d) The Board of Directors did not grant any of the exemptions contemplated in article 28, Section III, paragraph f) of the Securities Market Law.

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

Based on the work performed and the opinion expressed by the independent auditors on the financial information, this Committee believes that Grupo Comercial Chedraui, S.A.B. de C.V. has applied appropriate accounting policies and criteria and, therefore, that the financial information is reasonable. Accordingly, this Committee recommends that the Board of Directors submits the audited Consolidated Financial Statements of Grupo Comercial Chedraui, S.A.B. de C.V. and Subsidiaries for the fiscal year ended December 31, 2011 for approval at the Shareholders' Meeting and its inclusion in the Chief Executive Officer's Annual Report.

Sincerely,

Auditing and Corporate Practices Committee
Clemente Ismael Reyes–Retana Valdés
Chairman

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Grupo Comercial Chedraui, S. A. B. de C. V. and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As mentioned in Note 3, beginning January 1, 2011, the Company adopted the following new provisions: Mexican Financial Reporting Standards (MFRSs/NIFs) B–5, *Financial Information by Segments*; C–4, *Inventories*; C–5, *Prepaid Expenses*; C–6, *Property, Plant and Equipment*; C–18, *Obligations Associated with the Retirement of Property, Plant and Equipment*.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Grupo Comercial Chedraui, S. A. B. de C. V. and Subsidiaries as of December 31, 2011 and 2010; and the results of their operations, changes in their stockholders' equity and their cash flows for the years then ended, in conformity with Mexican Financial Reporting Standards.

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 Perez Cisneros

February 24, 2012

Consolidated Balance Sheets

As of December 31, 2011 and 2010
(In thousands of Mexican pesos)

	2011	2010
Current assets:		
Cash and restricted cash	$ 999,293	$ 2,951,412
Accounts and notes receivable – Net (Note 4)	1,274,608	1,375,963
Recoverable taxes (Note 5)	1,300,360	781,746
Due from related parties (Note 15b)	65,460	82,289
Inventories – Net	6,751,632	6,177,363
Total current assets	10,391,353	11,368,773
Property and equipment – Net (Note 7)	24,236,170	20,514,184
Idle assets	110,945	112,427
Investment in shares of associated companies	27,049	31,828
Long–term accounts receivable (Note 12)	101,525	100,100
Other assets – Net (Note 8)	2,254,675	1,837,136
Total	$ 37,121,717	$ 33,964,448
Current liabilities:		
Notes payables to financial institutions (Note 9)	$ 1,706,292	$ 52,701
Current portion of long–term bank loans (Note 10)	1,050,000	300,000
Trade notes and accounts payable	10,344,912	10,223,951
Accrued expenses and taxes	2,157,763	1,712,165
Total current liabilities	15,258,967	12,288,817
Bank loans (Note 10)	2,476,892	3,458,763
Deferred income tax (Note 17c)	947,626	1,013,994
Employee benefits (Note 11)	270,129	207,277
Derivative financial instruments (Note 6)	388,909	561,699
Receivables held in trust contracts (Note 12)	339,129	382,747
Other liabilities	211,441	33,118
Total liabilities	19,893,093	17,946,415
Stockholders' equity (Note 13):		
Capital stock	343,401	343,401
Retained earnings	12,592,154	11,290,943
Translation effects of foreign operations	85,429	16,849
Valuation of hedging derivatives	(323,378)	(310,426)
Additional paid in capital	4,427,196	4,530,519
Controlling interest	17,124,802	15,871,286
Noncontrolling interest	103,822	146,747
Total stockholders' equity	17,228,624	16,018,033
Total	$ 37,121,717	$ 33,964,448

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

For the years ended December 31, 2011 and 2010
(In thousands of Mexican pesos, except per share amounts)

	2011	2010
Revenues:		
Net sales	$ 57,486,798	$ 50,896,972
Cost of sales	46,163,602	40,940,658
Gross profit	11,323,196	9,956,314
Operating expenses	8,608,586	7,336,163
Operating income	2,714,610	2,620,151
Other expenses – Net	26,648	71,120
Income before comprehensive financing income, participation in the results of associated companies and income before income taxes	2,687,962	2,549,031
Comprehensive financing cost:		
Interest expenses	(540,576)	(561,720)
Interest income	97,697	126,707
Exchange gain	2,276	8,943
Other financial expenses	(307,747)	(256,193)
	(748,350)	(682,263)
Participation in the results of associated companies	3,220	2,886
Income before income taxes	1,942,832	1,869,654
Income taxes (Note 17a)	427,423	420,760
Consolidated net income	$ 1,515,409	$ 1,448,894
Controlling interest	$ 1,517,322	$ 1,427,903
Noncontrolling interest	(1,913)	20,991
Consolidated net income	$ 1,515,409	$ 1,448,894
Basic earnings per common share	$ 1.57	$ 1.48

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2011 and 2010
(In thousands of Mexican pesos)

	Capital Stock	Additional Paid in Capital	Retained Earnings	Translation Effect of Foreign Operations	Valuation of Hedging Derivatives	Noncontrolling Interest	Total Stockholders' Equity
Balances as of January 1, 2010	$ 196,940	$ –	$ 10,086,853	$ 39,721	$ (248,476)	$ 734,064	$ 10,809,102
Additional capital contribution	146,461	4,530,519	–	–	–	–	4,676,980
Dividends paid	–	–	(223,813)	–	–	–	(223,813)
Balances before comprehensive income	343,401	4,530,519	9,863,040	39,721	(248,476)	734,064	15,262,269
Comprehensive income	–	–	1,427,903	(22,872)	(61,950)	(32,860)	1,310,221
Acquisition of Non–controlling interest	–	–	–	–	–	(554,457)	(554,457)
Balances as of December 31, 2010	343,401	4,530,519	11,290,943	16,849	(310,426)	146,747	16,018,033
Dividends paid	–	–	(216,111)	–	–	–	(216,111)
Balances before comprehensive income	343,401	4,530,519	11,074,832	16,849	(310,426)	146,747	15,801,922
Comprehensive income	–	–	1,517,322	68,580	(12,952)	20,613	1,593,563
Acquisition of non–controlling interest	–	(103,323)	–	–	–	(63,538)	(166,861)
Balances as of December 31, 2011	$ 343,401	$ 4,427,196	$ 12,592,154	$ 85,429	$ (323,378)	$ 103,822	$ 17,228,624

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2011 and 2010
(In thousands of Mexican pesos)

	2011	2010
Income before income tax	$ 1,942,832	$ 1,869,654
Items related to investing activities:		
Depreciation and amortization	994,800	794,771
Gain on sale of property and equipment	9,656	89,927
Interest income	(97,697)	(126,707)
Derivative financial instruments		
Equity in (income) loss of subsidiaries and associated companies	4,779	(789)
Employee benefits	62,852	14,298
Items related to financing activities:		
Interest expense	540,576	521,593
	3,457,798	3,162,747
(Increase) decrease in:		
Accounts receivable – Net	101,355	(335,227)
Inventories – Net	(574,269)	(1,796,157)
Other assets – Net	(518,614)	(258,391)
Due to related parties – Net	16,829	552,820
Trade notes and accounts payable	120,961	1,995,400
Other accounts payable	130,131	(260,534)
Net cash provided by operating activities	2,734,191	3,060,658
Purchase of property and equipment	(4,764,770)	(3,225,368)
Proceeds from sale of property and equipment	225,557	123,471
Installation cost	(603,286)	(992,787)
Acquisition of noncontrolling portion	(41,017)	(608,312)
Interest received	97,697	126,707
Net cash used in investing activities	(5,085,819)	(4,576,289)
Repayments of borrowings	1,421,719	283,712
Interest paid	(540,576)	(521,593)
Dividends paid	(216,111)	(223,809)
Capital contribution	(103,318)	4,676,980
Derivative financial instruments	(185,742)	8,470
Repayments of trust financing	(45,043)	(232,254)
Net cash provided by financing activities	330,929	3,991,506
Net (decrease) increase in cash and restricted cash	(2,020,699)	2,475,875
Effects from changes in cash value	68,580	(22,872)
Cash at beginning of year (Including restricted cash)	2,951,412	498,409
Cash at end of year (Including restricted cash)	$ 999,293	$ 2,951,412

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2011 and 2010
(In thousands of Mexican pesos)

1 Nature of business

Grupo Comercial Chedraui, S. A. B. de C. V. and Subsidiaries (the Company) operate self–service stores that sell electronic goods, perishables and general merchandise, and are also engaged in various real estate activities.

2 Basis of 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 Mexican Financial Reporting Standards ("MFRS", individually referred to as *Normas de Información Financiera* or "NIFs"). Certain accounting practices applied by the Company that conform with MFRS may not conform with accounting principles generally accepted in the country of use.

b. *Monetary unit of the financial statements* – The consolidated financial statements and notes as of December 31, 2011 and 2010 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power.

c. *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 as shown below:

Company or Group	Activity
Tiendas Chedraui, S. A. de C. V.	A chain of 183 self–service stores specializing in the sale of groceries, clothes and general goods including 39 self–service stores operating under the commercial name of Súper Chedraui.
División Inmobiliaria	A group of companies engaged in the acquisition, construction, marketing and lease of real property used for different activities.
División servicios	A group of companies providing administrative, transportation of goods and personnel services.
Bodega Latina Co.	A chain of 36 self–service stores located in the southern United States which operate under the commercial name of El Super.
Grupo Crucero Chedraui, S. A. de C. V.	A holding company with three real estate entities, a provider of administrative services and two companies of other services.

Significant intercompany balances and transactions have been eliminated in the accompanying consolidated financial statements.

d. *Translation of financial statements of foreign subsidiaries* – To consolidate financial statements of foreign subsidiaries, the accounting policies of the foreign entity are converted to MFRS using the currency in which transactions are recorded. The financial statements are subsequently translated to Mexican pesos considering the following methodologies:

Foreign operations whose functional currency is the same as the currency in which transactions are recorded translate their financial statements using the following exchange rates: 1) the closing exchange rate in effect at the balance sheet date for assets and liabilities; 2) historical exchange rates for stockholders' equity, and 3) the rate in effect on the date of accrual of revenues, costs and expenses. Translation effects are recorded within stockholders' equity.

e. *Comprehensive income* – Comprehensive income represents changes in stockholders' equity during the year, for concepts other than distributions and activity in contributed common stock, and is comprised of the net income of the year, plus other comprehensive income (loss) items of the same period, which are presented directly in stockholders' equity without affecting the consolidated statements of income. In 2011 and 2010, other comprehensive income includes the effects of the translation of foreign operations and the valuation of hedging derivatives. Upon realization of assets and settlement of liabilities giving rise to other comprehensive income items, the latter are recognized in the consolidated statements of income.

f. *Classification of costs and expenses* – Costs and expenses presented in the consolidated statements of income were classified according to their function because this is the practice of the industry in which the Company operates.

g. *Income from operations* – It is the result of subtracting cost of sales and operating expenses from net sales. While NIF B–3, *Statement of Income*, does not require inclusion of this line item in the consolidated statements of income, it has been included for a better understanding of the Company's economic and financial performance.

h. *Income before comprehensive financing income participation in the results of associate companies and income before income taxes* – Income before comprehensive financing income participation in the results of associate companies and income before income taxes is the result of subtracting other income and expenses from Income from operations. While NIF B–3, *Statement of Income*, does not require inclusion of this line item in the consolidated statements of income, it has been included for a better understanding of the Company's economic and financial performance.

③ Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in conformity with MFRS, which require that management make certain estimates and use certain assumptions that affect the amounts reported in the financial statements and their related disclosures; however, actual results may differ from such estimates. The Company's management, applying its professional judgment, considers that estimates made and assumptions used were adequate under the circumstances. The significant accounting policies of the Company are as follows:

a. *Accounting changes:*

Beginning January 1, 2011, the Company adopted the following new NIFs:

NIF B–5, Financial Information by Segments, establishes the managerial approach to disclose financial information by segments, requiring the separate disclosure of interest income, interest expense and liabilities; and information on products, services, geographical areas and main customers and suppliers, as opposed to Bulletin B–5, which required that information disclosed be classified by economic segments, geographical areas or homogeneous groups of customers.

NIF C–4, Inventories, eliminates the direct cost and last–in, first–out valuation methods. It establishes that any change in the purchase cost of inventories based on the lower of cost or market, be made only based on net realizable value. It also requires additional disclosures of inventory reduction and impairment losses.

NIF C–5, Prepaid Expenses, establishes that their basic feature is that they do not transfer to the company the risks and rewards inherent in the goods and services to be acquired or received. It also requires that impairment be recognized when such payments lose their ability to generate such benefits and how they should be presented in the balance sheet, as current or long–term assets.

NIF C–6, Property, Plant and Equipment, incorporates the treatment of exchange of assets pursuant to their commercial substance. It includes the basis to determine the residual value of a component, considering current amounts. It eliminates the rule of assigning a value based on an appraisal of property, plant and equipment acquired free of charge or at an inappropriate cost. It also sets the rule to continue to depreciate a component when it is not in use, except when depreciation methods are based on activity.

NIF C–18, Obligations Associated with the Retirement of Property, Plant and Equipment, lays down specific rules for the initial and subsequent recognition of provisions relating to the obligations associated with the retirement of components of property, plant and equipment.

Improvements to Mexican Financial Reporting Standards 2011.– The main improvements that generate accounting changes are as follows:

NIF B–1, Accounting Changes and Correction of Errors, requires that, if an accounting change is made or an error is corrected, a retroactively adjusted balance sheet be presented as of the start of the earliest period for which financial information is compared to that of the current period.

Bulletin C–3, Accounts Receivable, includes criteria for the recognition of interest income and does not allow recognition of interest income from difficult–recovery receivables.

Bulletin D–5, Leases, establishes that the discount rate to be used by the lessee to determine the asset's present value should be the interest rate implicit in the lease agreement, provided determination is practical; otherwise, the incremental borrowing rate should be used the discount rate to be used by the lessor to determine the asset's present value should be the interest rate implicit in the capitalizable lease agreement. Both the lessor and the lessee should disclose complete information on their leasing transactions. It also requires that the gain or loss from the sale and leaseback of the asset under a capitalizable agreement be deferred and amortized over the term of the agreement and that the gain or loss from the sale and leaseback of the asset under an operating lease be recognized in current earnings at the time of sale, when the transaction is stated at fair value.

Bulletin C–10, Derivative Financial Instruments and Hedging Transactions.–

Hedging with options

Due to their nature, options are used to hedge changes in the cash flows or fair value of a hedged item above or below its specific strike price, which means that the risk is located on one side, due to upward or downward changes, as applicable. It is clarified that the effective portion of these hedges, subject to recognition in comprehensive income (loss), is represented only by the intrinsic value of the option, maintaining the criterion to recognize in current earnings any fluctuation in valuation of the excluded portion of the hedging instrument at the time effectiveness is measured (time value of money or extrinsic value). Under this criterion, the practice of recording fluctuations in overall valuation in other comprehensive income (loss) (change with retroactive application) is unjustified.

b. *Reclassifications* – Certain amounts in the consolidated financial statements as of and for the year ended December 31, 2010 have been reclassified to conform to the presentation of the 2011 consolidated financial statements.

c. *Recognition of the effects of inflation* – Since the cumulative inflation for the three fiscal years prior to those ended December 31, 2011 and 2010 was 15.19% and 14.48%, respectively, the economic environment may be considered non–inflationary in both years and, consequently, no inflationary effects are recognized in the accompanying consolidated financial statements. Inflation rates for the years ended December 31, 2011 and 2010 were 3.82% and 4.40%, respectively.

Beginning on January 1, 2008, the Company discontinued recognition of the effects of inflation in its financial statements. However, assets, liabilities and stockholders' equity include the restatement effects recognized through December 31, 2007.

d. *Cash* – Cash consists mainly of bank deposits in checking accounts and short–term investments, highly liquid and easily convertible into cash, maturing within three months as of their acquisition date, which are subject to insignificant value change risks. Cash is stated at nominal value; any fluctuations in value are recognized in comprehensive financing cost of the period.

e. *Inventories and cost of sales* – Inventories are stated at the lower of cost or realizable value, using the average cost.

f. *Property and equipment* – Property and equipment are recorded at acquisition cost. Balances from acquisitions made through December 31, 2007 were restated for the effects of inflation by applying specific cost and factors derived from the Mexican National Consumer Price Index (NCPI) through that date. Depreciation is calculated using the straight–line method based on the useful life of the related assets as of December 31, 2011 and 2010, as follow:

	Year
Buildings	50
Store equipment	11
Furniture and equipment	11
Vehicles	10

Comprehensive financing cost incurred during the period of construction and installation of qualifying property and equipment's capitalized and was restated for inflation through December 31, 2007 using the NCPI.

g. *Investment in shares of associated companies* – Investment in shares of associated companies are accounted for using the equity method. Under this method, the investment is initially recognized at the cost of acquiring the shares and adjusted thereafter for the change in the investor's share of net assets of the associated companies. The Company's share in the results of the associated companies is presented separately in the consolidated statements of income. If impairment indicators are present, investment in shares of associated companies is subject to impairment testing.

h. *Impairment of long–lived assets in use* – The Company reviews the carrying amounts of long–lived assets in use when an impairment indicator suggests that such amounts might not be recoverable, considering the greater of the present value of future net cash flows or the net sales price upon disposal. Impairment is recorded when the carrying amounts exceed the greater of the aforementioned amounts. Impairment indicators considered for these purposes are, among others, operating losses or negative cash flows in the period if they are combined with a history or projection of losses, depreciation and amortization charged to results, which in percentage terms in relation to revenues are substantially higher than that of previous years, obsolescence, competition and other legal and economic factors. The Company has not presented impairment indicators as at December 31, 2011 and 2010.

i. *Financial risk management policy* – The activities carried out by the Company 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 Company seeks to minimize the potential negative effects of these risks on its financial performance through an overall risk management program. The Company 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 subject to Company policies approved by the Board of Directors and are carried out by the Company's treasury. The Company 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, which is the case of and certain interest rate and / or foreign currency forwards and swaps that have been contracted. Compliance by the Company's management of established policies and exposure limits is reviewed by internal audit on an ongoing basis.

j. *Derivative financial instruments* – The Company obtains financing under different conditions. For variable rate debt instruments, interest rate swaps are entered into to reduce exposure to the risk of rate volatility, thus converting the interest payment profile from variable to fixed. These instruments are negotiated only with institutions of recognized financial strength and when trading limits have been established for each institution. The Company's policy is not to utilize derivative financial instruments for the purpose of speculation.

The Company recognizes all assets or liabilities that arise from transactions with derivative financial instruments at fair value in the consolidated balance sheet, regardless of its intent for holding them. Fair value is determined using prices quoted on recognized markets. If such instruments are not traded, fair value is determined by applying valuation techniques recognized in the financial sector.

When derivatives are entered into to hedge risks, and such derivatives meet all hedging requirements, their designation is documented at the beginning of the hedging transaction, describing the transaction's objective, characteristics, accounting treatment and how the effectiveness of the instrument will be measured.

Changes in the fair value of derivative instruments designated as hedges are recognized as follows: (1) for fair value hedges, changes in both the derivative instrument and the hedged item are stated at fair value and recognized in current earnings; (2) for cash flow hedges, changes in the effective portion are temporarily recognized as a component of other comprehensive income in stockholders' equity and then reclassified to current earnings when affected by the hedged item. The ineffective portion of the change in fair value is immediately recognized in current earnings.

The Company discontinues hedge accounting when the derivative instrument matures, is sold, cancelled or exercised; when the derivative instrument does not reach a high percentage of effectiveness to compensate for changes in fair value or cash flows of the hedged item, or when the Company decides to cancel its designation as a hedge.

For cash flow hedges, upon discontinuing hedge accounting, the amounts recorded in stockholders' equity as a component of other comprehensive income remain there until the time when the effects of the forecasted transaction or firm commitment affect current earnings. If it is not likely that the firm commitment or forecasted transaction will occur, the gains or losses accumulated in other comprehensive income are immediately recognized in current earnings. When the hedge of a forecasted transaction has proven satisfactory, but subsequently the hedge fails the effectiveness test, the cumulative effects recorded within other comprehensive income in stockholders' equity are proportionately recorded in current earnings, to the extent that the forecasted asset or liability affects current earnings.

k. *Goodwill* – Goodwill represents the excess of the price paid on the market value of assets and liabilities assumed related to seventeen stores located in the south of Los Angeles, California, and three stores located in Baja California Sur, Mexico, for what was considered an intangible asset.

l. *Provisions* – Provisions are recognized for current obligations that arise from a past event, that will probably result in the use of economic resources, and that can be reasonably estimated.

m. *Direct employee benefits* – Direct employee benefits are calculated for services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly PTU payable, compensated absences, such as vacation and vacation premiums, and incentives.

n. *Employee benefits from termination and retirement* – Liabilities from seniority premiums, pension plans and retirement payments similar to pensions and severance payments are recognized as they accrue and are calculated by independent actuaries based on the projected unit credit method using nominal interest rates.

o. *Statutory employee profit sharing (PTU)* – PTU is recorded in the results of the year in which it is incurred and presented under other income and expenses in the accompanying consolidated statements of income. In 2011 and 2010, deferred PTU is derived from temporary differences that result from comparing the accounting and tax bases of assets and liabilities and is recognized only when it can be reasonably assumed that such difference will generate a liability or benefit, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

p. *Income taxes* – Income tax (ISR) and the Business Flat Tax (IETU) are recorded in the results of the year they are incurred. To recognize deferred income taxes, based on its financial projections, the Company determines whether it expects to incur ISR or IETU and, accordingly, recognizes deferred taxes based on the tax it expects to pay. Deferred taxes are calculated by applying the corresponding tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.

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

q. *Foreign currency transactions* – Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate in effect at the balance sheet date. Exchange fluctuations are recorded as a component of net comprehensive financing income in the consolidated statements of income.

r. *Revenue recognition* – Revenues are recognized in the period in which the risks and rewards of ownership of the inventories are transferred to customers, which generally coincides with the delivery of products to customers in satisfaction of orders.

Lease revenues are recognized in the period in which they are rendered.

s. *Earnings per share* – Basic earnings per common share are calculated by dividing consolidated net income of controlling interes by the weighted average number of common shares outstanding during the year.

4 Accounts and notes receivable – Net

	2011	2010
Trade accounts receivable	$ 689,793	$ 684,778
Allowance for doubtful accounts	(10,595)	(3,541)
	679,198	681,237
Other accounts receivable	573,311	679,188
Notes receivable	22,099	15,538
	$ 1,274,608	$ 1,375,963

5 Recoverable taxes

	2011	2010
ISR paid in excess	$ 65,510	$ 79,810
Creditable Value Added Tax and Excise Tax	1,135,790	624,813
Others	99,060	77,123
	$ 1,300,360	$ 781,746

6 Derivative financial instruments

The Company has entered into interest rate collars in order to manage the interest rate risks on the loans received. On December 3, 2010, the Company entered into four such interest rate collars, whereby it pays or receives amounts calculated based on interest rates with a fixed floor and ceiling, linked to the 28 day Interbank Interest Rate (TIIE). The first of the collars, whose notional amount is MX $1750 million, matures on August 4, 2017; the second, with a notional amount of MX $750,000,000, matures on September 29, 2012; the third, with a notional amount of MX $600,000,000, matures on June 29, 2012, and the fourth, with a notional amount of MX $782,000,000, matures on March 28, 2018. The notional amount and maturity dates of the derivative are linked to the hedged liabilities. During 2011, the Company paid interest at 11.12% and received weighted average interest at 4.91%. The difference was recorded within comprehensive financing income, offsetting the effect of the variable interest on the hedged loans. The asset generated by the collars is recognized as other comprehensive income within stockholders' equity and will be subsequently recognized in current earnings.

In 2011, the Company contracted a Cross Currency Swap and an Interes Rate Swap with Bank of America with a threshold of US$ 27 million. As this limit has not been exceeded, there have been no margin calls for this derivative.

The Cross Currency Swap was contracted with Bank of America, whereby the Libor rate + 1.32% was converted to the TIIE rate + 1.04%; payments of principal denominated in US dollars are converted to Mexican pesos at an exchange rate of $11.67 pesos for one US dollar.

The Interest Rate Swap was contracted with Bank of America, whereby the variable TIIE rate + 1.04% was converted to an annual fixed rate of 6.48%.

7 Property and equipment – Net

	2011	2010
Buildings	$ 19,446,829	$ 16,563,272
Store equipment	5,809,283	4,437,337
Office furniture and equipment	1,624,188	1,328,216
Vehicles	117,911	197,527
	26,998,211	22,526,352
Accumulated depreciation	(8,401,835)	(7,677,159)
	18,596,376	14,849,193
Construction–in–progress	337,590	389,273
Land	5,302,204	5,275,718
	$ 24,236,170	$ 20,514,184

8 Other assets – Net

	2011	2010
Guarantee deposit	$ 352,548	$ 363,804
Goodwill	675,494	625,774
Other long–term assets	855,043	455,973
Software and licenses	800,012	634,200
	2,683,097	2,079,751
Accumulated amortization	(428,422)	(242,615)
	$ 2,254,675	$ 1,837,136

9 Notes payable to financial institutions

At December 31, bank loans directly contracted with different institutions and annual interest rates were as follows:

	2011	2010
Working capital note payable to BBVA Bancomer, S. A., Commercial bank, with an annual interest rate of 5.59%, maturing on January 2, 2012.	$ 494,000	$ –
Loan contracted by Bodega Latina Credit Co. with Wells Fargo Bank for the amount of US $ 48,000. The Interest rate fluctuates between a minimum of 1.75% and a maximum of 3.5%.	669,485	–
Line of credit with BBVA (Suiza) S.A., which allows the Company to make working capital purchases, at a one–month LIBOR rate plus 0.75%, effective from December 20, 2011 to December 20, 2012.	42,807	52,701
Working capital note payable to HSBC México, S. A., with an annual interest rate equal to the TIIE rate plus 5.68%, maturing on January 6, 2012.	500,000	–
Loans with financial institutions	$ 1,706,292	$ 52,701

⑩ Long–term bank loans

	2011	2010
Loan contracted with Banco Nacional de México, S.A. (Banamex) with guarantees granted by different subsidiaries, with an annual interest rate equal to the TIIE rate plus a financial margin of 0.60 points depending on the level of consolidated leverage, for a 10–year period as of September 2007. The interest rate as of December 31, 2011 and 2010 was 5.39%.	$ 1,750,000	$ 1,750,000
Loan contracted with BBVA Bancomer, S. A. (BBVA), with guarantees granted by the different subsidiaries, with an annual interest rate equal to the TIIE rate plus a financial margin of 0.55 points, maturing on September 13, 2012. The interest rate as of December 31, 2011 and 2010 was 5.35%.	750,000	750,000
Loan contracted with BBVA Bancomer, S. A. (BBVA), with guarantees granted by different subsidiaries, with an annual interest rate equal to the TIIE rate plus a financial margin of 0.375 points, maturing on June 12, 2012. The interest rate as of December 31, 2011 and 2010 was 5.17%.	300,000	600,000
Loan from Bank of America, S.A. guaranteed by Tiendas Chedraui, S.A. de C.V. at the LIBOR rate plus 1.32% with the first repayment date on May 16, 2013. The rate charged as of December 31, 2011 was 1.57%.	726,892	–
Loan contracted by Bodega Latina Credit Co. with Wells Fargo Bank for US $ 53,342 with a 2.875% rate, with a grace period for the principal as of December 31, 2012.	–	658,763
Long–term debt	3,526,892	3,758,763
Less – Current portion	1,050,000	300,000
	$ 2,476,892	$ 3,458,763

At December 31, the maturities of the long–term portion of these liabilities are as follows:

	2011	2010
2012	$ –	$ 1,708,763
2013	207,681	–
2014	207,682	–
2015	557,682	350,000
2016	803,847	700,000
2017	700,000	700,000
	$ 2,476,892	$ 3,458,763

⑪ Employee benefits

The Company maintains a defined benefit pension plan for all employees that pays benefits to 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:

	2011	2010
Defined benefit obligation	$ 203,721	$ 173,808
Plan assets at fair value	(350)	(3,576)
Funded status	203,371	170,232
Unrecognized items:		
Unrecognized transition obligations	1,350	2,603
Prior service costs, change in methodology and changes to the plan	1,947	–
Actuarial gains (*)	(42,692)	(45,239)
Unrecognized items (**)	(39,395)	(42,636)
Bodega Latina liability	27,092	17,116
Liability obligations to outsourcing	79,061	62,565
Net projected liability	$ 270,129	$ 207,277

Contributions to plan assets

(*) The change in methodology in 2011 includes the career salary concept and a change from net rates to nominal rates.

(**) The actuarial gains and losses include variances between actual figures and figures initially estimated, as well as variances in assumptions.

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

	2011 %	2010 %
Discount of the projected benefit obligation at present value	7.75%	7.75%
Expected yield on plan assets	8.50%	8.75%
Salary increase	3.50%	4.50%

Unrecognized items are charged to results based on the estimated average remaining service lives of employees, which is 5 years.

c. Net cost for the period includes the following items:

	2011	2010
Service cost	$ 27,996	$ 21,584
Financing cost	12,237	9,949
Expected yield on plan assets	(193)	(399)
Transition liability	(1,307)	(1,270)
Plan improvements	1,279	1,939
Actuarial gains	2,224	2,579
Effect of reduction or early liquidation	–	–
Adjustment for immediate recognition of gain	12,413	40,327
Net cost of the period	$ 54,649	$ 74,709
Bodega Latina's net cost of the period	$ 9,976	$ (11,198)
Liability obligations to outsourcing	16,496	(3,366)
Payments applied to accrual	(18,269)	(45,847)
Net cost of the period	$ 62,852	$ 14,298

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

	2011	2010
Present value of the defined benefit obligation as of January 1,	$ 172,076	$ 119,805
Service cost	28,781	(23,642)
Financing cost	12,237	9,949
Actuarial loss on the obligation	(9,372)	67,696
Present value of the defined benefit obligation as of December 31,	$ 203,722	$ 173,808

(12) Receivables held in trust contracts

The Company, in conjunction with six group subsidiaries (trustors), created a nonbusiness trust with Supervisión y Mantenimiento de Inmuebles, S.A. de C.V. (Supermant), in which a full–service bank was designated as trustee, instructed by Supermant to enter into a credit agreement with another full–service bank, while rights to accounts receivable, the existing and future collection rights under certain lease agreements, advertising and parking of the trustees were assigned to the bank under an assignment contract.

The trust contract requires a cash reserve to be maintained, which will be recovered at the time such contract is terminated. Such reserve is presented in non–current assets as a long–term receivable.

In accordance with the trust contract, as the collection rights are realized, the results obtained are used to cover the trust's expenses, which are comprised mainly of the remainder will be applied as an advance payment of the debt. If such remainder is insufficient to cover the minimum payment of the debt, the shortfall is obtained from the cash reserve mentioned in the preceding paragraph, which must be replenished with the realization of the future collection rights. If the reserves were insufficient, the trustors may assign and contribute eligible collection rights in favor of the trustee which will enable such omission to be corrected. Based on the Company's projections regarding the portfolio dispositions and recovery, management estimates that the credit will be repaid before the end of the original term agreed.

As of December 31, 2011 and 2010, the Company had recorded a balance of rights for $339,129 and $382,747, respectively, and a long–term account receivable for $89,049 and $89,053, respectively.

The revenue is recognized in the results of each year based on the percentage in which such collection rights are earned or realized.

(13) Stockholders' equity

a. As of December 31, 2011 and 2011, common stock is comprised of 963,917,211 ordinary shares without par value. Fixed capital stock may not be withdrawn. Variable capital may not be greater than ten times fixed capital.

b. The Stockholders' Ordinary and Special Meeting held on April 5, 2010 approved the following: 1) carry out a split of the common stock shares, increasing from 36,971,616 to 817,452,422 ordinary, nominative shares at no par value; and 2) carry out the offering for subscription and sale of common stock shares, by issuing 146,464,789 shares in a primary public offering. This placement generated a net share issue premium of $4,530,519.

c. The Stockholders' Ordinary General Meeting of March 23, 2011 agreed to create a reserve to buy back the Company's shares for a maximum amount of $500,000. Accordingly, on October 25, 2011, the Company repurchased 5,000 shares, of which 4,000 were acquired at a purchase price of $32.26, while the remaining 1,000 shares were purchased for $32.36 each share. The 5,000 shares were sold on December 23, 2011; 4,600 shares were sold for $33.75 each share, while the remaining 400 shares were sold for $33.89 each share, thereby representing movements of the Company's variable capital.

d. The Stockholders' Ordinary General Meeting of March 23, 2011 approved the payment of a cash dividend to stockholders equal to $ 0.22 (twenty–two Mexican cents) for each share released and outstanding at the dividend payment date. This payment was taken from the Company's Net Tax Income Account and was made through S.D. Indeval, S.A. de C.V., Institución para el Depósito de Valores. The dividend paid in 2011 was $216,111.

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 (historical pesos). 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, 2011 and 2010, the legal reserve, in historical pesos, was $7,394.

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

g. Net consolidated income tax account as of December 31, 2011 and 2010 is $1,195,309 and $1,103,373, respectively.

(14) Foreign currency balances and transactions

a. As of December 31, the foreign currency monetary position is as follows:

		2011		2010
U.S. dollars:				
Monetary assets	$	80,649	$	136,076
Monetary liabilities		209,650		168,796
Net monetary asset position		129,001		32,720
Equivalent in Mexican pesos	$	1,800,965	$	404,092

b. Approximately 2.57% and 1.5% of inventory purchases were imported by the Company in 2011 and 2010, respectively.

c. Transactions denominated in thousands of U.S. dollars during the years ended December 31, 2011 and 2010 mainly represent import purchases of $88,215 and $46,820, respectively.

d. Mexican peso exchange rates in effect at the dates of the consolidated balance sheets and at the date of issuance of these financial statements were as follows:

	December 31, 2011	December 31, 2010	February 24, 2012
U.S. dollar	$ 13.94	$ 12.35	$ 12.86

(15) Transactions and balances with related parties

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

		2011		2010
Interest received	$	5,523	$	9,064
Lease revenues		1,757		2,240
Administrative revenues		905		1,549
Sales of concrete		–		2,734
Maintenance expenses		(96,068)		(88,077)

b. Due from related parties are as follows:

		2011		2010
Operadora de Inmobiliarias del Sureste, S. A. de C. V.	$	37,599	$	57,613
Chefu de Tuxpan, S. A. de C. V.		7,966		14,634
Hípico Coapexpan, S. A. de C. V.		3,676		5,775
Supervisión y Mantenimiento de Inmuebles, S. A. de C. V.		15,469		3,680
Other		750		587
	$	65,460	$	82,289

c. Long term accounts receivable from related parties are related to transactions with shareholders of the Company.

d. The average employee benefits granted to key personnel of the Company were as follows:

		2011		2010
Direct compensation	$	91,374	$	84,892
Variable compensation		62,587		53,138
	$	153,961	$	138,030

16 Comprehensive financing income

In 2011 and 2010, qualifying assets of $1,580,882 and $145,958, respectively, were acquired; capitalized comprehensive financing cost (CFC) was $20,312 and $4,616, respectively, as follows:

	2011	2010
Capitalized CFC by asset type:		
Building	$ 20,312	$ 4,616

CFC capitalization was determined using an average annualized rate of 5.2 and 7.6% in 2011 and 2010, respectively.

17 Income taxes

The Company and Grupo Crucero Chedraui, S. A. de C. V. (a subsidiary included in the accounting consolidation) have separate authorization from the Treasury Department to determine income tax and asset tax (the latter until it was eliminated in 2007) under the tax consolidation regime, together with its direct and indirect subsidiaries, as stipulated in the respective laws.

The management of the Group has considered the possibility of incorporating the companies of Grupo Crucero Chedraui, S. A. de C. V. into its consolidation regime, for which purpose certain legal and administrative requirements must be fulfilled.

The Company is subject to ISR and IETU.

The ISR rate is 30% for 2010 through 2012; it will be 29% for 2013 and 28% for 2014.. The Company pays ISR, together with subsidiaries on a consolidated basis.

On December 7, 2010, amendments to the ISR Law were published, to become effective beginning in 2011. These amendments state that: a) ISR relating to tax consolidation benefits obtained from 1999 through 2004 should be paid in installments beginning in 2011 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 it was 17% in 2009. 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.

a. Income tax is as follows:

	2011	2010
ISR expense:		
Current	$ 493,791	$ 315,211
Deferred	(66,368)	105,549
	$ 427,423	$ 420,760

b. The effect ISR rate as of December 31, differs from the statutory rate as follows:

	2011	2010
Statutory rate	30%	30%
Effects of inflation	(6%)	(10%)
Change in the valuation of allowance for recoverable tax on assets	(2%)	3%
Other	–	–
Effective rate	22%	23%

c. The main items originating a net deferred ISR liability are:

	2011	2010
Deferred ISR asset:		
Tax loss carryforward effect	$ 65,977	$ 58,690
Allowance for doubtful accounts	3,179	1,062
Inventory shrinkage	23,258	42,125
Customer advances	75,435	80,476
Accrued liabilities	131,896	141,133
Derivative financial instruments	5,937	27,540
Deferred ISR asset	305,682	351,026
Deferred ISR liability:		
Prepaid expenses	(23,077)	(24,693)
Tax inventory of 2004, not yet taxable	(53,699)	(57,460)
Property and equipment	(1,667,444)	(1,765,632)
Deferred ISR liability	(1,744,220)	(1,847,785)
Recoverable IMPAC paid	924,396	966,249
Valuation allowance for recoverable tax on asset	(433,484)	(483,484)
Net deferred ISR liability	$ (947,626)	$ (1,013,994)

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. Restated amounts as of December 31, 2011 and expiration dates are:

Year of Expiration	Tax Loss Carryforwards	Recoverable Tax on Assets
2012	$ –	$ 137,969
2013	–	167,783
2014	–	167,937
2015	–	148,470
2016	–	173,403
2017	–	128,834
2018	–	–
2019	–	–
2021	219,923	–
	$ 219,923	$ 924,396

18 Commitments

The Company has entered into operating leases for buildings and equipment operation. Some of these contracts require that the fixed portion of income is reviewed annually, waiting for contracts to expire are renewed or replaced by similar agreements. In 2011 and 2010, rent expense totaled approximately $564,158 and $477,291, respectively.

19 Contingencies

a. As of December 31, 2011, the Company has promoted certain rulings for relief and has submitted several lawsuits seeking relief, as well as certain claims for annulment in disputes against the tax authority, and has also filed an appeal against the revocation of a tax credit for which legal conclusions thereon by legal counsel have not been obtained because of its current status.

b. Except for the aforementioned point, neither the Company nor its assets are subject to any legal action other than those that arise in the normal course of business.

20 Business segment information

Operating segment information is presented according to management's criteria. In addition, general information is presented by product, geographical area and homogeneous customer groups.

a. Analytical information by operating segment

Segment	Total revenues 2011	2010
Mexico retail	$ 45,317,830	$ 41,125,112
USA retail	11,604,619	9,250,869
Real estate	564,349	520,991
Consolidated	$ 57,486,798	$ 50,896,972

Segment	Income before comprehensive financing income, participation in the results of associate companies and Income before income taxes 2011	2010
Mexico retail	$ 2,120,194	$ 1,987,177
USA retail	219,483	240,746
Real estate	348,285	321,108
Consolidated	$ 2,687,962	$ 2,549,031

	Leasehold – Intersegment 2011	2010
Mexico retail	$ 1,415,284	$ 1,410,183
Real estate	(1,415,284)	(1,410,183)
	$ –	$ –

Total assets

Segment	2011	2010
Mexico retail	$ 29,533,692	$ 25,607,486
USA retail	2,656,689	1,951,827
Real estate	2,233,715	2,118,072
Unassigned items	2,697,621	4,287,063
Consolidated	$ 37,121,717	$ 33,964,448

Depreciation and amortization

	2011	2010
Mexico retail	$ 781,567	$ 629,417
USA retail	185,121	138,639
Real estate	28,112	26,714
	$ 994,800	$ 794,770

Net investments in property and equipment

	2011	2010
Mexico retail	$ 3,418,944	$ 1,919,676
USA retail	271,641	334,577
Real estate	58,369	114,328
Unassigned items	(40,934)	(38,131)
Consolidated	$ 3,708,020	$ 2,330,450

21 New accounting principles

As part of its efforts to make Mexican standards converge with international standards, in 2011, the Mexican Board for Research and Development of Financial Information Standards ("CINIF") issued the following Mexican Financial Reporting Standards (NIFs), Interpretations to Financial Information Standards (INIFs) and improvements to NIFs, which will become effective as of January 1,2012:

B–3, Statement of Comprehensive Income (Loss)
B–4, Statement of Changes in Stockholders' Equity
C–6, Property, Plant and Equipment
Improvements to Mexican Financial Reporting Standards 2012

Some of the most important changes established by these standards are:

NIF B–3 – Statement of Comprehensive Income (Loss) provides the options of presenting a) a single statement containing the items that make up net income (loss), as well as other comprehensive income (OCI)) and equity in OCI of other entities and be named statement of comprehensive income (loss), or b) two statements: the statement of income (loss), which should include only items that make up net income (loss) and the statement of other comprehensive income (loss), which should start from net income (loss) and immediately present OCI items and equity in OCI of other entities. In addition, NIF B–3 establishes that items should not be separately presented as non–ordinary in the financial statement or the notes to the financial statements.

NIF B–4, Statement of Changes in Stockholders' Equity, establishes the general rules for the presentation and structure of the statement of changes in stockholders' equity, such as showing retroactive adjustments due to accounting changes and correction of errors that affect the beginning balances of stockholders' equity and presenting comprehensive income (loss) in a single line item, providing a detail of all items making it up, according to the NIF B–3.

NIF C–6, Property, Plant and Equipment establishes the obligation to depreciate components that are representative of an item of property, plant and equipment, regardless of depreciating the rest of the item, as if it were a single component.

Improvements to Mexican Financial Reporting Standards 2012. – The main improvements that generate accounting changes that should be recognized retroactively in fiscal years beginning on January 1, 2012 are:

Bulletin B–14, Earnings per share, states that diluted earnings per share should be calculated and disclosed when the result from continuing operations is a loss, regardless of whether net income is reported.

NIF C–1, Cash and Cash equivalents, requires that cash and restricted cash equivalents be presented in the balance sheet at short term, provided such restriction expires within 12 months from the balance sheet date; if the restriction expires at a later date, this line item should be presented under long–term assets.

Bulletin C–11, Stockholders' equity, eliminates the rule to record donations received by an entity, as part of capital contributions, which, according to NIF B–3, Statement of Income, should be recorded as revenue in the statement of income.

Bulletin C–15, Accounting for Impairment and Disposal of Long–lived Assets, eliminates: a) the restriction that an asset be not in use to classify it as available–for–sale, and b) the reversal of goodwill impairment losses. It also establishes that impairment losses in the value of long–lived assets be presented in the statement of income under the corresponding cost and expense line items and not under other income and expenses, or as a special item.

NIF D–3, Employee Benefits, requires that current and deferred PTU be presented in the statement of income under the corresponding cost and expense line items and not under other income and expenses.

Also, other Improvements to Mexican Financial Reporting Standards 2012 were issued that do not generate accounting changes and which require further disclosures about key assumptions used in the estimates and valuation of assets and liabilities at fair value, that might give rise to significant adjustments to such values in the next accounting period.

At the date of issuance of these consolidated financial statements, the Company has not fully assessed the effects of adopting these new standards on its financial information.

22 Effects of adopting International Financial Reporting Standards

The National Banking and Securities Commission (CNBV) requires certain entities that disclose their financial information to the public through the Mexican Stock Exchange, that beginning in 2012, they must prepare and disclose their financial information according to International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

The consolidated financial statements for the year ending December 31, 2012 to be issued by the Company will be its first annual financial statements that comply with IFRS. The transition date is January 1, 2011 and, therefore, the year ended December 31, 2011 will be the comparative period established by IFRS 1, F*irst–Time Adoption of International Financial Reporting Standards*. According to IFRS 1, the Company will apply the relevant mandatory exceptions and certain optional exemptions to the retroactive application of IFRS.

The Company will apply the relevant mandatory exceptions to the retroactive application of IFRS as follows:

Calculation of estimates – Estimates at the date of transition are consistent with estimates at the same date under Mexican Financial Reporting Standards (MFRS), unless there is evidence of error in these estimates.

Hedge accounting – Hedge accounting will be applied only if the hedge relationship meets the criteria established by IFRS as of the date of transition.

Non–controlling interests – Certain requirements to recognize and present non–controlling interests will be applied prospectively as of the date of transition.

Business combinations – The business combinations exemption will be applied; therefore, no reformulations have been made to business combinations that took place before the date of transition.

Employee benefits – The employee benefits exemption will be applied; therefore, all actuarial gains (losses) cumulative as of the date of transition are recognized.

Cumulative differences of the effect of translation – The exemption to cumulative differences of the effect of translation will be applied; therefore, the translation effect at the date of transition is adjusted to zero.

Below is a summary of the main differences the Company has identified in its transition from NIFs to IFRS as of the date of these consolidated financial statements, as well as an estimate of their most significant effects .

Effects of inflation – According to IFRS, inflationary effects are recognized in the financial statements when the economy of the currency in which the Company's transactions are recorded is considered hyperinflationary. The Mexican economy ceased to be hyperinflationary in 1999 and, as a result, the inflationary effects recognized by the Company through December 31, 2007 under NIFs were reversed, representing a decrease in retained earnings of approximately $91 million, as of the date of transition.

Investment property – IFRS allow valuing investment properties under the fair value model or cost model; NIFs only allow using the cost method. The Company initially decided to adopt the fair value model. As of the date of these consolidated financial statements, the Company has determined the investment property value of $5,121 million.

Leases – Bulletin D–5 establishes a series of conditions which, if present at the beginning of a lease agreement, indicate jointly or individually that such lease must be classified as capitalizable by the lessee; these indicators are also established in IAS–17. However, IAS 17 includes other indicators that are not included in Bulletin D–5. Upon analyzing the Company's lease agreements, we concluded that the leases with GE Capital, Water Capital and Apoyo Mercantil (BBVA), must be accounted for as a capital lease under IFRS, representing an increase to net assets of $766 million and of $689 million in liabilities.

Employee benefits – According to IFRS, the severance payment provision is not recognized until the Company 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 $41 million liability recorded according to NIFs was eliminated. The impact of these differences in the statement of income for 2011 represents an increase of approximately $12 million in income for the period, determined under NIFs.

Deferred taxes – According to IFRS, deferred taxes were recalculated using the book values of assets and liabilities as adjusted according to IFRS. The Company is in the process of determining the effect.

Other differences in presentation and disclosures in the financial statements – IFRS disclosure requirements are, generally, wider in scope than those of NIFs. This may result in a larger number of disclosures regarding accounting policies, significant judgments and estimates; financial instruments and risk management, among others. In addition, there may be differences in presentation, for example, IFRS require a statement of comprehensive income that is not required under NIFs.

The information contained in this Note has been prepared in accordance with the standards and interpretations issued and in effect, or issued and adopted in advance of the date of preparation of these consolidated financial statements. Standards and interpretations that will be applicable as of December 31, 2012, including those that may be applied optionally, are not known with certainty at the time of preparation of the consolidated financial statements as of December 31, 2011 and 2010. In addition, the accounting policies selected by the Company could be modified as a consequence of changes in the economic environment or industry trends that occur after the issuance of these consolidated financial statements. The information contained in this Note is not intended to comply with IFRS, as only a group of financial statements that includes the statements of financial position, comprehensive income, changes in stockholders' equity and cash flows, along with comparative information and explanatory notes, can provide an appropriate presentation of the financial position of the Company, the result of its operations and its cash flows in accordance with IFRS.

23 Financial statement issuance authorization

On February 24, 2012, the issuance of the consolidated financial statements was authorized by Ing. Rafael Contreras Grosskelwing, the Company's Chief Financial Officer. These consolidated financial statements are subject to the approval at the General Ordinary Stockholders' Meeting, which may decide to modify such consolidated financial statements according to the Mexican General Corporate Law.

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Mexican Stock Exchange (BMV): ticker CHEDRAUI

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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.

Diseño: milenio3

cotiza en Bolsa Mexicana
CHDRAUI

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