OFFERING CIRCULAR **CONFIDENTIAL**

375,407,407 Shares

Grupo Sanborns, S.A.B. de C.V.

Common Stock

We are offering 375,407,407 Series B-1 shares of common stock, no par value, or the "shares," in a global offering consisting of (1) an international offering of 152,017,086 shares in the United States to "qualified institutional buyers" as defined in Rule 144A under the U.S. Securities Act of 1933, as amended, or the "Securities Act," in transactions exempt from registration thereunder, and in other countries outside of Mexico and the United States to certain non-U.S. persons in reliance on Regulation S under the Securities Act through the initial purchasers named elsewhere in this offering circular, or the "international offering," and (2) a concurrent initial public offering of 223,390,321 shares in Mexico authorized by the *Comisión Nacional Bancaria y de Valores* (Mexican National Banking and Securities Commission, or the "CNBV") conducted through the Bolsa Mexicana de Valores, S.A.B. de C.V. (Mexican Stock Exchange, or the "BMV") by the Mexican underwriters named elsewhere in this offering circular, or the "Mexican offering," and, together with the international offering, the "global offering." The shares being offered in the global offering may be reallocated between the international offering and the Mexican offering, depending upon demand and other related factors in the Mexican and international markets. The closings of the international offering and the Mexican offering are conditioned upon each other.

We have granted the initial purchasers and the Mexican underwriters options, to be exercised from time to time, in a coordinated but independent manner, for a period of 30 days from the date of this offering circular to purchase up to an additional 56,311,111 shares at the offering price, less the underwriting discount. See "Plan of Distribution."

Investing in the shares involves risks. See "Risk Factors" beginning on page 24.

Offer Price: Ps.28.00 per share

This is our initial public offering and no public market currently exists for the shares. We have applied to register the shares in Mexico with the *Registro Nacional de Valores* (National Securities Registry, or "RNV") maintained by the CNBV and to list the shares for trading on the BMV under the symbol "GSANBOR." The shares have not been and will not be listed in any national securities exchange or quoted in any automated interdealer quotation system in the United States or elsewhere outside Mexico. Registration of the shares with the RNV does not imply any certification as to the investment quality of the shares, our solvency or the accuracy or completeness of the information contained in this offering circular, and such registration does not ratify or validate acts or omissions, if any, undertaken in contravention of applicable law.

The shares have not been and will not be registered under the Securities Act or under any U.S. securities laws. The shares may not be offered and sold within the United States or to U.S. persons outside the United States, except to "qualified institutional buyers" as defined in and in reliance on the exemption from registration provided by Rule 144A under the Securities Act and to certain non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act. You are hereby notified that sellers of the shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Transfer Restrictions" for a description of the restrictions regarding the purchase and transfer of the shares.

None of the U.S. Securities and Exchange Commission, or the "SEC," the CNBV or any state or foreign securities regulator has approved or disapproved the international offering or determined if this offering circular is truthful or complete. Any representation to the contrary is a criminal offense.

We expect that delivery of the shares will be made to investors on or about February 13, 2013, in book-entry form through the facilities of S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V., or "Indeval," in Mexico City, Mexico.

Global Coordinator and Bookrunner

Credit Suisse

Joint Bookrunners

CITI **Morgan Stanley**

The date of this offering circular is February 7, 2013.

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NOTICE TO INVESTORS

You should rely only on the information contained in this offering circular. Neither we nor the initial purchasers have authorized anyone to provide you any other information, and neither we nor the initial purchasers take any responsibility for any other information. You should assume that the information contained in this offering circular is accurate only as of the date on the front cover of this offering circular. Neither the delivery of this offering circular nor any sale made hereunder will under any circumstances imply that the information herein is correct as of any date subsequent to the date on the front cover of this offering circular. This document may only be used where it is legal to sell the shares. Neither we nor the initial purchasers are making an offer of the shares in any jurisdiction where the offer is not permitted.

The Mexican offering is being made in the United Mexican States, or "Mexico," pursuant to a prospectus in Spanish with the same date as this offering circular that complies with the requirements of the *Ley del Mercado de Valores* (Mexican Securities Market Law, or "LMV") and regulations thereunder. The Mexican prospectus, which has been filed with and reviewed by the CNBV and this offering circular contain substantially similar information, except that the Mexican prospectus includes other information, and information that is presented in a different manner from that in this offering circular, as required by applicable Mexican law. The international offering is being made in the United States and elsewhere outside the United States and Mexico solely on the basis of the information contained herein.

This offering circular is highly confidential and has been prepared by us solely for use in connection with the proposed offering of the shares described in this offering circular. This offering circular is personal to each offeree and does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire the shares.

Neither we nor the initial purchasers are making an offer to sell the shares in any jurisdiction except where such an offer or sale is permitted. You must comply with all applicable laws and regulations in force in your jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the shares under the laws and regulations in force in your jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the initial purchasers will have any responsibility therefor.

We are relying upon an exemption from registration under the Securities Act for an offer and sale of securities which do not involve a public offering. We have submitted this offering circular solely to a limited number of qualified institutional buyers in the United States and to investors outside the United States and Mexico so they can consider a purchase of the shares. This offering circular may be used only for the purposes for which it has been published. By accepting delivery of this offering circular, you acknowledge that the use of the information in this offering circular for any purpose other than to consider a purchase of the shares is strictly prohibited. These undertakings and prohibitions are for our benefit, and we may enforce them. U.S. federal securities laws restrict trading in our securities while in possession of material non-public information with respect to us. By accepting delivery of this offering circular and by purchasing the shares, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under "Transfer Restrictions" in this offering circular. The shares are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser of the shares, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

This offering circular is based on information provided by us and other sources that we believe to be reliable. We and the initial purchasers cannot assure you that this information is accurate or complete. This offering circular summarizes certain documents and other information and we refer you to them for a more complete understanding of what we discuss in this offering circular.

We are not making any representation to any purchaser regarding the legality of an investment in the shares by such purchaser under any legal investment or similar laws or regulations. You should not consider

any information in this offering circular to be legal, financial, business or tax advice. You should consult your own counsel, accountant, business advisor and tax advisor for legal, accounting, business and tax advice regarding any investment in the shares.

We reserve the right to withdraw this offering of shares at any time and we and the initial purchasers reserve the right to reject any commitment to subscribe for the shares in whole or in part and to allot to any prospective investor less than the full amount of shares sought by that investor. The initial purchasers and certain related entities may acquire for their own account a portion of the shares.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering circular. Nothing contained in this offering circular is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

None of the SEC, the CNBV or any state or foreign securities commission or any other regulatory authority has approved or disapproved the offering of the shares nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy, adequacy or completeness of this offering circular. Any representation to the contrary is a criminal offense.

This is our initial public offering and no public market currently exists for the shares. We have applied to register the shares in Mexico with the RNV maintained by the CNBV and to list the shares for trading on the BMV. The shares have not been and will not be listed in any national securities exchange or quoted in any automated interdealer quotation system in the United States or elsewhere outside Mexico. Registration of the shares with the RNV does not imply any certification as to the investment quality of the shares, our solvency or the accuracy or completeness of the information contained in this offering circular, and such registration does not ratify or validate acts or omissions, if any, undertaken in contravention of applicable law.

In making an investment decision, prospective investors must rely on their own examination of our Company and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering circular as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the shares under applicable legal, investment or similar laws or regulations.

In any Member State of the European Economic Area that has implemented the Prospectus Directive (each, a "Relevant Member State"), this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Directive. This offering circular has been prepared on the basis that any offer of shares in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of shares. Accordingly any person making or intending to make any offer within the European Economic Area of shares which are the subject of the offering contemplated in this offering circular may only do so in circumstances in which no obligation arises for us or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither we nor the initial purchasers have authorized, nor do they authorize, the making of any offer (other than permitted public offers) of shares in circumstances in which an obligation arises for us or the initial purchasers to publish a prospectus for such offer.

For the purposes of this provision, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU."

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any shares under, the offers contemplated in this offering circular will be deemed to have represented, warranted and agreed to and with each initial purchaser and us that:

(a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (1) the shares acquired by it in the offer have not been acquired on

behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the initial purchasers has been given to the offer or resale; or (2) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this representation, the expression an "offer to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

This communication is only being distributed to and is only directed at (1) persons who are outside the United Kingdom or (2) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (3) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

We are a *sociedad anónima bursátil de capital variable* (publicly traded corporation with variable capital stock) incorporated under the laws of Mexico. All of our directors and executive officers, our controlling shareholders and most of the experts named herein are non-residents of the United States, and substantially all of the assets of such non-resident persons and substantially all of our assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or in any other jurisdiction outside Mexico upon such persons or to enforce against them or us in courts of any jurisdiction outside Mexico, judgments predicated upon the laws of any such jurisdiction. We have appointed CT Corporation System as our agent to receive service of process with respect to any action brought against us in any United States federal or New York state court located in the City and County of New York arising from this offering. There is doubt as to the enforceability in Mexican courts, in original actions or in actions for enforcement of judgments obtained in courts of jurisdictions outside Mexico, of civil liabilities arising under the laws of any jurisdiction outside Mexico, including any judgment predicated solely upon U.S. federal or state securities laws. We have been advised by our Mexican counsel that no treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of foreign judgments. In the past, Mexican courts have enforced judgments rendered in the United States by virtue of the legal principles of reciprocity and comity, consisting of the review in Mexico of the U.S. judgment in order to ascertain whether Mexican legal principles of due process and public policy have been complied with, without reviewing the merits of the subject matter of the case.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise specified or the context otherwise requires, references in this offering circular to "the Company," "Grupo Sanborns," the "Issuer," the "Company," "we," "us," and "our" refer to Grupo Sanborns, S.A.B. de C.V. and its subsidiaries.

Financial Statements

This offering circular includes our audited consolidated financial statements as of December 31, 2009, 2010 and 2011 and for the years then ended, together with the notes thereto, or the "Audited Financial Statements," and our unaudited interim consolidated financial statements as of September 30, 2012 and for the three- and nine-month periods ended September 30, 2011 and 2012, together with the notes thereto, or the "Interim Financial Statements" and together with the Audited Financial Statements, the "Financial Statements," beginning on page F-1.

The financial information in this offering circular as of and for the years ended December 31, 2009, 2010 and 2011 has been prepared in accordance with the *Normas de Información Financiera* (Mexican Financial Reporting Standards), or "Mexican FRS," issued by the *Consejo Mexicano de Normas de Información Financiera, A.C.*

Pursuant to the *Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores* (General Provisions Applicable to Securities Issuers and Other Participants in the Securities Market, or the "Regulations") issued by the CNBV, beginning with the year ending December 31, 2012, Mexican companies with securities listed on a Mexican securities exchange will be required to prepare and present financial information in accordance with International Financial Reporting Standards, or "IFRS," issued by the International Accounting Standards Board, or the "IASB." Accordingly, our annual consolidated financial statements as of and for the year ending December 31, 2012 will be our first annual financial statements prepared in accordance with IFRS. Our date of transition to IFRS is January 1, 2011. As a result, our audited annual financial statements as of and for the year ended December 31, 2011 will be part of the period covered by our first audited annual financial statements prepared in accordance with IFRS.

CNBV rules require that interim financial information published during the year of adoption also be presented under IFRS. Accordingly, the financial information in this offering circular as of and for the three- and nine-month periods ended September 30, 2011 and 2012 has been prepared in accordance with IFRS and has been filed with the CNBV. For a description of the effects of the transition to IFRS from Mexican FRS, see Note 28 to our Interim Financial Statements. The financial information in our Audited Financial Statements prepared in accordance with Mexican FRS may not be directly comparable with the financial information in our Interim Financial Statements prepared in accordance with IFRS. See "Risk Factors—Risk Factors Related to Our Business—We recently began preparing our financial statements in accordance with IFRS and, as a result, some of our financial data are not easily comparable from period to period."

EBITDA

EBITDA is a measure used in our financial analysis that is not recognized under Mexican FRS or IFRS but is calculated from amounts that derive from our financial statements. Because our Interim Financial Statements were prepared under IFRS, for the nine-month periods ended September 30, 2011 and 2012, we calculate EBITDA as comprehensive income plus depreciation and amortization expense, income taxes, interest expense, exchange losses, losses on valuation of derivative financial instruments and translation effects of foreign operations, minus interest income, exchange gains and gains on valuation of derivative financial instruments. Because our Audited Financial Statements were prepared under Mexican FRS, for the years ended December 31, 2009, 2010 and 2011, we calculate EBITDA as operating income plus depreciation and amortization expense and other income, minus other expense. EBITDA figures by business format presented in this offering circular include royalties paid by our subsidiaries to Grupo Sanborns, S.A.B. de C.V. and reflect the effects of the spin-off of our real estate business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Discontinued Operations." We believe that

EBITDA can be useful to facilitate comparisons of operating performance between periods on a consolidated basis and by business format, but the metric may be calculated differently than that of other retailers and restaurant operators. EBITDA should not be construed as an alternative to (i) comprehensive income as an indicator of our operating performance, or (ii) cash flow from operations as a measure of our liquidity. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—EBITDA."

Currency and Other Information

Unless otherwise specified, financial information included in this offering circular is presented in Mexican pesos. References in this offering circular to "Ps.," "Mexican pesos" or "pesos" are to Mexican pesos and references to "U.S.$," "U.S. dollars" or "dollars" are to United States dollars.

This offering circular contains translations of certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These convenience translations should not be construed as representations that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the specified rate or at all.

Unless otherwise indicated, the exchange rates used for purposes of convenience translations are:

- with respect to statement of financial position data included in this offering circular, the exchange rate as of the reporting date (*i.e.*, Ps.12.85 per U.S. dollar as of September 30, 2012 and Ps.13.98 per U.S. dollar as of December 31, 2011); and
- with respect to financial information other than statement of financial position data included in this offering circular, the average exchange rate for the period presented, which consists of the daily average of the exchange rates on each day during the period presented (*i.e.*, Ps.13.22 per U.S. dollar for the nine-month period ended September 30, 2012 and Ps.12.39 per U.S. dollar for the year ended December 31, 2011).

See "Exchange Rates" for information regarding exchange rates between the Mexican peso and the U.S. dollar.

Certain numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them due to rounding.

References to spreads refer to percentage amounts representing the difference between two interest rates or transaction values, as the context requires.

In this offering circular, where information is presented in thousands, millions or billions of Mexican pesos or thousands, millions or billions of U.S. dollars, amounts of less than one thousand, one million, or one billion, as the case may be, have been truncated unless otherwise specified. All percentages have been rounded to the nearest percent, one-tenth of one percent or one-hundredth of one percent, as the case may be. In some cases, amounts and percentages presented in tables in this offering circular may not add up due to such rounding adjustments or truncating.

Unless otherwise specified, all units of area shown in this offering circular are expressed in terms of square meters or m^2.

Industry and Market Data

Market data and other statistical information (other than with respect to our financial results and performance) used throughout this offering circular are based on independent industry publications, government publications, reports by market research firms or other published independent sources, including, the *Asociación Nacional de Tiendas de Autoservicio y Departamentales, A.C.*, among others.

Some data are also based on our estimates, which are derived from our review of internal surveys and analyses, as well as independent sources. Although we believe these sources are reliable, we have not

independently verified the information and cannot guarantee its accuracy or completeness. In addition, these sources may use different definitions of the relevant markets than those we present. Data regarding our industry are intended to provide general guidance but are inherently imprecise. Though we believe these estimates were reasonably derived, you should not place undue reliance on estimates, as they are inherently uncertain.

GLOSSARY OF TERMS AND DEFINITIONS

Unless otherwise specified, references in these definitions to financial statement line items are references to those line items as set forth in our Audited Financial Statements.

"Audited Financial Statements" means our audited consolidated financial statements as of December 31, 2009, 2010 and 2011 and for the years then ended, together with the notes thereto.

"BMV" means the Bolsa Mexicana de Valores, S.A.B. de C.V.

"CFC" means the *Comisión Federal de Competencia* (Mexican Antitrust Commission).

"CNBV" means the *Comisión Nacional Bancaria y de Valores* (Mexican Banking and Securities Commission).

"Dorian's Tijuana" means Dorian's Tijuana, S.A. de C.V.

"EBITDA" means the measure used in our financial analysis that is not recognized under Mexican FRS or IFRS but is calculated from amounts that derive from our financial statements. Because our Interim Financial Statements were prepared under IFRS, for the nine-month periods ended September 30, 2011 and 2012, we calculate EBITDA as comprehensive income plus depreciation and amortization expense, income taxes, interest expense, exchange losses, losses on valuation of derivative financial instruments and translation effects of foreign operations, minus interest income, exchange gains and gains on valuation of derivative financial instruments. Because our Audited Financial Statements were prepared under Mexican FRS, for the years ended December 31, 2009, 2010 and 2011, we calculate EBITDA as operating income plus depreciation and amortization expense and other income, minus other expense.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Financial Statements" means our audited consolidated financial statements as of December 31, 2009, 2010 and 2011 and for the years then ended, together with the notes thereto, and our unaudited interim consolidated financial statements as of September 30, 2012 and for the three- and nine-month periods ended September 30, 2011 and 2012, together with the notes thereto.

"GDP" means Gross Domestic Product.

"Grupo Carso" means Grupo Carso, S.A.B. de C.V.

"Grupo Sanborns," the "Issuer," or the "Company" means Grupo Sanborns, S.A.B. de C.V. References to the "Company" in this offering circular also refer to Grupo Sanborns, S.A.B. de C.V. and, before changing its corporate form to a publicly traded company, to Grupo Sanborns, S.A. de C.V.

"IFRS" means International Financial Reporting Standards issued by the International Accounting Standards Board.

"Indeval" means S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V.

"Invested Capital" means property, machinery and equipment net plus Net Working Capital as of any given period.

"Mexican Corporations Law" means the *Ley General de Sociedades Mercantiles*.

"Mexican FRS" means *Normas de Información Financiera*, applicable in Mexico, issued by the Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera, A.C.

"Mexico" means the United Mexican States.

"Mexican underwriters" means Inversora Bursátil, S.A. de C.V., Casa de Bolsa, Grupo Financiero Inbursa, Casa de Bolsa Credit Suisse (México), S.A. de C.V., Grupo Financiero Credit Suisse (México), Acciones y Valores Banamex, S.A. de C.V., Casa de Bolsa, Integrante del Grupo Financiero Banamex, Casa de Bolsa Santander, S.A. de C.V., Grupo Financiero Santander and any other Mexican bank invited to participate as a co-manager for the Mexican offering pursuant to the terms of the Mexican Underwriting Agreement, as underwriters of the Mexican offering.

"Net Working Capital" is calculated as accounts receivable net, plus inventories net, minus accounts payable to suppliers.

"offering circular" means this offering circular.

"Promusa" means Promotora Musical, S.A. de C.V.

"Ps.," "Mexican pesos" or "pesos" means the lawful currency of Mexico.

"Regulations" means the *Disposiciones de Carácter General Aplicables a las Emisoras de Valores y a Otros Participantes del Mercado de Valores* (General Provisions Applicable to Securities Issuers and Other Participants in the Securities Market) issued by the CNBV and published in the Federal Official Gazette on March 19, 2003, as amended.

"RNV" means the *Registro Nacional de Valores* maintained by the CNBV.

"ROIC" means return on invested capital, which is a common measure of profitability over investment in our industry. We calculate ROIC as (i) operating income for any period, multiplied by an amount equal to one minus the Statutory Income Tax Rate, divided by (ii) Invested Capital as of the end of such period.

"same-store sales" means the sales in our stores (except for Sears department stores and boutiques) and restaurants that were opened during the period indicated and during the same period in the previous year. For example, in order for sales from a restaurant to be considered as same-store sales for the nine months ended September 30, 2012, such restaurant must have been opened for the whole nine-month period ended September 30, 2011. Similarly, in order for sales from such restaurant to be considered as same-store sales for the year ended December 31, 2011, such restaurant must have been opened for the entire year 2010.

"Sanborn Hermanos" means Sanborn Hermanos, S.A.

"Sears same-store sales" means the sales in our Sears department stores and boutiques during comparable periods. For example, if a store opened on July 1, 2011, our Sears same-store sales data for the nine-month period ended September 30, 2012, only includes the sales of such store in July, August and September of 2011 and 2012. Similarly, for the year ended December 31, 2011, this data only includes sales of such store from July to December 2011 and 2012.

"Sears Mexico" means Sears Operadora México, S.A. de C.V.

"Sears Roebuck" means Sears, Roebuck, and Co.

"SEC" means the U.S. Securities and Exchange Commission.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"shares" means the ordinary, nominative Series B-1 shares, no par value, representing the fixed portion of our capital stock being sold in this global offering.

"Statutory Income Tax Rate" means 28%, the statutory income tax rate in effect in Mexico during the period from January 1, 2009 through December 31, 2009; and 30%, the statutory income tax rate in effect in Mexico during the period from January 1, 2010 through December 31, 2011.

"United States" means the United States of America.

"U.S.$," "U.S. dollars" or "dollars" means the lawful currency in the United States of America.

AVAILABLE INFORMATION

We are not subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, or the "Exchange Act." For so long as any of the shares remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we agree to furnish, upon the request of any holder of the shares, to the holder or beneficial owner or to each prospective purchaser designated by any such holder of the shares or interests therein, who is a qualified institutional buyer as defined in Rule 144A under the Securities Act, information required by Rule 144A(d)(4) under the Securities Act, unless we either maintain the exemption from reporting under Rule 12g3-2(b) of the Securities Act or furnish the information to the SEC in accordance with Section 13 or 15 of the Exchange Act.

Any such request may be made to us in writing at our principal offices, located at Lago Zurich No. 245 Ed. Presa Falcón, Piso 7, Col. Ampliación Granada, C.P. 11529, México, D.F., or at +(5255) 5325-99-00. Once our shares are registered with the RNV, we will be required periodically to furnish certain information, including quarterly and annual reports, to the CNBV and to the BMV, which will be available in Spanish for inspection through the BMV's website at www.bmv.com.mx, on the CNBV's website at www.cnbv.gob.mx.

We also expect to have information available on our website www.gsanborns.com.mx. Information on our website is not and should not be considered as incorporated by reference in this offering circular or any other offering document.

Upon written request to the attention of our Investors' Relations Office at our offices, copies of such documentation will be provided to any investor that proves that it is a holder of shares issued by us in accordance with applicable laws.

Jorge Serrano Esponda and Angélica Piña Garnica are the persons in charge of our investors' relations and may be contacted at our offices.

FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements. Examples of such forward-looking statements include, but are not limited to: (i) statements regarding our results of operations and financial condition; (ii) statements of plans, objectives or goals, including those related to our operations; and (iii) statements of assumptions underlying such statements. Words such as "aim," "anticipate," "believe," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "plan," "potential," "predict," "seek," "should," "will" and similar expressions are intended to identify projections and forward-looking statements but are not the exclusive means of identifying such projections and statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution investors that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed or implied in forward-looking statements, including the following factors:

- changes in consumer spending habits or preferences of our customers;
- our ability to implement successfully our corporate strategies;
- our ability to enhance or expand our store and restaurant networks;
- competition with other retailers and restaurant operators and in the markets where we operate;
- increases in prices of raw materials and changes in the relationship with our suppliers;
- access to supplies;
- our ability to integrate entities in future acquisitions;
- products liability claims;
- general economic, political and business conditions in Mexico, the United States and the countries in Central America where we operate;
- limitations on our access to sources of financing on competitive terms;
- performance of financial markets and our ability to refinance our financial obligations as needed;
- restrictions on foreign currency convertibility and remittance outside Mexico;
- limitations on interest rates and rules and regulations relating to our credit operations;
- failure of our information technology systems, including data, communications and distribution systems;
- fluctuations in foreign exchange rates, interest rates and inflation;
- the effect of changes in accounting principles, new legislation, intervention by regulatory authorities, government directives and monetary or fiscal policy in Mexico and the United States;
- price controls by the Government, tariffs imposed on imports and other measures to benefit consumers' access to supplies and raw materials;

- changes in health regulations; and
- other risk factors discussed under “Risk Factors.”

If one or more of these factors or uncertainties materializes, or if underlying assumptions prove to be incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, forecasted or intended.

Prospective investors should read the sections of this offering circular entitled “Summary,” “Risk Factors,” “Our Business,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for a more complete discussion of the factors that could affect our future performance and the markets in which we operate.

In light of these risks, uncertainties and assumptions, the forward-looking events described in this offering circular may not occur. Any forward-looking statements speak only as of the date of this offering circular and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information or future events or developments. Additional factors affecting our business emerge from time to time and it is not possible for us to predict all of these factors, nor can we assess the impact of all such factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. We cannot assure you that our plans, intentions or expectations will be achieved. In addition, you should not interpret statements regarding past trends or activities as assurances that those trends or activities will continue in the future. All written, oral and electronic forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this cautionary statement.

SUMMARY

The following is a summary of our business, financial and operating information, competitive strengths and strategies. This summary does not contain all the information you should consider before investing in the shares and is subject to the other information contained in this offering circular, as well as the Financial Statements and related notes. You should read this entire offering circular carefully, especially the risks of investing in the shares discussed under "Risk Factors," and the sections entitled "Our Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations," together with our Financial Statements and related notes, included elsewhere in this offering circular, before investing in the shares.

Our Company

Overview

We are a leading multi-format retailer and restaurant operator with operations primarily in Mexico. We operate retail stores and restaurants under our highly recognized formats and brands, which include Mexico's second largest department store chain (Sears) in terms of sales and number of stores, high fashion boutiques (Pier 1, Palacio de los Perfumes and Seven), a unique and highly successful retail concept (Sanborns stores), a retail and service chain selling the last-generation *Apple*-brand products (iShop and eduMac), the largest retail network of recorded music and video (Mixup, Mx Mixup, Discolandia and Tower Records), a luxury department store chain (Saks Fifth Avenue), a regional cosmetic and perfume retailer (DAX), a large restaurant chain offering traditional Mexican food at affordable prices (Sanborns restaurants and Sanborns Cafés), and a chain of industrial cafeterias (Pam Pam).

We focus on operating retail formats that have end markets that we believe offer strong growth potential and provide high profit margins and generate stable cash flow. Through our store network, located in 30 states of Mexico and Mexico City, we sell over 4.3 million stock-keeping-units including electronics, household appliances, furniture, apparel, pharmaceutical products, health and beauty products, books, videos, recorded music, *Apple*-branded products, toys, sporting goods, cellular telephones, diverse technology products and various other consumer goods and technology products, targeting all segments of the population, with a particular focus on the middle, upper-middle and high-income segments. Additionally, through our restaurant network, located in 27 states of Mexico and Mexico City, we offer traditional Mexican food at affordable prices.

As of September 30, 2012, we operated 410 retail stores and restaurants in Mexico, one retail store and two store-restaurants in El Salvador and one store-restaurant in Panama, with a total selling area of 958,800 square meters (10.2 million square feet). For the nine-month period ended September 30, 2012, we had consolidated net sales of Ps.26,707.4 million (U.S.$2,020.2 million), consolidated comprehensive income of Ps.2,010.0 million (U.S.$152.0 million) and EBITDA of Ps.3,224.0 million (U.S.$243.9 million). As of September 30, 2012, we had total assets of Ps.29,152.6 million (U.S.$2,268.7 million) and total stockholders' equity of Ps.19,132.4 million (U.S.$1,488.9 million). For the year ended December 31, 2011, we had consolidated net sales of Ps.37,044.3 million (U.S.$2,989.9 million), consolidated net income of Ps.2,926.4 million (U.S.$236.2 million) and EBITDA of Ps.5,114.2 million (U.S.$412.8 million). See "—Recent Developments—Unaudited fourth quarter and year-end 2012 results," for certain financial information and operating data as of and for the years ended December 31, 2011 and 2012 and as of and for the three-month periods then ended.

Store and Restaurant Formats

Sears and Boutiques

Our Sears department stores and boutiques, which accounted for 50.7% of our consolidated net sales during the nine-month period ended September 30, 2012, enjoy wide recognition in Mexico and have been historically associated with a large assortment of high-quality products for the middle and upper middle-income segment of the Mexican population. The product portfolio of Sears department stores and boutiques ranges from affordable private label apparel to last-generation electronics and household appliances that include our Sears quality guarantee and our service plans. The majority of our Sears department stores operate as traditional department stores in shopping centers frequented by high-income customers, whereas our boutiques exclusively sell one particular brand. As of September 30, 2012, we operated 78 Sears department stores and four boutiques in Mexico and El Salvador, with a total selling area of more than 605,000 square meters (6.5 million square feet). As of the same date, of the 2.8 million outstanding accounts under our private label credit card programs, 2.4 million outstanding accounts were under our Sears private label credit card program.

Sanborns

Our Sanborns store-restaurants, which accounted for 32.4% of our consolidated net sales during the nine-month period ended September 30, 2012 (72.7% of which were derived from sales from our Sanborns stores, 24.2% of which were derived from sales from our Sanborns restaurants and 3.1% of which were derived from services rendered, mainly payment collection services). This format represents a unique retail concept in Mexico, offering a comprehensive shopping experience for our customers with a wide range of products available for purchase, including a variety of books and magazines, music, pharmacy products, health and beauty products, electronics, jewelry, gifts, candy and toys, while conveniently providing our customers with the opportunity to pay for various externally contracted services. In addition, each of our Sanborns store-restaurants has a full-service restaurant and most have a full-service bar. Like our Sears department stores, the majority of our Sanborns store-restaurants are located in highly frequented shopping centers. We also have a number of stand-alone store-restaurants in strategic locations throughout Mexico. As of September 30, 2012, we operated 166 store-restaurants, located principally in Mexico, with a total selling area (including restaurant sales-area) of more than 251,486 square meters (2.7 million square feet), and more than 53,000 seats.

Music, iShop and eduMac

Our Mixup, Mx Mixup, Discolandia, Tower Records, iShop and eduMac formats, which accounted for 11.0% of our consolidated net sales during the nine-month period ended September 30, 2012, cover different segments of the Mexican population and represent the largest music and video retail network in Mexico with a catalogue of more than 125,000 titles and the largest chain of retail stores selling *Apple*-branded products and related accessories in Mexico. As of September 30, 2012, we operated 109 stores in Mexico under these formats, with a total selling area of 41,564 square meters (447.4 thousand square feet).

Others

Our DAX stores, Sanborns Café restaurants and Saks Fifth Avenue department stores, which together with our other sources of income accounted for 5.9% of our consolidated net sales during the nine-month period ended September 30, 2012, complete our diverse store portfolio. Our DAX stores offer convenience goods, promotional items, perfume, cosmetics, body care and household items, largely through direct sales to end consumers. Our Saks Fifth Avenue department stores offer similar products and services as those offered in U.S. Saks Fifth Avenue stores, which have been adapted to local preferences. As of September 30, 2012, we had 26 DAX stores in the northeast region of Mexico, with a total selling area of 31,658 square meters (340.8 thousand square feet), 28 Sanborns Café restaurants (16 of which were in Mexico City), with more than 5,400 seats, and two Saks Fifth Avenue department stores, both located in Mexico City, with a total selling area of 18,282 square meters (196.8 thousand square feet). Additionally, we own two highly successful shopping centers located in Mexico City, *Plaza Loreto* and *Plaza Inbursa*, with total gross leasable

area of 73,725 square meters (793.6 thousand square feet), operating at full capacity. 7.4% of the total gross leasable area in our shopping centers is occupied by several of our stores and restaurants operating our various formats.

Given our product mix of high-ticket items and our target market in retail operations, we offer consumer financing to customers who elect to purchase our products on credit. Our consumer credit offerings include purchases made through our Sears, Sanborns and Mixup private label cards. As of September 30, 2012, our credit card portfolio reached Ps.7,888.5 million with over 1.7 million active cardholders, with a low non-performing loan rate of 2.5%. During the first nine months of 2012, 24.5% of our sales were made using our private label credit cards. We believe that our credit products, combined with our experience providing consumer financing, will continue to drive traffic to our retail stores and enhance the purchasing power of our existing customers, while increasing the profitability of our retail operations and supporting our growth prospects.

The following table summarizes the percentages of net sales and EBITDA of our different retail and restaurant formats for the nine-month period ended September 30, 2012, as well as a description of main products sold:

	As of and for the Nine-Month Period Ended September 30, 2012				
Format	**Associated Stores**	**Number of Stores**	**% of Net Sales**	**% of EBITDA**	**Main Products Sold**
Sears Department Stores and Boutiques	Sears Pier 1 Palacio de los Perfumes	77 3 1	50.7	53.6	Large and small appliances, furniture, home improvement, electronics and apparel
Sanborns Store-Restaurants	Sanborns	163	32.4	21.4	Books and magazines, health and beauty, pharmacy, electronics, toys, music, video, jewelry, photography, cellular phones, confectionery and gifts Payment collection services Full service restaurants and bars
Music, iShop and eduMac	Mixup Mx Mixup iShop eduMac Tower Records Discolandia	39 21 37 6 4 2	11.0	4.9	Apple products and related accessories Recorded music, videos, movies and videogames Apple-related product learning programs
Other	DAX Sanborns Café Saks Fifth Avenue Sanborns in Central America Sears in Central America Seven Pam Pam *Plaza Loreto* *Plaza Inbursa*	26 28 2 3 1 1 33 1 1	5.9	20.1[1]	Perfume and cosmetics Affordable traditional Mexican food High-end apparel and accessories

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[1] Includes royalties paid by our operating subsidiaries to Grupo Sanborns, S.A.B. de C.V.

We are continuously expanding and optimizing our product and service offerings throughout our multi-format store portfolio, where we offer a broad assortment of leading brand-names and other third-party durable goods. Among our private label brands and the many other leading international and local brands that comprise our portfolio, the following table lists some of our top selling brands, including: (i) the home appliances and fashion apparel such as clothes, shoes and accessories offered in our Sears department stores and boutiques; (ii) the electronics offered through our Sanborns store; (iii) the *Apple*-brand products offered through our successful iShop stores; and (iv) the luxury brands offered through Saks Fifth Avenue department stores.

Products	Name Brands
Apparel	Adidas, Armani, BCBG, Burberry, Benetton, Calvin Klein, Carolina Herrera, DKNY, Dockers, Dolce & Gabbana, Gucci, Guess, Kate Spade, Kenneth Cole, Lacoste, Levi's, Michael Kors, Nautica, Nike, Ralph Lauren, Tommy Hilfiger, Tory Burch and Yves Saint Laurent
Major and Small Appliances	Electrolux, GE, Kitchen Aid, Mabe, Maytag, Nespresso, Pier 1, Sunbeam and Whirlpool
Home Improvement	Black & Decker, Bosch, Craftsman and Dewalt
Electronics	Apple, Blackberry, Bose, Dell, Kenwood, Koblenz, Lenovo, Microsoft, Nikon, Nintendo, Panasonic, Phillips, Pioneer, RCA, Samsung, Sharp, Sony and Toshiba

The following table sets forth key financial and operating data for each of our retail and restaurant formats:

	As of and for the Years Ended December 31,				As of and for the Nine-Month Periods Ended September 30,		
	2009	2010	2011	2011	2011	2012	2012
	(Pesos, except percentages and other operating data)			(U.S. Dollars, with the same exceptions)	(Pesos, except percentages and other operating data)		(U.S. Dollars, with the same exceptions)
	(Mexican FRS)				(IFRS)		
Consolidated							
Number of stores	398	404	419	419	409	414	414
Store-sales area (m^2)	926,874	909,461	978,102	978,102	927,833	958,800	958,800
Number of seats	57,638	58,317	59,906	59,906	58,899	59,495	59,495
Number of shopping centers	2	2	2	2	2	2	2
Gross leasable area (m^2)	59,722	59,722	59,722	59,722	59,722	73,725	73,725
Net sales (millions)	30,554.6	33,261.0	37,044.3	2,989.9	24,525.0	26,707.4	2,020.2
EBITDA (millions)	4,387.9	4,457.0	5,114.2	412.8	2,919.2	3,224.0	243.9
EBITDA margin (%)	14.4	13.4	13.8	13.8	11.9	12.1	12.1
Sears Department Stores and Boutiques							
Number of stores[1]	76	75	79	79	75	77	77
Number of boutiques[2]	2	4	5	5	5	4	4
Store-sales area (m^2)	575,690	557,688	616,732	616,732	574,325	598,876	598,876
Weighted sales per m^2 (thousand)	27.2	28.1	29.6	2.4	19.6	19.6	1.5
Net sales (millions)	17,118.7	18,531.8	19,561.4	1,579.0	12,474.5	13,549.8	1,024.9
Sears same-store sales growth (%)	2.2	6.1	5.3	5.3	4.9	4.1	4.1
Sales on credit as a % of net sales	54.7	51.4	50.5	50.5	50.8	51.8	51.8
EBITDA (millions)	2,062.8	2,282.4	2,585.7	208.7	1,606.8	1,727.0	130.7
EBITDA margin (%)	12.2	12.4	13.2	13.2	12.8	12.7	12.7
Sanborns Store-Restaurants							
Number of stores	158	160	165	165	162	163	163
Total sales area (m^2)	233,863	237,996	247,308	247,308	241,963	246,142	246,142
Store-sales area (m^2)	147,888	151,070	157,430	157,430	153,766	156,784	156,784
Number of seats	50,948	51,627	53,420	53,420	52,413	53,051	53,051
Weighted sales per m^2 (thousand)	49.5	54.4	57.0	4.6	38.6	40.1	3.0
Weighted sales per seat (thousand)	43.2	44.9	46.1	3.7	33.7	34.4	2.6
Net sales (millions)	10,159.5	11,073.0	11,858.0	957.1	8,123.8	8,652.2	654.5
Same-store sales growth (%)	(2.6)	9.3	5.0	5.0	4.9	4.7	4.7
EBITDA (millions)	1,373.6	1,273.9	1,319.5	106.5	600.2	691.1	52.3
EBITDA margin (%)	13.5	11.5	11.1	11.1	7.4	7.9	7.9
Music, iShop and eduMac							
Number of music stores[3]	77	74	69	69	69	66	66
Number of iShop stores	13	23	33	33	29	37	37
Number of eduMac centers	-	4	7	7	7	6	6
Store-sales area (m^2)	41,084	41,424	42,098	42,098	41,213	41,564	41,564
Weighted sales per m^2 (thousand)	55.2	66.8	88.3	7.1	57.6	70.4	5.3
Net sales (millions)	2,198.7	2,760.4	3,664.3	295.7	2,388.7	2,932.4	221.8
Same-store sales growth (%)	(4.0)	4.3	17.5	17.5	21.6	13.1	13.1
EBITDA (millions)	160.7	167.8	255.9	20.7	91.0	158.2	12.00
EBITDA margin (%)	7.3	5.8	6.9	6.9	3.8	5.4	5.4
Others[4]							
Number of stores[5]	73	64	62	62	62	61	61
Store-sales area (m^2)	76,859	72,478	72,089	72,089	72,089	72,218	72,218
Number of seats	6,690	6,690	6,486	6,486	6,486	6,444	6,444
Number of shopping centers	2	2	2	2	2	2	2
Gross leasable area (m^2)	59,722	59,722	59,722	59,722	59,722	73,725	73,725
Net sales (millions)	1,079.7	896.8	1,960.6	158.2	1,538.0	1,573.0	119.0
EBITDA (millions)	790.8	732.9	953.2	77.0	621.2	647.7	49.0
EBITDA margin (%)	73.2	81.7	48.6	48.6	40.3	41.1	41.1

(1) Includes nine Dorian's stores closed or converted into Sears department stores in 2009 and 2010 and four JC Penney's department stores converted into Sears department stores in 2009.
(2) Boutiques include Pier 1 Boutique, Jeanious Boutique and Palacio de los Perfumes boutique.
(3) Music stores include Mixup, Mx Mixup, Tower Records and Discolandia.
(4) Others includes our DAX stores, our Sanborns Café restaurants, our Saks Fifth Avenue department stores, our Sears department stores and Sanborns store-restaurants in Central America, our Seven boutique and our Pam Pam industrial cafeterias; Sanborns and Mixup credit card portfolio management and Plaza Loreto and Plaza Inbursa shopping centers.
(5) Includes 26 DAX stores, 28 Sanborns Café restaurants, two Saks Fifth Avenue department stores, one Sears department store and two Sanborns store-restaurants in El Salvador, one Sanborns store-restaurant in Panama, one Seven boutique and 33 Pam Pam industrial cafeterias.

Opportunities in the Retail Sector

We believe we are in a favorable position to capitalize on attractive growth opportunities through the constant expansion of our selling area, product portfolio and geographic reach, while strengthening our multi-format retail portfolio. We also seek to achieve strong organic and improved same-store-sales growth rates by relying on attractive country and industry fundamentals, such as a strong macroeconomic environment, favorable demographics, low formal retail and shopping center penetration, low consumer financing penetration and low indebtedness, increasing demand for durable goods, innovative and modern product offerings and lower tariffs on textile imports from Asia, among other factors.

Strong macroeconomic environment

Mexico is the second largest economy in Latin America with nominal GDP of Ps.13,844 billion in 2011 and a per capita GDP of Ps.125,900 (US$10,138), supported by a stable macroeconomic environment for the past 15 years as a result of prudent monetary, fiscal and debt policies. The Mexican economy achieved real GDP growth rates of 5.6% and 3.9% in 2010 and 2011, respectively, with *Banco de México* estimating real GDP growth at 3.9% in 2012 and 3.8% in 2013. According to the *Instituto Nacional de Estadística y Geografía*, or "INEGI," unemployment and annualized consumer price inflation were 4.5% and 4.1%, respectively, at the end of September 2012. In addition, Mexico's fiscal deficit has not exceeded 3.0% over the past five years. As a result, we believe there are good prospects for further growth of Mexico's economy.

Favorable country demographics

We believe Mexico will benefit from favorable demographic dynamics, including the young average age of the population, 45% of which is currently under the age of 40. According to the latest population census, performed in 2010 by INEGI, Mexico has a population of 112.5 million, which is expected to increase 5.6% by 2015, compared to 4.7% in Brazil and 4.1% in the United States. The largest population segment will be 25 to 29 years old and it is estimated that that segment will account for 8% of the total population by 2025. In addition, the old-age dependency ratio, despite rising, will be only around one third of the projected average in developed markets. We also believe that favorable changes in Mexico's socioeconomic structure, with a majority of Mexicans moving into the middle class, supported by the rising middle- and high-income segments of the population, will continue to support most of Mexico's consumption in future years.

Low formal retail penetration

Although Mexico is the second largest economy in Latin America, we believe the Mexican market continues to offer strong organic growth potential given the low levels of formal retail penetration relative to the United States, Europe and other Latin American markets. According to the International Council of Shopping Centers, in 2011, formal retail penetration reached 0.15 square meters of retail space per capita in Mexico, compared to 0.42 and 2.21 square meters per capita in Brazil and the United States, respectively. Moreover, department store penetration in Mexico remains low, relative to other emerging countries, with department store sales as a percentage of total retail sales in Mexico reaching 3.8% at the end of 2011, compared to 12.0% in Chile and 4.8% in the United States.

Low penetration of consumer financing

According to Euromonitor, at the end of 2011, Mexico had the lowest consumer financing penetration ratio among the largest Latin American economies, with a consumer financing-to-GDP ratio of 3.3%, compared to 9.6% in Brazil, 37.1% in Chile and 8.2% in Colombia. We believe Mexico is in a great position to narrow this gap as consumer leverage is low following the deleveraging process that began in 2008, especially in respect to credit card products. Asset quality has also improved, as evidenced by the consumer non-performing loan ratio, which decreased from 5.6% in 2008 to 4.3% at the end of September 2012.

Increasing demand for durable goods

Greater disposable income, a growing middle class and rising consumer sentiment, coupled with low levels of unemployment, household deleveraging and the potential expansion of consumer financing represent some of the factors that should continue to support the strong demand for durable goods in Mexico (principally, clothes, household appliances and electronics). Additionally, expanding attractive customer promotions and credit products, such as interest-free installment programs, and innovative product offerings, are likely to drive strong sales of durable goods in future years.

High growth in clothing and accessory consumption

Consumption is one of the most important components of any economy. According to data published by INEGI, in 2011, retail consumption represented 17.4% of Mexico's nominal GDP (85.3% of which was private). Also in 2012, the retail sale index showed an overall increase of 2.6%.

One of the relevant factors in the continuous growth of clothing and accessory sales in Mexico is the significant reduction in tariffs on textile imports from China to Mexico, which has resulted in highly attractive opportunities for department stores and clothing retailers. We believe this decrease in import tariffs will result in increased penetration and reduced prices of international brands sold in department stores and clothing retailers, while allowing retailers to increase their presence in the fashion segment and expand their portfolio of private brands while increasing profit margins.

Cities with significantly increased sales space

Generalized growth in recent years, not only in large cities but across the Mexican territory, and a major raise of infrastructure and commercial real estate projects have resulted in increased availability of retail space that will allow us to capitalize on the positive trend of retail consumption through the expansion of our store and restaurant networks. Currently, there are more than 250 cities in Mexico with a population of over 50,000 inhabitants without access to important retail chains.

Low penetration of internet sales

We believe that traditional formats dealing with consumers face-to-face are more attractive than internet sales, which might be explained by Mexico's low internet sales penetration, as compared to other countries in the region. Although internet sales may represent lower operating costs, our formats involving physical stores and direct contact with consumers provide us with a competitive advantage and distinguish us from our competitors. We have, however, responded to this growth segment by creating and maintaining our internet sales pages.

Our Competitive Strengths

Leading market position in Mexico's retail sector

We believe we are one of the largest non-grocery retailers in Mexico and hold leading positions in several retail categories in which we participate, including:

- Second largest department store chain operator in Mexico through our Sears department stores;
- Market leader with a unique mixed retail concept in Mexico through our Sanborns store-restaurants;
- Second largest full service restaurant chain operator through our Sanborns restaurants;
- Among the largest authorized retailers of *Apple*-branded products and related accessories (excluding mobile companies) through our iShop stores;
- Leading retailer of video and recorded music through our music stores, Mixup, Sanborns store-restaurants and Sears;
- Retailer of choice for books through our Sanborns store-restaurants;
- One of the most important non-bank retailer credit card providers; and
- Leading position in several other product and service categories available at our different store formats, including cellular telephones, photography equipment, cosmetics and perfume, watches and toys, among other products, as well as payment processing services for companies such as American Express, Telmex and Telcel.

Unique multi-format retail portfolio of highly recognized brands

Throughout our 109-year history, we have built a unique multi-format and diversified retail portfolio that offers comprehensive value to our customers and suppliers. We believe that all of our formats enjoy wide consumer recognition in the markets where we operate. We have an extensive operational history of serving the Mexican market with unique and successfully developed retail formats such as Sanborns, and with strong relationships with brands such as Sears, Apple and Saks, which allow us to leverage their brands in our local market. Our brands are associated with a broad product assortment at competitive prices, value-added services, personalized and high-quality customer service, convenience, good store locations and attractive promotions and sales financing programs, among other attributes.

Broad geographic coverage while serving a large percentage of the Mexican population

We have a widely diversified platform, with a presence in 65 cities throughout Mexico. We believe we are well positioned to further expand our geographic footprint and open new stores, particularly through Sears and our unique Sanborns format and iShop stores, in regions that we believe offer strong growth potential. Through our different formats, we believe we serve a large percentage of the Mexican population and that we are the only non-grocery retailer that is able to reach such a large portion of Mexican households. In 2011, we carried out approximately 26,830 million and 66,228 million transactions through our main formats, Sears and Sanborns, respectively. Furthermore, through these formats we have the broadest coverage of socioeconomic segments within our portfolio and are well positioned to cater to customers with middle and upper-middle incomes. Our diversified multi-format portfolio also results in stable consumer demand during economic downturns and allows us to enhance revenue and profitability in a favorable economic environment through our exposure to the high-income segments.

Uniquely positioned to capitalize on numerous growth opportunities

We believe that our unique multi-format retail portfolio of highly-recognized store names, combined with our successful track record of organic growth and integrating acquisitions, will continue to be a key strategic differentiator and an important factor in the growth of our business. We believe we are uniquely positioned to take advantage of the growth opportunities offered by the Mexican market and to capitalize on a strong

macroeconomic environment, favorable country demographics, low formal retail and consumer financing penetration, increasing demand for durable goods and lower tariffs on textile imports. Other visible growth opportunities to increase same-store sales include store remodeling and improved store layouts, promoting the use of our private label cards and potential rollout of a co-branded credit card, expansion of loyalty programs such as *Círculo* Sanborns, and new exclusive product launches.

We believe we are one of the few companies with the expertise and operating capability to manage a wide spectrum of retail formats and continue diversifying and enhancing our offerings, by entering other product categories with attractive returns while creating strong synergy potential. Additionally, our strong operating platform positions us favorably to pursue value-accretive acquisitions in the markets where we participate or in new markets with strong growth potential where we may implement our successful business model.

Proven track record in successfully integrating acquisitions and entering new retail segments

Throughout our history, we have had a successful track record acquiring retail portfolios and successfully integrating and optimizing them. We have also had strong success in turning around unprofitable formats, in certain cases converting them into one of our formats, by improving product assortment and store layout, operating efficiencies, significant cost reductions and improved customer service. For example, in 1997, we acquired a majority ownership interest in Sears Mexico, which owned a portfolio of 40 stores that had consistently operated with financial losses. In 1998, only one year after the acquisition, we began to turn a profit by significantly reducing overhead expenses, improving inventory management, focusing on increased credit card penetration and exploiting cost synergies, among other revenue enhancement and cost reduction initiatives. Similarly, in 2003, we acquired six JC Penney's department stores and by 2009, we had converted all of them to Sears department stores and achieved breakeven operating margins.

We have also proven to be able to incorporate new attractive product categories into our retail portfolio that complement our value-added offerings and provide strong growth potential. For example, in 2007, we reached an agreement with the U.S. company Saks & Company to operate their retail formats in Mexico and, in 2010, we obtained a license to distribute *Apple*-branded products and related accessories in Mexico. In recent years, as a result of the constant evolution of the music and video markets, we have successfully converted several of our Mixup stores into iShop stores. We believe this conversion has allowed us to reduce our exposure to markets with low growth trends, while at the same time allowing us to take advantage of our wide network of stores to transition into segments with more attractive growth rates. Our disciplined approach to acquisitions is centered on securing premium real estate locations, expanding our geographic footprint, diversifying our retail portfolio, achieving economies of scale, realizing important revenue and cost synergies, and enhancing the return on investment of our portfolio.

Strong financial performance

We have a track record of consistent growth, profitability and cash flow generation. We have been able to maintain a revenue CAGR of approximately 11.0% from 2009 through 2011, while geographically expanding our store and restaurant networks in such period. We believe our focus on growth is proved by our top line performance. Our EBITDA for 2011 was Ps.5,114.2 million, which represents increases of 16.6% and 14.7% over our EBITDA in 2009 and 2010, respectively. As a result of our strong operating performance and working capital management, we believe we have also consistently generated above average ROIC in 2009, 2010 and 2011 of 11.5%, 13.1% and 15.1%, respectively.

In addition, we believe our strong financial performance and cash generation has enabled us to maintain a conservative debt profile, resulting in an attractive capital structure of 0.47x debt to EBITDA ratio as of September 30, 2012, with additional leverage capacity if required for future capital expenditures or strategic acquisitions. Moreover, we do not have significant credit risk as nearly 75.5% of our sales are in cash or cash equivalents, such as debit and credit card and electronic market vouchers sales, and our non-performing loan rate in private label credit cards has been historically low, averaging 2.9% in the last three years.

We believe the success of our business model is also due to our focus on efficient working capital, cash management and asset returns. We believe our strong ROIC is a result of our strong store operating performance together with superior supplier financing ratios, high inventory rotations and efficient capital deployment. In order to maintain attractive ROIC, we intend to continue to focus on efficient capital expenditure and cash flow generation.

Experienced management team and workforce supported by highly committed and experienced shareholders

Our senior management team has broad experience in the retail industry and we believe this team possesses the expertise, values and motivation to successfully execute our growth strategy. Our top management team has a proven track record of achieving sustainable and profitable organic growth, as well as successfully integrating acquisitions. We believe the team's experience has enabled us to anticipate and respond effectively to industry changes and increased competition, develop new projects with attractive returns on investment, as well as better understand our customer base and build strong relationships with our suppliers. Our management continuously emphasizes a work culture based on operational excellence, teamwork, innovation, best practices and a high degree of social responsibility. Our senior management team has also developed training and certification programs that have resulted in a well-trained, well-incentivized and loyal sales force. The experience and commitment of our senior management team has been a critical component in the growth of our multi-format retail portfolio, as well as in the continuing enhancement of our financial performance.

Our principal shareholder, Grupo Carso, S.A.B. de C.V., or "Grupo Carso," is a leading Mexican conglomerate with an established culture of operational excellence and high governance standards. Moreover, Mr. Carlos Slim Helú, the controlling shareholder of Grupo Carso, has an unmatched track record of creating value for stakeholders across numerous industries in various countries.

Our Strategy

We seek to enhance our position as a leading Mexican retailer and restaurant operator and increase our presence in Mexico by building and maintaining customer loyalty, adapting to our customer's preferences and needs and promoting and continuing to develop our consumer credit offerings. We also plan to continue strengthening our best practices in order to consistently generate value through sustainable profit growth for our investors. To achieve these objectives, we plan on executing the following key strategies.

Capitalize on market growth opportunities

The highly fragmented Mexican retail market provides us with a significant opportunity to expand our store and restaurant networks. From 2005 to 2011, we grew our number of store and restaurant formats by 8.1% by adding 31 stores and restaurants through a combination of expansion of our existing network and acquisitions.

Given our established infrastructure and strong track record over the last decade of complementing our organic growth strategy through the acquisition of new formats on an opportunistic basis, we believe that we can acquire retailers, integrate them, successfully implement our operating model and generate synergies. We expect to strengthen our position in our existing markets, by expanding our selling area (organically and through acquisitions) and product portfolio, and achieve desired market shares in new markets by expanding our store network.

We continually analyze the geographic landscape and have highlighted several markets with characteristics that we believe are attractive opportunities to gain market share and to achieve strong profitability over a reasonable time period. Based on our analysis of the market, bolstered by our extensive team of professionals with significant experience in store openings, we believe we have the opportunity to significantly increase our current sales-store area in Mexico over the next five years by opening a significant number of stores and restaurants. Furthermore, we plan to strategically expand our business into selected

countries outside of Mexico over the next several years. We believe that our unique formats and our ability to adapt to various markets will have strong international appeal.

Increase customer traffic and sales

We believe we have a significant opportunity to increase our market share by:

- Opening new stores and restaurants and remodeling existing ones with attractive layouts;
- Promoting exclusive merchandise introductions, diversification of food products in our menus and maintaining the quality of merchandise and food products offered to draw in our customers;
- Further developing our credit card portfolio by introducing new products and categories and continue our marketing efforts towards increasing the number of active credit card accounts.
- Expanding and continuing to develop our exclusive maintenance and installation services offerings at our retail stores; and
- Continuing our focus on training sales associates, who are our primary points of contact with our customers, and improving our marketing approach to optimize our customers' shopping experience.

We believe our continued improvements in customer service and marketing will lead us to become the preferred choice amongst our customers in each of our formats. In line with our expectations, during 2011, we increased our presence in the market and deployed additional customer loyalty initiatives, which resulted in an increase in customer traffic and sales in stores where we track customer traffic levels. We will continue to cater to our customers in ways that are aimed at efficiently and effectively improving our customer traffic.

Improved and efficient operations, technology and customer service

We plan to continue to improve our operating margins by leveraging our low cost structure and inventory management systems, and by increasing our operating efficiency and profit margins. We believe that we are continuously improving, especially through the use of our distribution centers. Handling merchandise in our own distribution centers allows us to (i) centralize the acquisition and distribution of merchandise to our stores and customers, allowing us to verify the quality and quantity of the products provided by our suppliers; (ii) provide important savings in shipping costs as well as product management; and (iii) ensure that our merchandise arrives at the desired destinations. Similarly, storing, processing and inspecting the quality of our food in our food processing centers has allowed us to (i) save costs when purchasing products, (ii) avoid shortages, (iii) considerably minimize waste, (iv) react quickly when faced with food products that do not satisfy our standards and (v) maintain consistency for our restaurant customers. In particular, we believe that our initiatives promoting energy efficiency and the increased use of our websites will allow us to better leverage our low cost structure.

We also plan to continue improving our sales force productivity through more effective training programs and attractive compensation systems and enhance our marketing efforts to attract new customers and increase our market share. Through effective sales techniques, well-designed websites and the increasing demand for high quality products in Mexico, we expect to leverage our success at an opportune time, as the average price of customer transactions continues to increase in Mexico. We also plan to continue to improve our information technology systems, databases and customer relationship management system in order to enhance our ability to anticipate consumer demand and promote commercial innovation. In addition, we will continue our commitment to customer service and customer satisfaction by providing a combination of personalized service, high-quality products and services at competitive prices and attractive consumer financing. We have strategically focused on building a strong market position in the retail and restaurant industries and are well-positioned to capture increasing sales and profitability as this category continues to demonstrate attractive growth rates in Mexico.

Enhance consumer credit offerings

We plan to continue enhancing our consumer credit offerings through our private label credit cards. We believe that these credit offerings not only generate finance income through efficient credit portfolio management and historically low non-performing loan rates, but also increase our customer base, enhance our ability to sell additional products and build lasting trust and loyalty with our customers. Besides acting as a catalyst for further growth in our retail and restaurant formats, we believe our consumer credit offerings will increasingly become a source of independent growth through the expansion of our credit card portfolio and development of new financial products and services. As more of our customers use our private label credit cards and with the potential rollout of a co-branded credit card, we expect our same-store sales to increase. We intend to continue building upon our experience and knowledge of providing consumer financing to further expand and enhance our consumer credit offerings, while deepening the loyalty of our customers already using those cards by providing more durable products rather than banking products.

Recent Developments

Unaudited fourth quarter and year-end 2012 results

For the year ended December 31, 2012, we had consolidated net sales of Ps.39,411.3 million (U.S.$2,992.5 million), operating income of Ps.4,565.5 million (U.S.$346.7 million), consolidated comprehensive income (without including actuarial losses on defined employee benefit plans) of Ps.3,300.4 million (U.S.$250.6 million) and EBITDA of Ps.5,225.7 million (U.S.$396.8 million). As of December 31, 2012, we had total assets of Ps.31,203.1 million (U.S.$2,402.1 million) and total stockholders' equity of Ps.15,228.8 million (U.S.$1,172.3 million).

For the three-month period ended December 31, 2012, our Sears same-store sales growth and same-store sales growth in our Sanborns store-restaurants were 8.9% and 2.9%, respectively, compared to 6.1% and 5.3%, respectively, for the same period in 2011. For the year ended December 31, 2012, our Sears same-store sales growth and same-store sales growth in our Sanborns store-restaurants were 5.7% and 4.2%, respectively, compared to 5.3% and 5.0%, respectively, in the year ended December 31, 2011.

The table below sets forth selected financial information from our unaudited statement of comprehensive income for the years ended December 31, 2011 and 2012 and for the three-month periods then ended:

	Years Ended December 31,				**Three-Month Periods Ended December 31,**			
	2011	**2012**	**2012**		**2011**	**2012**	**2012**	
	(millions of Pesos, except percentages and earnings per share)		**(millions of Dollars, with the same exceptions)[1]**	**Change (%)**	**(millions of Pesos, except percentages and earnings per share)**		**(millions of Dollars, except percentages)[1]**	**Change (%)**
					(IFRS)			
Net sales	36,416.0	39,411.3	2,992.5	8.2	11,890.9	12,703.8	964.6	6.8
Operating income[2]	4,301.8	4,565.5	346.7	6.1	1,856.4	1,836.9	139.5	(1.1)
Net income attributable to controlling interest	2,663.8	2,969.3	225.5	11.5	1,127.6	1,156.7	87.8	2.6
Comprehensive income	2,940.7	3,300.4[3]	250.6	12.2	1,245.5	1,290.3[3]	98.0	3.6
EBITDA[4]	4,916.5	5,225.7	396.8	6.3	1,997.3	2,001.7	152.0	0.2
Operating margin (%)[2]	11.8	11.6	-	(1.7)	15.6	14.5	-	(7.0)
EBITDA margin (%)	13.5	13.3	-	(1.5)	16.8	15.8	-	(6.0)
Basic earnings per ordinary share[5]	1.37	1.52	-	11.5	0.58	0.59	-	2.6

[1] The U.S. dollar amounts provided are translations from Mexican peso amounts, solely for the convenience of the reader at the average exchange rate for the year 2012, which consists of the daily average of the exchange rates published by *Banco de México* in the Federal Official Gazette on each business day during 2012, which was Ps.13.17 per U.S. dollar.

[2] Operating income and operating margin are measures reported to Grupo Carso, S.A.B. de C.V. to comply with BMV requirements; however, they are measures not recognized under IFRS. We calculate operating income as net sales minus cost of sales, sales, development and administrative expenses, depreciation and amortization and other (income) expenses. We calculate operating margin as operating income divided by net sales.

[3] Does not reflect Ps.136.2 million (U.S.$10.3 million) of actuarial losses on defined employee benefit plans, a non-cash item required to be included in the calculation of comprehensive income pursuant to IAS 19.

[4] We calculate EBITDA as comprehensive income plus depreciation and amortization expense, income taxes, interest expense, exchange losses, losses on valuation of derivative financial instruments and translation effects of foreign operations, minus interest income, exchange gains and gains on valuation of derivative financial instruments.

[5] Calculated as net income divided by the weighted average number of shares outstanding during the period, as adjusted to reflect the restructuring of our capital stock approved by our shareholders at our shareholders' meeting held on January 29, 2013.

The table below sets forth selected financial information from our unaudited statement of financial position as of December 31, 2011 and 2012:

	As of December 31,			
	2011	2012		
	(millions of Pesos)	(millions of Pesos)	(millions of Dollars)	Change (%)
		(IFRS)		
Cash and cash equivalents	2,049.6	2,327.9	179.2	13.6
Total assets	29,956.0	31,203.1	2,402.1	4.2
Total indebtedness	1,371.9	5,274.1	406.0	283.3
Total liabilities	11,563.6	15,974.3	1,229.7	38.1
Total stockholder's equity	18,392.4	15,228.8	1,172.3	(17.2)

[1] The U.S. dollar amounts provided are translations from Mexican peso amounts, solely for the convenience of the reader at the exchange rate published by *Banco de México* in the Federal Official Gazette on December 31, 2012, which was Ps.12.99 per U.S. dollar.

The table below sets forth our net sales and EBITDA on a consolidated basis and by business format for the years ended December 31, 2011 and 2012 and for the three-month periods then ended:

	Years Ended December 31,			Three-Month Periods Ended December 31,		
	2011	2012	2012	2011	2012	2012
	(millions of Pesos)		(millions of Dollars)	(millions of Pesos)		(millions of Dollars)
			(IFRS)			
Net Sales						
Sears and boutiques	18,753.8	20,383.0	1,547.7	6,279.3	6,833.2	518.8
Sanborns	11,858.0	12,535.1	951.8	3,734.3	3,882.9	294.8
Music, iShop and eduMac	3,664.3	4,281.4	325.1	1,275.6	1,349.0	102.4
Others[1]	2,139.9	2,211.8	167.9	601.7	638.7	48.6
	36,416.0	39,411.3	2,992.5	11,890.9	12,703.8	964.6
EBITDA						
Sears and boutiques	2,657.1	2,781.3	211.2	1,050.3	1,054.3	80.1
Sanborns	1,103.8	1,175.0	89.2	503.6	483.9	36.7
Music, iShop and eduMac	174.7	262.9	20.0	83.7	104.7	7.9
Others[1]	980.9	1,006.5	76.4	359.8	358.7	27.2
	4,916.5	5,225.7	396.8	1,997.3	2,001.7	152.0

[1] Others includes sales of our DAX stores, our Sanborns Café restaurants, our Saks Fifth Avenue department stores, our Sears department stores and Sanborns store-restaurants in Central America, our Seven boutique and our Pam Pam industrial cafeterias; finance income on credit sales from our Sanborns and Mixup credit cards, leasing income from renting commercial units at our *Plaza Loreto* and *Plaza Inbursa* shopping centers, royalties paid by our operating subsidiaries to Grupo Sanborns, S.A.B. de C.V. and eliminations of intercompany transactions.

Consolidated net sales increased 6.8%, from Ps.11,890.9 million for the three-month period ended December 31, 2011 to Ps.12,703.8 million for the three-month period ended December 31, 2012. This increase was primarily due to an increase in net sales across all of our store and restaurant formats, especially our Sears department stores and our music and iShop stores and eduMac centers.

As a result of the factors discussed above, during the three-month period ended December 31, 2012, we generated consolidated comprehensive income (without including actuarial losses on defined employee benefit plans) of Ps.1,290.3 million as compared to consolidated comprehensive income of Ps.1,245.5 million in the same period in 2011, a net increase of 3.6%.

We provide in the tables below a reconciliation of EBITDA to comprehensive income (without including actuarial losses on defined employee benefit plans) and of operating income to net sales for the years ended December 31, 2011 and 2012 and for the three-month periods then ended:

	Years Ended December 31,			Three-Month Periods Ended December 31,		
	2011	2012	2012	2011	2012	2012
	(millions of Pesos)		(millions of Dollars)	(millions of Pesos)		(millions of Dollars)
			(IFRS)			
Comprehensive income[1]	2,940.7	3,300.4	250.6	1,245.5	1,290.3	98.0
Plus						
Depreciation and amortization	614.7	660.2	50.1	141.0	164.8	12.5
Taxes	1,264.0	1,324.6	100.6	546.4	514.8	39.1
Interest expense	200.0	198.2	15.0	99.7	123.6	9.4
Exchange loss	471.1	114.4	8.7	97.1	15.8	1.2
Loss on valuation of derivative financial instruments	194.2	1.4	0.1	184.1	1.4	0.1
Translation effects of foreign operations	10.4	(2.5)	(0.2)	6.9	(1.5)	(0.1)
Minus						
Interest income	178.0	199.8	15.2	76.5	90.8	6.9
Exchange gain	413.7	124.6	9.5	60.0	15.4	1.2
Gain on valuation of derivative financial instruments	186.8	46.5	3.5	186.8	1.4	0.1
EBITDA	4,916.5	5,225.7	396.8	1,997.3	2,001.7	152.0

(1) Does not include actuarial losses on defined employee benefit plans.

	Years Ended December 31,			Three-Month Periods Ended December 31,		
	2011	2012	2012	2011	2012	2012
	(millions of Pesos)		(millions of Dollars)	(millions of Pesos)		(millions of Dollars)
			(IFRS)			
Net sales	36,416.0	39,411.3	2,992.5	11,890.9	12,703.8	964.6
Cost of sales	21,774.0	23,818.8	1,808.6	7,243.0	7,839.6	595.3
Gross profit	14,642.0	15,592.5	1,183.9	4,647.9	4,864.3	369.3
Sales, development and administrative expenses	9,784.4	10,486.7	796.2	2,669.2	2,929.8	222.5
Depreciation and amortization	583.5	632.5	48.0	141.9	150.8	11.5
Other (income) expenses	(27.7)	(92.2)	(7.0)	(19.6)	(53.1)	(4.0)
Operating income	4,301.8	4,565.5	346.7	1,856.4	1,836.9	139.5

Store and restaurant openings and closings

Since September 30, 2012, we have opened one Sears department store and three Sanborns store-restaurants, which have increased our total sales-store area to 973,876 square meters (10.5 million square feet) and our seat offerings to 60,331.

In December 2012, we commenced franchising our eduMac centers. We have received and will continue to receive franchise fees which will be included as part of our net sales.

November 2012 dividend payment

On November 20, 2012, our shareholders declared a cash dividend of Ps.4.821275 per share, totaling Ps.4,700.0 million, which was paid on November 21, 2012.

New borrowings under our credit lines

Since October 1, 2012, we have made various short-term borrowings under our credit line with BBVA Bancomer S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, or our "Bancomer Credit Line" and under our credit line with Banco Nacional de México, S.A., Integrante del Grupo Financiero Banamex, or our "Banamex Credit Line." As of the date of this offering circular, these borrowings were documented with five promissory notes: (i) two promissory notes for an aggregate amount of Ps.1,200.0 million under our Bancomer Credit Line, bearing interest at an interest rate per annum of 4.86%, (ii) one promissory note for an aggregate amount of U.S.$1.85 million under our Banamex Credit Line, bearing interest at an interest rate per annum of 1.50%, and (iii) two promissory notes for an aggregate amount of Ps.800.0 million under our Banamex Credit Line, bearing interest at an interest rate per annum of 4.85%.

For more information on our credit lines, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Bank Loans."

New Certificados Bursátiles issuance

On November 14, 2012, we issued additional *Certificados Bursátiles* under our authorized program in the amount of Ps.1,125.0 million, totaling Ps.2,500.0 million outstanding principal amount. For more information on our *Certificados Bursátiles* program, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Marketable Notes (*Certificados Bursátiles*)."

Approval of public offering and amendment to our bylaws

At our general ordinary and extraordinary shareholders' meeting held on January 29, 2013, our shareholders resolved, among other things, to (i) commence the global offering of our shares, (ii) adopt the form of a listed stock corporation (*sociedad anónima bursátil de capital variable*) pursuant to the LMV; (iii) amend our bylaws in their entirety and change our name to "Grupo Sanborns, S.A.B. de C.V."; and (iv) restructure and increase our capital stock.

THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of our shares, see "Description of Our Capital Stock and Bylaws."

Issuer	Grupo Sanborns, S.A.B. de C.V.
Shares offered	375,407,407 Series B-1 shares of common stock, no par value.
Offering price per share	Ps.28.00 per share.
The international offering	We are offering 152,017,086 shares through the initial purchasers in the United States to qualified institutional buyers as defined in Rule 144A under the Securities Act, in transactions exempt from registration thereunder, and in other countries outside Mexico and the United States, to non-U.S. persons in reliance on Regulation S under the Securities Act.
The Mexican offering	Concurrently with the international offering, we are offering 223,390,321 shares in an initial public offering in Mexico authorized by the CNBV, conducted by the Mexican underwriters pursuant to a separate Spanish-language prospectus prepared in accordance with Mexican law requirements that contains substantially similar information to the information included in this offering circular, except that the Mexican prospectus includes other information, and information that is presented in a different manner from that in this offering circular, as required by applicable Mexican law.
The global offering	Together, the international offering and the Mexican offering are sometimes referred to herein as the global offering.
Reallocations	The shares being offered in the global offering may be reallocated between the international offering and the Mexican offering by the initial purchasers and the Mexican underwriters. The closings of the international offering and the Mexican offering are conditioned upon each other. See "Plan of Distribution."
Options to purchase additional shares	We have granted the initial purchasers and the Mexican underwriters options, to be exercised from time to time, in a coordinated but independent manner, for a period of 30 days from the date of this offering circular to purchase up to an additional 56,311,111 shares at the offering price, less the underwriting discount.
Shares outstanding after the global offering	Immediately following the global offering, we will have an aggregate of 2,325,099,171 shares outstanding, assuming no exercise by the initial purchasers and the Mexican underwriters of the options granted by us to purchase additional shares in the global offering, and 2,381,410,282 shares if the options to purchase additional shares are exercised in full.

Use of proceeds	The net proceeds to us from the sale of the shares being offered in the global offering will be approximately Ps.10,282.6 million assuming no exercise by the initial purchasers and the Mexican underwriters of their options to purchase additional shares, or Ps.11,827.8 million if the initial purchasers and Mexican underwrites exercise their options to purchase additional shares, in each case after deducting discounts, commissions and estimated offering expenses. We intend to use the net proceeds from the global offering for general corporate purposes, including, among others, to fund the expansion of our store and restaurant network and renovate existing stores and restaurants, increase our working capital, fund our operating needs and, as the case may be, fund our development and expansion plans organically or through acquisitions and repay outstanding indebtedness. See "Use of Proceeds."
Listing	An application has been filed to register the shares with the RNV maintained by the CNBV, and to list the shares on the BMV. We expect that simultaneously with the consummation of the global offering, such registration and listing will have been effected. Prior to the global offering, there has been no trading market for the shares in Mexico, the United States or elsewhere. We cannot assure you that a trading market will develop or will continue if developed.
BMV symbol	"GSANBOR"
Settlement and delivery	Settlement of the shares will be made in book-entry form only through the facilities of Indeval. Payment for the shares must be made in pesos.
Voting rights	All of our shares have equal voting rights in our general shareholders' meetings. Each share grants full and identical voting rights to its holder. See "Description of our Capital Stock and Bylaws" for a discussion of your voting rights.
Dividends	See "Dividends and Dividend Policy" for further information.
Taxation	Under Mexican law, dividends paid by us to holders of our shares who are not residents of Mexico for tax purposes are not subject to any Mexican withholding or other similar taxes, but generally will be subject to corporate taxes, payable by us, if the dividend distribution is not made out of the net after-tax profits account. Sales of our shares by non-residents of Mexico for tax purposes, subject to certain requirements effected on the BMV or in any other securities market recognized by Mexico's Tax Administration Service, are not subject to Mexican withholding or similar taxes. See "Taxation" for a discussion of certain U.S. federal and Mexican tax consequences of holding and disposing of our shares.

Transfer restrictions	The international offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The shares have not been and are not expected to be registered under the Securities Act or with any securities regulatory authority of any U.S. state or other jurisdiction and, accordingly, may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except as set forth in "Transfer Restrictions." As a result of these restrictions, investors are advised to consult legal counsel prior to making any reoffering, resale, pledge or transfer of the shares.
Lock-up agreements	We and our principal shareholder have agreed, subject to certain exceptions, for a period of 180 days from the date of the offering circular, without the prior written consent of the representatives, not to issue, offer, sell, contract to sell, pledge or otherwise dispose of, any shares of our capital stock or any securities convertible into or exchangeable for, or that represent the right to receive, shares of our capital stock. See "Plan of Distribution."
Risk factors	Investing in our shares involves risks. See "Risk Factors" and the other information in this offering circular for a discussion of factors you should carefully consider before deciding to invest in the shares.

SUMMARY FINANCIAL INFORMATION

The financial information set forth in the following tables derives from our Audited Financial Statements and our Interim Financial Statements.

The financial information set forth in the following tables should be read together with the Financial Statements described above and the notes thereto, as the case may be. In addition, the summary financial information should be read together with "Presentation of Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements included elsewhere in this offering circular. Our Audited Financial Statements have been prepared in accordance with Mexican FRS, which differ in certain significant respects from the IFRS. Our Interim Financial Statements have been prepared in accordance with IFRS. The financial information in our Audited Financial Statements prepared in accordance with Mexican FRS may not be directly comparable with the financial information in our Interim Financial Statements prepared in accordance with IFRS. See "Risk Factors—Risk Factors Related to Our Business—We recently began preparing our financial statements in accordance with IFRS and, as a result, some of our financial data are not easily comparable from period to period." For a description of the effects of the transition to IFRS from Mexican FRS, see Note 28 to our Interim Financial Statements.

The U.S. dollar amounts provided below are translations from the Mexican peso amounts, solely for the convenience of the reader. See "Presentation of Financial and Other Information—Currency Information" for an explanation of the exchange rates used to translate Mexican peso amounts into U.S. dollars. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated or at any other rate.

	For the Nine Months Ended September 30,		
	2011	2012	2012
	(millions of Pesos, except percentages and earnings per share) (IFRS)		(millions of Dollars, with the same exceptions) (IFRS)
Statement of Comprehensive Income Data:			
Net sales	24,525.0	26,707.4	2,020.2
Cost of sales	14,530.9	15,979.2	1,208.7
Gross profit	9,994.1	10,728.2	811.5
Sales, development and administrative expenses	7,115.2	7,556.9	571.6
Depreciation and amortization	441.7	481.7	36.4
Other (income) expenses	(8.2)	(39.1)	(3.0)
Interest expense (income), net	(1.3)	(34.4)	(2.7)
Exchange loss (gain), net	20.4	(10.6)	(0.8)
Effects of valuation of derivative financial instruments	10.0	(45.1)	(3.4)
Income before income taxes	2,416.3	2,818.8	213.2
Income tax	717.6	809.8	61.3
Consolidated net income	1,698.7	2,009.0	152.0
Translation effects of foreign operations	(3.6)	1.0	0.1
Consolidated comprehensive income	1,695.2	2,010.0	152.0
Controlling interest	1,536.2	1,812.6	137.1
Non-controlling interest	159.0	197.5	14.9
EBITDA[1]	2,919.2	3,224.0	243.9
Basic earnings per ordinary share	0.79	0.93	-

[1] We calculate EBITDA as comprehensive income plus depreciation and amortization expense, income taxes, interest expense, exchange losses, losses on valuation of derivative financial instruments and translation effects of foreign operations, minus interest income, exchange gains and gains on valuation of derivative financial instruments.

	For the Years Ended December 31,			
	2009	2010	2011	2011
	(millions of Pesos, except percentages and earnings per share)			(millions of Dollars, with the same exceptions)
		(Mexican FRS)		(Mexican FRS)
Statement of Income Data:				
Net sales	30,554.6	33,261.0	37,044.3	2,989.9
Cost of sales	18,658.7	20,101.1	22,567.9	1,821.5
Gross profit	11,895.9	13,159.9	14,476.4	1,168.4
Operating expenses	8,496.6	9,257.8	9,870.5	796.7
Operating income	3,399.4	3,902.1	4,605.8	371.7
Other (expenses) income, net	324.5	(97.5)	(25.9)	(2.1)
Interest income (expense), net	(561.9)	(439.1)	(345.2)	(27.9)
Exchange gain (loss), net	17.8	2.8	(64.8)	(5.2)
Comprehensive financing cost	(544.0)	(436.3)	(410.0)	(33.1)
Equity in income of associated companies	-	8.7	-	-
Income before income tax	3,179.9	3,359.6	4,170.0	336.6
Income tax	871.9	950.6	1,243.6	100.4
Income before discontinued operations	2,307.9	2,409.0	2,926.4	236.2
Discontinued operations, net	1,025.2	724.2	-	-
Consolidated net income	3,333.2	3,133.2	2,926.4	236.2
Controlling interest	3,071.8	2,868.1	2,656.6	214.4
Non-controlling interest	261.4	265.1	269.8	21.8
EBITDA[1]	4,387.9	4,457.0	5,114.2	412.8
Basic earnings per ordinary share	3.15	2.94	2.73	-

[1] We calculate EBITDA as operating income plus depreciation and amortization expense and other income, minus other expense.

	As of December 31,	As of September 30,	
	2011	2012	2012
	(millions of Pesos) (IFRS)	(millions of Pesos)	(millions of Dollars) (IFRS)
Statement of Financial Position Data:			
Current assets:			
Cash and cash equivalents	944.2	759.6	59.1
Investments securities held for trading	1,105.3	626.3	48.7
Accounts receivable, net	8,451.5	7,828.5	609.2
Inventories, net	8,155.5	8,694.6	676.6
Prepaid expenses[1]	944.2	99.8	7.8
Derivative financial instruments	59.5	-	-
Total current assets	18,716.1	18,008.8	1,401.5
Non-current assets:			
Long-term receivables	80.5	69.0	5.4
Property, machinery and equipment, net	8,811.1	8,744.3	680.5
Investment property	1,477.6	1,477.6	115.0
Investment in associates	1.4	1.4	0.1
Employee retirement benefits	832.1	819.3	63.8
Other assets, net	37.4	32.2	2.5
Total assets	29,956.0	29,152.6	2,268.7
Current liabilities:			
Notes payable to financial institutions and current portion of long-term debt	25.9	124.1	9.7
Marketable notes	1,347.1	1,371.9	106.7
Accounts payable to suppliers	4,863.8	4,051.7	315.3
Direct employee benefits	352.7	445.4	34.7
Income taxes	21.3	51.3	4.0
Accrued expenses and other taxes	2,718.9	2,336.6	181.8
Provisions	74.7	83.9	6.5
Derivative financial instruments	21.2	-	-
Due to related parties	695.2	307.0	23.9
Total current liabilities	10,120.7	8,771.9	682.6
Non-current liabilities:			
Deferred taxes	1,442.9	1,248.3	97.1
Total liabilities	11,563.6	10,020.2	779.8
Stockholders' equity:			
Capital stock	1,634.4	1,634.4	127.2
Additional paid-in capital	140.0	140.0	10.9
Retained earnings	15,069.9	15,682.5	1,220.4
Controlling interest	16,844.4	17,456.9	1,358.5
Non-controlling interest	1,548.1	1,675.4	130.4
Total stockholders' equity	18,392.4	19,132.4	1,488.9

[1] Advances to third parties to purchase inventory and property, machinery and equipment are presented separately from inventory and property, machinery and equipment, respectively, since the risks and rewards of ownership of such goods have not yet been transferred to us.

	As of December 31,			
	2009	2010	2011	2011
		(millions of Pesos) (Mexican FRS)		(millions of Dollars) (Mexican FRS)
Statement of Financial Position Data:				
Current assets:				
Cash and cash equivalents	503.7	516.4	745.1	53.3
Investments in securities	1,186.1	1,010.0	1,304.5	93.3
Accounts and notes receivable, net	9,436.6	8,697.8	8,891.0	636.0
Inventories, net	6,674.9	7,141.6	8,119.0	580.8
Prepaid expenses[1]	181.7	79.6	62.4	4.5
Derivative financial instruments	249.0	154.7	-	-
Assets from discontinued operations, current	4,319.6	-	-	-
Total current assets	22,551.6	17,600.0	19,122.0	1,367.8
Long-term accounts receivable	103.5	92.0	80.5	5.8
Property, machinery and equipment, net	9,263.4	9,359.2	9,975.7	713.6
Investment in shares of associated companies	9.1	1.3	1.3	0.1
Employee retirement benefits	366.4	380.1	431.1	30.8
Other assets, net	25.4	27.1	37.1	2.7
Assets from discontinued operations, long-term	19,516.6	-	-	-
Total assets	51,836.0	27,459.7	29,647.7	2,120.7
Current liabilities:				
Notes payable to financial institutions	713.3	359.9	25.9	1.9
Current portion of long-term debt	-	2,471.4	-	-
Marketable notes	2,700.0	-	1,350.0	96.6
Accounts payable to suppliers	4,035.5	4,372.7	5,566.0	398.1
Direct employee benefits	299.5	335.6	352.7	25.2
Taxes payable and accrued expenses	3,483.6	2,557.2	2,599.2	185.9
Derivative financial instruments	1.4	0.1	21.2	1.5
Due to related parties	137.4	1,121.6	695.2	49.7
Liabilities from discontinued operations	6,850.7	-	-	-
Total current liabilities	18,221.4	11,218.6	10,610.2	759.0
Long-term debt	2,611.7	-	-	-
Deferred income taxes	2,528.1	1,536.1	1,504.6	107.6
Deferred statutory employee profit sharing	39.8	44.6	47.0	3.4
Liabilities from discontinued operations, long-term	3,039.6	-	-	-
Total liabilities	26,440.6	12,799.3	12,161.8	870.0
Stockholders' equity:				
Capital stock	3,559.8	1,747.2	1,747.2	125.0
Additional paid-in capital	968.9	475.5	475.5	34.0
Retained earnings	18,454.9	11,050.9	13,707.6	980.5
Translation effects of foreign operations	44.3	34.9	24.4	1.7
Controlling interest	23,027.9	13,308.5	15,954.7	1,141.4
Non-controlling interest	2,367.5	1,351.9	1,531.2	109.5
Total stockholders' equity	25,395.4	14,660.4	17,485.9	1,250.9

[1] Advances to third parties to purchase inventory and property, machinery and equipment are presented separately from inventory and property, machinery and equipment, respectively, since the risks and rewards of ownership of such goods have not yet been transferred to us.

RISK FACTORS

An investment in our shares involves risks. Before making a decision to buy any shares in this offering, you should carefully consider the risks described below as well as the other information contained in this offering circular. Any of the following risks could materially affect our business, financial condition, results of operations or prospects. In such case, the price or liquidity of our shares could decline and you could lose all or part of your investment. The risks described below are those that we currently believe may adversely affect us. Additional risks that are presently unknown to us may also impair our business, financial condition, results of operations or prospects.

Risks Related to Our Business

Declines in consumer confidence and changes in spending habits could have a material adverse effect on our operating results.

We are exposed to certain economic, political and social factors in Mexico and the other countries where we operate that could affect consumer confidence and spending habits. Among other factors, we are exposed to positive or negative variations in employment levels and salaries that may affect the per capita income of our consumers and, consequently, our sales performance. Sales of family and home improvement products in our department stores as well as sales in our restaurants are closely related to changes in our consumers' purchasing power. Any material changes in the overall economy that may affect or benefit our consumers' purchasing power would in turn affect or benefit our revenues. In addition, we are exposed to fluctuations in interest rates, exchange rates and inflation. Reductions in interest rates may result in decreases in our revenues, which could in turn affect our income growth. In addition, fluctuations in exchange rates have an effect on inflation expectations and our consumers' purchasing power, which may in turn adversely affect our sales.

We participate in a highly competitive market and increased competition may adversely affect our business.

We participate in a highly competitive market, especially the retail and restaurant industries in Mexico, which are characterized by intense competition and increased pressure on profit margins.

In our retail business, the number and type of competitors and the degree of competition experienced by individual stores vary by location. See "Our Business—Competition." In our restaurant business, we face strong competition from other national, international and local restaurant chains, as well as local restaurant operators.

We sometimes face pressure on prices in the markets in which we participate as a result of the sales and promotional activities of our competitors. These actions by our competitors may cause us to respond by adopting more aggressive pricing policies while trying to maintain our market share. This may also limit our ability to increase prices as a result of increased costs of sales and operating expenses or to explore other efficiencies. Our competitors may also strengthen their competitive position with new product introductions and alternatives to our products. If we are unable to maintain our pricing strategy and sustain our competitors' rhythm in product introductions, our results of operations and financial condition may be adversely affected.

There can be no assurance that we will be able to match potential price reductions as a result of competitors' pricing strategies. Increased competition may reduce our market share and force us to a reduction in prices of our products or an increase in our promotional expenses, which could in turn affect our results of operations.

Fragmentation in the restaurant and real estate industries increases competition.

Competition in the restaurant industry is very intense as to pricing, service, location, décor and food quality. We also face strong competition with respect to attractive commercial locations and qualified personnel.

In addition, due to industry fragmentation, competition in the restaurant industry varies considerably throughout the year, with numerous competitors opening new locations at all consumption levels. Operating capacity of existing restaurants is limited since novelty in food products and restaurant ambience tends to attract consumers. We believe that no single chain or restaurant has a dominating market position and penetration depends largely on the area of focus.

We face strong competition from other shopping and commercial centers in the areas where our real estate developments are located. A large number of competitive properties in a specific area could have an adverse effect on our capacity to lease commercial units in our shopping centers and on rent prices that we may charge our tenants. The commercial real estate industry in México is highly fragmented while many real estate properties are developed by their owners and by large department stores. We may face stronger competition in the future from national and international competitors acquiring and developing real estate in Mexico.

We cannot assure you that our performance will not be adversely affected by increased competition from national or international competitors and there is no guarantee that our business, financial condition and results of operations will not be adversely affected by increased competition.

If we are unable to distinguish ourselves from other retailers, our results of operation may be adversely affected.

The retail industry in Mexico is highly competitive. In the past, we have been able to compete successfully by making a difference in our customers' buying experience, offering an attractive proposal through a careful combination of price, service, variety of merchandise and convenience as to opening hours, location and security, service and marketing and publicity efforts. No competitive factor predominates and the actions of our competitors with respect to any of these factors could have an adverse effect on our sales, profits and costs.

If we are unable to predict or react to changes in consumer demand and preferences or competitors' pricing strategies, we may lose customers and our sales may decline. Failure to predict changes in consumer preferences may also lead to a decrease in demand for our products and services.

Our success depends in part on our ability to identify and satisfy consumers' needs, trends and spending patterns, as well as on our capacity to anticipate and respond in a timely manner to changing consumer demand and preferences regarding new products. Our products and services must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to change. If we misjudge the market for our merchandise and products or fail to adequately respond to changes, our sales may decline significantly. In the event that our competitors are better able to anticipate market trends and consumer preferences, we could lose customers and our market share could decrease, which would have an adverse effect on our sales and profits.

For example, technological advances in the past few years and new technological advances could result in changes to consumer preferences by replacing compact and video discs offered in our stores for digital books and music.

Our success also depends in part on our ability to improve our product portfolio by introducing new products. The introduction of new products requires investment and marketing initiatives, or a joint development with our suppliers, and if the new products do not satisfy consumer preferences, the return on such investments could be lower than expected.

Pricing competition may affect our results of operation.

As the industry consolidates and our competitors benefit from economies of scale to reduce prices, we constantly face increased pressure to reduce our prices. Our pricing strategy requires that we engage in regular comparisons of market prices at both a regional and local level in order to provide our customers with competitive prices among our local competitors. In the event that our processes for such comparison is delayed or malfunctions, we may not be able to respond to our competitors' prices with a price adjustment of our products, which could harm our competitive position and may cause us to lose customers, which would in turn have an adverse effect on our sales and profits.

Our future success depends on our ability to adequately maintain inventory levels.

Our success depends on our ability to adequately maintain inventory levels. We may face interruptions or delays in the delivery of orders by our suppliers. Any misjudgment of future demand for our merchandise or our failure to timely purchase or replenish our inventory may result in shortages which could adversely affect our business.

Risk Factors Relating to Our Expansion, Renovation and Growth

Our growth strategy by means of mergers, acquisitions and joint ventures may be limited by antitrust laws, our access to adequate capital and other challenges in the integration of material acquisitions.

From time to time, we consider opportunities for acquisitions. Our ability to grow successfully through these acquisitions depends on our ability to identify, negotiate, execute and consolidate suitable acquisitions and obtain the required financing and the relevant regulatory authorizations. Such efforts could be costly and take time; they can also affect our daily operations and result in the distraction of our management's attention.

We cannot assure you that the CFC or any other authority in Mexico or in any other jurisdiction will not condition or limit our planned acquisitions or require us to suspend, correct or cancel some of our business practices or acquisitions, which could adversely affect our business, financial condition and results of operations. If we fail to effectively integrate any business we acquire in the future, obtain financing on favorable or acceptable conditions or the applicable regulatory approvals, our business, financial condition and results of operations may be adversely and materially affected.

We may complete strategic acquisitions which may have an adverse effect on our business and financial condition.

If we carry out acquisitions, we cannot provide any assurance that we will be able to complete them successfully or effectively integrate the acquired businesses into our operations or maintain key personnel or important suppliers. Acquisitions could result in difficulties regarding the integration of the acquired businesses, the diversion of capital resources and the distraction of our management's attention from other matters and business opportunities. We may not be able to effectively integrate other businesses acquired, including their personnel, information technology systems, financial systems, distribution network, operations and general operating procedures. If we fail to effectively integrate any acquisition, our business could be adversely affected. In addition, the integration of any business and its financial results may adversely affect our operating results. We cannot provide any assurance that we will be able to complete future acquisitions, if any.

We may not be able to successfully execute our growth strategy or effectively manage our growth.

We expect that a major component of our future growth is expected to come from adding new retail stores, restaurants and shopping centers, as well as from renovating our existing retail stores and restaurants. Successful execution of our expansion program will require considerable expenditures and investments before

any significant associated revenues are generated and is dependent upon a number of factors, including our ability to locate and secure prime locations within our budget, the agreement with our suppliers that can help us to timely develop our stores and restaurants, the hiring and training of qualified personnel, the level of existing and future competition, the availability of additional capital, our ability to execute our retail and restaurant concepts successfully in new markets and favorable financial market and macroeconomic conditions in Mexico and abroad. We cannot assure you that our future retail stores and restaurants will be fully operational or adequately located or that future operations will generate revenues and cash flow comparable with those generated by our existing retail stores and restaurants.

In the event that we are unable to effectively manage and implement our growth strategy, such failure could have an adverse effect on our business, financial condition and results of operations.

Successful execution of our growth, expansion and renovation programs and our ability to achieve attractive returns on such investments are dependent upon economic conditions in Mexico. In addition, the renovation of existing retail stores has in the past resulted in a decrease in sales of retail spaces undergoing renovation, especially during recession periods. Although we currently own some of the real estate properties that will be affected by our expansion program, our ability to successfully implement our expansion strategy is greatly dependent upon our ability to locate and secure prime locations within our budget (which may be delayed by labor conflicts, obtaining governmental authorizations and weather conditions, among other factors), our ability to hire and maintain managers and other qualified personnel and our ability to successfully operate new and renovated stores, which would be affected by existing and future competition in the areas where such stores are located and the availability of additional resources to finance such expansion, among other factors.

We may open new stores in markets where we currently have operations and markets where we have limited experience. We cannot guarantee the success of stores opened in new regions or markets. We also cannot guarantee that we will carry out, totally or partially, our desired expansion and, if we do, that we will successfully manage increased operating activities and satisfy increased demand. Any of the factors described above may have an adverse effect on our business, financial condition and results of operations.

Risks Relating to Our Licenses and Brands

The termination of certain license agreements may affect our business.

We have entered into various license agreements and hold both exclusive and non-exclusive licenses to use brands and rights to open retail stores and market certain products. These license agreements include, among others, license agreements with Sears Roebuck and the owners of the *Pier 1* and *Carlo Corinto* brands for use in our Sears department stores (which represented 50.7% of our consolidated net sales for the nine-month period ended September 30, 2012); as well as agreements with Saks & Company to (i) use the trade name *Saks Fifth Avenue* in our department stores, (ii) sell Saks Inc. merchandise, products and registered brands in such department stores; and (iii) market brands owned by Saks Inc., including through electronic and digital means; and a non-exclusive license to sell *Apple* products and accessories in Mexico.

These licenses and agreements represent an important benefit to our business; however, we cannot guarantee that they will continue to do so. The termination or failure to perform by any of the parties to such agreements and licenses may have an adverse effect on our sales, financial conditions and results of operations.

We cannot provide any assurance that any agreement or license will not expire in accordance with its terms or that we will be able to form strategic alliances with current or potential partners and/or obtain other licenses that may enable us to improve the performance of our business

The reputation of our brands and our intellectual property rights are key to our business and they may be misappropriated or challenged by others.

We are holders and licensees of various trade names and brands. Our trade names, brands and other intellectual property rights are key assets of our business and are important for our continued success. See

"Our Business—Patents, Trademarks, Licenses and other Agreements." We intend to protect such brands and trade names exercising our rights under the applicable trademark and copyright legislation. Our principal trademarks and brands are registered in Mexico and in countries in which we use such trademarks and brands. We cannot provide any assurances that we will be successful in protecting our brands and trademarks.

Any infringement of our intellectual property rights or denial of registration in Mexico or a foreign jurisdiction would likely result in a commitment of our time and resources to protect these rights through litigation or otherwise, which could be expensive and time-consuming. If we were to fail to protect our intellectual property rights for any reason, it could have an adverse effect on our financial condition and results of operations. While we intend to defend our intellectual property rights, we may not be able to do so or we might incur in material costs and expenses in establishing such defense.

Maintaining the reputation of our brands is essential to our ability to attract and retain suppliers, consumers and associates and is critical to our future success. Failure to protect our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations. If we fail, or appear to fail, to deal with various issues that may give rise to reputational risk, we could harm our business prospects. These issues include, but are not limited to, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, safety conditions in our operations, ethical issues, money-laundering, privacy, record-keeping, sales and marketing practices and the proper identification of the legal, reputational, credit, liquidity and market risks inherent to our business.

Risk Factors Relating to Our Merchandise, Supply and Services

Interruption in the supply chain or increases in prices of supplies or in costs of our supply chain may adversely affect our business.

We depend on our suppliers to provide merchandise promptly and efficiently. Failure by a supplier, whether for financial difficulties or other reasons, to timely deliver our orders may result in shortages that could cause us to lose sales. In addition, an important portion of our merchandise is imported from abroad. Political or financial instability, commerce restrictions, epidemics, shipping capacity and cost, costumes regulations and other factors that could affect imports are beyond our control and may adversely affect our supply chain and sales. Increases in our suppliers' costs and costs relating to transportation and trading of merchandise could have an adverse effect on our business and results of operations.

We may not be able to obtain high quality, affordable products and merchandise.

Our future success depends on our ability to select and purchase quality merchandise at attractive prices. We have historically been able to locate and purchase quality merchandise, but such merchandise may not be available in the future, or it may not be available at adequate prices or in quantities necessary to accommodate our expanding businesses. We are not generally dependent on any single supplier or group of suppliers. Our business and results of operations may be adversely affected by a disruption in the availability of sufficient quantities of high quality, affordable products and merchandise.

If we are unable to respond adequately to changes in consumer health, hygiene and safety regulations or consumer expectations, our results of operation could be adversely affected.

If our merchandise, including food, beverages, pharmaceutical and children's products, fail to meet the applicable legal standards or our customers' expectations with respect to health and safety, we could experience a decrease in sales and increased costs, as well as expose us to legal and reputational risks. All our suppliers must comply with applicable safety and health regulations, and we depend on our suppliers for our products to meet health, safety and hygiene standards. Events that could cause potential or perceived uncertainties relating to health, hygiene and safety issues, including contamination of food, beverages or pharmaceutical products, could expose us to administrative or regulatory contingencies or lawsuits. Additionally, negative perceptions by our customers relating to health, safety or hygiene standards of our

merchandise and services could cause our customers to seek alternatives resulting in a decrease in sales. In such circumstances, it would be costly and difficult to regain our customers' trust.

Price increases and shortages of raw materials may increase our cost of sales which could in turn affect our results of operations.

The price of supplies in the restaurant industry and that of the products that we offer such as chocolates, meat, *tortillas* and bread, among others, are determined by market prices and we are dependent upon their availability, under minimum required quality standards.

The price of raw materials that we use is influenced by various factors that are outside of our control, including shortages due to seasonality, weather conditions and governmental policies relating to agriculture and the environment.

Any interruption, price increase or shortage of raw materials could result in unexpected increases in our cost of sales and we may be unable to proportionately increase our prices to offset such increase, which could in turn adversely affect our profit margins.

Disruptions in our distribution centers could have an adverse effect on our business.

We operate five reception and distribution centers of products and merchandise for our retail stores; two located in Mexico City, one located in Tijuana, Baja California, one located in Monterrey, Nuevo León and one located in Mérida, Yucatán. We also operate three processing centers of food and beverage products offered in our restaurants; one located in Mexico City, one located in Tlalnepantla, Estado de México and one located in Guadalajara, Jalisco. Any disruption in our reception and distribution centers due to reasons outside of our control, such as natural disasters, technological failures, power shortages and labor strikes, among other disruptions, would affect deliveries of merchandise to our warehouses which could adversely affect our sales and profitability.

Risk Factors Relating to Our Information Systems

A material disruption of our information systems in the supply chain or distribution network could adversely affect our operations.

We are dependent upon multiple customized information systems to operate our businesses, including processing transactions, responding to customer inquiries, managing inventory, managing our credit portfolio, purchasing, selling and shipping goods on a timely basis and maintaining cost-efficient operations. We may experience operational problems with our information systems as a result of system failures, viruses, computer "hackers" or other causes. Any material disruption or slowdown of our systems could cause information to be lost or delayed which could result in delays in the delivery of merchandise to our retail stores and restaurants and our customers and ultimately could cause our sales to decline, especially if the disruption or slowdown occurs during the high-sales seasons. In addition, any material interruption or slowdown in our information systems could alter the adequate operation of our distribution network, which would negatively affect orders, production, inventory, transportation and delivery of our products to our retail stores and restaurants. Such disruption would have an adverse effect on our business, financial condition and results of operations.

Failure to protect our customers' and suppliers' information could harm our reputation, result in additional material expenses or expose us to litigation and penalties.

Like most retailers, we receive certain personal information about our customers and suppliers. In addition, sales using our private label credit cards and through our websites depend on the secure transmission of confidential information over public networks, including information that allows electronic payments. We maintain security systems for such information; however, we could be vulnerable to security flaws or breaches by computer "hackers," viruses and other third parties that may attempt to obtain improper access to this information. Any flaw or breach in our security systems allowing unauthorized third parties access to personal and confidential information of our customers and suppliers could harm our reputation and

could have an adverse effect on our results of operations. We could also be exposed to litigation and penalties. In addition, a security flaw or breach may require us to spend a significant amount of resources and may result in an interruption of our operations, particularly those carried out on-line.

We are subject to litigation proceedings that could harm our business if an unfavorable ruling were to occur.

We and our subsidiaries are, and may from time to time become, involved in litigation and other legal proceedings relating to claims arising from our operations in the ordinary course of business. If an unfavorable ruling were to occur in all or a majority of these proceedings, our business, financial condition and results of operations could be adversely affected. See "Our Business—Legal Proceedings," and Note 26 to our Interim Financial Statements for a description of our legal proceedings.

Risk Factors Relating to Human Resources

Our inability to maintain good relationships with unions could have an adverse effect on our financial condition.

The majority of our workforce is represented by labor unions. While we have enjoyed satisfactory relationships with all of the labor unions that represent our employees and we believe our relationships with labor unions will continue to be satisfactory, labor-related disputes may still arise. Labor disputes that result in strikes or other disruptions could also cause increases in operating costs, which could damage our relationships with our customers and adversely affect our business and results of operations.

An increase in labor cost could adversely affect our results of operations.

Our results may be adversely affected as a result of increases in labor costs. A shortage in the labor pool or other general inflationary pressures or changes in applicable laws and regulations could increase labor cost, which could have an adverse effect on our financial condition and results of operations.

Our labor costs include the cost of providing benefits for employees. We sponsor a number of defined benefit plans for employees in Mexico and the rest of the countries where we operate, including pension and retirement plans, healthcare, severance and other employment benefits. We also participate in certain pension plans. The annual cost of benefits can vary significantly from year to year and is materially affected by certain factors such as changes in the assumed or actual rate of return on the underlying assets of the plans, changes in the weighted-average discount rate used to calculate obligations, the rate or trend of health care cost inflation, and the outcome of collectively-bargained wage and benefit agreements, which are reviewed and renegotiated on an annual basis with respect to salaries and every two years with respect to other labor conditions.

On November 30, 2012, the *Ley Federal del Trabajo* (Federal Labor Law) was amended by the Mexican Congress. We are currently analyzing the impact, if any, that this amendment would have on our operations. We cannot provide any assurance that this amendment will not result in increased labor costs or in modified labor conditions, which could in turn have an adverse effect on our financial condition and results of operations.

Our success depends on our ability to retain certain key personnel, our ability to hire additional key personnel and the maintenance of good labor relations.

Our business strategy and success depends considerably on the performance of our executives and key employees. In particular, our senior management has significant experience and knowledge of the retail and restaurant industries and the loss of any of them, or our inability to attract and retain sufficient qualified management, could negatively affect our ability to implement our business strategy.

Our future success also depends on our continued ability to identify, hire, train and retain qualified sales, marketing and administrative personnel, store and restaurant general managers and chefs, among others.

Competition for such qualified personnel is intense. If we are unable to recruit and retain sufficient qualified individuals, our operations and reputation could be adversely affected.

Risk Factors Relating to Financings

We may not have access to adequate capital to finance our working capital needs and capital expenditures or implement our growth strategy.

We depend on the availability of credit for our working capital needs and the implementation of our growth strategy. Our credit facilities with certain Mexican and foreign banks enable us to finance our growth strategy. To implement our expansion and modernization plans, we may require additional capital. In addition to the proceeds of this global offering, we intend to rely upon internally generated cash from our operations and, if necessary, bank debt and bond issuances in the domestic and international capital markets. We cannot assure you that we will be able to generate sufficient cash flows from operations or obtain financing on favorable terms, or otherwise. Similarly, we cannot assure you that we will be able to continue to raise financing from past sources, or from other sources, or on terms comparable to our existing debt. In addition, the global credit crisis and the related recessionary environment has tightened the availability of credit, which may impact our ability to obtain financing on terms attractive to us, or at all, in the future. If we are unable to continue to obtain financing on favorable terms, we may face increased financing costs or be unable to implement our growth strategy as planned, thus adversely affecting our business, financial condition and results of operations.

We may incur additional debt in the future which may affect our financial condition and our ability to generate enough cash to meet our payment obligations.

In the future, we may incur additional debt that may have the following effects:

- limit our ability to pay our creditors;
- increase our vulnerability to economic and industry conditions in general;
- require us to use an important portion of our cash flow to repay indebtedness, which could place us at a disadvantage with respect to our competitors with fewer outstanding debt;
- limit our flexibility to plan or to react to business and industry changes;
- affect our ability to cease opportunities for acquisitions or implement expansion plans;
- limit available cash for the payment of dividends;
- limit our ability to obtain additional financing;
- limit our ability to provide guarantees; and
- increase the cost of additional financing.

Risks Factors Relating to Regulatory Changes

Changes in applicable laws could affect our operations.

We are subject to various laws affecting the markets and industries in which we operate. The principal areas in which we are subject to applicable laws are health, environment, labor, tax, consumer protection and antitrust.

The restaurant industry is subject to government regulation on the sale of food and alcoholic beverages, as well as provisions relating to health and hygiene. Our retail and restaurant operations are subject to

regulations regarding fire prevention, construction and zoning, which affect our operating costs. Operating costs of our stores and restaurants are also subject to various government measures outside of our control, such as increases in minimum wage, social security contributions and other labor benefits. Our real estate operations are subject to environmental, construction and zoning regulations, as well as various governmental authorizations that affect land acquisition, development and construction activities, and transactions with certain customers. Costs associated with obtaining construction permits, payment of construction duties and fees, obtaining rights to public utilities and formalization of real estate deeds, vary significantly from one state to the other. Changes in local circumstances or in applicable laws or regulations may require us to obtain additional authorizations or operating authorizations not currently contemplated or amend existing ones or request changes in our processes and procedures in order to comply with such laws and regulations. Any of these factors could have an adverse effect on our business, financial condition and results of operations. We are currently in compliance with these standards; however, we cannot provide any assurance that we will continue to be in compliance in the future if such standards change or become more stringent. Additional changes to current regulations could result in an increase in costs required to comply with such obligations, increased costs of sale or an increase in the prices of our products, which could in turn have an adverse effect on our financial condition and results of operations.

The countries in which we operate may adopt new tax laws or amend existing ones to increase taxes that may affect our business.

Our business is subject to different taxes in most of the countries in which we operate. We cannot provide any assurance that governmental authorities in the countries where we operate will not impose new taxes or increase existing taxes in the future. New taxes or increases in existing tax rates could have an adverse effect on our business, financial condition and results of operations.

Changes in laws relating to consumer protection could affect our financial performance.

Our credit and financing activities are regulated by laws protecting consumers. The *Ley Federal de Protección al Consumidor* (Federal Consumer Protection Law) does not currently establish limits to interest rates charged to our customers or impose any reporting obligations with respect to interest rates involved in credit sales. The Mexican government may impose restrictions or limits to this effect or could require additional information from us with respect to the interest rates involved in our credit sales.

On August 30, 2011, a decree amending and supplementing the *Código Federal de Procedimientos Civiles* (Federal Civil Procedure Code), the *Código Civil Federal* (Federal Civil Code), the *Ley Federal de Competencia Económica* (Federal Antitrust Law), the *Ley Federal de Protección al Consumidor* (Federal Consumer Protection Law), the *Ley Orgánica del Poder Judicial de la Federación* (Federal Judicial Power Organic Law), the *Ley General del Equilibrio Ecológico y la Protección al Ambiente* (Federal Ecologic Equilibrium and Environmental Protection Law) and the *Ley de Protección y Defensa al Usuario de Servicios Financieros* (Law for the Protection and Defense of Financial Services Users) was published in the Federal Official Gazette. This decree sets forth the scope of application, the judicial proceedings and the mechanisms to claim damages in class action lawsuits, which did not previously exist in Mexico. We have not been subject to any class action lawsuit and there are limited judicial interpretations to determine the effects that such actions could have on us, our operations and results.

Limitations on foreign trade in Mexico may affect our business.

Limitations on foreign trade in Mexico may affect our business. Mexico has one of the largest economies in the world and has commercial relationships with practically all the nations in the world. The group of free trade agreements executed by Mexico is one of the most important worldwide. In accordance with Mexican law and applicable trade treaties, the Mexican government may impose trade restrictions for multiple reasons, including tariff or non-tariff measures and restricting, limiting or prohibiting the international trade of goods. Any of these measures could adversely affect our operations since we import a significant portion of our supplies and merchandise from abroad.

Changes in health, safety and environmental regulations may adversely affect our business.

Our operations in Mexico are subject to various laws, rules, regulations, official health standards and quality regulations, and to the supervision of different authorities, such as the *Secretaría de Salud* (Ministry of Health), the *Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación* (Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food), the *Secretaría de Medio Ambiente y Recursos Naturales* (Ministry of Environment and Natural Resources), the *Comisión Federal para la Protección contra Riesgos Sanitarios* (Federal Commission for the Protection Against Sanitary Risks), the *Procuraduría Federal del Consumidor* (Federal Consumer Protection Agency) and the *Secretaría de Economía* (Ministry of the Economy), in connection with the production, packaging, storage, distribution and marketing of food products.

If there were any significant changes in health regulations applicable to us in any of the countries in which we operate, we could be subject to significant increases in operating expenses and would have to implement measures that may disrupt our operations. Increased regulation in the food industry, including proposals to improve food safety and the introduction of new health-related requirements or regulations concerning imported ingredients may affect our costs, profitability and profits.

In addition, our business is subject to environmental regulations in Mexico and in the other countries where we operate, which are constantly changing. New laws in Mexico or in any of these countries could result in additional investment and cost of equipment that could affect our results of operations.

Risk Factors Relating to Our Operations

We are subject to risks relating to consumer financing.

Historically, our credit offerings to customers have contributed significantly to increases in net sales in our Sears department stores. While currently making marketing efforts to expand our consumer financing, our exposure to risk derived from our private label credit cards continues to increase. We cannot provide any assurance that our credit card portfolio will not deteriorate because of such exposure to risk. We currently have flexibility to charge interest rates to our credit card holders at market prices; however, we cannot provide any assurance that restrictions on interest rates charged on credit card transactions will not be imposed in the future.

Although our non-performing loan rates have been historically low, we cannot provide any assurance that such rates will not increase for reasons outside of our control and that our operations will not be adversely affected due to losses derived from payment defaults by our credit card holders. We currently do not depend on a single client or group of clients since we sell our products to the public at large. We currently have a credit risk management system that involves detailed analysis of loan origination activities, early detection of potential changes in payment capacity, adopting corrective measures promptly and determining current and potential losses. We cannot provide any assurance that our systems will achieve their expected benefits, that non-performing loan rates will not increase, or that we will not be adversely affected by risks unknown to us or that we do not currently believe are material.

We are subject to risks relating to potential excess in demand or over-supply.

We may be subject to over-supply in our retail business in Mexico if several department store chains simultaneously open retail stores in a particular location. Moreover, the opening of new stores by us could adversely affect our sales in other stores owned by us due to their proximity, resulting in a process known in the industry as “cannibalization.” An excess in demand could result in product shortages in the domestic market which could adversely affect our results.

Fluctuations in exchange rates may affect our operations.

As of September 30, 2012, only 1.6% of our debt was denominated in U.S. dollars; however, we could assume additional debt in foreign currencies in the future. The devaluation of the Mexican peso against other

currencies increases the cost, in Mexican pesos, of interest and principal of indebtedness which results in exchange losses. Because most of our revenues are denominated in Mexican pesos, such an increase would be only partially offset with the increased revenues resulting from such fluctuation in exchange rates.

A significant portion of our business is concentrated geographically and adverse regional conditions or events could adversely affect us.

Our principal properties and operations are located in Mexico. A significant portion of our investments and operations are located in Mexico City and surrounding areas. Natural disasters, such as earthquakes, fires, flooding power outages and hurricanes, adverse economic conditions or increased competition in these areas could have adverse effects on our financial condition and results of operations. Public health threats and other highly contagious diseases may affect travel, tourism and shopping patterns, which could in turn affect our operations in the markets that we participate.

***We have engaged in related party transactions which may create potential conflicts of interest and may result in less favorable terms to us*.**

In the ordinary course of business, we enter into transactions with affiliates and related parties. These related party transactions have higher potential for conflicts of interest which may result in terms less favorable for us than third-party transactions. For more information on related party transactions, see "Related Party Transactions."

Our results of operation and same-store sales fluctuate and may not be a meaningful indicator of future performance.

Our net sales and operating results fluctuate significantly, and we cannot assure you that our same-store sales will continue to grow at the rates achieved in the past. Moreover, our same-store sales growth may decline. Changes in our same-store sales performance could affect our results of operations and the price of our shares. A number of factors have historically affected, and will continue to affect, our same-store sales, including:

- competition;
- our new store openings;
- general regional and national economic conditions;
- consumer trends and preferences;
- changes in the other businesses in the areas surrounding our locations;
- new product introductions and changes in our product mix;
- timing and effectiveness of promotional events; and
- weather.

Our business is seasonal and our ability to react to seasonality or events that could affect periods with stronger sales could cause an adverse effect on our business.

Certain of our revenues and activities are seasonal in nature and our cash flow and working capital needs vary throughout the year.

We have historically experienced seasonality in our sales, principally due to stronger sales during the Christmas season and other months where our consumers spend in gifts or generic promotions such as the "*Buen Fin*" (a weekend in late November of each year where various commercial businesses offer sales and

discounts to encourage consumer spending in Mexico). Our sales for the fourth quarter of 2009, 2010 and 2011 represented 31.2%, 31.8% and 32.7%, respectively, of our total sales for such years. Similarly, our working capital needs and sales vary substantially throughout the year. Any adverse change in the Mexican economy during these periods of stronger sales could have an adverse effect on our business, financial condition and results of operation.

In addition, seasonality requires us to make adjustments to satisfy the excess in demand of our products, change our product mix and increase product discounts and promotions to attract customers that would otherwise purchase products from our competitors. These factors may lead to a decline in operating margins despite an overall increase in sales. We cannot provide any assurance that we will continue to successfully manage our seasonal business or that our operating margins will increase proportionally to overall increases in sales, or at all.

Health epidemics and other outbreaks in Mexico may affect our business operations.

Mexico and other countries have been affected and could in the future be affected by the effects of severe acute respiratory syndrome (SARS), H1N1 flu, swine flu, avian flu, or another epidemic or outbreak relating to animal products. These health epidemics and outbreaks could affect the availability of certain food products or result in our patrons consuming less of these products at our restaurants. Any of the foregoing events may result in important risks to the restaurant and retail industries since governments could order partial or total quarantines or closures of our facilities. Tourism in Mexico could also be affected by these health epidemics and outbreaks.

We recently began preparing our financial statements in accordance with IFRS and, as a result, some of our financial data are not easily comparable from period to period.

Historically, we have prepared our financial statements in accordance with Mexican FRS. However, on January 1, 2012, we began preparing our financial statements in accordance with IFRS. Through the year ended December 31, 2011, we prepared our financial statements in accordance with Mexican FRS. As a result, our financial data as of and for the years ended December 31, 2009, 2010 and 2011 presented in this offering circular has been derived from our Audited Financial Statements prepared in accordance with Mexican FRS. Our financial data as of and for the nine months ended September 30, 2011 and 2012 presented in this offering circular is derived from our Interim Financial Statements prepared in accordance with IFRS. Because IFRS differs in certain significant respects from Mexican FRS, our Mexican FRS financial information presented in this offering circular for any period is not directly comparable to our IFRS financial information. The lack of comparability of our financial data may make it difficult to gain a full and accurate understanding of our operations and financial condition.

Risk Factors Relating to Our Restaurant Business

We are subject to specific risks in our restaurant business in addition to general risks affecting our business.

We are subject to specific risks in our restaurant business in addition to general risks affecting our business, including changes in consumer's preferences and economic conditions, demographic trends, local traffic flows and the number and location of restaurants operated by our competitors. Our Sanborns restaurants may be affected by negative publicity about the quality of food offered, diseases, injuries, or other health issues at one or more of our restaurants. Our restaurant business depends on the timely delivery by suppliers of vegetables and fresh produce which subjects us to risks relating to shortages or disruptions in the delivery of such products due to adverse weather conditions or other adverse factors, which could in turn affect the availability, quality or cost of ingredients used. In addition, other factors such as increased labor and food costs and our ability to hire and maintain qualified personnel may also have an adverse effect on our restaurant business. Any adverse change in any of the foregoing factors may have an adverse effect on our business, financial condition and results of operations.

The restaurant industry is affected by litigation and publicity relating to the quality of food, health and other issues that could lead us to lose costumers or could result in contingencies.

Health and hygienic concerns, including negative publicity relating to food-related illnesses, even if not directly addressed or related to our restaurants, may cause our customers to avoid restaurants in general, which may have a negative effect on our sales. Additionally, we could be subject to complaints or lawsuits by customers claiming food-related illnesses, injuries or other damages suffered in our facilities. Claims may result in decisions against us that may have an adverse effect on our business and, even if no negative administrative or judicial decisions are issued against us, our reputation may be damaged, which may in turn adversely affect our business, financial condition and results of operations.

Our profitability in the restaurant business depends largely on costs of supplies and food and beverage products that are beyond our control.

Our profitability in the restaurant business depends largely on our ability to anticipate and react to changes in costs of supplies and food and beverage products. Several factors beyond our control, including adverse weather conditions and changes in government regulations may affect the cost of food and beverage products. We are dependent upon regular deliveries of meat, chicken, fish and fresh produce which expose us to risks derived from product shortages or disruptions in the supply chain due to adverse weather conditions or other conditions that may affect the availability of such products. We cannot provide any assurance that we will be able to anticipate or react to future product shortages or increased costs of supplies, food or beverage products. Failure to so anticipate or react to such factors may adversely affect our business and results of operations.

Risks and health liability relating to the food industry could affect our business, financial condition and results of operations.

Our restaurant operations are exposed to risks affecting the food industry in general, including risks of contamination, concerns about nutritional and health issues and genetically modified ingredients, product liability lawsuits, alteration of our products by third parties, the cost and availability of liability insurance and business interruptions due to mandatory products recalls. We are subject to claims and legal proceedings derived from allegations that our products may have caused damages or illnesses. Any of these risks, even if untrue, including negative publicity regarding risks concerning our or our competitors' products, could lead consumers to distrust the safety and quality of such products and reduce their consumption, which would in turn adversely affect our business, financial condition and results of operation.

We maintain systems designed to monitor security risks in our products during all stages of the manufacturing process. Such systems, including their policies, may not be an effective tool to mitigate such risks. Contamination of our products could have a material adverse effect on our business, financial condition and results of operations.

Risk Factors Relating to Our Real Estate Business

We are subject to risk relating to our dependence on retail facilities.

We lease certain facilities for our stores and restaurants. The successful implementation of our strategy depends on our ability to find facilities that have certain characteristics suitable for our commercial establishments, mainly relating to surface, location and contractual terms and conditions. We invest the required human resources and materials to find suitable facilities and do so in coordination with our different divisions. If we are unable to find and lease suitable properties for our stores and restaurants, our sales may drop, which would in turn adversely affect our results of operations. In addition, if the lease agreements relating to our leased facilities are not renewed upon their expiration, we may fail to maintain adequate locations for our stores and restaurants.

We are subject to risks relating to the development of real estate properties.

We intend to continue developing and building specific commercial facilities for the operation of stores and restaurants and for the operation of shopping centers. We are subject to various risks relating to our real estate business including cost overruns, increased construction costs and debt service payments, among others. Construction and development of real estate property is also subject to certain risks such as our failure to or delay in obtaining all necessary permits and government authorizations with respect to zoning, occupancy and construction, among others.

We are subject to risks affecting shopping centers.

Shopping centers are subject to various factors that affect their development, administration and profitability some of which are outside our control. Many of our retail stores and restaurants are located in shopping centers, and as a result a substantial portion of our revenues is sensitive to factors affecting these and other shopping centers. These factors include:

- the accessibility and the attractiveness of the area where the shopping center is located;
- the flow of people and the level of sales of each shopping center rental unit;
- increased competition from other shopping centers which might drive down our prices and profits;
- the need to periodically renovate, repair and release space, the higher costs involved and the ability of a tenant to provide adequate maintenance and insurance; and
- the fluctuations in occupancy levels in the shopping center which could result in lower rent prices and lower revenues.

In addition, given that a portion of our revenues is derived from renting commercial units at our *Plaza Loreto* and *Plaza Inbursa* shopping centers, our results from operations depend in part on our ability to lease these properties on economically favorable terms. If retail sales decline substantially for an extended period of time, some retail tenants may be unable to pay their rental obligations.

Moreover, the shopping center business is closely related to consumer spending, and therefore, to the economy in which such customers are located. An economic downturn in the areas in which our shopping centers are located may result in early termination of tenant leases, bankruptcy of tenants and reductions in shopping center sales due to lower disposable income, which may adversely affect our business, financial condition and results of operations.

We are subject to risks relating to the operation of real estate properties.

Our investments in real estate properties are subject to risks inherent to the ownership and operation of properties in general. Our net sales and the value of our properties may decline for several reasons, including the condition of the Mexican economy and of the real estate industry (such as over-supply or reduced demand for retail facilities and fluctuations in rent prices). In addition, development of real estate property is subject to certain factors including the perception of potential tenants regarding security, location convenience and appearance of the properties. We face other risks such as decreased occupancy levels and reduced revenues due to the expiration of lease agreements and the subletting of commercial units, increased operating costs (including property tax) that cannot be passed on to tenants and suffering damages or losses not covered by insurance or exceeding insurance limits. Our most important costs and expenses relating to our real estate investments (such as property tax, insurance, operating costs and maintenance costs) are not proportionally reduced when our lease income is reduced due to any of these factors.

We are subject to risks relating to economic development and structural changes that could affect the supply and demand of real estate properties and affect rent prices and risks that commercial facilities be vacated. Prices of real estate in Mexico are frequently denominated in U.S. dollars. Our expansion plans

could be limited by fluctuations in exchange rates of the Mexican peso against the U.S. dollar or increases in prices of properties available or construction materials. We currently do not rely on a single tenant. We periodically evaluate the payment capacity of our tenants, especially before renewing lease agreements. Historically, the occupancy rate of leasable areas in our shopping centers has been above 90.0% and default rates have been low at 2.0%. We believe our insurance policies are adequate to cover risks associated with fire, earthquake and other natural disasters. However, we cannot provide any assurance that proceeds received from insurance payments will be sufficient cover repairs.

Risks Factors Relating to Mexico

Adverse economic developments in Mexico could adversely affect our business, financial condition and results of operations.

We are a Mexican company with substantially all of our operations conducted in Mexico and are dependent upon the performance of the Mexican economy. As a result, our business, financial condition and results of operations could be affected by the general condition of the Mexican economy, the devaluation of the Mexican peso against the U.S. dollar, price volatility, inflation, interest rates, regulations, taxes, increased crime rates and other political, social and economic factors in or affecting Mexico and over which we have no control. In the past, Mexico has experienced prolonged periods of adverse economic conditions, economic crises and deteriorating economic conditions that have adversely affected our business. We cannot provide any assurance that such conditions will not reemerge in the future, or that such conditions will not have an adverse effect on our business, financial condition or results of operations.

In addition, actual and nominal interest rates in Mexico have been historically high. Future indebtedness denominated in Mexican pesos could be priced at high interest rates. Fluctuations in exchange rates of the Mexican peso against the U.S. dollar may have an adverse effect on our financial condition and results of operations.

Our business could be materially and adversely affected by general economic conditions in Mexico, inflation and interest rates in Mexico and fluctuations in exchange rates. Economic contraction in Mexico, periods of negative growth, high inflation or high interest rates could result in decreased demand for our products and services, decreases in the real value of our products and services or may require us to seek alternatives to our products with lower profit margins. Any of these factors could adversely affect our profit margins.

Political conditions in Mexico could affect our operations.

Economic actions and policies of the Mexican federal government, environmental regulation and the social and political context in Mexico, regulation of state-owned or government-controlled enterprises and state-owned or government-regulated financial institutions could have an impact on Mexican private sector entities, including us, and on market conditions, prices and returns on Mexican securities listed on the BMV. Such actions include increases in interest rates, changes in fiscal and monetary policy, price controls, currency devaluations, capital controls, and limitations on imports, among others. Our business, financial conditions and results of operations and distributions to our shareholders could be adversely affected by changes in government policies and regulations affecting our administration, operations and tax regime.

Presidential elections in Mexico were held in July 2012. Enrique Peña Nieto, a member of the *Partido Revolucionario Institucional,* was elected as the new president of Mexico and took office on December 1, 2012. The new government may lead to social, economic and political conflicts. The new administration could implement significant changes in laws, public policy or regulations that could affect political and economic conditions in Mexico, which would in turn adversely affect our business.

We cannot provide any assurance that changes in Mexican federal government policies will not adversely affect our business, financial condition and results of operations. Tax regulation in Mexico is subject to changes and it is uncertain whether the Mexican federal government will propose and approve reforms to such tax regulation or to its policies relating to political, social and economic matters, which reforms or

changes could have an adverse effect on our business, financial condition and results of operations, and may adversely affect the price of our shares. We cannot provide any assurances that political developments in Mexico, over which we have no control, will not have an adverse effect on our financial condition and results of operations that could affect our ability to distribute dividends to our shareholders.

Violence or the perception of violence in Mexico could adversely affect our business.

The recent increase of violence in Mexico has had in the past and may continue to have an adverse effect on the Mexican economy and could have an adverse effect on our business.

Mexico has experienced a significant increase over the past few years in violence relating to illegal drug trafficking, particularly in Mexico's northern states near the U.S. border. This increase in violence has had an adverse impact on the economic activity in Mexico generally. Also, social instability in Mexico or adverse social or political developments in or affecting Mexico could adversely affect us, our ability to conduct our business and offer our services and our ability to obtain financing. We cannot provide any assurance that the levels of violent crime in Mexico, over which we have no control, will not increase or decrease and will have no further adverse effects on Mexico's economy or on us.

Developments in other countries could adversely affect the Mexican economy, our business, financial condition and results of operations.

The Mexican economy may be, to varying degrees, affected by economic and market conditions in other countries. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to adverse developments in other countries may have an adverse effect on the market value of securities of Mexican issuers. In recent years, for example, the prices of both Mexican debt and equity securities decreased substantially as a result of the prolonged decline in the United States securities markets.

In addition, in recent years economic conditions in Mexico have become increasingly correlated with economic conditions in the United States as a result of North American Free Trade Agreement, or "NAFTA," and increased economic activity between the two countries. Therefore, adverse economic conditions in the United States, the termination or re-negotiation of NAFTA or other related events could have a significant adverse effect on the Mexican economy which would in turn have an adverse effect on our business, financial condition and results of operations. We cannot provide any assurance that events in other emerging market countries, in the United States or elsewhere will not adversely affect our business, financial condition and results of operations.

Levels of inflation in Mexico together with government actions implemented to control it could adversely affect our investments.

Levels of inflation in Mexico are higher than annual inflation rates of its principal commercial partners. High inflation rates may adversely affect our business, financial condition and results of operations.

Risk Factors Relating to Our Shares

Our shares have not been publicly traded recently, an active market for our shares may not develop and the market price of our shares could decrease after the offering.

There has been no public market for our shares for over five years. Although we have applied for our shares to be admitted for trading on the BMV, an active trading market may not develop or, if developed, may not be maintained. The Mexican securities markets, including the BMV as the primary trading market, are substantially smaller, less liquid, more volatile, have a lower institutional investor base, and are more concentrated than major international securities markets, such as those in the United States. Such market characteristics may substantially limit the capacity of holders of our shares to sell them, or to sell them at the price and time which such holders want to sell them, and this may negatively affect the market price of, and liquidity for our shares.

Shares of companies offered in an initial public offering often trade at a discount to the initial offering price due to underwriting discounts and related offering expenses. This represents an immediate dilution in shareholders' equity value per share to new investors purchasing shares in the offering at the initial public offering price. As a result of this dilution, investors purchasing shares in the offering may receive significantly less than the full purchase price that they paid for the shares purchased in the offering in the event of a liquidation. The initial offering price, the negotiations between us and the initial purchasers and the Mexican underwriters may not be indicative of the price that will prevail in the securities market after the offering, if such market develops. The possibility that our shares may trade at a discount to our net book value is separate and distinct from the risk that our net book value per share may decline. We cannot predict whether our shares will trade above, at or below net book value.

The market price of our shares may fluctuate significantly, and you could lose all or part of your investment.

Volatility in the market price of our shares may prevent you from being able to sell your shares at or above the price you paid for your shares. The market price and liquidity of the market for our shares may be significantly affected by numerous factors, some of which are beyond our control and may not be directly related to our operating performance. These factors include, among others:

- significant volatility in the market price and trading volume of securities of companies in our sector, which are not necessarily related to the operating performance of these companies;
- differences in our actual financial and operating results and those expected by our investors;
- changes in our profit margins or results of operations;
- operating performance of companies comparable to us in Mexico and in other countries;
- actions by our controlling shareholder with respect to the disposition of the shares they beneficially own or the perception that such actions might occur;
- failure to maintain a control group that may influence our corporate decisions;
- hiring or departures of key senior management personnel;
- perception on how our managers perform their duties and provide services;
- announcements by us or our competitors of significant acquisitions, divestitures, strategic partnerships, joint ventures, or capital commitments;
- increased competition;

- general economic trends in the Mexican, U.S. or global economies or financial markets, including those resulting from war, terrorist attacks or retaliation for such events; and
- political events or conditions in Mexico, the United States and in other countries, including issues relating to security and the value of real estate property in Mexico.

In addition, in the future, we may issue additional equity securities or our controlling shareholder may dispose of its interest in us. Any such issuances or sales or the prospect of any such issuances or sales could result in a dilution of shareholders' economic and voting rights in us or a negative market perception and potentially a decrease in the market price of the shares.

Substantial sales of our shares after this offering could cause the price of such shares to decrease.

We and our principal shareholder have agreed, subject to certain exceptions described under "Plan of Distribution," for a period of 180 days after the date of the offering circular, without the prior written consent of the representatives, not to issue, offer, sell, contract to sell, pledge or otherwise dispose of, any shares of our capital stock or any securities convertible into or exchangeable for, or that represent the right to receive, shares of our capital stock. After this lock-up period expires, the shares subject to such agreement will be eligible for sale in the market. The market price of our shares could drop significantly if a substantial number of our shares are sold or if the market expects such sales to occur.

Future offerings of securities with preferred rights over our shares could limit our operational and financial flexibility and adversely affect the market price and dilute the value of our shares.

We may issue debt instruments or incur additional indebtedness in the future with preferred rights over our shares. Such debt instruments and indebtedness could include covenants that may restrict our operational flexibility and limit our ability to distribute dividends to our shareholders. In addition, we may issue convertible or exchangeable securities in the future with preferred rights over our shares, including privileges with respect to the payment of dividends or distributions, which could result in a dilution of the value of our shares. Because our decision to offer new debt securities or incur additional indebtedness in the future is dependent upon market conditions and other factors that are outside of our control, we cannot predict or estimate the amount, time or nature of such securities or indebtedness, which could have the effect of reducing the market price of our shares or diluting their value.

Developments in other countries could adversely affect the price of our shares.

Adverse economic and market developments in other countries may have an adverse effect on the market value of securities of Mexican issuers. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors' reactions to developments in such countries could have an adverse effect on the market value of securities of Mexican issuers. We cannot provide any assurance that the market value of our shares will not be adversely affected by developments in other countries, especially other emerging market countries.

Our shareholders will suffer an immediate dilution as a result of the offering.

Shares of companies offered at an initial offering price that is higher than the net book value per share produce an immediate dilution in the net book value per share to new investors purchasing shares in the offering at the initial offering price. As a result of this dilution, shares owned by investors purchasing shares in the offering do not have the same net book value per share as their initial contribution and suffer a dilution in the net income per share.

The possibility that our shares may trade at a discount to our net book value is separate and distinct from the risk that our net book value per share may decline. We cannot predict whether our shares will trade above, at or below net book value. See "Dilution."

Our bylaws restrict the ability of non-Mexican shareholders to invoke the protection of their governments with respect to their rights as shareholders.

As required by Mexican law, our bylaws provide that non-Mexican shareholders will be considered to be Mexicans in respect of their ownership interests in us and our exclusive rights, concessions and rights and obligations under agreements executed with the Mexican government. Under this provision, non-Mexican shareholders are deemed to have agreed not to invoke the protection of their own government through such government interposing a diplomatic claim against the Mexican government with respect to the shareholder's rights as a shareholder, but are not deemed to have waived any other rights they may have, including any rights under the U.S. securities laws, with respect to their investment in us. If you invoke such governmental protection in violation of this agreement, your shares could be forfeited in favor of the Mexican government.

The protections afforded to minority shareholders in Mexico are not as comprehensive as those in other jurisdictions such as the United States.

Under Mexican law, the protections afforded to minority shareholders and the fiduciary duties of officers and directors are, in certain respects, not as comprehensive or as developed as those in the United States or other jurisdictions. Although Mexican law allows shareholders to initiate shareholder derivative suits and establishes specific duties of care and loyalty applicable to our officers and directors, the Mexican legal regime concerning fiduciary duties of officers and directors and shareholder derivative lawsuits is not as comprehensive as in other jurisdictions or has not been the subject of judicial interpretation. As a result, it may be more difficult for minority shareholders to enforce their rights against us or our officers and directors than it would be for shareholders of a U.S. or other non-Mexican company.

Preemptive rights may be unavailable to non-Mexican shareholders.

Under current Mexican law, whenever we issue new shares for cash, subject to certain exceptions (including exceptions related to public offerings), we must grant preemptive rights to our then existing shareholders, giving them the right to purchase a sufficient number of shares to maintain their existing ownership percentage. We may not be able to offer shares to non-Mexican shareholders pursuant to preemptive rights granted to our shareholders in connection with any future issuance of shares, unless we comply with specified requirements established by the laws of the respective non-Mexican shareholders' jurisdictions. In the case of U.S. shareholders, we may not be able to offer them shares pursuant to preemptive rights granted to our shareholders in connection with any future issuance of shares unless a registration statement under the Securities Act is effective with respect to such rights and shares or an exemption from the registration requirements of the Securities Act is available.

We intend to evaluate at the time of any rights offering the costs and potential liabilities associated with filing a registration statement or any similar requirement to enable non-Mexican shareholders to exercise their preemptive rights; the indirect benefits of enabling U.S. shareholders and other non-Mexican shareholders to exercise preemptive rights; and any other factors that we may consider appropriate at the time. We will then decide whether to file such a registration statement or fulfill any similar requirement.

In the event that a required registration statement or similar requirement is not filed or satisfied, non-Mexican shareholders may not be able to exercise their preemptive rights in connection with future issuances of our shares. In this event, the economic and voting interest of non-Mexican shareholders in our total equity would decrease in proportion to the size of the issuance. Depending on the price at which our shares are offered, such an issuance could result in dilution to non-Mexican shareholders.

It may be difficult to enforce civil liabilities against us or our directors, executive officers and controlling shareholders.

We are a *sociedad anónima bursátil de capital variable* (publicly traded corporation with variable capital stock) incorporated under the laws of Mexico and domiciled in Mexico. Most of our directors and executive officers, our controlling shareholder and most of the experts named in this offering circular are non-residents

of the United States, and substantially all of our assets and the assets of such non-resident persons are located outside the United States.

As a result, it may not be possible for investors to effect service of process within the United States or in any other jurisdiction outside Mexico upon such persons or to enforce against them or us in courts of any jurisdiction outside Mexico judgments predicated upon the laws of any such jurisdiction. There is doubt as to the enforceability in Mexican courts, in original actions or in actions for enforcement of judgments obtained in courts of jurisdictions outside Mexico, of civil liabilities arising under the laws of any jurisdiction outside Mexico, including any judgment predicated solely upon U.S. federal or state securities laws.

Mexico has different disclosure and accounting standards than those in the United States and other countries.

A principal objective of the securities laws of the United States, Mexico and other countries is to promote full and fair disclosure of all material information of publicly held companies, including accounting information. However, there may be different or less publicly available information about issuers of securities in Mexico than is regularly made available by public companies in countries with more highly developed capital markets, including the United States.

Accounting standards and disclosure requirements in Mexico also differ from those in the United States and other countries. In particular, our Audited Financial Statements were prepared in accordance with Mexican FRS, which differ from U.S. GAAP and from IFRS in a number of significant respects. Items on the financial statements of a company prepared in accordance with Mexican FRS may not reflect its financial position or results of operations in the way they would be reflected had such financial statements been prepared in accordance with U.S. GAAP or IFRS.

Risk Factors Relating to Our Corporate Structure and Form

Our controlling shareholder will continue to have significant influence over us after this offering, and its interests could conflict with yours.

Upon the consummation of this offering, our controlling shareholder will beneficially own approximately 80.0% of our outstanding shares, assuming that the initial purchasers and Mexican underwriters exercise their options to purchase additional shares. Our controlling shareholder has and will continue to have the ability to determine the outcome of substantially all matters submitted for a vote to our shareholders, and thus to exercise control over our business policies and affairs, including, among others, determinations with respect to:

- the composition of our board of directors and, consequently, any determinations of our board with respect to our business direction and policy, including the appointment and removal of our officers;
- mergers, other business combinations and other transactions, including those that may result in a change of control;
- whether dividends are paid or other distributions are made and the amount of any such dividends or distributions;
- sales and dispositions of our assets;
- agreements with competitors, suppliers and any third parties; and
- the amount of debt that we incur.

Our controlling shareholder may direct us to take actions that could be contrary to your interests and may be able to prevent other shareholders, including you, from blocking these actions or from causing different actions to be taken. In addition, our controlling shareholder may prevent a change of control that might

otherwise provide you with an opportunity to dispose of or realize a premium on your investment in the shares. We cannot assure you that our controlling shareholder will act in a manner consistent with your best interests. Actions by our controlling shareholder with respect to the disposition of the shares they beneficially own or the perception that such actions might occur could have an adverse effect on the price of our shares.

We are a holding company with small revenue generation of our own and depend mainly upon dividends and other funds from subsidiaries to fund our operations and, to the extent we decide to do so, pay dividends.

We are a holding company and our operations are conducted mainly through our subsidiaries. As a result, our ability to fund our operations and, to the extent we decide to do so, pay dividends, primarily depends on the ability of our subsidiaries to generate earnings and to pay dividends to us. Our subsidiaries are separate and distinct legal entities. Any payment of dividends, distributions, loans or advances by our subsidiaries is limited by general provisions of Mexican law regarding allocation of corporate profits, including those regarding mandatory employee profit sharing and absorption of losses for prior fiscal years. If a shareholder were to assert a claim against us, the enforcement of any related judgment would be limited to the available assets of our subsidiaries. Payment of dividends by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. Additionally, our right to receive any assets of any of our subsidiaries as an equity holder of those subsidiaries, upon their liquidation or reorganization, will be effectively subordinated to the claims of our subsidiaries' creditors, including trade creditors.

The payment and amount of dividends are subject to the determination of our shareholders' meeting

Our board of directors and chief executive officer submit our financial statements each fiscal year to the annual ordinary shareholders' meeting for approval. Once our shareholders approve the financial statements, they determine the allocation of our net profits for the preceding fiscal year. Each year, our board of directors advises our shareholders' meeting on the amount of dividends to be declared and paid by us. There may be years where no dividends are paid to our shareholders and others where a significant part of our profits are distributed as dividends. The payment of dividends could limit our growth strategy.

Our board of directors is not currently considering the adoption of a dividend policy. Changes in our operating and financial results, including those derived from extraordinary events and risks that affect our financial condition and liquidity, could limit any distribution of dividends and their amount. We cannot provide any assurances that we will pay dividends in the future or as to the amount of dividends, if any are paid. See "Dividends and Dividend Policy."

Our bylaws contain provisions that could restrict or delay a change of control.

Our bylaws provide that any acquisition or sale of more than 10.0% of our capital stock by any person or group of persons acting together requires the approval of our board of directors. If you wish to acquire more than 10.0% of our capital stock, you will not be able to do so without the prior approval of our board of directors. This provision in our bylaws may discourage, delay or impede a change of control or a change in our management, which could affect our minority shareholders and the price of our shares. Any person or group of persons that seek to acquire control of a Mexican issuer must carry out such acquisition through a public tender offer in accordance with applicable provisions of the LMV. Purchases under a tender offer are required to be made *pro rata* to all tendering shareholders.

We are subject to risks relating to the adoption of the **sociedad anónima bursátil** *(publicly traded company) corporate form.*

As a result of the global offering, our shareholders approved the adoption of the form of a *sociedad anónima bursátil* (publicly traded company). This adoption implies additional disclosure requirements and more stringent corporate formalities. While we believe that our conversion into a *sociedad anónima bursátil* (publicly traded company) will not result in any material disruptions in our operations, we may incur additional administrative costs due to such transition.

USE OF PROCEEDS

The net proceeds to us from the sale of the shares being offered in the global offering will be approximately Ps.10,282.6 million assuming no exercise by the initial purchasers and the Mexican underwriters of their options to purchase additional shares, or Ps.11,827.8 million if the initial purchasers and Mexican underwrites exercise their options to purchase additional shares, in each case after deducting discounts, commissions and estimated offering expenses.

We intend to use the net proceeds from the global offering for general corporate purposes, including, among others, to fund the expansion of our store and restaurant network and renovate existing stores and restaurants, increase our working capital, fund our operating needs and, as the case may be, fund our development and expansion plans organically or through acquisitions and repay outstanding indebtedness.

CAPITALIZATION

The following table sets forth (i) our historic capitalization as of December 31, 2012, based on our unaudited fourth quarter and year-end 2012 results; and (ii) our capitalization as of December 31, 2012 as adjusted to reflect the receipt of the net proceeds from the sale of the shares in the global offering of approximately Ps.10,282.6 million, after deducting discounts, commissions and estimated offering expenses, assuming no exercise by the initial purchasers and Mexican underwrites of their options to purchase additional shares. You should read this table together with the information under "Summary—Recent Developments," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements and the notes thereto included elsewhere in this offering circular.

The U.S. dollar amounts provided below are translations from Mexican peso amounts, solely for the convenience of the reader at the exchange rate published by *Banco de México* in the Federal Official Gazette on December 31, 2012, which was Ps.12.99 per U.S. dollar.

	As of December 31, 2012			
	Actual		As Adjusted	
	(millions of Pesos)	(millions of Dollars)	(millions of Pesos)	(millions of Dollars)
Cash and cash equivalents	2,327.9	179.2	12,610.5	970.8
Short-term debt				
Notes payable to financial institutions	2,774.1	213.6	2,774.1	213.6
Marketable notes	2,500.0	192.4	2,500.0	192.4
Total short-term debt	5,274.1	406.0	5,274.1	406.0
Total long-term debt	-	-	-	-
Total debt	5,274.1	406.0	5,274.1	406.0
Total stockholders' equity	15,228.8	1,172.3	25,511.4	1,963.9
Total capitalization	20,502.9	1,578.4	30,785.5	2,369.9

The "As Adjusted" column included in the above table assumes no exercise by the initial purchasers and Mexican underwrites of their options to purchase additional shares.

DILUTION

This section includes a description of the amount and percentage of dilution in the global offering, calculated as set forth in the Regulations, as a result of the difference between the offering price per share and net book value per share derived from our Interim Financial Statements. This dilution effect is also presented based on income and net book value per share as a result of the sale of shares in the global offering. The number of shares outstanding used for the calculations presented in this section has been adjusted to reflect the restructuring of our capital stock approved by our shareholders.

As of September 30, 2012, our net book value per share was Ps.9.81. Net book value per share represents the book value of our total assets minus our total liabilities, divided by the number of our shares outstanding. Our pro forma net book value per share as of September 30, 2012 would increase to Ps.12.65 per share, assuming no exercise by the initial purchasers and Mexican underwrites of their options to purchase additional shares (or Ps.13.00 per share, considering the full exercise by the initial purchasers and the Mexican underwriters of their options to purchase additional shares), after:

- giving effect to the sale of 375,407,407 shares at the initial offering price of Ps.28.00 per share; and
- deducting underwriting discounts and commissions and estimated offering expenses to be owed and payable by us in connection with the global offering.

This amount represents an immediate increase of Ps.2.84 in net book value per share to our existing shareholders and an immediate dilution of Ps.15.35 in net book value per share (or of Ps.14.74 per share considering the full exercise by the initial purchasers and the Mexican underwriters of their options to purchase additional shares) to new investors purchasing shares at an initial offering price of Ps.28.00 per share.

The following table illustrates the dilution in net book value per share, assuming no exercise by the initial purchasers and Mexican underwrites of their options to purchase additional shares:

	Per Share (Pesos)
Offering price	28.00
Net book value before the global offering	9.81
Increase in net book value attributable to the sale of shares	2.84
Net book value after the global offering	12.65
Dilution in net book value	15.35

For the nine months ended September 30, 2012, our consolidated net income per share was Ps.1.03. Assuming a base offering of 375,407,407 shares, our consolidated net income per share would be Ps.0.86 at September 30, 2012. This represents a decrease of 16.1% in our consolidated net income per share at such date.

DIVIDENDS AND DIVIDEND POLICY

The declaration, amount and payment of dividends must be approved, with the previous recommendation of our board of directors, by the majority vote of our shareholders present at a shareholders' meeting, where at least 50% of our capital stock must be represented to be legally convened. Under the Mexican Corporations Law, the distribution of profits can only be made after the financial statements that contain them have been duly approved by our shareholders. There can be no distribution of profits unless any losses from previous fiscal years have otherwise been recovered or absorbed, or our capital stock has been decreased. Payment of dividends could be limited by covenants contained in future debt instruments and are dependent upon the ability of our operating subsidiaries to generate earnings and cash flows and distribute them to us in the form of dividends. In addition, prior to any distribution of dividends, we are required to allocate 5% of our net profits to a legal reserve fund until such legal reserve fund equals 20% of our capital stock. Such legal reserve must be replenished if it is reduced for any reason.

Our board of directors is not currently considering the adoption of a dividend policy. Changes in our operating and financial results, including those derived from extraordinary events and risks described in "Risk Factors" that affect our financial condition and liquidity, could limit any distribution of dividends and their amount. We cannot provide any assurances that we will pay dividends in the future or as to the amount of dividends, if any are paid.

Although we did not pay any dividends during the years 2009, 2010 and 2011, during the nine-month period ended September 30, 2012, we paid dividends to our shareholders in the amount of Ps.1.230964 per share, totaling Ps.1,200.0 million. On November 20, 2012, our shareholders declared a cash dividend of Ps.4.821275 per share, totaling Ps.4,700.0 million, which was paid on November 21, 2012.

For additional information regarding taxation of dividends, see "Taxation—Mexican Tax Considerations—Payment of Dividends" and "Taxation—Certain U.S. Federal Income Tax Considerations—Taxation of Dividends."

EXCHANGE RATES

This offering circular contains translations of certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These convenience translations should not be construed as representations that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the specified rate or at all.

Unless otherwise indicated, the exchange rates used for purposes of convenience translations are:

- with respect to statement of financial position data included in this offering circular, the exchange rate as of the reporting date (*i.e.*, Ps.12.85 per U.S. dollar as of September 30, 2012 and Ps.13.98 per U.S. dollar as of December 31, 2011); and

- with respect to financial information other than statement of financial position data included in this offering circular, the average exchange rate for the period presented, which consists of the daily average of the exchange rates on each day during the period presented (*i.e.*, Ps.13.22 per U.S. dollar for the nine-month period ended September 30, 2012 and Ps.12.39 per U.S. dollar for the year ended December 31, 2011).

The following table sets forth, for the periods indicated, the period-end, average, high and low exchange rates published by *Banco de México* expressed in pesos per U.S. dollar. The average annual rates presented in the following table were calculated by using the average of the exchange rates on the last day of each month during the relevant period. The rates shown below are in nominal pesos that have not been restated in constant currency units. No representation is made that the peso amounts referred to in this offering circular could have been or could be converted into U.S. dollars at any particular rate or at all.

We cannot assure you that the federal government will maintain its current policies with respect to the Mexican peso or that the Mexican peso will not appreciate or depreciate significantly in the future.

	Exchange Rate			
Year ended December 31,	**High**	**Low**	**Average**	**Period End**
2008	13.92	9.92	11.14	13.83
2009	15.37	12.60	13.50	13.07
2010	13.18	12.16	12.64	12.35
2011	14.24	11.50	12.44	13.98
2012	14.39	12.63	13.17	12.99
Month Ended				
January 31, 2013	12.97	12.59	12.71	12.74
February 2013 (through February 6)	12.71	12.63	12.66	12.63

Source: Banco de México

THE MEXICAN SECURITIES MARKET

The information concerning the Mexican securities market set forth below has been prepared based on materials obtained from public sources, including the CNBV, the BMV, Banco de México and information made public by market participants. The following summary does not purport to be a comprehensive description of all of the material aspects related to the Mexican securities market.

Our shares were publicly traded from April 21, 1999 to January 31, 2007, when the CNBV cancelled their registration with the RNV and our listing on the BMV. Our shares will be registered with the RNV and we have applied for listing on the BMV under the symbol "GSANBOR."

We cannot predict the extent to which a trading market in Mexico, the United States or elsewhere will develop with respect to our shares. We also cannot predict the liquidity of any trading market for our shares, should any develop. If the trading volume of our shares on the BMV falls below certain levels, the price for our shares may be affected and our shares may be delisted or deregistered in that market.

Trading on the BMV

The BMV, located in Mexico City, is the only stock exchange in Mexico. Operating continuously since 1907, the BMV is organized as a publicly traded corporation with variable capital stock. Securities trading on the BMV occurs each business day from 8:30 a.m. to 3:00 p.m. (Mexico City time), subject to adjustments to operate uniformly with certain U.S. markets.

Since January 1999, all trading on the BMV has been electronic. The BMV may impose a number of measures to promote an orderly and transparent trading price of securities, including the operation of a system of automatic suspension of trading in shares of a particular issuer, when price fluctuations exceed certain limits.

Settlement on the BMV is effected three business days after a share transaction. Deferred settlement is not permitted without the approval of the BMV, even where mutually agreed by the relevant parties. Most securities traded on the BMV, including our shares, are on deposit with Indeval, a securities depositary that acts as a clearinghouse, depositary and custodian, as well as a settlement, transfer and registration agent for BMV transactions, eliminating the need for physical transfer of securities.

Transactions must be settled in Mexican pesos except under limited circumstances in which a settlement in foreign currencies may be permitted. Although the *Ley del Mercado de Valores* (Mexican Securities Market Law, or "LMV") provides for the existence of an over-the-counter market, no such market for securities has developed in Mexico.

Market Regulation and Standards to Register Stock

In 1925, the *Comisión Nacional Bancaria* (Mexican National Banking Commission) was established to regulate banking activity and, in 1946, the *Comisión Nacional de Valores* (Mexican National Securities Commission) was established to regulate stock market activity. In 1995, these two entities were merged to form the CNBV.

Among other things, the CNBV regulates the public offering and trading of securities and participants in the Mexican securities market, and imposes sanctions for the illegal use of insider information and other violations of the LMV. The CNBV regulates the Mexican securities market, the BMV and brokerage firms through its staff and a board of governors comprised of thirteen members.

Mexican Securities Market Law

Publicly traded corporations are regulated by the LMV and by the Mexican Corporations Law.

The current LMV was enacted and published in the Official Gazette on December 30, 2005, and became effective on June 28, 2006.

In particular, the LMV:

- establishes the publicly traded corporations, defined as a corporate form of organization that is subject to the general requirements of the Mexican Corporations Law, but is also subject to specific requirements for issuers of stock registered with the CNBV and listed on the BMV;
- includes private placement exemptions and specifies the requirements that need to be satisfied for an issuer or underwriter to be exempt from such requirements when offering securities in Mexico;
- includes improved rules for tender offers, classifying such tender offers as either voluntary or mandatory;
- establishes standards for disclosure of stock ownership applicable to shareholders and directors of public companies;
- expands and strengthens the role of the board of directors of public companies;
- defines the standards applicable to the board of directors and the duties and potential liabilities and penalties applicable to individual directors, the chief executive officer (*director general*) and other executive officers (introducing concepts such as the duty of care, duty of loyalty and safe harbors);
- generally replaces the statutory auditor (*comisario*) with the audit committee and establishes the corporate practices committee with clearly defined responsibilities;
- improves the rights of minority shareholders and sets forth the requirements for shareholders' derivative lawsuits;
- defines applicable sanctions for violations of its provisions; and
- fully regulates broker-dealers, stock exchanges, depository institutions and other securities market participants.

Board of Directors

Under the LMV, publicly traded corporations must have a board of directors comprised of no more than twenty-one members, of which at least 25.0% must be independent. Independent members must be selected based on their experience, ability and reputation at the issuer's shareholders' meeting; whether or not a director is independent must be determined by the issuer's shareholders and such determination may be challenged by the CNBV. The LMV allows acting members of the board of directors to select, under certain circumstances and on a temporary basis, new members of the board of directors.

The Board of directors of publicly traded corporations are required to meet at least four times during each calendar year and have the following principal duties:

- determine general strategies applicable to the issuer;
- approve guidelines for the use of corporate assets;
- approve, on an individual basis, transactions with related parties, subject to certain limited exceptions;
- approve unusual or non-recurrent transactions and any transactions that imply the acquisition or sale of assets with a value equal to or exceeding 5.0% of the issuer's consolidated assets or that imply the

provision of collateral or guarantees or the assumption of liabilities equal to or exceeding 5.0% of the issuer's consolidated assets;

- approve the appointment or removal of the chief executive officer;
- approve accounting and internal control policies; and
- approve policies for disclosure of information.

Directors have the general duty to act for the benefit of the issuer, without favoring a shareholder or group of shareholders.

Committees

The LMV requires the creation of one or more committees that perform audit and corporate practices functions, each of which must maintain at least three members appointed by the board of directors and which members must all be independent (except for corporations controlled by a person or group maintaining 50% or more of the outstanding capital stock like us, where only the majority must be independent).

The committee that performs corporate practices functions is required to provide opinions to the board of directors, request and obtain opinions from independent third party experts, call shareholders meetings, provide assistance to the board of directors in the preparation of annual reports and provide a report to the board of directors.

The audit committee's principal role is to supervise the issuer's external auditors, analyze the external auditor's reports, discuss financial statements with the individuals in charge or preparing such financial statements and, based on that discussion, provide an opinion to the board of whether to approve them, inform the board of directors in respect of existing internal controls, supervise the execution of related party transactions, require the issuer's executive to prepare reports when deemed necessary, inform the board of any irregularities that it encounters and provide an annual report to the board of directors.

Duties and Responsibilities

The LMV also imposes duties of care and of loyalty on directors.

The duty of care requires that directors obtain sufficient information and be sufficiently prepared to support their decisions and to act in the best interest of the issuer. The duty of care is discharged, principally, by obtaining and requesting from the issuer and its officers all the information required to participate in discussions, obtaining information from third parties, attending board meetings and disclosing material information in possession of the relevant director. Failure to act with care by one or more directors subjects the relevant directors to joint liability for damages and losses caused to the issuer and its subsidiaries, which may be limited in the company's bylaws or by resolution of a shareholders' meeting, except in the case of bad faith, illegal acts or willful misconduct. Liability for breach of the duty of care may also be covered by indemnification provisions and director and executive officer insurance policies.

The duty of loyalty primarily consists of acting for the benefit of the issuer, without conflicts of interest, and includes duties such as maintaining the confidentiality of information received in connection with the performance of a director's duties. In addition, the duty of loyalty is breached, among other reasons, when a shareholder or group of shareholders is knowingly favored or if a director takes advantage of a corporate opportunity without the express approval of the board of directors. The duty of loyalty is breached if the director discloses false or misleading information or fails to register any transaction in the minute books and other records of the issuer. Violation of the duty of loyalty subjects the offending director to joint liability for damages and losses caused to the issuer and its subsidiaries when, without justification, they take advantage of their position to gain economic benefits for themselves or third parties, including shareholders. Liability for breach of the duty of loyalty may not be limited by the company's bylaws, by resolution of a shareholders' meeting or otherwise. The duty of loyalty is also breached if directors use or authorize the use of issuer's

property in contravention to relevant policies, if they disclose false or misleading information, if they order or cause an incorrect record of any transaction in the issuer's records that could affect its financial statements or if they cause a modification or prevent that important information be disclosed to the public.

Claims for breach of the duty of care or the duty of loyalty may be brought solely for the benefit of the issuer (as a derivative lawsuit) and may only be brought by the issuer or by shareholders representing at least 5.0% of the outstanding shares.

As a safe harbor for directors, the liabilities described above will not be applicable if the director acted in good faith and if it (i) complied with applicable law and the issuer's bylaws, (ii) the decision was based on information provided by officers, external auditors or third-party experts, the capacity and credibility of which may not be the subject of reasonable doubt, (iii) the director chose the more adequate alternative in good faith and any negative effect resulting from that decision was not reasonably foreseeable, and (iv) actions were taken in compliance with resolutions adopted at a shareholders' meeting.

Principal Executives

Under the LMV, the issuer's principal executives are also required to act for the benefit of the issuer and not of an individual shareholder or group of shareholders. Principal executives are required to submit for the approval of the board of directors the main business strategies of the issuer, submit proposals relating to systems of internal controls to the audit committee, disclose all material information to the public and maintain adequate accounting and recording systems and internal control mechanisms, among others.

Certain Shareholders' Rights

The LMV also provides that any transaction or series of transactions that, during any fiscal year, represents 20.0% or more of the issuer's consolidated assets must be approved by a shareholders meeting.

The LMV affords shareholders, among other minority rights: (i) to shareholders of a publicly traded corporation that, individually or as a group, own 5.0% or more of the outstanding voting, limited voting or non-voting shares of a publicly traded corporation, the right to initiate a shareholder derivative suit against directors for breach of fiduciary duties for the benefit of the issuer or the person controlling the issuer or the person with significant influence, that suffers damages; (ii) to shareholders of a publicly traded corporation that, individually or as a group, own 10.0% or more of the outstanding voting, limited voting or non-voting shares of a publicly traded corporation, the right to (a) appoint and revoke directors in a shareholders' meeting; (b) request, at any moment in time, the chairman of the board of directors or of any committee with corporate practices and audit functions referred to in the LMV to call a shareholder's meeting, and (c) request, once, that vote on resolutions in respect of which they are not sufficiently informed be postponed for three calendar days and without the need to have a new call, and (iii) to shareholders of a publicly traded corporation that, individually or as a group, own 20.0% or more of the outstanding voting, limited voting or non-voting shares of a publicly traded corporation, the right to judicially oppose to resolutions of a shareholders' meeting where they had a right to vote.

Joint Trading of Common Shares and Limited or Non-Voting Shares

The LMV does not allow issuers to implement mechanisms for common shares and limited or non-voting shares to be jointly traded or offered to public investors, unless the limited or non-voting shares are convertible into common shares within a period of up to five years, or when, because of the nationality of the holder, the shares or the securities representing the shares limit the right to vote to comply with foreign investment laws. In addition, the aggregate amount of shares with limited or non-voting rights may not exceed 25.0% of the aggregate amount of publicly held shares. The CNBV may increase this 25.0% limit by an additional 25.0%, provided that the limited or non-voting shares exceeding 25.0% of the aggregate amount of publicly held shares are convertible into common shares within five years of their issuance.

Anti-Takeover Protections

The LMV provides that publicly traded corporations may include anti-takeover provisions in their bylaws if such provisions (i) are approved by the extraordinary shareholders' meeting, without shareholders representing 5.0% or more of the capital stock present at the meeting voting against approving such provision, (ii) do not exclude any individual shareholder or group of shareholders other than the person pretending to obtain control of the economic benefits that, as the case may be, derive from such provision, (iii) do not restrict, in an absolute manner, a change of control, and (iv) do not contravene legal provisions in the LMV related to tender offers or have the effect of disregarding the economic rights related to the shares held by the acquiring party.

Disclosure of Shareholders' Agreements

Any shareholders' agreements containing non-compete clauses, any agreements related to the sale, transfer or exercise of preemptive rights, any agreements which allow for the sale and purchase of shares, voting rights, and sale of shares in a public offering, must be notified to the issuer within five business days following their execution in order to allow the issuer to disclose such agreements to investors through the stock exchanges on which its securities are being traded and to include such information in its annual report. These agreements (i) will be available to the public for review at the issuer's offices, (ii) will not be enforceable against the issuer and a breach of such agreements will not affect the validity of the vote at a shareholders' meeting, and (iii) will only be effective between the parties once they have been disclosed to the public.

Registration and Listing Standards

To offer securities to the public in Mexico, an issuer must meet specific qualitative and quantitative requirements. The general regulations issued by the BMV, require the BMV to adopt minimum requirements for issuers that seek to list their securities in Mexico. These requirements relate to operating history, financial and capital structure, and minimum public floats applicable to shares of public companies, among other things. The Regulations also require the BMV to implement minimum requirements for issuers to maintain their listing in Mexico. These requirements relate to the issuer's financial condition, minimum volume of trading, capital structure and minimum public floats, among others. The CNBV may waive some of these requirements in certain circumstances.

The BMV may review compliance with the foregoing requirements and must inform the CNBV of the results of its review, and this information must, in turn, be disclosed to investors.

The CNBV's approval for registration does not imply any kind of certification or assurance related to the investment quality of the securities, the solvency of the issuer, or the accuracy or completeness of any information delivered to the CNBV.

Reporting Obligations

Issuers of listed securities are required to file unaudited quarterly financial statements and audited annual financial statements and to provide periodic reports, in particular reports dealing with material events, with the CNBV and the BMV. Mexican issuers must file the following reports with the CNBV:

1. a comprehensive annual report prepared in accordance with the Regulations by no later than April 30 of each year;

2. quarterly reports, within 20 days following the end of each of the first three quarters and 40 days following the end of the fourth quarter;

3. reports disclosing material information promptly, with certain exceptions;

4. reports and disclosure memoranda revealing corporate restructurings such as mergers, spin-offs or acquisitions or sales of assets, approved or to be approved by a shareholders' meeting or the board of directors, provided that such transactions are material; and

5. reports regarding the policies related to the use of company's (or its subsidiaries') assets by related persons.

The Regulations and the internal rules of the BMV require issuers of listed securities to publicly disclose information that relates to any event or circumstance that could influence the issuers' share price. If listed securities experience unusual price volatility, the BMV may request that the relevant issuer immediately inform the public of the causes giving rise to such volatility or, if the issuer is unaware of these causes, that it makes a statement to that effect. In addition, the BMV may request that issuers disclose immediately any information relating to material events when available public information is deemed insufficient, as well as instruct issuers to clarify information when necessary. The BMV may request that issuers confirm or deny any material event that has been disclosed to the public by third parties when it deems that the material event may affect or influence the price of the listed securities. The BMV must immediately inform the CNBV of any such request. The CNBV may also request this type of information directly to issuers. An issuer may delay the disclosure of material events in extraordinary events and in compliance with minimum requirements.

If an issuer's securities are traded on both the BMV and a foreign securities exchange, the issuer must simultaneously file the information that it is required to file pursuant to the laws and regulations of the foreign jurisdiction with the CNBV and the BMV.

Suspension of Trading

The CNBV and the BMV may suspend trading in an issuer's securities:

1. if the issuer does not disclose a material event; or

2. upon price or volume volatility, or changes in the trading of the relevant securities that are not consistent with historic performance of the securities and cannot be explained solely through information made publicly available pursuant to the Regulations.

The BMV must immediately inform the CNBV and the general public of any suspension. An issuer may request that the CNBV or the BMV allow trading to resume if the issuer proves that the causes triggering the suspension have been resolved and that it is in full compliance with periodic reporting requirements. The BMV may allow trading to resume if it resolves that all material events have been adequately informed to investors, when it resolves that the issuer has adequately explained the reasons behind the changes in the trading of the relevant securities, the price or volume volatility or when events affecting the price of such securities have ceased.

In accordance with the Regulations, the BMV may consider measures imposed by any foreign stock exchange to determine the suspension and/or resume of trading of an issuer's securities, in cases where such securities concurrently trade abroad.

Certain Disclosures

Pursuant to the LMV, the members of the board of directors, principal shareholders and any other person that the law assumes has access to non-public information must inform the CNBV of certain transactions with securities of an issuer.

In addition, individuals that the LMV assume have access to non-public information must abstain from purchasing or selling securities of an issuer within three months of their previous acquisition or sale, accordingly.

Subject to certain exceptions, any acquisition of shares of a company whose shares are registered with the RNV and that trade on the BMV that results in the acquisition of more than 10.0% but less than 30.0% of the outstanding shares of an issuer, must be publicly disclosed to the CNBV and the BMV by no later than one business day following such acquisition.

Any acquisition by an individual that the law assumes has access to non-public information that results in such person holding 5.0% or more of the outstanding shares of an issuer must also be disclosed to the CNBV and the BMV no later than one business day following such acquisition. Some individuals that the law assumes have access to non-public information must also notify the CNBV of share purchases or sales that occur within any calendar quarter or five day period and that exceed certain value thresholds. Shareholders and members of the board of directors and officers owning, respectively, 5.0% or 1.0% of the outstanding shares of an issuer are required to report to the issuer their share ownership on a yearly basis.

Tender Offers

The LMV contains provisions relating to public tender offers in Mexico. Pursuant the LMV, tender offers may be voluntary or mandatory. Both are subject to the prior approval of the CNBV and must comply with general legal and regulatory requirements. Any intended acquisition by an individual or group of persons of a public company's shares that results in the buyer owning, directly or indirectly, 30.0% or more of the outstanding shares of an issuer registered with the RNV, through or outside any stock exchange, through one or more transaction of any nature, concurrent or successive, must carry out such acquisition through a public tender offer in accordance with applicable provisions of the LMV.

The tender offers shall be made: (a) for the number of shares intended to be acquired as a percentage of all outstanding shares or for 10% of the outstanding shares of the issuer, provided that the buyer's aggregate share ownership does not result in it gaining control of the issuer; or (b) for 100.0% of the outstanding shares of the issuer if the offeror intends to gain control of the issuer. The tender offer must be made at the same price to all shareholders and classes of shares. The board of directors must issue its opinion with respect to the price offered and such opinion may be based on the opinion of a third-party independent expert.

Under the LMV, all tender offers must be open for at least 20 business days. Purchases under a tender offer are required to be made *pro rata* to all tendering shareholders, regardless of the time when the securities are tendered. The LMV does not allow payments over and above the offering price, except if such payments are fully disclosed, approved by the board of directors and paid in connection with affirmative or negative covenants for the benefit of the offeror or the issuer. The LMV provides remedies for noncompliance with these tender offer rules (such as suspension of voting rights, possible annulment of purchases, among others).

The LMV also requires that convertible securities, warrants and derivatives to be settled in kind, be taken into account in the calculation of share ownership percentages by individuals or group of persons that intend to acquire shares of an issuer.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The tables below present a summary of our consolidated financial information that derives and should be read together with our Audited Financial Statements and the notes thereto, which were audited by Galaz, Yamazaki, Ruiz Urquiza, S. C. member of Deloitte Touche Tohmatsu Limited, and our Interim Financial Statements and the notes thereto. In addition, the financial information should be read together with our management's explanations included in "Presentation of Financial and Other Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our Audited Financial Statements and all other financial data presented in this offering circular for the years indicated therein have been prepared in accordance with Mexican FRS.

Beginning with our financial statements for the year ended December 31, 2012, we will adopt IFRS and the amendments and interpretations issued by the IASB as in effect on December 31, 2012. We have considered January 1, 2011 as the date of transition to IFRS. Our financial statements as of December 31, 2011 and for the year then ended will form part of our first set of financial statements prepared in accordance with IFRS.

Rules issued by the CNBV also require that interim financial information prepared during the year when IFRS were first adopted be prepared in accordance with IFRS. Therefore, we have prepared our Interim Financial Statements and all other financial data presented in this offering circular for the periods indicated therein in accordance with IFRS.

Since our transition date is January 1, 2011, with respect to our Interim Financial Statements, we adopted IFRS 1, *First-time Adoption of International Financial Reporting Standards*. IFRS 1 generally requires that the standards and interpretations as in effect at the first reporting date be applied retrospectively. However, IFRS 1 allows certain exemptions to such retrospective application to assist entities in the transition process. We have applied all applicable mandatory exceptions and elected to apply certain other optional exceptions.

For a description of the effects of the transition to IFRS, including a discussion on the mandatory and optional exceptions applied and a reconciliation of our financial information prepared in accordance with Mexican FRS to IFRS, see Notes 2 and 28 to our Interim Financial Statements.

The financial information contained in this offering circular derived from our Audited Financial Statements prepared in accordance with Mexican FRS, is not directly comparable with the financial information contained in this offering circular derived from our Interim Financial Statements prepared in accordance with IFRS. See "Risk Factors—Risk Factors Related to Our Business—We recently began preparing our financial statements in accordance with IFRS and, as a result, some of our financial data are not easily comparable from period to period."

The U.S. dollar amounts provided below are translations from the Mexican peso amounts, solely for the convenience of the reader. See "Presentation of Financial and Other Information—Currency Information" for an explanation of the exchange rates used to translate Mexican peso amounts into U.S. dollars. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated or at any other rate.

	For the Nine Months Ended September 30,		
	2011	2012	2012
	(millions of Pesos, except percentages and earnings per share)		(millions of Dollars, with the same exceptions)
	(IFRS)		(IFRS)
Statement of Comprehensive Income Data:			
Net sales	24,525.0	26,707.4	2,020.2
Cost of sales	14,530.9	15,979.2	1,208.7
Gross profit	9,994.1	10,728.2	811.5
Sales, development and administrative expenses	7,115.2	7,556.9	571.6
Depreciation and amortization	441.7	481.7	36.4
Other (income) expenses	(8.2)	(39.1)	(3.0)
Interest expense	100.2	74.6	5.6
Interest income	(101.5)	(109.1)	(8.3)
Exchange gain	(353.7)	(109.2)	(8.3)
Exchange loss	374.1	98.6	7.5
Effects of valuation of derivative financial instruments	10.0	(45.1)	(3.4)
Income before income taxes	2,416.3	2,818.8	213.2
Income tax	717.6	809.8	61.3
Consolidated net income	1,698.7	2,009.0	152.0
Translation effects of foreign operations	(3.6)	1.0	0.1
Consolidated comprehensive income	1,695.2	2,010.0	152.0
Controlling interest	1,536.2	1,812.6	137.1
Non-controlling interest	159.0	197.5	14.9
EBITDA	2,919.2	3,224.0	243.9
Basic earnings per ordinary share	0.79	0.93	-

	For the Years Ended December 31,			
	2009	2010	2011	2011
	(millions of Pesos, except percentages and earnings per share) (Mexican FRS)			(millions of Dollars, with the same exceptions) (Mexican FRS)
Statement of Income Data:				
Net sales	30,554.6	33,261.0	37,044.3	2,989.9
Cost of sales	18,658.7	20,101.1	22,567.9	1,821.5
Gross profit	11,895.9	13,159.9	14,476.4	1,168.4
Operating expenses	8,496.6	9,257.8	9,870.5	796.7
Operating income	3,399.4	3,902.1	4,605.8	371.7
Other (expenses) income, net	324.5	(97.5)	(25.9)	(2.1)
Interest expense	(608.5)	(483.6)	(419.3)	(33.8)
Interest income	46.7	44.5	74.1	6.0
Exchange gain (loss), net	17.8	2.8	(64.8)	(5.2)
Comprehensive financing cost	(544.0)	(436.3)	(410.0)	(33.1)
Equity in income of associated companies	-	8.7	-	-
Income before income tax	3,179.9	3,359.6	4,170.0	336.6
Income tax	871.9	950.6	1,243.6	100.4
Income before discontinued operations	2,307.9	2,409.0	2,926.4	236.2
Discontinued operations, net	1,025.2	724.2	-	-
Consolidated net income	3,333.2	3,133.2	2,926.4	236.2
Controlling interest	3,071.8	2,868.1	2,656.6	214.4
Non-controlling interest	261.4	265.1	269.8	21.8
EBITDA	4,387.9	4,457.0	5,114.2	412.8
Basic earnings per ordinary share	3.15	2.94	2.73	-

	As of December 31,	As of September 30,	
	2011	2012	2012
	(millions of Pesos)	(millions of Pesos)	(millions of Dollars)
	(IFRS)		(IFRS)
Statement of Financial Position Data:			
Current assets:			
Cash and cash equivalents	944.2	759.6	59.1
Investments securities held for trading	1,105.3	626.3	48.7
Accounts receivable, net	8,451.5	7,828.5	609.2
Inventories, net	8,155.5	8,694.6	676.6
Prepaid expenses[1]	944.2	99.8	7.8
Derivative financial instruments	59.5	-	-
Total current assets	18,716.1	18,008.8	1,401.5
Non-current assets:			
Long-term receivables	80.5	69.0	5.4
Property, machinery and equipment, net	8,811.1	8,744.3	680.5
Investment property	1,477.6	1,477.6	115.0
Investment in associates	1.4	1.4	0.1
Employee retirement benefits	832.1	819.3	63.8
Other assets, net	37.4	32.2	2.5
Total assets	29,956.0	29,152.6	2,268.7
Current liabilities:			
Notes payable to financial institutions and current portion of long-term debt	25.9	124.1	9.7
Marketable notes	1,347.1	1,371.9	106.7
Accounts payable to suppliers	4,863.8	4,051.7	315.3
Direct employee benefits	352.7	445.4	34.7
Income taxes	21.3	51.3	4.0
Accrued expenses and other taxes	2,718.9	2,336.6	181.8
Provisions	74.7	83.9	6.5
Derivative financial instruments	21.2	-	-
Due to related parties	695.2	307.0	23.9
Total current liabilities	10,120.7	8,771.9	682.6
Non-current liabilities:			
Deferred taxes	1,442.9	1,248.3	97.1
Total liabilities	11,563.6	10,020.2	779.8
Stockholders' equity:			
Capital stock	1,634.4	1,634.4	127.2
Additional paid-in capital	140.0	140.0	10.9
Retained earnings	15,069.9	15,682.5	1,220.4
Controlling interest	16,844.4	17,456.9	1,358.5
Non-controlling interest	1,548.1	1,675.4	130.4
Total stockholders' equity	18,392.4	19,132.4	1,488.9

[1] Advances to third parties to purchase inventory and property, machinery and equipment are presented separately from inventory and property, machinery and equipment, respectively, since the risks and rewards of ownership of such goods have not yet been transferred to us.

	As of December 31,			
	2009	2010	2011	2011
		(millions of Pesos)		(millions of Dollars)
		(Mexican FRS)		(Mexican FRS)
Statement of Financial Position Data:				
Current assets:				
Cash and cash equivalents	503.7	516.4	745.1	53.3
Investments in securities	1,186.1	1,010.0	1,304.5	93.3
Accounts and notes receivable, net	9,436.6	8,697.8	8,891.0	636.0
Inventories, net	6,674.9	7,141.6	8,119.0	580.8
Prepaid expenses[1]	181.7	79.6	62.4	4.5
Derivative financial instruments	249.0	154.7	-	-
Assets from discontinued operations, current	4,319.6	-	-	-
Total current assets	22,551.6	17,600.0	19,122.0	1,367.8
Long-term accounts receivable	103.5	92.0	80.5	5.8
Property, machinery and equipment, net	9,263.4	9,359.2	9,975.7	713.6
Investment in shares of associated companies	9.1	1.3	1.3	0.1
Employee retirement benefits	366.4	380.1	431.1	30.8
Other assets, net	25.4	27.1	37.1	2.7
Assets from discontinued operations, long-term	19,516.6	-	-	-
Total assets	51,836.0	27,459.7	29,647.7	2,120.7
Current liabilities:				
Notes payable to financial institutions	713.3	359.9	25.9	1.9
Current portion of long-term debt	-	2,471.4	-	-
Marketable notes	2,700.0	-	1,350.0	96.6
Accounts payable to suppliers	4,035.5	4,372.7	5,566.0	398.1
Direct employee benefits	299.5	335.6	352.7	25.2
Taxes payable and accrued expenses	3,483.6	2,557.2	2,599.2	185.9
Derivative financial instruments	1.4	0.1	21.2	1.5
Due to related parties	137.4	1,121.6	695.2	49.7
Liabilities from discontinued operations	6,850.7	-	-	-
Total current liabilities	18,221.4	11,218.6	10,610.2	759.0
Long-term debt	2,611.7	-	-	-
Deferred income taxes	2,528.1	1,536.1	1,504.6	107.6
Deferred statutory employee profit sharing	39.8	44.6	47.0	3.4
Liabilities from discontinued operations, long-term	3,039.6	-	-	-
Total liabilities	26,440.6	12,799.3	12,161.8	870.0
Stockholders' equity:				
Capital stock	3,559.8	1,747.2	1,747.2	125.0
Additional paid-in capital	968.9	475.5	475.5	34.0
Retained earnings	18,454.9	11,050.9	13,707.6	980.5
Translation effects of foreign operations	44.3	34.9	24.4	1.7
Controlling interest	23,027.9	13,308.5	15,954.7	1,141.4
Non-controlling interest	2,367.5	1,351.9	1,531.2	109.5
Total stockholders' equity	25,395.4	14,660.4	17,485.9	1,250.9

(1) Advances to third parties to purchase inventory and property, machinery and equipment are presented separately from inventory and property, machinery and equipment, respectively, since the risks and rewards of ownership of such goods have not yet been transferred to us.

	Years ended December 31,			Nine months ended September 30,	
	2009	2010	2011	2011	2012
Inventory rotation (times)	2.60	2.91	2.96	1.95	1.90
Accounts payable rotation (times)	4.63	4.78	4.54	3.71	3.32
Accounts receivable rotation (times)	3.41	3.67	4.21	2.98	3.19

The following tables set forth certain financial information by region and in connection with export sales for the years and periods indicated:

As of and for the Nine-Month Periods Ended September 30,
(millions of Pesos)
(IFRS)

	2011				2012			
	Mexico	Central America	Eliminations and others	Total	Mexico	Central America	Eliminations and others	Total
Net sales	25,119.3	244.5	(838.7)	24,525.0	27,337.8	293.3	(923.6)	26,707.4
Depreciation and amortization	464.4	9.3	-	473.7	485.4	10.0	-	495.4
Capital expenditures	1.3	-	-	1.3	1.4	-	-	1.4
Property, machinery and equipment	8,475.2	131.8	-	8,607.1	8,628.7	115.6	-	8,744.3
Other assets and goodwill	55.4	1.1	(10.6)	46.0	41.9	1.1	(10.8)	32.2

As of and for the Years Ended December 31,
(millions of Pesos)
(Mexican FRS)

	2009				2010				2011			
	Mexico	Central America	Eliminations and others	Total	Mexico	Central America	Eliminations and others	Total	Mexico	Central America	Eliminations and others	Total
Net sales	31,244.9	315.5	(1,005.8)	30,554.6	34,033.7	340.9	(1,113.6)	33,261.0	37,867.0	384.9	(1,207.8)	37,044.3
Depreciation and amortization	648.3	15.7	-	664.0	638.4	14.0	-	652.3	521.6	12.7	-	534.3
Capital expenditures	9.1	-	-	9.1	1.3	-	-	1.3	1.3	-	-	1.3
Property, machinery and equipment	9,115.4	148.4	-	9,263.4	9,229.3	129.9	-	9,359.2	9,841.7	133.9	-	9,975.7
Other assets and goodwill	35.2	1.1	(10.9)	25.4	42.4	0.0	(15.3)	27.0	46.5	0.0	(9.5)	37.1

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is based on and should be read in conjunction with our Audited Financial Statements, and the notes thereto, and our Interim Financial Statements, and the notes thereto, and the other financial information included elsewhere in this offering circular. You should read this discussion and analysis together with "Summary Financial Information," "Select Consolidated Financial Information," and our financial statements and the accompanying notes, which are included elsewhere in this offering circular.

This section contains forward-looking statements that reflect our plans, estimates and beliefs and involve risks, uncertainties and assumptions. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this offering circular, particularly in "Risk Factors" and "Forward-looking Statements." Investors should consider carefully the following discussion and the information set forth under "Risk Factors" before investing in our shares.

Overview

We are a leading multi-format retailer and restaurant operator with operations primarily in Mexico. We operate retail stores and restaurants under our highly recognized formats and brands, which include Mexico's second largest department store chain (Sears) in terms of sales and number of stores, high fashion boutiques (Pier 1, Palacio de los Perfumes and Seven), a unique and highly successful retail concept (Sanborns stores), a retail and service chain selling the last-generation *Apple*-brand products (iShop and eduMac), the largest retail network of recorded music and video (Mixup, Mx Mixup, Discolandia and Tower Records), a luxury department store chain (Saks Fifth Avenue), a regional cosmetic and perfume retailer (DAX), a large restaurant chain offering traditional Mexican food at affordable prices (Sanborns restaurants and Sanborns Cafés), and a chain of industrial cafeterias (Pam Pam).

We focus on operating retail formats that have end markets that we believe offer strong growth potential and provide high profit margins and generate stable cash flow. Through our store network, located in 30 states of Mexico and Mexico City, we sell over 4,347.6 million stock-keeping-units including electronics, household appliances, furniture, apparel, pharmaceutical products, health and beauty products, books, videos, recorded music, *Apple*-branded products, toys, sporting goods, cellular telephones, diverse technology products and various other consumer goods and technology products, targeting all segments of the population, with a particular focus on the middle, upper-middle and high-income segments. Additionally, through our restaurant network, located in 27 states of Mexico and Mexico City, we offer traditional Mexican food at affordable prices.

As of September 30, 2012, we operated 410 retail stores and restaurants in Mexico, one retail store and two store-restaurants in El Salvador and one store-restaurant in Panama, with a total selling area of 958,800 square meters (10.2 million square feet). For the nine-month period ended September 30, 2012, we had consolidated net sales of Ps.26,707.4 million (U.S.$2,020.2 million), consolidated comprehensive income of Ps.2,010.0 million (U.S.$152.0 million) and EBITDA of Ps.3,224.0 million (U.S.$243.9 million). As of September 30, 2012, we had total assets of Ps.29,152.6 million (U.S.$2,268.7 million) and total stockholders' equity of Ps.19,132.4 million (U.S.$1,488.9 million). For the year ended December 31, 2011, we had consolidated net sales of Ps.37,044.3 million (U.S.$2,989.9 million), consolidated net income of Ps.2,926.4 million (U.S.$236.2 million) and EBITDA of Ps.5,114.2 million (U.S.$412.8 million). See "Summary—Recent Developments—Unaudited fourth quarter and year-end 2012 results," for certain financial information and operating data as of and for the years ended December 31, 2011 and 2012 and as of and for the three-month periods then ended.

Store and Restaurant Formats

Sears and Boutiques

Our Sears department stores and boutiques, which accounted for 50.7% of our consolidated net sales during the nine-month period ended September 30, 2012, enjoy wide recognition in Mexico and have been historically associated with a large assortment of high-quality products for the middle and upper middle-income segment of the Mexican population. The product portfolio of Sears department stores and boutiques ranges from affordable private label apparel to last-generation electronics and household appliances that include our Sears quality guarantee and our service plans. The majority of our Sears department stores operate as traditional department stores in shopping centers frequented by high-income customers, whereas our boutiques exclusively sell one particular brand. As of September 30, 2012, we operated 78 Sears department stores and four boutiques in Mexico and El Salvador, with a total selling area of more than 605,000 square meters (6.5 million square feet). As of the same date, of the 2.8 million outstanding accounts under our private label credit card programs, 2.4 million outstanding accounts were under our Sears private label credit card program.

Sanborns

Our Sanborns store-restaurants, which accounted for 32.4% of our consolidated net sales during the nine-month period ended September 30, 2012 (72.7% of which were derived from sales from our Sanborns stores, 24.2% of which were derived from sales from our Sanborns restaurants and 3.1% of which were derived from services rendered, mainly payment collection services). This format represents a unique retail concept in Mexico, offering a comprehensive shopping experience for our customers with a wide range of products available for purchase, including a variety of books and magazines, music, pharmacy products, health and beauty products, electronics, jewelry, gifts, candy and toys, while conveniently providing our customers with the opportunity to pay for various externally contracted services. In addition, each of our Sanborns store-restaurants has a full-service restaurant and most have a full-service bar. Like our Sears department stores, the majority of our Sanborns store-restaurants are located in highly frequented shopping centers. We also have a number of stand-alone store-restaurants in strategic locations throughout Mexico. As of September 30, 2012, we operated 166 store-restaurants, located principally in Mexico, with a total selling area (including restaurant sales-area) of more than 251,486 square meters (2.7 million square feet), and more than 53,000 seats.

Music, iShop and eduMac

Our Mixup, Mx Mixup, Discolandia, Tower Records, iShop and eduMac formats, which accounted for 11.0% of our consolidated net sales during the nine-month period ended September 30, 2012, cover different segments of the Mexican population and represent the largest music and video retail network in Mexico with a catalogue of more than 125,000 titles and the largest chain of retail stores selling *Apple*-branded products and related accessories in Mexico. As of September 30, 2012, we operated 109 stores in Mexico under these formats, with a total selling area of 41,564 square meters (447.4 thousand square feet).

Others

Our DAX stores, Sanborns Café restaurants and Saks Fifth Avenue department stores, which together with our other sources of income accounted for 5.9% of our consolidated net sales during the nine-month period ended September 30, 2012, complete our diverse store portfolio. Our DAX stores offer convenience goods, promotional items, perfume, cosmetics, body care and household items, largely through direct sales to end consumers. Our Saks Fifth Avenue department stores offer similar products and services as those offered in U.S. Saks Fifth Avenue stores, which have been adapted to local preferences. As of September 30, 2012, we had 26 DAX stores in the northeast region of Mexico, with a total selling area of 31,658 square meters (340.8 thousand square feet), 28 Sanborns Café restaurants (16 of which were in Mexico City), with more than 5,400 seats, and two Saks Fifth Avenue department stores, both located in Mexico City, with a total selling area of 18,282 square meters (196.8 thousand square feet). Additionally, we own two highly

successful shopping centers located in Mexico City, *Plaza Loreto* and *Plaza Inbursa*, with total gross leasable area of 73,725 square meters (793.6 thousand square feet), operating at full capacity. 7.4% of the total gross leasable area in our shopping centers is occupied by several of our stores and restaurants operating our various formats.

Given our product mix of high-ticket items and our target market in retail operations, we offer consumer financing to customers who elect to purchase our products on credit. Our consumer credit offerings include purchases made through our Sears, Sanborns and Mixup private label cards. As of September 30, 2012, our credit card portfolio reached Ps.7,888.5 million with 2.8 million cardholders, with a low non-performing loan rate of 2.5%. During the first nine months of 2012, 24.5% of our sales were made using our private label credit cards. We believe that our credit products, combined with our experience providing consumer financing, will continue to drive traffic to our retail stores and enhance the purchasing power of our existing customers, while increasing the profitability of our retail operations and supporting our growth prospects.

Presentation of Financial Information

Our Audited Financial Statements and all other financial data presented in this offering circular for the years indicated therein have been prepared in accordance with Mexican FRS.

Beginning with our financial statements for the year ended December 31, 2012, we will adopt IFRS and the amendments and interpretations issued by the IASB as in effect on December 31, 2012. We have considered January 1, 2011 as the date of transition to IFRS. Our financial statements as of December 31, 2011 and for the year then ended will form part of our first set of financial statements prepared in accordance with IFRS.

Rules issued by the CNBV also require that interim financial information prepared during the year when IFRS were first adopted be prepared in accordance with IFRS. Therefore, we have prepared our Interim Financial Statements and all other financial data presented in this offering circular for the periods indicated therein in accordance with IFRS.

Since our transition date is January 1, 2011, with respect to our Interim Financial Statements, we adopted IFRS 1, *First-time Adoption of International Financial Reporting Standards*. IFRS 1 generally requires that the standards and interpretations as in effect at the first reporting date be applied retrospectively. However, IFRS 1 allows certain exemptions to such retrospective application to assist entities in the transition process. We have applied all applicable mandatory exceptions and elected to apply certain other optional exceptions.

For a description of the effects of the transition to IFRS, including a discussion on the mandatory and optional exceptions applied and a reconciliation of our financial information prepared in accordance with Mexican FRS to IFRS, see Notes 2 and 28 to our Interim Financial Statements.

The financial information contained in this offering circular derived from our Audited Financial Statements prepared in accordance with Mexican FRS, is not directly comparable with the financial information contained in this offering circular derived from our Interim Financial Statements prepared in accordance with IFRS. See "Risk Factors—Risk Factors Related to Our Business—We recently began preparing our financial statements in accordance with IFRS and, as a result, some of our financial data are not easily comparable from period to period."

As used herein, "Sears same-store sales" reflects the sales in our Sears department stores and boutiques during comparable periods. For example, if a store opened on July 1, 2011, our Sears same-store sales data for the nine-month period ended September 30, 2012, only includes the sales of such store in July, August and September of 2011 and 2012. Similarly, for the year ended December 31, 2011, this data only includes sales of such store from July to December 2011 and 2012.

In addition, as used herein, "same-store sales" reflects the sales in our stores (except for Sears department stores and boutiques) and restaurants that were opened during the period indicated and during the exact same period in the previous period. For example, in order for sales from a restaurant to be

considered as same-store sales for the nine months ended September 30, 2012, such restaurant must have been opened for the whole nine-month period ended September 30, 2011. Similarly, in order for sales from such restaurant to be considered as same-store sales for the year ended December 31, 2011, such restaurant must have been opened for the whole year 2010.

Our Sears same-store sales and same-store sales figures may differ from the same-store sales calculations of other companies.

Net Sales

During the nine-month period ended September 30, 2012, our net sales were derived mainly from the sale of products, merchandise, food and beverages in our stores and restaurants and, to a lesser extent, from finance income on credit sales, services income and leasing income. During such period, our sales of products were derived mainly from the operation of our Sears department stores and boutiques, our Sanborns store-restaurants, our music stores, iShop stores and eduMac centers and, to a lesser extent, our DAX stores, our Sanborns Café restaurants, our Saks Fifth Avenue department stores, our Sears department stores and Sanborns store-restaurants in Central America, our Seven boutique and our Pam Pam industrial cafeterias. Our finance income on credit sales was derived mainly from our Sears, Sanborns and Mixup credit cards. Our services income was derived mainly from maintenance and installation services offered in our Sears department stores. Our leasing income was derived mainly from renting commercial units at our shopping centers *Plaza Loreto* and *Plaza Inbursa*.

The following tables present our net sales by format and as a percentage of consolidated net sales for the nine-month periods ended September 30, 2011 and 2012 and for the years ended December 31, 2009, 2010 and 2011:

Nine-Month Periods Ended September 30,

	2011		2012			
	(millions of Pesos)	% of Net Sales	(millions of Pesos)	(millions of Dollars)	% of Net Sales	Changes (%)
			(IFRS)			
Sears and boutiques	12,474.5	50.9	13,549.8	1,024.9	50.7	8.6
Sanborns	8,123.8	33.1	8,652.2	654.5	32.4	6.5
Music, iShop and eduMac	2,388.7	9.7	2,932.4	221.8	11.0	22.8
Others[(1)]	1,538.0	6.3	1,573.0	119.0	5.9	2.3
Net sales	24,525.0	100	26,707.4	2,020.2	100	8.9

[(1)] Others includes sales of our DAX stores, our Sanborns Café restaurants, our Saks Fifth Avenue department stores, our Sears department stores and Sanborns store-restaurants in Central America, our Seven boutique and our Pam Pam industrial cafeterias; finance income on credit sales from our Sanborns and Mixup credit cards, leasing income from renting commercial units at our *Plaza Loreto* and *Plaza Inbursa* shopping centers, royalties paid by our operating subsidiaries to Grupo Sanborns, S.A.B. de C.V. and eliminations of intercompany transactions.

	Years Ended December 31,								
	2009		2010			2011			
	(millions of Pesos)	% of Total Sales	(millions of Pesos)	% of Total Sales	Changes (%)	(millions of Pesos)	(millions of Dollars)	% of Total Sales	Changes (%)
					(Mexican FRS)				
Sears and Boutiques	17,118.7	56.0	18,531.8	55.7	8.3	19,561.4	1,579.0	52.8	5.6
Sanborns	10,159.5	33.3	11,073.0	33.3	9.0	11,858.0	957.1	32.0	7.1
Music, iShop and eduMac	2,198.7	7.2	2,760.4	8.3	25.6	3,664.3	295.7	9.9	32.7
Others[1]	1,079.7	3.5	896.8	2.7	(16.9)	1,960.6	158.2	5.3	218.6
Total Sales	30,554.6	100.0	33,261.0	100.0	8.9	37,044.3	2,989.9	100.0	11.4

[1] Others includes sales of our DAX stores, our Sanborns Café restaurants, our Saks Fifth Avenue department stores, our Sears department stores and Sanborns store-restaurants in Central America, our Seven boutique and our Pam Pam industrial cafeterias; finance income on credit sales from our Sanborns and Mixup credit cards, leasing income from renting commercial units at our *Plaza Loreto* and *Plaza Inbursa* shopping centers, royalties paid by our operating subsidiaries to Grupo Sanborns, S.A.B. de C.V. and eliminations of intercompany transactions.

Net Sales from Sears Department Stores and Boutiques

During the nine-month period ended September 30, 2012, sales from operations of our Sears department stores and boutiques represented 50.7% of our consolidated net sales. Such sales were derived mainly from the sale of major and small appliances, furniture, home improvement products, electronics and apparel, and to a lesser extent, from finance income on credit sales from our Sears credit cards and maintenance and installation services. The breadth of product offerings in our Sears department stores and boutiques varies depending on location and target market.

The following table sets forth the evolution of our stores-sales area of Sears department stores and boutiques and selected productivity metrics:

	As of and for the Years Ended December 31,				As of and for the Nine-Month Periods Ended September 30,		
	2009	2010	2011	2011	2011	2012	2012
	(Pesos, except for percentages and other operating data)			(Dollars, with same exceptions)	(Pesos, except for percentages and other operating data)		(Dollars, with same exceptions)
		(Mexican FRS)				(IFRS)	
Number of stores	76[3][4]	75[3]	79	79	75	77	77
Number of boutiques[1]	2	4	5	5	5	4	4
Stores-sales area (m^2)	575,690	557,688	616,732	616,732	574,325	598,876	598,876
Weighted sales per square meter (thousands)[2]	27.2	28.1	29.6	2.4	19.6	19.6	1.5
Sears same-store sales growth (%)	2.2	6.1	5.3	5.3	4.9	4.1	4.1

[1] Boutiques include Pier 1 boutiques, Jeanious boutiques and Palacio de los Perfumes boutique.
[2] Calculated as stores-sales divided by stores-sales area while operating during the periods indicated.
[3] Includes nine Dorian's stores closed or converted into Sears department stores in those years.
[4] Includes four JC Penney's department stores converted into Sears department stores in that year.

Weighted sales per square meter reflect the productivity of stores-sales area of our Sears department stores and boutiques. Our stores-sales area is measured in square meters and is a tool to measure the growth of our net sales.

During the nine-month period ended September 30, 2012, we closed two Sears department stores (*Tijuana Centro* and *Plaza Central*) and one Jeanious boutique (*Plaza Carso*), and the effect was a net decrease of Ps.86.6 million in sales for such period as compared to the corresponding period in the previous year. Store closings resulted in a decrease in our stores-sales area of 17,856 m^2, in such period. Weighted

sales per square meter in our Sears department stores and boutiques remained flat at Ps.19.6 thousand in the nine-month period ended September 30, 2012 as compared to the same period in 2011.

During 2011, we opened seven Sears department stores in Mexico (*Cachanilla*, *Paseo Morelia*, *Playa del Carmen*, *Interlomas*, *SLP Carso*, *Durango* and *Villahermosa Altabrisa*) and one Jeanious boutique (*Duraznos*), and we closed two Sears department stores (*Mexicali* and *Chihuahua*) and one Sears outlet (*Justo Sierra*), and the effect was a net increase of Ps.401.3 million in sales for such year as compared to 2010. Store openings, considering stores closings, resulted in an increase in our stores-sales area of 59,044 m^2 in 2011. Weighted sales per square meter in our Sears department stores and boutiques increased 5.3% from Ps.28.1 thousand for the year ended December 31, 2010 to Ps.29.6 thousand for the year ended December 31, 2011, due to an increase in sales derived from new Sears department store openings.

During 2010, we opened two Sears department stores in Mexico (*Hermosillo* and *Mexicali*), two Sears outlets (*Justo Sierra* and *Nuevo Mexicali*), one Pier 1 boutique (*Plaza Carso*) and one Jeanious boutique (*Plaza Carso*), and we closed two Sears department stores (*San Luis Rio Colorado* and *Cachanilla*) and two Dorian's stores (*Monterrey* and *Cancún*), and the effect was a net increase of Ps.33.7 million in sales for such year as compared to 2009. Store closings, considering store openings, resulted in a decrease in our stores-sales area of 18,002 m^2 in 2010. Weighted sales per square meter in our Sears department stores and boutiques increased 3.2% from Ps.27.2 thousand for the year ended December 31, 2009 to Ps.28.1 thousand for the year ended December 31, 2010, due to an increase in sales derived from new Sears department store openings.

During 2009, we opened two Sears department stores (*Cuautitlán* and *Plaza Central*) and converted ten Dorian's stores and four JC Penney's department stores to Sears department stores, and the effect was a net increase of Ps.1,232 million in sales for such year as compared to 2008. Store openings and conversions resulted in an increase in our stores-sales area of 116,956 m^2 in 2009 as compared to 2008.

We believe that a period of several years (between three to five years) is frequently required after opening a store or boutique for it to mature and achieve its full potential to generate sales. As a result, the future growth and development of a newly-opened store should be taken into account when comparing period-to-period store and boutique sales. Stores and boutiques with good and attractive commercial locations may also experience increased sales during the first few years of operations since novelty tends to attract consumers. In such cases, Sears same-store sales tend to decline and then level off after this novelty period has passed, which should also be taken into account when comparing period-to-period Sears same-store sales.

The following table shows the number of accounts (*i.e.*, accounts with outstanding balances for a period of more than 30 days) and sales paid with our Sears credit cards as a percentage of total sales:

	As of and for the Years Ended December 31,				As of and for the Nine-Month Periods Ended September 30,		
	2009	**2010**	**2011**	**2011**	**2011**	**2012**	**2012**
	(Pesos, except for percentages and other operating data)			(Dollars, with same exceptions)	(Pesos, except for percentages and other operating data)		(Dollars, with same exceptions)
	(Mexican FRS)				(IFRS)		
Number of accounts (millions)	2.2	2.2	2.3	2.3	2.3	2.4	2.4
Number of active accounts (millions) [1]	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Credit card sales as a percentage of total sales (%)[2]	54.7	51.4	50.5	50.5	50.8	51.8	51.8
Value of loan portfolio (millions)	7,839	7,868.6	8,018	647.2	7,192.8	7,434.5	562.5
Non-performing loan rate (%)	4.3	3.8	2.6	2.6	2.9	2.4	2.4
Average interest rates charged (%)	41.9	41.9	41.9	41.9	41.9	41.9	41.9
Finance income on credit sales (millions)	2,077.6	2,238.2	2,171.1	175.3	1,607.7	1,772.1	134.1

(1) Active accounts are accounts that have an outstanding balance as of the end of the immediately preceding monthly credit period. Conversely, inactive accounts are accounts with no balance that have no charges in the immediately preceding monthly credit period or accounts whose balance was paid in full when due.
(2) Sales paid with our Sears credit cards as a percentage of total sales.

Net Sales from Sanborns Store-Restaurants

During the nine-month period ended September 30, 2012, sales from operations of our Sanborns store-restaurants represented 32.4% of our consolidated net sales. 72.7% of our net sales were derived from sales from our Sanborns stores, 24.2% were derived from sales of our Sanborns restaurants and 3.1% were derived from services rendered, mainly payment collection services for telephone and cable TV bills, American Express credit and service card bills, and airplane tickets. The main products sold at our Sanborns store-restaurants are books and magazines, health and beauty products, pharmacy, electronics, toys, music, videos, jewelry, photography, cellular phones, confectionery and gifts, in addition to restaurant services provided at our Sanborns restaurants. The breadth of product offerings in our Sanborns stores varies depending on location and target market.

The following table sets forth the evolution of our stores-sales area of Sanborns stores, the number of seats available at our Sanborns restaurants, as well as selected productivity metrics:

	As of and for the Years Ended December 31,				As of and for the Nine-Month Periods Ended September 30,		
	2009	2010	2011	2011	2011	2012	2012
	(Pesos, except for percentages and other operating data)			(Dollars, with same exceptions)	(Pesos, except for percentages and other operating data)		(Dollars, with same exceptions)
	(Mexican FRS)				(IFRS)		
Number of store–restaurants	158	160	165	165	162	163	163
Total sales area (m^2)	233,863	237,996	247,308	247,308	241,963	246,142	246,142
Store-sales area (m^2)	147,888	151,070	157,430	157,430	153,766	156,784	156,784
Seats	50,948	51,627	53,420	53,420	52,413	53,051	53,051
Weighted sales per square meter (thousands)(1)	49.5	54.4	57.0	4.6	38.6	40.1	3.0
Weighted sales per seat (thousands)(2)	43.2	44.9	46.1	3.7	33.7	34.4	2.6
Same-store sales growth (%)	(2.6)	9.3	5.0	5.0	4.9	4.7	4.7

(1) Calculated as stores-sales divided by stores-sales area while operating during the periods indicated.
(2) Calculated as stores-sales divided by the number of seats while operating during the periods indicated.

Weighted sales per square meter and weighted sales per seat reflect the productivity of the stores-sales area of our Sanborns store-restaurants. Our stores-sales area is measured in square meters and is a tool to measure the growth of our net sales.

During the nine-month period ended September 30, 2012, we opened one Sanborns store-restaurant (*Condes de Xala*) and closed one Sanborns store-restaurant (*Galerías Reforma*) and converted two Sanborns store-restaurants into Sanborns Café restaurants (*Tabasco* and *Antonio Caso*), and the effect was a net increase of Ps.5.4 million in sales for such period as compared to the corresponding period in the previous year. Store-restaurant closings and conversions, considering store-restaurant openings, resulted in a decrease in our stores-sales area of 646 m^2 and a decrease of 369 in the number of seats available, in such period. Weighted sales per square meter in our Sanborns store-restaurants increased 3.9% from Ps.38.6 thousand for the nine-month period ended September 30, 2011 to Ps.40.1 thousand for the same period in 2012, due to an increase in sales derived mainly from an increase in prices of our products and the relocation of store-restaurants to locations with higher sales volumes. Weighted sales per seat available in our Sanborns

restaurants increased 2.0% from Ps.33.7 thousand for the nine-month period ended September 30, 2011 to Ps.34.4 thousand for the same period in 2012, due to an increase in sales derived mainly from an increase in prices of our food and beverage products.

During 2011, we opened five Sanborns store-restaurants in Mexico (*El Dorado SLP*, *Paseo Morelia*, *Orizaba*, *SLP Carso* and *Villahermosa Altabrisa*), and the effect was a net increase of Ps.122.5 million in sales for such year as compared to 2010. Store-restaurant openings resulted in an increase in our stores-sales area of 6,360 m^2 and an increase in number of seats available of 1,793 in 2011. Weighted sales per square meter in our Sanborns store-restaurants increased 4.7% from Ps.54.4 thousand for the year ended December 31, 2010 to Ps.57.0 thousand for the year ended December 31, 2011, due to an increase in sales derived mainly from an increase in prices of our products. Weighted sales per seat available in our Sanborns restaurants increased 2.7% from Ps.44.9 thousand for the year ended December 31, 2010 to Ps.46.1 thousand for the year ended December 31, 2011, due to an increase in sales derived mainly from an increase in prices of our food and beverage products.

During 2010, we opened two Sanborns store-restaurants in Mexico (*Valle Dorado* and *Plaza Carso*), and the effect was a net increase of Ps.22.8 million in sales for such year as compared to 2009. Store-restaurant openings resulted in an increase in our stores-sales area of 3,182 m^2 and an increase in number of seats available of 679 in 2010. Weighted sales per square meter in our Sanborns store-restaurants increased 9.8% from Ps.49.5 thousand for the year ended December 31, 2009 to Ps.54.4 thousand for the year ended December 31, 2010, due to an increase in same-store sales in our Sanborns stores. Weighted sales per seat available in our Sanborns restaurants increased 3.9% from Ps.43.2 thousand for the year ended December 31, 2009 to Ps.44.9 thousand for the year ended December 31, 2010, due to an increase in same-store sales in our Sanborns restaurants.

During 2009, we opened three Sanborns store-restaurants in Mexico (*Plaza Central*, *Luna Parc* and *Cd. Azteca*) and closed two (*Patriotismo* and *Guadalajara Country*), and the effect was a net decrease of Ps.14.1 million in sales for such year as compared to 2008. Store-restaurant openings, considering store-restaurant closings, resulted in an increase in our stores-sales area of 2,809 m^2 and an increase in number of seats available of 335 in 2009 as compared to 2008.

We believe that a period of several years (between three to five years) is frequently required after opening a Sanborns store-restaurant for it to mature and achieve its full potential to generate sales. As a result, the future growth and development of a newly-opened store-restaurant should be taken into account when comparing period-to-period store-restaurant sales. Sanborns store-restaurants with good and attractive commercial locations may also experience increased sales during the first few years of operations since novelty tends to attract consumers. In such cases, same-store sales tend to decline and then level off after this novelty period has passed, which should also be taken into account when comparing period-to-period same-store sales.

Net Sales from Music Stores, iShop Stores and eduMac Centers

During the nine-month period ended September 30, 2012, sales from operations of our music stores, iShop stores and eduMac centers represented 11.0% of our consolidated net sales. 41.1% of the net sales were derived from sales of our music stores and 58.9% was derived from sales of our iShop stores and eduMac centers. The main products sold at our music stores are CD's, DVD's and video games. The main products sold at our iShop stores are *Apple*-branded products including iPods, iPads, computers, accessories and software and we also provide maintenance services. The eduMac centers offer courses and seminars on digital arts, using Apple equipment as a platform.

The following table sets forth the evolution of our stores-sales area of music stores and iShop stores and selected productivity metrics:

	As of and for the Years Ended December 31,				As of and for the Nine-Month Periods Ended September 30,		
	2009	2010	2011	2011	2011	2012	2012
	(Pesos, except for percentages and other operating data)			(Dollars, with same exceptions)	(Pesos, except for percentages and other operating data)		(Dollars, with same exceptions)
	(Mexican FRS)				(IFRS)		
Number of music stores [(1)]...	77	74	69	69	69	66	66
Number of iShop stores.......	13	23	33	33	29	37	37
Number of eduMac centers	-	4	7	7	7	6	6
Store-sales area (m^2)...........	41,084	41,424	42,098	42,098	41,213	41,564	41,564
Weighted sales per square meter (thousands)[(2)]	55.2	66.8	88.3	7.1	57.6	70.4	5.3
Same-store sales growth (%)....................................	(4.0)	4.3	17.5	17.5	21.6	13.1	13.1

[(1)] Music stores include Mixup, Mx Mixup, Tower Records and Discolandia.
[(2)] Calculated as stores-sales divided by stores-sales area while operating during the periods indicated.

Weighted sales per square meter reflect the productivity of stores-sales area of our music stores, iShop stores and eduMac centers. Our stores-sales area is measured in square meters and is a tool to measure the growth of our net sales.

During the nine-month period ended September 30, 2012, we opened four iShop stores (*Samara*, *Tijuana*, *Del Valle* and *Villahermosa Altabrisa*) and closed three music stores (*Mixup 16 de Septiembre*, *Mixup Outlet Monterrey* and *Mx Mixup Pabellón Bosques*) and one eduMac center (*Villahermosa*), and the effect was a net increase of Ps.25.0 million in sales for such period as compared to the corresponding period in the previous year. Music store and eduMac center closings, considering iShop store openings, resulted in a decrease in our stores-sales area of 534 m^2 in such period. Weighted sales per square meter in our music stores, iShop stores and eduMac centers increased 22.4% from Ps.57.6 thousand for the nine-month period ended September 30, 2011 to Ps.70.4 thousand for the same period in 2012, due to closings of music stores-sales area to open iShop stores, which operate in a smaller area than music stores, and an increase in sales in our iShop stores as a percentage of total sales.

During 2011, we opened ten iShop stores (*Condesa, Parque Duraznos, Parque Lindavista, Antara, Tuxtla, Irapuato, Oaxaca, Centro Magno, San Luis Potosí* and *Hermosillo*) and three eduMac centers (*Barranca del Muerto, Plaza Carso*, and *Querétaro*) and closed five music stores (*Mixup Cuernavaca, Mixup La Gran Plaza Cancún, Mixup El Salvador, Mx Mixup Pabellón Cuauhtémoc* and *Discolandia Texcoco*), and the effect was a net increase of Ps.145.3 million in sales for such year as compared to 2010. iShop store and eduMac center openings, considering music store closings, resulted in an increase in our stores-sales area of 674 m^2 in 2011. Weighted sales per square meter in our music stores, iShop stores and eduMac centers increased 32.2% from Ps.66.8 thousand for the year ended December 31, 2010 to Ps.88.3 thousand for the year ended December 31, 2011, due to closings of music stores-sales area to open iShop stores, which operate in a smaller area than music stores, and an increase in sales in our iShop stores as a percentage of total sales.

During 2010, we opened ten iShop stores (*Atizapán, Reforma 319, Parroquia, Plaza Carso, Xalapa, Mérida Altabrisa, Niño Poblano, Veracruz, Chihuahua* and *Villahermosa*) and four eduMac centers (*Copilco, Reforma Lomas, Galerías Guadalajara* and *Villahermosa*) and closed three music stores (*Mixup Plaza del Sol, Discolandia Lázaro Cárdenas* and *Discolandia*), and the effect was a net increase of Ps.167.2 million in sales for such year as compared to 2009. iShop store and eduMac center openings, considering music store closings, resulted in an increase in our stores-sales area of 340 m^2 in 2010. Weighted sales per square meter

in our music stores, iShop stores and eduMac centers increased 21.0% from Ps.55.2 thousand for the year ended December 31, 2009 to Ps.66.8 thousand for the year ended December 31, 2010, due to closings of music stores-sales area to open iShop stores, which operate in a smaller area than music stores, and an increase in sales in our iShop stores as a percentage of total sales.

During 2009, we opened two music stores (*Mx Mixup Atizapán* and *Mx Mixup Luna Parc*), eight iShop stores (*Galerías Guadalajara, Morelia, Monterrey Valle Oriente, Galerías Cuernavaca, Galerías Querétaro, Cancún Malecón, Reforma 222* and *Galerías Coapa*), and closed two music stores (*Discolandia Allende* and *Mixup Villahermosa*), and the effect was a net increase of Ps.84.4 million in sales for such year as compared to 2008. Music and iShop store openings, considering music store closings, resulted in an increase in our stores-sales area of 869 m^2 in 2009 as compared to 2008.

We believe that a period of time (between six months and one year) is frequently required after opening a music store, iShop store or eduMac center for these to mature and achieve their full potential to generate sales. As a result, the future growth and development of newly-opened stores and centers should be taken into account when comparing period-to-period store sales.

Net Sales from Other Formats

During the nine-month period ended September 30, 2012, sales from the operation of our DAX stores, our Sanborns Café restaurants, our Saks Fifth Avenue department stores, our Sears department stores and Sanborns store-restaurants in Central America, our Seven boutique and our Pam Pam industrial cafeterias; finance income on credit sales from our Sanborns and Mixup credit cards and leasing income from renting commercial units at our *Plaza Loreto* and *Plaza Inbursa* shopping centers, represented 5.9% of our consolidated net sales.

As of September 30, 2012 and for the nine-month period then ended, we had

- 26 DAX stores, with store-sales area of 31,658 m^2 and weighted sales per square meter of Ps.22.7 thousand.
- 28 Sanborns Café restaurants, with store-sales area of 9,203 m^2 and 5,411 seats available and weighted sales per seat of Ps.35.0 thousand.
- Two Saks Fifth Avenue department stores, with store-sales area of 18,282 m^2 and weighted sales per square meter of Ps.15.9 thousand.
- One Sears department store and two Sanborns store-restaurants in El Salvador and one Sanborns store-restaurant in Panama, with store-sales area of 13,001 m^2 and weighted sales per square meter of Ps.22.6 thousand.
- One Seven boutique, with store-sales area of 75 m^2 and weighted sales per square meter of Ps.18.3 thousand.
- 33 Pam Pam industrial cafeterias which generated Ps.96.3 million of net sales in such period.
- 113,496 active accounts of our Sanborns and Mixup credit cards, which generated Ps.90.4 million of net sales in such period.
- Two shopping centers (*Plaza Loreto* and *Plaza Inbursa*) with 136 commercial units, a rental area of 73,725 m^2, which generated, on average, monthly revenues of Ps.17.5 million, representing an average rent of Ps.188.4 per m^2 in *Plaza Loreto* and Ps.162.6 per m^2 in *Plaza Inbursa*.

Cost of Sales

The main components of our cost of sales are the cost of merchandise sold through our Sears department stores and boutiques, Sanborns stores, music stores and iShop stores and the cost of food and beverages offered in our Sanborns restaurants and Sanborns Café restaurants.

Sales, Development and Administrative Expenses

The principal components of our sales, development and administrative expenses are salaries and benefits, rental expense on leased real estate, electricity, asset and equipment maintenance, advertising and depreciation.

Interest Expense and Income, Foreign Exchange Transactions and Derivatives

The components of our financial expense comprise:

- interest expense, which is primarily a function of the principal amount of debt outstanding and the interest rates in effect, including the effects of derivative financial instruments related to interest rates treated as hedge instruments for accounting purposes;
- interest income earned on excess cash flow and on our investments in pension and retirement funds;
- exchange gain (loss), net, which includes net gains or losses relating to fluctuations in foreign currency exchange rates; and
- valuation of derivative financial instruments related to interest rates and foreign exchange rates.

Income Taxes

The main components of our tax expense consist of income taxes incurred in Mexico. Our income tax expense consists of taxes incurred and deferred taxes, computed based on the requirements of IFRS as further explained in Note 24 to our Interim Financial Statements.

Our income tax is comprised as follows:

	Years ended December 31,			
	2009	2010	2011	2011
	(millions of Pesos)			(millions of Dollars)
	(Mexican FRS)			
Income tax	1,260.5	1,265.4	1,273.9	91.1
Deferred tax	388.6	314.8	30.3	2.1
Total	871.9	950.6	1,243.6	89.0

Income tax is paid monthly with interim tax returns filed throughout the year. Any outstanding balance is paid in full during the month of March of each year. As of the date of this offering circular, we had no outstanding tax obligations.

Discontinued Operations

In 2010, we went through a corporate restructuring process by divesting a portion of our real estate assets, liabilities and capital to a new subsidiary of Grupo Carso, Inmuebles Borgru, S.A. de C.V. As part of this corporate restructuring process, Sears Roebuck de Mexico, S.A. de C.V. contributed a portion of its assets, liabilities and capital relating to the operation of Sears department stores to its subsidiary, Sears

Mexico. A majority of these real estate companies were then consolidated into Inmuebles Carso, S.A.B. de C.V., or "Inmuebles Carso," a newly created, independent public real estate company.

See Notes 2C and 17 to our Audited Financial Statements for a detailed description of the accounting and financial effects that this spin-off had on our 2009 and 2010 financial statements.

Seasonality

Historically, we have experienced seasonal sales patterns at our stores and restaurants due to heightened consumer activity during certain seasons. Traditionally, sales volumes in our department stores are higher during the months of May, June, November and December due to Mothers' Day, Fathers' Day, the "*Buen Fin*" (a weekend in late November of each year where various commercial businesses offer sales and discounts to encourage consumer spending in Mexico) and the Christmas holiday season. Similarly, sales volumes in our restaurants are higher during the months of February, May, June, November and December due to Valentine's Day, Mothers' Day, Fathers' Day, the "*Buen Fin*" and the Christmas holiday season. Conversely, we usually experience a decrease in sales during the summer vacation months of July and August, which results in higher advertising and publicity expenses and discounts and promotions on products. Our sales for the fourth quarter of 2009, 2010 and 2011 represented 31.2%, 31.8% and 32.7%, respectively, of our total sales for such years. Our operating costs, except for the cost of goods sold, distribution costs and other selling, marketing and advertising expenses, in contrast to our sales, tend to be higher in the fourth quarter than those incurred during the rest of the year. Therefore, our profitability and results of operations are affected by these seasonal trends.

EBITDA

EBITDA is a measure used in our financial analysis that is not recognized under Mexican FRS or IFRS but is calculated from amounts that derive from our financial statements. Because our Interim Financial Statements were prepared under IFRS, for the nine-month periods ended September 30, 2011 and 2012, we calculate EBITDA as comprehensive income plus depreciation and amortization expense, income taxes, interest expense, exchange losses, losses on valuation of derivative financial instruments and translation effects of foreign operations, minus interest income, exchange gains and gains on valuation of derivative financial instruments. Because our Audited Financial Statements were prepared under Mexican FRS, for the years ended December 31, 2009, 2010 and 2011, we calculate EBITDA as operating income plus depreciation and amortization expense and other income, minus other expense. EBITDA figures by business format presented in this offering circular include royalties paid by our subsidiaries to Grupo Sanborns, S.A.B. de C.V. and reflect the effects of the spin-off of our real estate business. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Discontinued Operations." We believe that EBITDA can be useful to facilitate comparisons of operating performance between periods on a consolidated basis and by business format, but the metric may be calculated differently than that of other retailers and restaurant operators. EBITDA should not be construed as an alternative to (i) comprehensive income as an indicator of our operating performance, or (ii) cash flow from operations as a measure of our liquidity.

We provide a reconciliation of EBITDA to comprehensive income for the nine-month periods ended September 30, 2011 and 2012, and a reconciliation of EBITDA to operating income for the years ended December 31, 2009, 2010 and 2011 in the tables below:

	Nine months ended September 30,		
	2011	2012	2012
	(millions of Pesos)		(millions of Dollars)
		(IFRS)	
Comprehensive income	1,695.2	2,010.0	152.0
Plus			
Depreciation and amortization	473.7	495.4	37.5
Taxes	717.6	809.8	61.3
Interest expense	100.2	74.6	5.6
Exchange loss	374.1	98.6	7.5
Loss on valuation of derivative financial instruments	10.0	-	-
Translation effects of foreign operations	3.6	(1.0)	(0.1)
Minus			
Interest income	101.5	109.1	8.3
Exchange gain	353.7	109.2	8.3
Gain on valuation of derivative financial instruments	-	45.1	3.4
EBITDA	2,919.2	3,224.0	243.9

	Years ended December 31,			
	2009	2010	2011	2011
	(millions of Pesos)			(millions of Dollars)
		(Mexican FRS)		
Operating income	3,399.4	3,902.1	4,605.8	371.7
Plus				
Depreciation and amortization	664.0	652.3	534.3	43.1
Other income (expense)	324.5	(97.5)	(25.9)	(2.1)
EBITDA	4,387.9	4,457.0	5,114.2	412.8

We provide a reconciliation of EBITDA to comprehensive income by business format for the nine-month periods ended September 30, 2011 and 2012, and a reconciliation of EBITDA to operating income by business format for the years ended December 31, 2009, 2010 and 2011 in the tables below:

	Nine months ended September 30, 2012 (millions of Pesos) (IFRS)			
	Sears and Boutiques	**Sanborns**	**Music, iShop and eduMac**	**Others[1]**
Comprehensive income	1,043.0	353.9	87.9	525.3
Plus				
Depreciation and amortization	207.9	210.7	42.8	34.1
Taxes	431.3	136.1	33.3	208.9
Interest expense	61.2	35.5	1.3	(23.4)
Exchange loss	55.8	14.8	2.5	25.5
Loss on valuation of derivative financial instruments	-	-	-	
Translation effects of foreign operations	-	-	-	(1.0)
Minus				
Interest income	0.2	45.4	7.4	56.1
Exchange gain	71.8	14.7	2.2	20.5
Gain on valuation of derivative financial instruments	-	-	-	45.1
EBITDA	1,727.0	691.1	158.2	647.7

[1] Others includes sales of our DAX stores, our Sanborns Café restaurants, our Saks Fifth Avenue department stores, our Sears department stores and Sanborns store-restaurants in Central America, our Seven boutique and our Pam Pam industrial cafeterias; finance income on credit sales from our Sanborns and Mixup credit cards, leasing income from renting commercial units at our *Plaza Loreto* and *Plaza Inbursa* shopping centers, royalties paid by our operating subsidiaries to Grupo Sanborns, S.A.B. de C.V. and eliminations of intercompany transactions.

	Years ended December 30 2011 (millions of Pesos) (Mexican FRS)			
	Sears and Boutiques	**Sanborns**	**Music, iShop and eduMac**	**Others[1]**
Operating income	2,340.9	1,143.9	226.0	895.1
Plus				
Depreciation and amortization	223.8	161.2	51.0	98.3
Other income (expense)	21.0	14.4	(21.1)	(40.2)
EBITDA	2,585.7	1,319.5	255.9	953.2

[1] Others includes sales of our DAX stores, our Sanborns Café restaurants, our Saks Fifth Avenue department stores, our Sears department stores and Sanborns store-restaurants in Central America, our Seven boutique and our Pam Pam industrial cafeterias; finance income on credit sales from our Sanborns and Mixup credit cards, leasing income from renting commercial units at our *Plaza Loreto* and *Plaza Inbursa* shopping centers, royalties paid by our operating subsidiaries to Grupo Sanborns, S.A.B. de C.V. and eliminations of intercompany transactions.

Legal Reserve

The following table sets forth the effect of the spin-off of our real estate business in 2010 on our legal reserve, which is part of our stockholders' equity. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Discontinued Operations."

	Years ended December 31,			
	2009	Spin-off	2010	2011
		(millions of Pesos) (Mexican FRS)		
Legal reserve	601.8	(345.3)	256.6	256.6
Adjustment for inflation	110.8	(63.3)	47.0	47.0
Adjusted legal reserve	712.1	(408.5)	303.6	303.6

Summary of Business Results by Format

The following tables set forth certain line items of our interim consolidated statements of comprehensive income and of our consolidated statements of income by business format for the periods indicated below:

	Nine months ended September 30,				
	2011		2012		
	(millions of Pesos)	% of Total	(millions of Pesos) (IFRS)	(millions of Dollars)	% of Total
Net Sales	24,525.0	100.0	26,707.4	2,020.2	100.0
Sears and boutiques	12,474.5	50.9	13,549.8	1,024.9	50.7
Sanborns	8,123.8	33.1	8,652.2	654.5	32.4
Music, iShop and eduMac	2,388.7	9.7	2,932.4	221.8	11.0
Others[1]	1,538.0	6.2	1,573.0	119.0	5.9
Cost of sales	14,530.9	100.0	15,979.2	1,208.7	100.0
Sears and boutiques	7,395.7	50.9	8,050.1	608.9	50.4
Sanborns	4,469.1	30.8	4,758.1	359.9	29.8
Music, iShop and eduMac	1,771.2	12.2	2,202.3	166.6	13.8
Others[1]	895	6.1	968.7	73.3	6.1
Gross profit	9,994.1	100.0	10,728.2	811.5	100.0
Sears and boutiques	5,078.8	50.8	5,499.6	416.0	51.3
Sanborns	3,654.7	36.6	3,894.1	294.6	36.3
Music, iShop and eduMac	617.6	6.2	730.1	55.2	6.8
Others [1]	643.1	6.4	604.4	45.7	5.6
Sales, development and administrative expenses	7,115.2	100.0	7,556.9	571.6	100.0
Depreciation and amortization	441.7		481.7	36.4	
Other (income) expenses	(8.2)		(39.1)	(3.0)	
Interest expense	100.2		74.6	5.6	
Interest income	(101.5)		(109.1)	(8.3)	
Exchange gain	(353.7)		(109.2)	(8.3)	
Exchange loss	374.1		98.6	7.5	
Effects of valuation of derivative financial instruments	10.0		(45.1)	(3.4)	
Income before income taxes	2,416.3		2,818.8	213.2	
Income tax	717.6		809.8	61.3	
Consolidated net income	1,698.7		2,009.0	152.0	
Translation effects of foreign operations	(3.6)		1.0	0.1	
Consolidated comprehensive income	1,695.2		2,010.0	152.0	
Controlling interest	1,536.2		1,812.6	137.1	
Non-controlling interest	159.0		197.5	14.9	
EBITDA[2]	2,919.2		3,224.0	243.9	

[1] Others includes sales of our DAX stores, our Sanborns Café restaurants, our Saks Fifth Avenue department stores, our Sears department stores and Sanborns store-restaurants in Central America, our Seven boutique and our Pam Pam industrial cafeterias; finance income on credit sales from our Sanborns and Mixup credit cards, leasing income from renting commercial units at our *Plaza Loreto* and *Plaza Inbursa* shopping centers, royalties paid by our operating subsidiaries to Grupo Sanborns, S.A.B. de C.V. and eliminations of intercompany transactions.

[2] Under IFRS, we calculate EBITDA as comprehensive income plus depreciation and amortization expense, income taxes, interest expense, exchange losses, losses on valuation of derivative financial instruments and translation effects of foreign operations, minus interest income, exchange gains and gains on valuation of derivative financial instruments.

	Years ended December 31,						
	2009		2010		2011		
	(millions of Pesos)	% of Total	(millions of Pesos)	% of Total	(millions of Pesos)	(millions of Dollars)	% of Total
			(Mexican FRS)				
Net sales	30,554.6	100.0	33,261.0	100.0	37,044.3	2,989.9	100.0
Sears and boutiques	17,117.7	56.0	18,530.8	55.7	19,561.4	1,579.0	52.8
Sanborns	10,159.5	33.3	11,073.0	33.3	11,858.0	957.1	32.0
Music, iShop and eduMac	2,197.7	7.2	2,760.4	8.3	3,664.3	295.7	9.9
Others[1]	1,079.7	3.5	896.8	2.9	1,960.6	158.2	5.3
Cost of sales	18,658.7	100.0	20,101.1	100.0	22,567.9	1,821.5	100.0
Sears and boutiques	10,714.5	57.4	11,447.9	57.0	11,949.0	964.4	52.9
Sanborns	5,587.5	29.9	6,133.8	30.5	6,585.1	531.5	29.2
Music, iShop and eduMac	1,507.3	8.1	2,004.8	10.0	2,730.7	220.4	12.1
Others[1]	849.4	4.6	514.6	2.6	1,303.2	105.2	5.7
Gross profit	11,895.9	100.0	13,159.9	100.0	14,476.4	1,168.4	100.0
Sears and boutiques	6,403.2	53.8	7,082.9	53.8	7,612.4	614.4	52.6
Sanborns	4,572.1	38.4	4,939.2	37.5	5,272.9	425.6	36.4
Music, iShop and eduMac	690.4	5.8	755.7	5.7	933.6	75.4	6.4
Others[1]	230.3	1.9	382.2	2.9	657.5	53.1	4.5
Operating expenses	8,496.6	100.0	9,257.8	100.0	9,870.5	796.7	100.0
Sears and boutiques	4,578.7	53.9	5,051.8	54.6	5,271.5	425.5	53.4
Sanborns	3,760.3	44.3	3,930.7	42.5	4,129.0	333.3	41.8
Music, iShop and eduMac	585.7	6.9	650.7	7.0	707.6	57.1	7.2
Others[1]	(428.1)	(5.0)	(375.4)	(4.1)	(237.5)	(19.2)	(2.4)
Operating income	3,399.4	100.0	3,902.1	100.0	4,605.8	371.7	100.0
Sears and boutiques	1,824.5	53.7	2,031.1	52.0	2,340.9	188.9	50.8
Sanborns	811.8	23.9	1,008.5	25.8	1,143.9	92.3	24.8
Music, iShop and eduMac	104.7	3.1	105.0	2.7	226.0	18.2	4.9
Others[1]	658.4	19.4	757.6	19.4	895.1	72.2	19.4
Other (expenses) income, net	324.5		(97.5)		(25.9)	(2.1)	
Interest expense	(608.5)		(483.6)		(419.3)	(33.8)	
Interest income	46.7		44.5		74.1	6.0	
Exchange gain (loss), net	17.8		2.8		(64.8)	(5.2)	
Comprehensive financing cost	(544.0)		(436.3)		(410.0)	(33.1)	
Equity in income of associated companies	-		8.7		-	-	
Income before income tax	3,179.9		3,359.6		4,170.0	336.6	
Income tax	871.9		950.6		1,243.6	100.4	
Income before discontinued operations	2,307.9		2,409.0		2,926.4	236.2	
Discontinued operations, net	1,025.2		724.2		-	-	
Consolidated net income	3,333.2		3,133.2		2,926.4	236.2	
Controlling interest	3,071.8		2,868.1		2,656.6	214.4	
Non-controlling interest	261.4		265.1		269.8	21.8	
EBITDA[2]	4,387.9		4,457.0		5,114.2	412.8	

(1) Others includes sales of our DAX stores, our Sanborns Café restaurants, our Saks Fifth Avenue department stores, our Sears department stores and Sanborns store-restaurants in Central America, our Seven boutique and our Pam Pam industrial cafeterias; finance income on credit sales from our Sanborns and Mixup credit cards, leasing income from renting commercial units at our *Plaza Loreto* and *Plaza Inbursa* shopping centers, royalties paid by our operating subsidiaries to Grupo Sanborns, S.A.B. de C.V. and eliminations of intercompany transactions.

(2) Under Mexican FRS, we calculate EBITDA as operating income plus depreciation and amortization expense and other income, minus other expense.

Results for the Nine-Month Period Ended September 30, 2012 Compared to the Nine-Month Period Ended September 30, 2011

The financial information for the nine-month periods ended September 30, 2011 and 2012 was prepared in accordance with IFRS. The information below is presented on a consolidated basis and by business format.

Consolidated Results

Net Sales

Consolidated net sales increased 8.9%, from Ps.24,525.0 million for the nine-month period ended September 30, 2011 to Ps.26,707.4 million for the nine-month period ended September 30, 2012. This increase was primarily due to an increase in net sales of 9.1% (8.6% in our Sears department stores and boutiques, 6.5% in our Sanborns store-restaurants and 22.8% in our music stores and iShop stores), an increase in finance income on credit sales of 4.9%, an increase in service income of 13.5% and an increase in leasing income of 10.3%.

Cost of Sales

Consolidated cost of sales increased 10.0%, from Ps.14,530.9 million for the nine-month period ended September 30, 2011 to Ps.15,979.2 million for the same period in 2012. This increase was primarily due to an 8.8% increase in cost of sales in our Sears department stores and boutiques and a 24.3% increase in cost of sales of our music stores and iShop stores in line with the increase in net sales for the period.

As a percentage of consolidated net sales, cost of sales increased to 59.8% in the nine-month period ended September 30, 2012 from 59.2% in the same period in 2011.

Gross Profit

As a result of the factors discussed above, consolidated gross profit increased 7.3%, from Ps.9,994.1 million for the nine-month period ended September 30, 2011 to Ps.10,728.2 million for the same period in 2012.

As a percentage of consolidated net sales, gross profit decreased slightly to 40.2% in the nine-month period ended September 30, 2012 from 40.8% in the same period in 2011.

Sales, Development and Administrative Expenses

Consolidated selling and development expenses increased 7.7%, from Ps.5,808.9 million for the nine-month period ended September 30, 2011 to Ps.6,258.8 million for the same period in 2012. This increase was primarily due to new store openings.

Consolidated administrative expenses decreased 0.6%, from Ps.1,306.3 million for the nine- month period ended September 30, 2011 to Ps.1,298.1 million for the same period in 2012. This decrease was primarily due to the implementation of measures to control administrative expenses in all of our business formats.

As a percentage of consolidated net sales, consolidated sales, development and administrative expenses decreased to 28.3% in the nine-month period ended September 30, 2012 from 29.0% in the same period in 2011.

Interest Expense and Income, Exchange Gain and Loss and Derivative Financial Instruments

Interest expense decreased 34.3%, from Ps.100.2 million for the nine-month period ended September 30, 2011 to Ps.74.6 million for the same period in 2012. This decrease was primarily due to a decrease in the amount of indebtedness owed to third parties.

Interest income increased 7.5%, from Ps.101.5 million for the nine-month period ended September 30, 2011 to Ps.109.1 million for the same period in 2012. This increase was primarily due to an increase in income earned on short-term investments.

We recognized a net exchange gain of Ps.10.6 million in the nine-month period ended September 30, 2012 as compared to an exchange loss of Ps.20.4 million for the same period in 2011, as a result of the appreciation of the Mexican peso against the U.S. dollar in the nine-month period ended September 30, 2012, which affected our commitments and obligations denominated in U.S. dollars.

We recognized a gain in the valuation of our derivative financial instruments of Ps.45.1 million in the nine-month period ended September 30, 2012 as compared to a loss of Ps.10.0 million for the same period in 2011, primarily as a result of fluctuations in the value of our derivative instruments related to foreign exchange rates during the first quarter of 2012.

Income Tax

Income tax expense increased 12.9%, from Ps.717.6 million for the nine-month period ended September 30, 2011 to Ps.809.8 million for the same period in 2012. This increase was primarily due to a 16.7% increase in our income before income taxes.

The Mexican corporate statutory income tax rate was 30% in the nine-month period ended September 30, 2012. Our effective tax rate was 28.7%. See Note 24 to our Interim Financial Statements for an analysis of the applicable income tax rate.

Comprehensive Income

As a result of the factors discussed above, during the nine-month period ended September 30, 2012, we generated consolidated comprehensive income of Ps.2,010.0 million as compared to consolidated comprehensive income of Ps.1,695.2 million in the same period in 2011, a net increase of Ps.314.8 million, or 18.6%.

Sears Department Stores and Boutiques

Net Sales Sears and Boutiques

Net sales from our Sears department stores and boutiques increased 8.6%, from Ps.12,474.5 million for the nine-month period ended September 30, 2011 to Ps.13,549.8 million for the same period in 2012. This increase was primarily due to an increase of 8.5% in net sales, a 10.2% increase in finance income on credit sales from our Sears credit cards and an increase of 4.1% in Sears same-store sales derived mainly from an increase in prices of our products.

Cost of Sales Sears and Boutiques

Cost of sales in our Sears department stores and boutiques increased 8.8%, from Ps.7,395.7 million for the nine-month period ended September 30, 2011 to Ps.8,050.1 million for the same period in 2012, primarily as a result of increased sales.

Cost of sales as a percentage of net sales in our Sears department stores and boutiques increased slightly to 59.4% in the nine-month period ended September 30, 2012 from 59.3% in the same period in 2011.

Gross Profit Sears and Boutiques

As a result of the factors discussed above, gross profit in our Sears department stores and boutiques increased 8.3%, from Ps.5,078.8 million for the nine-month period ended September 30, 2011 to Ps.5,499.6 million for the same period in 2012.

Gross profit as a percentage of net sales in our Sears department stores and boutiques decreased slightly to 40.6% in the nine-month period ended September 30, 2012 from 40.7% in the same period in 2011.

Sanborns Store-Restaurants

Net Sales Sanborns

Net sales from our Sanborns store-restaurants increased 6.5% from Ps.8,123.8 million for the nine-month period ended September 30, 2011 to Ps.8,652.2 million for the same period in 2012. This increase was primarily due to a 7.0% increase in net sales in our Sanborns stores from Ps.5,872.2 million for the nine-month period ended September 30, 2011 to Ps.6,286.0 million for the same period in 2012, reflecting new store openings and an increase in same-store sales of 5.3% in such period. This increase was also due in part to a 4.5% increase in net sales in our Sanborns restaurants, from Ps.2,003.2 million for the nine-month period ended September 30, 2011 to Ps.2,092.4 million for the same period in 2012, primarily due to an increase in prices of our food and beverage products and an increase in same-store sales of 3.0% in such period.

Same-store sales of our Sanborns store-restaurants increased 4.7% in the nine-month period ended September 30, 2012 as compared to the nine-month period ended September 30, 2011.

Cost of Sales Sanborns

Cost of sales in our Sanborns store-restaurants increased 6.5%, from Ps.4,469.1 million for the nine-month period ended September 30, 2011 to Ps.4,758.1 million for the same period in 2012. This increase was due in part to an increase of 7.1% in cost of sales in our Sanborns stores from Ps.3,946.1 million for the nine-month period ended September 30, 2011 to Ps.4,230.5 million for the same period in 2012 due to increased sales. This increase was also due in part to an increase of 5.5% in cost of sales in our Sanborns restaurants from Ps.550.9 million for the nine-month period ended September 30, 2011 to Ps.581.7 million for the same period in 2012 due to increased sales and an increase in the cost of our main raw materials.

Cost of sales as a percentage of net sales in our Sanborns store-restaurants remained flat at 55.0% in the nine-month period ended September 30, 2012 as compared to the same period in 2011.

Gross Profit Sanborns

As a result of the factors discussed above, gross profit in our Sanborns store-restaurants increased 6.6% from Ps.3,654.7 million for the nine-month period ended September 30, 2011 to Ps.3,894.1 million for the same period in 2012.

Gross profit as a percentage of net sales in our Sanborns store-restaurants remained flat at 45.0% in the nine-month period ended September 30, 2012 as compared to the same period in 2011.

Music and iShop Stores and eduMac Centers

Net Sales Music, iShop and eduMac

Net sales from our music stores, iShop stores and eduMac centers increased 22.8%, from Ps.2,388.7 million for the nine-month period ended September 30, 2011 to Ps.2,932.4 million for the same period in 2012. This increase was primarily due to a 52.8% increase in net sales in our iShop stores from Ps.1,130.4 million for the nine-month period ended September 30, 2011 to Ps.1,727.8 million for the same period in 2012, primarily due to new store openings.

Cost of Sales Music, iShop and eduMac

Cost of sales in our music stores, iShop stores and eduMac centers increased 24.3% from Ps.1,771.2 million for the nine-month period ended September 30, 2011 to Ps.2,202.3 million for the same period in 2012. This increase was primarily due to increased sales in our iShop stores, which generally entail higher percentage of cost of sales as compared to our music stores and eduMac centers.

Cost of sales as a percentage of net sales in our music stores, iShop stores and eduMac centers increased to 75.1% in the nine-month period ended September 30, 2012, from 74.1% in the same period in 2011.

Gross Profit Music, iShop and eduMac

As a result of the factors discussed above, gross profit in our music stores, iShop stores and eduMac centers increased 18.2% from Ps.617.6 million for the nine-month period ended September 30, 2011 to Ps.730.1 million for the same period in 2012.

Gross profit as a percentage of net sales in our music stores, iShop stores and eduMac centers decreased to 24.9% in the nine-month period ended September 30, 2012 from 25.9% in the same period in 2011.

Results for the Year Ended December 31, 2011 compared to the Year Ended December 31, 2010

The financial information for the years ended December 31, 2010 and 2011 was prepared in accordance with Mexican FRS. The information below is presented on a consolidated basis and by business format.

Consolidated Results

Net Sales

Consolidated net sales increased 11.4%, from Ps.33,261.0 million for the year ended December 31, 2010 to Ps.37,044.3 million for the year ended December 31, 2011. This increase was primarily due to an increase in net sales of 5.6% in our Sears department stores and boutiques, 7.1% in our Sanborns store-restaurants, 32.7% in our music stores and iShop stores and due to the commencement of operations of our DAX stores, which did not operate during 2010.

Cost of Sales

Consolidated cost of sales increased 12.3%, from Ps.20,101.1 million for the year ended December 31, 2010 to Ps.22,567.9 million for the year ended December 31, 2011. This increase was primarily due to a 4.4% increase in cost of sales in our Sears department stores and boutiques, 7.4% in our Sanborns store-restaurants and 36.2% in our music stores, iShop stores and eduMac centers, as well as an increase of Ps.642.6 million in cost of sales due to the commencement of operations of our DAX stores, which did not operate during 2010.

As a percentage of consolidated net sales, cost of sales increased to 60.9% in the year ended December 31, 2011 from 60.4% in the year ended December 31, 2010.

Gross Profit

As a result of the factors discussed above, consolidated gross profit increased 10.0%, from Ps.13,159.9 million in the year ended December 31, 2010 to Ps.14,476.4 million in the year ended December 31, 2011.

As a percentage of consolidated net sales, gross profit decreased slightly to 39.1% in the year ended December 31, 2011 from 39.6% in the year ended December 31, 2010.

Operating Expenses

Consolidated operating expenses increased 6.6%, from Ps.9,257.8 million for the year ended December 31, 2010 to Ps.9,870.5 million for the year ended December 31, 2011. This increase was primarily due to an increase in operating expenses of 4.3% in our Sears department stores and boutiques and of 5.0% in our Sanborns store-restaurants, as well as an increase of Ps.296.1 million in cost of sales due to the commencement of operations of our DAX stores, which did not operate during 2010.

As a percentage of consolidated net sales, operating expenses decreased to 26.6% in the year ended December 31, 2011 from 27.8% in the year ended December 31, 2010.

Operating Income

As a result of the factors discussed above, consolidated operating income increased 18.0%, from Ps.3,902.1 million in the year ended December 31, 2010 to Ps.4,605.8 million in the year ended December 31, 2011.

As a percentage of consolidated net sales, operating income increased to 12.4% in the year ended December 31, 2011 from 11.7% in the year ended December 31, 2010.

Comprehensive Financing Cost

Interest expense decreased 13.3%, from Ps.483.6 million for the year ended December 31, 2010 to Ps.419.3 million for the year ended December 31, 2011. This decrease was primarily due to a decrease in the average balance of interest-bearing indebtedness in 2011 as compared to 2010.

Interest income increased 66.7%, from Ps.44.5 million for the year ended December 31, 2010 to Ps.71.4 million for the year ended December 31, 2011. This increase was primarily due to an increase in the average balance of investments and funds held in bank accounts in 2011 as compared to 2010.

We recognized a net exchange loss of Ps.64.8 million for the year ended December 31, 2011 as compared to an exchange gain of Ps.2.8 million in 2011, as a result of negative fluctuations in foreign exchange rates affecting our liabilities denominated in foreign currencies and of our derivative instruments related to foreign exchange rates.

Income Tax

Income tax expense increased 30.8%, from Ps.950.6 million for the year ended December 31, 2010 to Ps.1,243.6 million for the year ended December 31, 2011. This increase was primarily due to a 24.1% increase in our income before income taxes as compared to 2010.

The Mexican corporate statutory income tax rate was 30% in 2011. Our effective tax rate was 29.8%. See Note 16 to our Audited Financial Statements for an analysis of the applicable income tax rate.

Discontinued Operations, Net

During the year ended December 31, 2010, we reported Ps.724.2 million in income from discontinued operations as a result of the spin-off of our real estate business. During 2011, no amount was reported for this line item.

Net Income

As a result of the factors discussed above, during the year ended December 31, 2011, we generated consolidated net income of Ps.2,926.4 million as compared to consolidated net income of Ps.3,133.2 million during the year ended December 31, 2010.

Sears Department Stores and Boutiques

Net Sales Sears and Boutiques

Net sales of our Sears department stores and boutiques increased 5.3%, from Ps.18,530.8 million for the year ended December 31, 2010 to Ps.19,561.4 million for the year ended December 31, 2011. This increase was primarily due to an increase of 5.3% of Sears same-store sales and sales derived from the opening of seven new Sears department stores, partially offset by a decrease of 3.0% in finance income on credit sales due to the sale of our Sears credit portfolio to another of our consolidated subsidiaries.

Cost of Sales Sears and Boutiques

Cost of sales in our Sears department stores and boutiques increased 4.4%, from Ps.11,447.9 million for the year ended December 31, 2010 to Ps.11,949.0 million for the year ended December 31, 2011, as a result of increased sales due to new store openings and product introductions and changes in our product mix.

Cost of sales as a percentage of net sales in our Sears department stores and boutiques decreased to 61.1% in the year ended December 31, 2011 from 61.8% in the year ended December 31, 2010, primarily due to a decrease in the cost of sales of furniture, white-line products and products in our fashion department.

Gross Profit Sears and Boutiques

As a result of the factors discussed above, gross profit in our Sears department stores and boutiques increased 7.5%, from Ps.7,082.9 million in the year ended December 31, 2010 to Ps.7,612.4 million in the year ended December 31, 2011.

Gross profit as a percentage of net sales in our Sears department stores and boutiques increased to 38.9% in the year ended December 31, 2011 from 38.2% in the year ended December 31, 2010, primarily due to an increase in sales in our fashion department, which produces higher margins than other products, and to the other factors described above.

Operating Expenses Sears and Boutiques

Operating expenses in our Sears department stores and boutiques increased 4.3%, from Ps.5,051.8 million for the year ended December 31, 2010 to Ps.5,271.5 million for the year ended December 31, 2011, due to the increase in net sales described above.

Operating expenses as a percentage of net sales in our Sears department stores and boutiques decreased to 26.9% in the year ended December 31, 2011 from 27.3% in the year ended December 31, 2010, primarily due to a greater control of operating and corporate expenses.

Operating Income Sears and Boutiques

As a result of the factors discussed above, operating income in our Sears department stores and boutiques increased 15.3%, from Ps.2,031.1 million for the year ended December 31, 2010 to Ps.2,340.9 million for the year ended December 31, 2011.

Operating income as a percentage of net sales in our Sears department stores and boutiques increased to 12.0% in the year ended December 31, 2011 from 11.0% in the year ended December 31, 2010.

Sanborns Store-Restaurants

Net Sales Sanborns

Net sales of our Sanborns store-restaurants increased 7.1% from Ps.11,073.0 million for the year ended December 31, 2010 to Ps.11,858.0 million for the year ended December 31, 2011. This increase was primarily due to an increase of 8.0% of Sanborns stores sales from Ps.8,078.9 million in 2010 to Ps.8,729.2 million in 2011 reflecting an increase in same-store sales of 5.7% in 2011 as compared to 2010. This increase was also due in part to an increase of 5.3% in Sanborns restaurants sales from Ps.2,631.0 million in 2010 to Ps.2,771.0 million in 2011 as a result of an increase in same-store sales of 2.3% in 2011 as compared to 2010.

Cost of Sales Sanborns

Cost of sales in our Sanborns store-restaurants increased 7.4% from Ps.6,133.8 million for the year ended December 31, 2010 to Ps.6,585.1 million for the year ended December 31, 2011. This increase was primarily due to an increase of 9.8% in cost of sales in our Sanborns stores from Ps.5,789.0 million in 2010 to Ps.6,355.2 million in 2011, due to new store-restaurant openings and to new product introductions and changes in our product mix. This increase was also due to an increase of 5.8% in cost of sales of our Sanborns restaurants from Ps.730.7 million in 2010 to Ps.773.3 million in 2011, as a result of an increase the prices of our main raw materials.

Cost of sales as a percentage of net sales in our Sanborns store-restaurants increased slightly to 55.5% in the year ended December 31, 2011 from 55.4% in the year ended December 31, 2010.

Gross Profit Sanborns

As a result of the factors discussed above, gross profit in our Sanborns store-restaurants increased 6.8% from Ps.4,939.2 million in the year ended December 31, 2010 to Ps.5,272.9 million in the year ended December 31, 2011.

Gross profit as a percentage of net sales in our Sanborns store-restaurants increased slightly to 44.6% in the year ended December 31, 2011 from 44.5% in the year ended December 31, 2010.

Operating Expenses Sanborns

Operating expenses in our Sanborns store-restaurants increased 5.0%, from Ps.3,930.7 million for the year ended December 31, 2010 to Ps.4,129.0 million for the year ended December 31, 2011 due to the increase in net sales described above.

Operating expenses as a percentage of net sales in our Sanborns store-restaurants decreased to 34.8% in the year ended December 31, 2011 from 35.5% in the year ended December 31, 2010, primarily due to a greater control of operating and corporate expenses.

Operating Income Sanborns

Operating income in our Sanborns store-restaurants increased 13.4% from Ps.1,008.5 million for the year ended December 31, 2010 to Ps.1,143.9 million for the year ended December 31, 2011 due to an increase in gross profit and a controlled increase of operating and administrative expenses as described above.

As a result of the factors discussed above, operating income as a percentage of net sales in our Sanborns store-restaurants increased to 9.6% in the year ended December 31, 2011 from 9.1% in the year ended December 31, 2010.

Music and iShop Stores and eduMac Centers

Net Sales Music, iShop and eduMac

Net sales of our music stores, iShop stores and eduMac centers increased 32.7% from Ps.2,760.4 million for the year ended December 31, 2010 to Ps.3,664.3 million for the year ended December 31, 2011. This increase was primarily due to an increase of 92.0% of iShop stores sales from Ps.939.0 million in 2010 to Ps.1,802.5 million in 2011 as a result of an increase in same-store sales of 17.5% in 2011 as compared to 2010.

Cost of Sales Music, iShop and eduMac

Cost of sales in our music stores, iShop stores and eduMac centers increased 36.2% from Ps.2,004.8 million for the year ended December 31, 2010 to Ps.2,730.7 million for the year ended December 31, 2011. This increase was primarily due to increased sales in our iShop stores, which generally entail higher percentage of cost of sales as compared to our music stores and eduMac centers.

Cost of sales as a percentage of net sales in our music stores, iShop stores and eduMac centers increased to 74.5% in the year ended December 31, 2011 from 72.6% in the year ended December 31, 2010.

Gross Profit Music, iShop and eduMac

Gross profit in music stores, iShop stores and eduMac centers increased 23.5% from Ps.755.7 million for the year ended December 31, 2010 to Ps.933.6 million for the year ended December 31, 2011 due to increased sales in our iShop stores.

Gross profit as a percentage of net sales in our music stores, iShop stores and eduMac centers decreased to 25.5% in the year ended December 31, 2011 from 27.4% in the year ended December 31, 2010, primarily due to an increase in cost of sales of our iShop stores.

Operating Expenses Music, iShop and eduMac

Operating expenses in our music stores, iShop stores and eduMac centers increased 8.7%, from Ps.650.7 million for the year ended December 31, 2010 to Ps.707.6 million for the year ended December 31, 2011. This increase was primarily due to new iShop store openings.

Operating expenses as a percentage of net sales in our music stores, iShop stores and eduMac centers decreased to 19.3% in the year ended December 31, 2011 from 23.6% in the year ended December 31, 2010, primarily due to a greater control of operating and corporate expenses.

Operating Income Music, iShop and eduMac

As a result of the factors discussed above, operating income in our music stores, iShop stores and eduMac centers increased 115.2% from Ps.105.0 million for the year ended December 31, 2010 to Ps.226.0 million for the year ended December 31, 2011.

Operating income as a percentage of net sales in our music stores, iShop stores and eduMac centers increased to 6.2% in the year ended December 31, 2011 from 3.8% in the year ended December 31, 2010, mainly as a result of the decrease of 3.4% of sales and administrative expenses as compared to 2010 due to the factors discussed above.

Results for the Year Ended December 31, 2010 compared to the Year Ended December 31, 2009

The financial information for the years ended December 31, 2009 and 2010 was prepared in accordance with Mexican FRS. The information below is presented on a consolidated basis and by business format.

Consolidated Results

Net Sales

Consolidated net sales increased 8.9%, from Ps.30,554.6 million for the year ended December 31, 2009 to Ps.33,261.0 million for the year ended December 31, 2010. This increase was primarily due to an increase in consolidated net sales of 8.3% in our Sears department stores and boutiques, 9.0% in our Sanborns store-restaurants and 25.6% in our music stores and iShop stores.

Cost of Sales

Consolidated cost of sales increased 7.7%, from Ps.18,658.7 million for the year ended December 31, 2009 to Ps.20,101.1 million for the year ended December 31, 2010. This increase was primarily due to a 6.8% increase in cost of sales in our Sears department stores and boutiques, 9.8% in our Sanborns store-restaurants and 33.0% in our music stores and iShop stores.

As a percentage of consolidated net sales, cost of sales improved to 60.4% in the year ended December 31, 2010 from 61.1% in the year ended December 31, 2009.

Gross Profit

As a result of the factors discussed above, consolidated gross profit increased 10.6%, from Ps.11,895.9 million in the year ended December 31, 2009 to Ps.13,159.9 million in the year ended December 31, 2010.

As a percentage of consolidated net sales, gross profit increased to 39.6% in the year ended December 31, 2010 from 38.9% in the year ended December 31, 2009.

Operating Expenses

Consolidated operating expenses increased 9.0%, from Ps.8,496.6 million for the year ended December 31, 2009 to Ps.9,257.8 million for the year ended December 31, 2010. This increase was primarily due to new store openings and the conversion of nine Dorian's stores and four JC Penney's stores to Sears department stores.

As a percentage of consolidated net sales, operating expenses remained flat at 27.8% in the year ended December 31, 2010.

Operating Income

As a result of the factors discussed above, consolidated operating income increased 14.8%, from Ps.3,399.4 million in the year ended December 31, 2009 to Ps.3,902.1 million in the year ended December 31, 2010.

As a percentage of consolidated net sales, operating income increased to 11.7% in the year ended December 31, 2010 from 11.1% in the year ended December 31, 2009.

Comprehensive Financing Cost

Interest expense decreased 20.5%, from Ps.608.0 million for the year ended December 31, 2009 to Ps.483.6 million for the year ended December 31, 2010. This decrease was primarily due to a decrease in the balance of interest-bearing debt in 2010 as compared to 2009.

Interest income decreased 4.7%, from Ps.46.7 million for the year ended December 31, 2009 to Ps.44.5 million for the year ended December 31, 2010. This decrease was primarily due to a decrease in the balance of investments in 2010 as compared to 2009.

We recognized a net exchange gain of Ps.2.8 million for the year ended December 31, 2010 as compared to an exchange gain of Ps.17.8 million in 2010, as a result of variations in the value of our U.S. dollar-denominated liabilities, net of the effect of our derivative financial instruments related to foreign exchange rates.

Income Tax

Income tax expense increased 9.0%, from Ps.871.9 million for the year ended December 31, 2009 to Ps.950.6 million for the year ended December 31, 2010. This increase was primarily due to a 5.7% increase in our income before income taxes.

The Mexican corporate statutory income tax rate was 30% in 2010. Our effective tax rate was 28.3% during 2010. See Note 16 to our Audited Financial Statements for an analysis of the applicable income tax rate.

Discontinued Operations, Net

During the year ended December 31, 2010, we reported Ps.724.2 million in income from discontinued operations as a result of the spin-off of our real estate business, as compared to Ps.1,025.2 million during 2009 as a result of a recognition of sales of office and residential properties located at *Plaza Carso*.

Net Income

As a result of the aforementioned factors, during the year ended December 31, 2010, we generated consolidated net income of Ps.3,133.2 million as compared to consolidated net income of Ps.3,333.2 million during the year ended December 31, 2009.

Sears Department Stores and Boutiques

Net Sales Sears and Boutiques

Net sales of our Sears department stores and boutiques increased 8.3%, from Ps.17,117.7 million for the year ended December 31, 2009 to Ps.18,530.8 million for the year ended December 31, 2010. This increase was primarily due to an increase of 6.1% of Sears same-store sales as a result of new store openings and the remodeling of certain stores and the conversion of nine Dorian's stores and four JC Penney's stores to Sears department stores.

Cost of Sales Sears and Boutiques

Cost of sales in our Sears department stores and boutiques increased 6.8%, from Ps.10,714.5 million for the year ended December 31, 2009 to Ps.11,447.9 million for the year ended December 31, 2010. This increase was primarily due to new store openings and the conversion of nine Dorian's stores and four JC Penney's stores to Sears department stores.

Cost of sales as a percentage of net sales in our Sears department stores and boutiques decreased to 61.8% in the year ended December 31, 2010 from 62.6% in the year ended December 31, 2009.

Gross Profit Sears and Boutiques

As a result of the factors discussed above, gross profit in our Sears department stores and boutiques increased 10.6%, from Ps.6,403.2 million for the year ended December 31, 2009 to Ps.7,082.9 million for the year ended December 31, 2010.

Gross profit as a percentage of net sales in our Sears department stores and boutiques increased to 38.2% in the year ended December 31, 2010 from 37.4% in the year ended December 31, 2009.

Operating Expenses Sears and Boutiques

Operating expenses in our Sears department stores and boutiques increased 10.3%, from Ps.4,578.7 million for the year ended December 31, 2009 to Ps.5,051.8 million for the year ended December 31, 2010. This increase was primarily due to new store openings and the conversion of nine Dorian's stores and four JC Penney's stores to Sears department stores.

Operating expenses as a percentage of net sales in our Sears department stores and boutiques increased to 27.3% in the year ended December 31, 2010 from 26.7% in the year ended December 31, 2009. This increase was primarily due to an increase in operating expenses as a result of the conversion of nine Dorian's stores and four JC Penney's stores to Sears department stores.

Operating Income Sears and Boutiques

As a result of the factors discussed above, operating income in our Sears department stores and boutiques increased 11.3%, from Ps.1,824.5 million for the year ended December 31, 2009 to Ps.2,031.1 million for the year ended December 31, 2010.

Operating income as a percentage of net sales in our Sears department stores and boutiques increased to 11.0% in the year ended December 31, 2010 from 10.7% in the year ended December 31, 2009.

Sanborns Store-Restaurants

Net Sales Sanborns

Net sales of our Sanborns store-restaurants increased 9.0% from Ps.10,159.5 million for the year ended December 31, 2009 to Ps.11,073.0 million for the year ended December 31, 2010. This increase was primarily due to an increase of 11.8% of Sanborns stores sales from Ps. 7,228.6 million in 2009 to Ps.8,078.9 million in 2010 reflecting an increase in same-store sales of 11.0% in 2010 as compared to 2009. This increase was also due in part to an increase of 5.3% in Sanborns restaurants sales from Ps.2,498.9 million in 2009 to Ps.2,631.0 million in 2010 as a result of an increase in same-store sales of 4.3% in 2010 as compared to 2009.

Cost of Sales Sanborns

Cost of sales in our Sanborns store-restaurants increased 9.8% from Ps.5,587.5 million for the year ended December 31, 2009 to Ps.6,133.8 million for the year ended December 31, 2010. This increase was primarily due to an increase of 12.4% in cost of sales in our Sanborns stores from Ps.5,149.5 million in 2009 to Ps.5,789.0 million in 2010, due to new store-restaurant openings and increased sales of products with higher cost of sales. This increase was also due to an increase of 5.5% in cost of sales of our Sanborns restaurants from Ps.692.6 million in 2009 to Ps.730.7 million in 2010, as a result of an increase in the prices of our main raw materials and food and beverage supplies.

Cost of sales as a percentage of net sales in our Sanborns store-restaurants increased to 55.4% in the year ended December 31, 2010 from 55.0% in the year ended December 31, 2010.

Gross Profit Sanborns

As a result of the factors discussed above, gross profit in our Sanborns store-restaurants increased 8.0% from Ps.4,572.1 million for the year ended December 31, 2009 to Ps.4,939.2 million for the year ended December 31, 2010.

Gross profit as a percentage of net sales in our Sanborns store-restaurants decreased to 44.6% in the year ended December 31, 2010 from 45.0% in the year ended December 31, 2009.

Operating Expenses Sanborns

Operating expenses in our Sanborns store-restaurants increased 4.5%, from Ps.3,760.3 million for the year ended December 31, 2009 to Ps.3,930.7 million for the year ended December 31, 2010, primarily due to new store-restaurant openings.

Operating expenses as a percentage of net sales in our Sanborns store-restaurants decreased to 35.5% in the year ended December 31, 2010 from 37.0% in the year ended December 31, 2009, primarily due to a greater control of operating and corporate expenses.

Operating Income Sanborns

As a result of the factors discussed above, operating income in our Sanborns store-restaurants increased 24.2% from Ps.811.8 million for the year ended December 31, 2009 to Ps.1,008.5 million for the year ended December 31, 2010.

Operating income as a percentage of net sales in our Sanborns store-restaurants increased to 9.1% in the year ended December 31, 2010 from 8.0% in the year ended December 31, 2010.

Music and iShop Stores and eduMac Centers

Net Sales Music, iShop and eduMac

Net sales of our music stores, iShop stores and eduMac centers increased 25.6%, from Ps.2,197.7 million for the year ended December 31, 2009, to Ps.2,760.4 million for the year ended December 31, 2010. This increase was primarily due to an increase of 180.8% of net sales in our iShop stores from Ps.331.0 million in 2009 to Ps.929.6 million in 2010 as a result of ten new iShop store openings and an increase in sales from four new eduMac center openings.

Cost of Sales Music, iShop and eduMac

Cost of sales in our music stores, iShop stores and eduMac centers increased 33.0% from Ps.1,507.3 million for the year ended December 31, 2009 to Ps.2,004.8 million for the year ended December 31, 2010. This increase was primarily due to increased sales in our iShop stores, which generally entail higher percentage of cost of sales as compared to our music stores and eduMac centers.

Cost of sales in our music stores, iShop stores and eduMac centers increased to 72.6% in the year ended December 31, 2010 from 68.6% in the year ended December 31, 2009.

Gross Profit Music, iShop and eduMac

As a result of the factors discussed above, gross profit in music stores, iShop stores and eduMac centers increased 9.5% from Ps.690.4 million for the year ended December 31, 2009 to Ps.755.7 million for the year ended December 31, 2010.

Gross profit as a percentage of net sales in our music stores, iShop stores and eduMac centers decreased to 27.4% in the year ended December 31, 2010 from 31.4% in the year ended December 31, 2009.

Operating Expenses Music, iShop and eduMac

Operating expenses in our music stores, iShop stores and eduMac centers increased 11.1%, from Ps.585.7 million for the year ended December 31, 2009 to Ps.650.7 million for the year ended December 31, 2010. This increase was primarily due to new iShop store openings.

Operating expenses as a percentage of net sales in our music stores, iShop stores and eduMac centers decreased to 23.6% in the year ended December 31, 2010 from 26.7% in the year ended December 31, 2009.

Operating Income Music, iShop and eduMac

As a result of the factors discussed above, operating income in our music stores, iShop stores and eduMac centers increased 0.3% from Ps.104.7 million for the year ended December 31, 2009 to Ps.105.0 million for the year ended December 31, 2010.

Operating income as a percentage of net sales in our music stores, iShop stores and eduMac centers decreased to 3.8% in the year ended December 31, 2010 from 4.8% in the year ended December 31, 2010.

Liquidity and Capital Resources

Historically, our main sources of liquidity have been cash flows from operating our different business formats and short-term financing from suppliers, as well as management of accounts payable and inventory. The difference between the average number of days we take to pay our suppliers (calculated as an amount equal to accounts payable at period end multiplied by 365 divided by cost of sales for such period) over the

average number of days we hold our inventory before selling it (calculated as the value of the inventory at period end multiplied by 365 divided by cost of sales for such period) was 106.1 days for the nine-month period ended September 30, 2012, 41.3 days in 2011, 50.3 days in 2010 and 51.6 days in 2009. Cash flow from operations primarily represents inflows and outflows from our continued operations. Cash flow used in investing activities represents our investment in new store openings and remodeling. Cash flow from financing activities is primarily related to the issuance of *certificados bursátiles* and bank loans.

Our cash requirements have historically consisted of working capital needs, including the funding of new store and restaurant openings and remodeling.

Cash Flow

Cash flow generated by our operations, including cash flow generated by our operating subsidiaries, is managed and controlled by each of our operating subsidiaries, which use such cash flow to honor their commitments, including commitments with suppliers.

The following table summarizes our cash flow for the years ended December 31, 2009, 2010 and 2011 and for the nine-month periods ended September 30, 2011 and 2012:

	Years ended December 31,				Nine months ended September 30,		
	2009	**2010**	**2011**	**2011**	**2011**	**2012**	**2012**
	(millions of Pesos) (Mexican FRS)			(millions of Dollars)	(millions of Pesos) (IFRS)		(millions of Dollars)
Net cash flow provided by operating activities	1,581.2	3,780.9	3,607.1	291.1	1,313.9	832.0	62.9
Net cash flow (used in) provided by investing activities	(1,473.0)	(18.0)	(1,402.6)	(113.2)	(200.5)	200.9	15.2
Net cash flow used in financing activities	(105.4)	(3,740.9)	(1,965.4)	(158.6)	(1,189.4)	(1,221.7)	(92.4)
Net increase (decrease) in cash and cash equivalents	2.8	22.0	239.1	19.3	(157.2)	(184.6)	(14.0)

Operating Activities

Net cash flow from our operating activities decreased 57.9%, from Ps.1,313.9 million for the nine-month period ended September 30, 2011 to Ps.832.0 million for the same period in 2012. This decrease was primarily due to increased payments of accounts payable to suppliers and income tax. Our accounts receivable increased 0.9%, from Ps.7,758.2 million as of September 30, 2011 to Ps.7,828.5 million as of September 30, 2012; while our inventory increased 11.5%, from Ps.7,795.0 as of September 30, 2011 to Ps.8,694.6 million as of September 30, 2012.

Net cash flow from our operating activities decreased 4.6%, from Ps.3,780.9 million for the year ended December 31, 2010 to Ps.3,607.1 million for the year ended December 31, 2011. This decrease was primarily due to higher purchases of inventory and payments of accounts payable to related parties in 2011. Our accounts receivable increased 2.2%, from Ps.8,697.8 million as of December 31, 2010 to Ps.8,891.0 million as of December 31, 2011, while our inventory increased 13.7%, from Ps.7,141.6 million as of December 31, 2010 to Ps.8,119.0 million as of December 31, 2011.

Net cash flow from our operating activities increased 139.1%, from Ps.1,581.2 million for the year ended December 31, 2009 to Ps.3,780.9 million for the year ended December 31, 2010. This increase was primarily due to greater collections on accounts receivable in 2011 as well as greater aging on amounts due to related parties. Our accounts receivable decreased 7.8%, from Ps.9,263.4 million as of December 31, 2009

to Ps.8,697.8 million as of December 31, 2010; while our inventory increased 7.0%, from Ps.6,674.9 million as of December 31, 2009 to Ps.7,141.6 million as of December 31, 2010.

Investing Activities

During the nine-month period ended September 30, 2012, net cash flow from investing activities was Ps.200.9 million, attributable mainly to the sale of investment securities held for trading of Ps.479.0 million and interest received of Ps.109.1 million, partially offset by the net effect of the acquisition and sale of property, plant and equipment of Ps.387.1 million.

During the year ended December 31, 2011, net cash flow used in our investing activities was Ps.1,402.6 million, attributable mainly to the net effect of the acquisition and sale of property, plant and equipment of Ps.1,182.2 million, the purchase of investment securities held for trading of Ps.294.5 million, partially offset by interest received of Ps.74.1 million.

During the year ended December 31, 2010, net cash flow used in our investing activities was Ps.18.0 million, attributable mainly to the net effect of the acquisition and sale of property, plant and equipment of Ps.760.7 million, partially offset by the recognition of the effect of the spin-off of our real estate business of Ps.523.0 million and the sale of investment securities held for trading of Ps.176.1 million.

During the year ended December 31, 2009, net cash flow used in our investing activities was Ps.1,473.0 million, attributable mainly to the net effect of the acquisition and sale of property, plant and equipment of Ps.342.9 million, the purchase of securities held for trading of Ps.486.4 million and the recognition of the effect of the spin-off of our real estate business of Ps.690.4 million, partially offset by interest received of Ps.46.7 million.

Financing Activities

During the nine-month period ended September 30, 2012, net cash flow used in our financing activities was Ps1,221.7 million, attributable mainly to dividends paid to controlling and non-controlling interests of Ps.1,270.1 million.

During the year ended December 31, 2011, net cash flow used in our financing activities was Ps.1,965.4 million, attributable mainly to the payment of loans net of borrowing from financial institutions and issuance of *certificados bursátiles* of Ps.1,455.5 million, interest payments of Ps.419.3 million and dividends paid to controlling and non-controlling interests of Ps.90.6 million.

During the year ended December 31, 2010, net cash flow used in our financing activities was Ps.3,740.9 million, attributable mainly to the repayment loans net of borrowings from financial institutions and the issuance and sale of *certificados bursátiles* for Ps.3,176.1 million, interest payments of Ps.485.5 million and dividends paid to controlling and non-controlling interests of Ps.79.3 million.

During the year ended December 31, 2009, net cash flow used in our financing activities was Ps.105.4 million, attributable mainly to the repayment of loans net of borrowings from financial institutions of Ps.660.7 million, interest payments of Ps.608.5 million and to dividends paid to controlling and non-controlling interests of Ps.157.6 million.

Dividends

In 2009, 2010, 2011 and during the nine-month period ended September 30, 2012, we paid Ps.157.6 million, Ps.79.4 million, Ps.90.6 million and Ps.1,270.1 million, respectively, in dividends to our shareholders.

On November 20, 2012, our shareholders declared a cash dividend of Ps.4.821275 per share, totaling Ps.4,700.0 million, which was paid on November 21, 2012. See "Dividends and Dividend Policy."

Capital Expenditures

During 2013, we expect to make capital expenditures for approximately Ps.3,207.3 million to open an expected seven Sears department stores, eight Sanborns store-restaurants, six iShop stores, one DAX store, to remodel certain Sears department stores, Sanborns store-restaurants, iShop stores and DAX stores, to remodel our Chocolate Factory, our food processing centers and our Sanborns receipt and distribution center in Santa Clara, State of Mexico and to invest in inventory and consumer financing. Based on our 2013 annual budget to open stores in Mexico, we expect that each Sears department store will require an average investment of Ps.303.6 million, each Sanborns store-restaurant will require an average investment of Ps.50.5 million, each iShop store will require an average investment of Ps.8.2 million and each DAX store will require an average investment of Ps.8.3 million, in each case including the cost of land and construction, the cost of customizing stores or restaurants, purchases of inventory and liquidity for consumer financing.

The following table presents our capital expenditures for the periods and years indicated below:

	Years Ended December 31,				Nine-Month Periods Ended September 30,		
	2009	2010	2011	2011	2011	2012	2012
	(millions of Pesos)			(millions of Dollars)	(millions of Pesos)		(millions of Dollars)
	(Mexican FRS)				(IFRS)		
Opening expenses	**229.8**	**242.0**	**263.2**	**21.2**	**398.6**	**329.7**	**24.9**
Sears and boutiques	76.3	9.4	57.9	4.7	242.9	180.7	13.7
Sanborns	95.1	74.6	144.0	11.6	122.3	128.4	9.7
Music, iShop and eduMac	57.6	64.4	57.4	4.6	32.0	17.3	1.3
Others[1]	0.8	93.6	3.9	0.3	1.4	3.3	0.2
Renovation expenses	**30.4**	**72.4**	**71.2**	**5.7**	**73.1**	**44.5**	**3.4**
Sears and boutiques	-	33.8	-	-	16.9	22.9	1.7
Sanborns	21.9	27.8	56.6	4.6	45.2	1.8	0.1
Music, iShop and eduMac	8.5	9.5	14.6	1.2	11.0	19.8	1.5
Others[1]	-	1.3	-	-	-	-	-
Investment in fixed assets	**229.7**	**505.8**	**890.9**	**71.9**	**382.6**	**121.0**	**9.2**
Sears and boutiques	171.6	391.9	659.0	53.2	196.0	75.3	5.7
Sanborns	27.5	81.4	223.9	18.1	170.2	17.7	1.3
Music, iShop and eduMac	5.6	8.6	-	-	-	-	-
Others[1]	24.9	23.8	8.0	0.6	16.4	28.1	2.1
Total expenditure in the acquisition of property, machinery and equipment	**489.9**	**820.2**	**1,225.3**	**98.9**	**854.3**	**495.2**	**37.5**
Maintenance	**80.1**	**102.3**	**92.6**	**7.5**	**79.4**	**95.5**	**7.2**
Sears and boutiques	-	-	-	-	-	-	-
Sanborns	80.1	102.3	91.2	7.4	76.8	93.2	7.1
Music, iShop and eduMac	-	-	-	-	-	-	-
Others[1]	-	-	1.4	0.1	2.6	2.3	0.2
Total	**570.0**	**922.5**	**1,317.9**	**106.4**	**933.7**	**590.7**	**44.7**

[1] Others includes our DAX stores, our Sanborns Café restaurants, our Saks Fifth Avenue department stores, our Sears department stores and Sanborns store-restaurants in Central America, our Seven boutique and our Pam Pam industrial cafeterias; Sanborns and Mixup credit card portfolio management and *Plaza Loreto* and *Plaza Inbursa* shopping centers.

Indebtedness

The following table sets forth our indebtedness for the periods and years indicated:

	As of December 31,				As of September 30,		
	2009	**2010**	**2011**	**2011**	**2011**	**2012**	**2012**
	(millons of Pesos)			(millons of Dollars)	(millons de Pesos)		(millons of Dollars)
	(Mexican FRS)				(IFRS)		
Short-term debt							
Bank loans	713.3	359.9	25.9	1.9	566.3	124.1	9.7
Certificados bursátiles	2,700.0	-	1,350.0	96.6	1,245.0	1,371.9	106.7
Current portion of long- term debt	-	2,471.4	-	-	-	-	-
Total short-term debt	3,413.3	2,831.3	1,375.9	98.4	1,811.4	1,495.9	116.5
Long-term debt	2,611.7	-	-	-	-	-	-
Total debt	**6,025.1**	**2,831.3**	**1,375.9**	**98.4**	**1,811.4**	**1,495.9**	**116.5**

As of September 30, 2012, our total indebtedness was Ps.1,495.9 million (U.S.$116.5 million), 98.4% of which was denominated in Mexican pesos and 100% of which accrued interest at variable rates.

Our indebtedness has been primarily used to fund our working capital needs and capital expenditures.

Bank Loans

As of September 30, 2012, we had credit facilities available for Ps.7,650.0 million (U.S.$595.3 million) to finance working capital and other capital requirements. As of September 30, 2012, we had Ps.124.1 million (U.S.$9.7 million) of outstanding borrowings under these credit facilities.

We have an available credit line with Inbursa under which we may borrow up to Ps.1,700.0 million or its equivalent in U.S. dollars. Disbursements in Mexican pesos accrue interest at a rate equal to TIIE plus a margin negotiated on an arms' length basis. Disbursements in U.S. dollars accrue interest at a rate equal to LIBOR plus a margin negotiated on an arms' length basis. As of September 30, 2012, we had no outstanding amounts payable under our credit line with Inbursa.

We have an available credit line with BBVA Bancomer S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer under which we may borrow up to U.S.$200.0 million or its equivalent in Mexican pesos, or the "Bancomer Credit Line," and another available credit line with Banamex under which we may borrow up to Ps.1,100.0 million, or the "Banamex Credit Line."

Since October 1, 2012, we have made various borrowings under our Bancomer Credit Line and under our Banamex Credit Line. As of the date of this offering circular, these borrowings were documented with five promissory notes: (i) two promissory notes for an aggregate amount of Ps.1,200.0 million under our Bancomer Credit Line, bearing interest at an interest rate per annum of 4.86%, (ii) one promissory note for an aggregate amount of U.S.$1.85 million under our Banamex Credit Line, bearing interest at an interest rate per annum of 1.50%, and (iii) two promissory notes for an aggregate amount of Ps.800.0 million under our Banamex Credit Line, bearing interest at an interest rate per annum of 4.85%.

As of the date of this offering circular, all amounts of principal and interest due under our credit facilities have been paid and we are in compliance with all other covenants.

The principal covenants under our credit facilities are the following:

- File with the CNBV and the BMV our quarterly and annual reports pursuant to the LMV and the Regulations. Our quarterly reports include information on a cumulative basis and the relevant information for the same period in the previous fiscal year.

- Deliver annual information presented to or discussed by our annual ordinary shareholders meeting, including:

  - The report of the board of directors to the shareholders meeting:

  - Year-end audited financial statements; and

  - Other applicable information.

- Punctually pay any amounts due.

- Deposit with Indeval the principal and interest under the credit facilities.

***Marketable Notes* (Certificados Bursátiles)**

On May 19, 2011, our subsidiary Sears Operadora México, S.A. de C.V. issued unsecured *certificados bursátiles* in the Mexican capital markets under a two-year program authorized by the CNBV for up to Ps.2,500.0 million, or the "*Certificados Bursátiles.*" The *Certificados Bursátiles* constitute short-term debt. They mature every 28 days with the option of being automatically refinanced and accrue interest at an annual interest rate that ranges between 4.5% and 4.6%. Interest is discounted from and factored in the issue price of the *Certificados Bursátiles* upon each issuance. As of September 30, 2012, the unpaid balance of the *Certificados Bursátiles* was Ps.1,371.9 million (US$106.7 million).

On November 14, 2012, we issued additional *Certificados Bursátiles* under our authorized program in the amount of Ps.1,125.0 million, totaling Ps.2,500.0 million outstanding principal amount.

Contractual Obligations and Business Commitments

The following table sets forth our contractual obligations and business commitments as of September 30, 2012:

	Payments by Period			
	Total	Less than 1 year	1-5 years	More than 5 years
	(millions of Pesos)			
Short-term debt obligations	1,495.9	1,495.9	-	-
Long-term debt obligations	-	-	-	-
Lease obligations	3,546.8	288.9	1,207.7	2,050.2
Total	5,042.7	1,784.8	1,207.7	2,050.2

Off-Balance Sheet Arrangements

As of September 30, 2012, we did not have any off-balance sheet arrangements.

Risk Management

We periodically evaluate our exposures to interest and exchange rates and determine whether to adjust or hedge our positions. We commonly use derivative financial instruments to adjust or hedge our exposures. Normally, we only enter into hedging transactions with respect to our financial assets and liabilities.

Exchange Rates

As of September 30, 2012, we did not have any material financial assets denominated in U.S. dollars and had U.S.$23.7 million (Ps.304.9 million) of financial liabilities denominated in U.S. dollars consisting of accounts payable to suppliers. At such date, we did not have any derivative instruments to hedge our exposure to fluctuations in foreign exchange rates since we normally pass on any cost and liability arising out of such fluctuations to our final consumers by proportionately increasing the prices of our products and merchandise.

Interest Rates

As of September 30, 2012, we had Ps.626.3 million (U.S.$48.7 million) in financial assets accruing interest at variable rates, consisting of investments with banking institutions. At such date, all of our financial liabilities accrued interest at variable rates, consisting mainly of financial indebtedness.

As of September 30, 2012, the position of our interest rate derivatives was as follows:

Type of derivative, value of contract	Economic purpose	Accounting treatment	Notional amount	Underlying assets		Fair market value	Maturity			Collateral
				Unit	Reference		2012	2013	2014+	
			(millions)			(millions of Pesos)				
Swap TIIE fixed rate	Hedging	Trading and speculation	300.0	Pesos	TIIE	41.0	200.0	100.0	-	None

See Note 10 to our Audited Financial Statements and Note 10 to our Interim Financial Statements for a more detailed description of our derivative financial instruments.

Internal Controls

We have adopted internal control policies and procedures designed to provide clarity and simplicity in the flow of financial information for the preparation of our consolidated financial statements. We believe that our efficient organizational structure provides us with the necessary tools to accurately and effectively apply our internal control policies and procedures.

The internal control policies and procedures of our subsidiaries are approved by the office of the chief executive officer and by our operating divisions in charge of enforcing our organizational and business mission. Such policies and procedures are designed to provide reasonable assurance that the flow of information is clear and accurate to prepare the financial information of each of our subsidiaries and on a consolidated basis.

Our operational processes are subject to periodic internal audits and the audit of Grupo Carso. Our internal auditing team periodically presents to our audit and corporate practices committee and the relevant committee of Grupo Carso a report on compliance with internal controls, which provides reasonable assurance that our operations are subject to and in compliance with guidelines set forth by our management and that our financial reporting complies with IFRS. Less relevant issues at our subsidiary level are discussed and resolved by the relevant officers.

Critical Accounting Policies

The preparation of our Financial Statements in conformity with Mexican FRS and IFRS requires us to make estimates of events that may not be quantified with precision and that affect certain reported amounts. The estimates include judgments with a certain level of uncertainty and materiality and therefore are critical. Estimates may be modified in the future due to changes in the election of assumptions used in determining the estimates or in economic conditions.

Our most critical estimates are inventory and accounts receivable reserves, employee benefits at retirement, useful life of property, plant and equipment, impairment of long-lived assets, valuation of investment properties, valuation of financial instruments and contingencies.

We believe our most critical accounting policies that require the application of estimates and/or judgments are as follows:

- *Inventory and accounts receivable reserves*. We use estimates to determine inventory and accounts receivable reserves. When calculating inventory reserves, we consider production and sales volumes, as well as the demand for certain products. When determining the allowance for doubtful accounts, we primarily consider the financial risk represented by each customer, unsecured accounts and significant collection delays based on established credit conditions.

  Our policy with respect to overdue payments consists of classifying accounts as delinquent when they are overdue for 30 days or more, and generally classifying amounts as potential losses in our financial statements when they are more than 180 days overdue, depending on the circumstances of the account. We have preventive reserves that cover 100% of the balance of all delinquent accounts that are overdue for more than 90 days.

- *Property, machinery and equipment*. We review the estimated useful life of property, machinery and equipment at the end of each annual period to determine the depreciation of these assets. Asset useful lives are defined according to the technical studies prepared by specialized internal personnel and with the participation of external specialists. As part of the adoption of IFRS, for amounts reported as of September 30, 2011 and 2012, we prepared a detailed analysis to modify the useful life of certain components of property, machinery and equipment. The level of uncertainty related to useful life estimates is also linked to market changes and asset utilization based on production volumes and technological development.

- *Investment property*. We prepare an annual valuation of investment property with the assistance of independent appraisers. The valuation techniques are based on different methods including physical inspection, market and income approaches. We have used the physical inspection approach to value investment property. The valuation methodology includes observable assumptions for properties which, while not identical, involve the same geographic zones and commercial use. We consider the highest and best use of our assets.

  The valuation techniques used by us were not modified in 2011 and 2012. We believe that our valuation methodologies and assumptions used are appropriate for determining the fair value of our investment property.

- *Impairment of long-lived assets*. The carrying value of noncurrent assets is reviewed to detect indications of impairment; i.e., if certain situations or changing circumstances indicate that carrying values may not be recoverable. If indications of impairment are detected, we perform a review to determine whether the carrying value exceeds its recovery value and is impaired. When applying asset impairment tests, we must estimate the value in use assigned to property, machinery and equipment and cash generating units, in the case of certain assets. Use value calculations require that we determine the future cash flows which must be produced by cash generating units, together with an appropriate discount rate for calculating present value. We use cash flow projections by estimating market conditions, prices, production and sales volumes. For the years ended December

31, 2009, 2010 and 2011 we did not recognize any impairment on tangible assets in our statement of financial position. See Note 4 of our Audited Financial Statements.

- *Valuation of derivative financial instruments.* We use valuation techniques for our derivative financial instruments which include information that is not always based on an observable market to estimate the fair value of certain derivative financial instruments. Note 11 to our Interim Financial Statements contains detailed information on the key assumptions used to determine the fair value of our derivative financial instruments, as well as an in-depth sensitivity analysis of these assumptions. We believe that the valuation techniques and assumptions used are suitable for determining the fair value of our derivative financial instruments.

- *Contingencies*. We are subject to certain legal proceedings on which we evaluate the probability of a payment obligation arising. Accordingly, we consider the legal situation in effect at the date of the estimation and the opinion of our legal advisers. These evaluations are reconsidered periodically.

- *Employee benefits at retirement*. We use assumptions to determine the best annual estimate of these benefits. These benefits are jointly and annually determined in conjunction with independent actuaries. These assumptions include demographic hypotheses, discount rates, expected remuneration increases and future employee tenure, among others. While we believe that these assumptions are appropriate, any modification in this regard could affect the value of employee benefit assets (liabilities) and the statement of comprehensive income of the period in which any such modification takes place.

New Accounting Principles

The IASB has published a series of new IFRS and amendments to existing IFRS, which were issued, but had not taken effect when our Interim Financial Statements were prepared:

- IFRS 9, *Financial Instruments.* IFRS 9 must be adopted commencing on January 1, 2013, although its early adoption is permitted. In August 2011, the IASB issued an accounting regulatory proposal entitled *IFRS Mandatory Effective Date*, which proposes changing the effective date of IFRS 9 from January 1, 2013 to January 1, 2015. IFRS 9 requires that all recognized financial assets within the scope of IAS 39 be subsequently measured based on their applied cost or fair value. More specifically, debt investments in a business model intended to collect contractual cash flows exclusively composed by principal and interest on outstanding principal balances are generally measured according to their applied cost at the end of subsequent accounting periods. All other debt and capital investments are measured based on their fair value at the end of subsequent accounting periods.

- IFRS 10, *Consolidated Financial Statements*. IFRS 10 replaces the parts of IAS 27, *Consolidated and Separate Financial Statements*, regarding consolidated financial statements. Additionally, Standards Interpretation Committee No. 12, *Consolidation-Special Purpose Entities*, has been withdrawn due to the issuance of IFRS 10. Under IFRS 10, control is the only basis for consolidation. Furthermore, IFRS 10 includes a new definition of control which contains three elements: (a) power over an investee; (b) exposure or rights to variable returns from involvement with an investee, and (c) the investor's ability to utilize this power over the investee to affect the amount of the investor's returns. A large number of guidelines have been added to IFRS 10 to deal with complex scenarios.

- IFRS 11, *Joint Arrangements*. IFRS 11 replaces IAS 31, *Interests in Joint Ventures*. IFRS 11 focuses on the manner in which an arrangement, in which two or more parties exercise joint control, must be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, there are three types of joint ventures according to IAS 31: entities under joint control, assets under joint control and operations under joint control. Likewise, according to IFRS 11, joint ventures must

be accounted for by using the equity method, while entities under joint control according to IAS 31 can utilize the equity or proportionate consolidation method.

- IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a disclosure standard applicable to entities holding equity in subsidiaries, joint ventures, associates and/or unconsolidated structured entities. In general terms, the disclosure requirements of IFRS 12 are more extensive than under current standards.

- IAS 27, *Separate Financial Statements*.

- IAS 28, *Investments in Associates and Joint Ventures*.

IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) must be adopted commencing on January 1, 2013, although their early adoption is permitted, provided that, they are all adopted at the same time.

- IFRS 13, *Fair Value Measurement*. IFRS 13 establishes a single body of guidelines for fair value measurements and the respective disclosures. This standard defines fair value, establishes its measurement framework and requires disclosures regarding these measurements. The scope of IFRS 13 is extensive because it is applicable to both financial instrument items and non-financial instrument items for which other IFRS require or permit fair value measurements and disclosures about fair value measurement. In general terms, the disclosure requirements of IFRS 13 are more extensive than under current standards.

- Amendments to IAS 1, *Presentation of Items in Other Comprehensive Income*. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

  The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

OUR BUSINESS

Overview

We are a leading multi-format retailer and restaurant operator with operations primarily in Mexico. We operate retail stores and restaurants under our highly recognized formats and brands, which include Mexico's second largest department store chain (Sears) in terms of sales and number of stores, high fashion boutiques (Pier 1, Palacio de los Perfumes and Seven), a unique and highly successful retail concept (Sanborns stores), a retail and service chain selling the last-generation *Apple*-brand products (iShop and eduMac), the largest retail network of recorded music and video (Mixup, Mx Mixup, Discolandia and Tower Records), a luxury department store chain (Saks Fifth Avenue), a regional cosmetic and perfume retailer (DAX), a large restaurant chain offering traditional Mexican food at affordable prices (Sanborns restaurants and Sanborns Cafés), and a chain of industrial cafeterias (Pam Pam).

We focus on operating retail formats that have end markets that we believe offer strong growth potential and provide high profit margins and generate stable cash flow. Through our store network, located in 30 states of Mexico and Mexico City, we sell over 4,347.6 thousand stock-keeping-units including electronics, household appliances, furniture, apparel, pharmaceutical products, health and beauty products, books, videos, recorded music, *Apple*-branded products, toys, sporting goods, cellular telephones, diverse technology products and various other consumer goods and technology products, targeting all segments of the population, with a particular focus on the middle, upper-middle and high-income segments. Additionally, through our restaurant network, located in 27 states of Mexico and Mexico City, we offer traditional Mexican food at affordable prices.

As of September 30, 2012, we operated 410 retail stores and restaurants in Mexico, one retail store and two store-restaurants in El Salvador and one store-restaurant in Panama, with a total selling area of 958,800 square meters (10.2 million square feet). For the nine-month period ended September 30, 2012, we had consolidated net sales of Ps.26,707.4 million (U.S.$2,020.2 million), consolidated comprehensive income of Ps.2,010.0 million (U.S.$152.0 million) and EBITDA of Ps.3,224.0 million (U.S.$243.9 million). As of September 30, 2012, we had total assets of Ps.29,152.6 million (U.S.$2,268.7 million) and total stockholders' equity of Ps.19,132.4 million (U.S.$1,488.9 million). For the year ended December 31, 2011, we had consolidated net sales of Ps.37,044.3 million (U.S.$2,989.9 million), consolidated net income of Ps.2,926.4 million (U.S.$236.2 million) and EBITDA of Ps.5,114.2 million (U.S.$412.8 million). See "Summary—Recent Developments—Unaudited fourth quarter and year-end 2012 results," for certain financial information and operating data as of and for the years ended December 31, 2011 and 2012 and as of and for the three-month periods then ended.

Store and Restaurant Formats

Sears and Boutiques

Our Sears department stores and boutiques, which accounted for 50.7% of our consolidated net sales during the nine-month period ended September 30, 2012, enjoy wide recognition in Mexico and have been historically associated with a large assortment of high-quality products for the middle and upper middle-income segment of the Mexican population. The product portfolio of Sears department stores and boutiques ranges from affordable private label apparel to last-generation electronics and household appliances that include our Sears quality guarantee and our service plans. The majority of our Sears department stores operate as traditional department stores in shopping centers frequented by high-income customers, whereas our boutiques exclusively sell one particular brand. As of September 30, 2012, we operated 78 Sears department stores and four boutiques in Mexico and El Salvador, with a total selling area of more than 605,000 square meters (6.5 million square feet). As of the same date, we had 2.4 million outstanding accounts under our Sears private label credit card program.

Sanborns

Our Sanborns store-restaurants, which accounted for 32.4% of our consolidated net sales during the nine-month period ended September 30, 2012 (72.7% of which were derived from sales from our Sanborns stores, 24.2% of which were derived from sales from our Sanborns restaurants and 3.1% of which were derived from services rendered, mainly payment collection services). This format represents a unique retail concept in Mexico, offering a comprehensive shopping experience for our customers with a wide range of products available for purchase, including a variety of books and magazines, music, pharmacy products, health and beauty products, electronics, jewelry, gifts, candy and toys, while conveniently providing our customers with the opportunity to pay for various externally contracted services. In addition, each of our Sanborns store-restaurants has a full-service restaurant and most have a full-service bar. Like our Sears department stores, the majority of our Sanborns store-restaurants are located in highly frequented shopping centers. We also have a number of stand-alone store-restaurants in strategic locations throughout Mexico. As of September 30, 2012, we operated 166 store-restaurants, located principally in Mexico, with a total selling area (including restaurant sales-area) of more than 251,486 square meters (2.7 million square feet), and more than 53,000 seats.

Music, iShop and eduMac

Our Mixup, Mx Mixup, Discolandia, Tower Records, iShop and eduMac formats, which accounted for 11.0% of our consolidated net sales during the nine-month period ended September 30, 2012, cover different segments of the Mexican population and represent the largest music and video retail network in Mexico with a catalogue of more than 125,000 titles and the largest chain of retail stores selling *Apple*-branded products and related accessories in Mexico. As of September 30, 2012, we operated 109 stores in Mexico under these formats, with a total selling area of 41,564 square meters (447.4 thousand square feet).

Others

Our DAX stores, Sanborns Café restaurants and Saks Fifth Avenue department stores, which together with our other sources of income accounted for 5.9% of our consolidated net sales during the nine-month period ended September 30, 2012, complete our diverse store portfolio. Our DAX stores offer convenience goods, promotional items, perfume, cosmetics, body care and household items, largely through direct sales to end consumers. Our Saks Fifth Avenue department stores offer similar products and services as those offered in U.S. Saks Fifth Avenue stores, which have been adapted to local preferences. As of September 30, 2012, we had 26 DAX stores in the northeast region of Mexico, with a total selling area of 31,658 square meters (340.8 thousand square feet), 28 Sanborns Café restaurants (16 of which were in Mexico City), with more than 5,400 seats, and two Saks Fifth Avenue department stores, both located in Mexico City, with a total selling area of 18,282 square meters (196.8 thousand square feet). Additionally, we own two highly successful shopping centers located in Mexico City, *Plaza Loreto* and *Plaza Inbursa*, with total gross leasable area of 73,725 square meters (793.6 thousand square feet), operating at full capacity. 7.4% of the total gross leasable area in our shopping centers is occupied by several of our stores and restaurants operating our various formats.

Given our product mix of high-ticket items and our target market in retail operations, we offer consumer financing to customers who elect to purchase our products on credit. Our consumer credit offerings include purchases made through our Sears, Sanborns and Mixup private label cards. As of September 30, 2012, our credit card portfolio reached Ps.7,888.5 million with 2.8 million cardholders, with a low non-performing loan rate of 2.5%. During the first nine months of 2012, 24.5% of our sales were made using our private label credit cards. We believe that our credit products, combined with our experience providing consumer financing, will continue to drive traffic to our retail stores and enhance the purchasing power of our existing customers, while increasing the profitability of our retail operations and supporting our growth prospects.

The following table summarizes the percentages of net sales and EBITDA of our different retail and restaurant formats for the nine-month period ended September 30, 2012, as well as a description of main products sold:

		As of and for the Nine-Month Period Ended September 30, 2012			
Format	**Associated Stores**	**Number of Stores**	**% of Net Sales**	**% of EBITDA**	**Main Products Sold**
Sears Department Stores and Boutiques................	Sears Pier 1 Palacio de los Perfumes	77 3 1	50.7	53.6	Large and small appliances, furniture, home improvement, electronics and apparel
Sanborns Store-Restaurants.............	Sanborns	163	32.4	21.4	Books and magazines, health and beauty, pharmacy, electronics, toys, music, video, jewelry, photography, cellular phones, confectionery and gifts Payment collection services Full service restaurants and bars
Music, iShop and eduMac...................	Mixup Mx Mixup iShop eduMac Tower Records Discolandia	39 21 37 6 4 2	11.0	4.9	Apple products and related accessories Recorded music, videos, movies and videogames Apple-related product learning programs
Other	DAX Sanborns Café Saks Fifth Avenue Sanborns in Central America Sears in Central America Seven Pam Pam *Plaza Loreto* *Plaza Inbursa*	26 28 2 3 1 1 33 1 1	5.9	20.1[1]	Perfume and cosmetics Affordable traditional Mexican food High-end apparel and accessories

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[1] Includes royalties paid by our operating subsidiaries to Grupo Sanborns, S.A.B. de C.V.

We are continuously expanding and optimizing our product and service offerings throughout our multi-format store portfolio, where we offer a broad assortment of leading brand-names and other third-party durable goods. Among our private label brands and the many other leading international and local brands that comprise our portfolio, the following table lists some of our top selling brands, including: (i) the home appliances and fashion apparel such as clothes, shoes and accessories offered in our Sears department stores and boutiques; (ii) the electronics offered through our Sanborns store; (iii) the *Apple*-brand products offered through our successful iShop stores; and (iv) the luxury brands offered through Saks Fifth Avenue department stores.

Products	**Name Brands**
Apparel	Adidas, Armani, BCBG, Burberry, Benetton, Calvin Klein, Carolina Herrera, DKNY, Dockers, Dolce & Gabbana, Gucci, Guess, Kate Spade, Kenneth Cole, Lacoste, Levi's, Michael Kors, Nautica, Nike, Ralph Lauren, Tommy Hilfiger, Tory Burch and Yves Saint Laurent
Major and Small Appliances	Electrolux, GE, Kitchen Aid, Mabe, Maytag, Nespresso, Pier 1, Sunbeam and Whirlpool
Home Improvement	Black & Decker, Bosch, Craftsman and Dewalt
Electronics	Apple, Blackberry, Bose, Dell, Kenwood, Koblenz, Lenovo, Microsoft, Nikon, Nintendo, Panasonic, Phillips, Pioneer, RCA, Samsung, Sharp, Sony and Toshiba

The following table sets forth key financial and operating data for each of our retail and restaurant formats:

	As of and for the Years Ended December 31,				As of and for the Nine-Month Periods Ended September 30,		
	2009	2010	2011	2011	2011	2012	2012
	(Pesos, except percentages and other operating data)			(U.S. Dollars, with the same exceptions)	(Pesos, except percentages and other operating data)		(U.S. Dollars, with the same exceptions)
	(Mexican FRS)				(IFRS)		
Consolidated							
Number of stores	398	404	419	419	409	414	414
Store-sales area (m^2)	926,874	909,461	978,102	978,102	927,833	958,800	958,800
Number of seats	57,638	58,317	59,906	59,906	58,899	59,495	59,495
Number of shopping centers	2	2	2	2	2	2	2
Gross leasable area (m^2)	59,722	59,722	59,722	59,722	59,722	73,725	73,725
Net sales (millions)	30,554.6	33,261.0	37,044.3	2,989.9	24,525.0	26,707.4	2,020.2
EBITDA (millions)	4,387.9	4,457.0	5,114.2	412.8	2,919.2	3,224.0	243.9
EBITDA margin (%)	14.4	13.4	13.8	13.8	11.9	12.1	12.1
Sears Department Stores and Boutiques							
Number of stores[1]	76	75	79	79	75	77	77
Number of boutiques[2]	2	4	5	5	5	4	4
Store-sales area (m^2)	575,690	557,688	616,732	616,732	574,325	598,876	598,876
Weighted sales per m^2 (thousand)	27.2	28.1	29.6	2.4	19.6	19.6	1.5
Net sales (millions)	17,118.7	18,531.8	19,561.4	1,579.0	12,474.5	13,549.8	1,024.9
Sears same-store sales growth (%)	2.2	6.1	5.3	5.3	4.9	4.1	4.1
Sales on credit as a % of net sales	54.7	51.4	50.5	50.5	50.8	51.8	51.8
EBITDA (millions)	2,062.8	2,282.4	2,585.7	208.7	1,606.8	1,727.0	130.7
EBITDA margin (%)	12.2	12.4	13.2	13.2	12.8	12.7	12.7
Sanborns Store-Restaurants							
Number of stores	158	160	165	165	162	163	163
Total sales area (m^2)	233,863	237,996	247,308	247,308	241,963	246,142	246,142
Store-sales area (m^2)	147,888	151,070	157,430	157,430	153,766	156,784	156,784
Number of seats	50,948	51,627	53,420	53,420	52,413	53,051	53,051
Weighted sales per m^2 (thousand)	49.5	54.4	57.0	4.6	38.6	40.1	3.0
Weighted sales per seat (thousand)	43.2	44.9	46.1	3.7	33.7	34.4	2.6
Net sales (millions)	10,159.5	11,073.0	11,858.0	957.1	8,123.8	8,652.2	654.5
Same-store sales growth (%)	(2.6)	9.3	5.0	5.0	4.9	4.7	4.7
EBITDA (millions)	1,373.6	1,273.9	1,319.5	106.5	600.2	691.1	52.3
EBITDA margin (%)	13.5	11.5	11.1	11.1	7.4	7.9	7.9
Music, iShop and eduMac							
Number of music stores[3]	77	74	69	69	69	66	66
Number of iShop stores	13	23	33	33	29	37	37
Number of eduMac centers	-	4	7	7	7	6	6
Store-sales area (m^2)	41,084	41,424	42,098	42,098	41,213	41,564	41,564
Weighted sales per m^2 (thousand)	55.2	66.8	88.3	7.1	57.6	70.4	5.3
Net sales (millions)	2,198.7	2,760.4	3,664.3	295.7	2,388.7	2,932.4	221.8
Same-store sales growth (%)	(4.0)	4.3	17.5	17.5	21.6	13.1	13.1
EBITDA (millions)	160.7	167.8	255.9	20.7	91.0	158.2	12.00
EBITDA margin (%)	7.3	5.8	6.9	6.9	3.8	5.4	5.4
Others[4]							
Number of stores[5]	73	64	62	62	62	61	61
Store-sales area (m^2)	76,859	72,478	72,089	72,089	72,089	72,218	72,218
Number of seats	6,690	6,690	6,486	6,486	6,486	6,444	6,444
Number of shopping centers	2	2	2	2	2	2	2
Gross leasable area (m^2)	59,722	59,722	59,722	59,722	59,722	73,725	73,725
Net sales (millions)	1,079.7	896.8	1,960.6	158.2	1,538.0	1,573.0	119.0
EBITDA (millions)	790.8	732.9	953.2	77.0	621.2	647.7	49.0
EBITDA margin (%)	73.2	81.7	48.6	48.6	40.3	41.1	41.1

[(1)] Includes nine Dorian's stores closed or converted into Sears department stores in 2009 and 2010 and four JC Penney's department stores converted into Sears department stores in 2009.
[(2)] Boutiques include Pier 1 Boutique, Jeanious Boutique and Palacio de los Perfumes boutique.
[(3)] Music stores include Mixup, Mx Mixup, Tower Records and Discolandia.
[(4)] Others includes sales of our DAX stores, our Sanborns Café restaurants, our Saks Fifth Avenue department stores, our Sears department stores and Sanborns store-restaurants in Central America, our Seven boutique and our Pam Pam industrial cafeterias; finance income on credit sales from our Sanborns and Mixup credit cards, leasing income from renting commercial units at our *Plaza Loreto* and *Plaza Inbursa* shopping centers, royalties paid by our operating subsidiaries to Grupo Sanborns, S.A.B. de C.V. and eliminations of intercompany transactions.
[(5)] Includes 26 DAX stores, 28 Sanborns Café restaurants, two Saks Fifth Avenue department stores, one Sears department store and two Sanborns store-restaurants in El Salvador, one Sanborns store-restaurant in Panama, one Seven boutique and 33 Pam Pam industrial cafeterias.

Opportunities in the Retail Sector

We believe we are in a favorable position to capitalize on attractive growth opportunities through the constant expansion of our selling area, product portfolio and geographic reach, while strengthening our multi-format retail portfolio. We also seek to achieve strong organic and improved same-store-sales growth rates by relying on attractive country and industry fundamentals, such as a strong macroeconomic environment, favorable demographics, low formal retail and shopping center penetration, low consumer financing penetration and low indebtedness, increasing demand for durable goods, innovative and modern product offerings and lower tariffs on textile imports from Asia, among other factors.

Strong macroeconomic environment

Mexico is the second largest economy in Latin America with nominal GDP of Ps.13,844 billion in 2011 and a per capita GDP of Ps.125,900 (US$10,138), supported by a stable macroeconomic environment for the past 15 years as a result of prudent monetary, fiscal and debt policies. The Mexican economy achieved real GDP growth rates of 5.6% and 3.9% in 2010 and 2011, respectively, with *Banco de México* estimating real GDP growth at 3.9% in 2012 and 3.8% in 2013. According to INEGI, unemployment and annualized consumer price inflation were 4.5% and 4.1%, respectively, at the end of September 2012. In addition, Mexico's fiscal deficit has not exceeded 3.0% over the past five years. As a result, we believe there are good prospects for further growth of Mexico's economy.

Favorable country demographics

We believe Mexico will benefit from favorable demographic dynamics, including the young average age of the population, 45% of which is currently under the age of 40. According to the latest population census, performed in 2010 by the INEGI, Mexico has a population of 112.5 million, which is expected to increase 5.6% by 2015, compared to 4.7% in Brazil and 4.1% in the United States. The largest population segment will be 25 to 29 years old and it is estimated that that segment will account for 8% of the total population by 2025. In addition, the old-age dependency ratio, despite rising, will be only around one third of the projected average in developed markets. We also believe that favorable changes in Mexico's socioeconomic structure, with a majority of Mexicans moving into the middle class, supported by the rising middle- and high-income segments of the population, will continue to support most of Mexico's consumption in future years.

Low formal retail penetration

Although Mexico is the second largest economy in Latin America, we believe the Mexican market continues to offer strong organic growth potential given the low levels of formal retail penetration relative to the United States, Europe and other Latin American markets. According to the International Council of Shopping Centers, in 2011, formal retail penetration reached 0.15 square meters of retail space per capita in Mexico, compared to 0.42 and 2.21 square meters per capita in Brazil and the United States, respectively. Moreover, department store penetration in Mexico remains low, relative to other emerging countries, with department

store sales as a percentage of total retail sales in Mexico reaching 3.8% at the end of 2011, compared to 12.0% in Chile and 4.8% in the United States.

Low penetration of consumer financing

According to Euromonitor, at the end of 2011, Mexico had the lowest consumer financing penetration ratio among the largest Latin American economies, with a consumer financing-to-GDP ratio of 3.3%, compared to 9.6% in Brazil, 37.1% in Chile and 8.2% in Colombia. We believe Mexico is in a great position to narrow this gap as consumer leverage is low following the deleveraging process that began in 2008, especially in respect to credit card products. Asset quality has also improved, as evidenced by the consumer non-performing loan ratio, which decreased from 5.6% in 2008 to 4.3% at the end of September 2012.

Increasing demand for durable goods

Greater disposable income, a growing middle class and rising consumer sentiment, coupled with low levels of unemployment, household deleveraging and the potential expansion of consumer financing represent some of the factors that should continue to support the strong demand for durable goods in Mexico (principally, clothes, household appliances and electronics). Additionally, expanding attractive customer promotions and credit products, such as interest-free installment programs, and innovative product offerings, are likely to drive strong sales of durable goods in future years.

High growth in clothing and accessory consumption

Consumption is one of the most important components of any economy. According to data published by INEGI, in 2011, retail consumption represented 17.4% of Mexico's nominal GDP (85.3% of which was private). Also in 2012, the retail sale index showed an overall increase of 2.6%.

One of the relevant factors in the continuous growth of clothing and accessory sales in Mexico is the significant reduction in tariffs on textile imports from China to Mexico, which has resulted in highly attractive opportunities for department stores and clothing retailers. We believe this decrease in import tariffs will result in increased penetration and reduced prices of international brands sold in department stores and clothing retailers, while allowing retailers to increase their presence in the fashion segment and expand their portfolio of private brands while increasing profit margins.

Cities with significantly increased sales space

Generalized growth in recent years, not only in large cities but across the Mexican territory, and a major raise of infrastructure and commercial real estate projects have resulted in increased availability of retail space that will allow us to capitalize on the positive trend of retail consumption through the expansion of our store and restaurant networks. Currently, there are more than 250 cities in Mexico with a population of over 50,000 inhabitants without access to important retail chains.

Low penetration of internet sales

We believe that traditional formats dealing with consumers face-to-face are more attractive than internet sales, which might be explained by Mexico's low internet sales penetration, as compared to other countries in the region. Although internet sales may represent lower operating costs, our formats involving physical stores and direct contact with consumers provide us with a competitive advantage and distinguish us from our competitors. We have, however, responded to this growth segment by creating and maintaining our internet sales pages.

Our Competitive Strengths

Leading market position in Mexico's retail sector

We believe we are one of the largest non-grocery retailers in Mexico and hold leading positions in several retail categories in which we participate, including:

- Second largest department store chain operator in Mexico through our Sears department stores;
- Market leader with a unique mixed retail concept in Mexico through our Sanborns store-restaurants;
- Second largest full service restaurant chain operator through our Sanborns restaurants;
- Among the largest authorized retailers of *Apple*-branded products and related accessories (excluding mobile companies) through our iShop stores;
- Leading retailer of video and recorded music through our music stores, Mixup, Sanborns store-restaurants and Sears;
- Retailer of choice for books through our Sanborns store-restaurants;
- One of the most important non-bank retailer credit card providers; and
- Leading position in several other product and service categories available at our different store formats, including cellular telephones, photography equipment, cosmetics and perfume, watches and toys, among other products, as well as payment processing services for companies such as American Express, Telmex and Telcel.

Unique multi-format retail portfolio of highly recognized brands

Throughout our 109-year history, we have built a unique multi-format and diversified retail portfolio that offers comprehensive value to our customers and suppliers. We believe that all of our formats enjoy wide consumer recognition in the markets where we operate. We have an extensive operational history of serving the Mexican market with unique and successfully developed retail formats such as Sanborns, and with strong relationships with brands such as Sears, Apple and Saks, which allow us to leverage their brands in our local market. Our brands are associated with a broad product assortment at competitive prices, value-added services, personalized and high-quality customer service, convenience, good store locations and attractive promotions and sales financing programs, among other attributes.

Broad geographic coverage while serving a large percentage of the Mexican population

We have a widely diversified platform, with a presence in 65 cities throughout Mexico. We believe we are well positioned to further expand our geographic footprint and open new stores, particularly through Sears and our unique Sanborns format and iShop stores, in regions that we believe offer strong growth potential. Through our different formats, we believe we serve a large percentage of the Mexican population and that we are the only non-grocery retailer that is able to reach such a large portion of Mexican households. In 2011, we carried out approximately 26,830 million and 66,228 million transactions through our main formats, Sears and Sanborns, respectively. Furthermore, through these formats we have the broadest coverage of socioeconomic segments within our portfolio and are well positioned to cater to customers with middle and upper-middle incomes. Our diversified multi-format portfolio also results in stable consumer demand during economic downturns and allows us to enhance revenue and profitability in a favorable economic environment through our exposure to the high-income segments.

Uniquely positioned to capitalize on numerous growth opportunities

We believe that our unique multi-format retail portfolio of highly-recognized store names, combined with our successful track record of organic growth and integrating acquisitions, will continue to be a key strategic differentiator and an important factor in the growth of our business. We believe we are uniquely positioned to take advantage of the growth opportunities offered by the Mexican market and to capitalize on a strong

macroeconomic environment, favorable country demographics, low formal retail and consumer financing penetration, increasing demand for durable goods and lower tariffs on textile imports. Other visible growth opportunities to increase same-store sales include store remodeling and improved store layouts, promoting the use of our private label cards and potential rollout of a co-branded credit card, expansion of loyalty programs such as *Círculo* Sanborns, and new exclusive product launches.

We believe we are one of the few companies with the expertise and operating capability to manage a wide spectrum of retail formats and continue diversifying and enhancing our offerings, by entering other product categories with attractive returns while creating strong synergy potential. Additionally, our strong operating platform positions us favorably to pursue value-accretive acquisitions in the markets where we participate or in new markets with strong growth potential where we may implement our successful business model.

Proven track record in successfully integrating acquisitions and entering new retail segments

Throughout our history, we have had a successful track record acquiring retail portfolios and successfully integrating and optimizing them. We have also had strong success in turning around unprofitable formats, in certain cases converting them into one of our formats, by improving product assortment and store layout, operating efficiencies, significant cost reductions and improved customer service. For example, in 1997, we acquired a majority ownership interest in Sears Mexico, which owned a portfolio of 40 stores that had consistently operated with financial losses. In 1998, only one year after the acquisition, we began to turn a profit by significantly reducing overhead expenses, improving inventory management, focusing on increased credit card penetration and exploiting cost synergies, among other revenue enhancement and cost reduction initiatives. Similarly, in 2003, we acquired six JC Penney's department stores and by 2009, we had converted all of them to Sears department stores and achieved breakeven operating margins.

We have also proven to be able to incorporate new attractive product categories into our retail portfolio that complement our value-added offerings and provide strong growth potential. For example, in 2007, we reached an agreement with the U.S. company Saks & Company to operate their retail formats in Mexico and, in 2010, we obtained a license to distribute *Apple*-branded products and related accessories in Mexico. In recent years, as a result of the constant evolution of the music and video markets, we have successfully converted several of our Mixup stores into iShop stores. We believe this conversion has allowed us to reduce our exposure to markets with low growth trends, while at the same time allowing us to take advantage of our wide network of stores to transition into segments with more attractive growth rates. Our disciplined approach to acquisitions is centered on securing premium real estate locations, expanding our geographic footprint, diversifying our retail portfolio, achieving economies of scale, realizing important revenue and cost synergies, and enhancing the return on investment of our portfolio.

Strong financial performance

We have a track record of consistent growth, profitability and cash flow generation. We have been able to maintain a revenue CAGR of approximately 11.0% from 2009 through 2011, while geographically expanding our store and restaurant networks in such period. We believe our focus on growth is proved by our top line performance. Our EBITDA for 2011 was Ps.5,114.2 million, which represents increases of 16.6% and 14.7% over our EBITDA in 2009 and 2010, respectively. As a result of our strong operating performance and working capital management, we believe we have also consistently generated above average ROIC in 2009, 2010 and 2011 11.5%, 13.1% and 15.1%, respectively.

In addition, we believe our strong financial performance and cash generation has enabled us to maintain a conservative debt profile, resulting in an attractive capital structure of 0.47x debt to EBITDA ratio as of September 30, 2012, with additional leverage capacity if required for future capital expenditures or strategic acquisitions. Moreover, we do not have significant credit risk as nearly 75.5% of our sales are in cash or cash equivalents, such as debit and credit card and electronic market vouchers sales, and our non-performing loan rate in private label credit cards has been historically low, averaging 2.9% in the last three years.

We believe the success of our business model is also due to our focus on efficient working capital, cash management and asset returns. We believe our strong ROIC is a result of our strong store operating performance together with superior supplier financing ratios, high inventory rotations and efficient capital deployment. In order to maintain attractive ROIC, we intend to continue to focus on efficient capital expenditure and cash flow generation.

Experienced management team and workforce supported by highly committed and experienced shareholders

Our senior management team has broad experience in the retail industry and we believe this team possesses the expertise, values and motivation to successfully execute our growth strategy. Our top management team has a proven track record of achieving sustainable and profitable organic growth, as well as successfully integrating acquisitions. We believe the team's experience has enabled us to anticipate and respond effectively to industry changes and increased competition, develop new projects with attractive returns on investment, as well as better understand our customer base and build strong relationships with our suppliers. Our management continuously emphasizes a work culture based on operational excellence, teamwork, innovation, best practices and a high degree of social responsibility. Our senior management team has also developed training and certification programs that have resulted in a well-trained, well-incentivized and loyal sales force. The experience and commitment of our senior management team has been a critical component in the growth of our multi-format retail portfolio, as well as in the continuing enhancement of our financial performance.

Our principal shareholder, Grupo Carso, is a leading Mexican conglomerate with an established culture of operational excellence and high governance standards. Moreover, Mr. Carlos Slim Helú, the controlling shareholder of Grupo Carso, has an unmatched track record of creating value for stakeholders across numerous industries in various countries.

Our Strategy

We seek to enhance our position as a leading Mexican retailer and restaurant operator and increase our presence in Mexico by building and maintaining customer loyalty, adapting to our customer's preferences and needs and promoting and continuing to develop our consumer credit offerings. We also plan to continue strengthening our best practices in order to consistently generate value through sustainable profit growth for our investors. To achieve these objectives, we plan on executing the following key strategies.

Capitalize on market growth opportunities

The highly fragmented Mexican retail market provides us with a significant opportunity to expand our store and restaurant networks. From 2005 to 2011, we grew our number of store and restaurant formats by 8.1% by adding 31 stores and restaurants through a combination of expansion of our existing network and acquisitions.

Given our established infrastructure and strong track record over the last decade of complementing our organic growth strategy through the acquisition of new formats on an opportunistic basis, we believe that we can acquire retailers, integrate them, successfully implement our operating model and generate synergies. We expect to strengthen our position in our existing markets, by expanding our selling area (organically and through acquisitions) and product portfolio, and achieve desired market shares in new markets by expanding our store network.

We continually analyze the geographic landscape and have highlighted several markets with characteristics that we believe are attractive opportunities to gain market share and to achieve strong profitability over a reasonable time period. Based on our analysis of the market, bolstered by our extensive team of professionals with significant experience in store openings, we believe we have the opportunity to significantly increase our current sales-store area in Mexico over the next five years by opening a significant number of stores and restaurants. Furthermore, we plan to strategically expand our business into selected

countries outside of Mexico over the next several years. We believe that our unique formats and our ability to adapt to various markets will have strong international appeal.

Increase customer traffic and sales

We believe we have a significant opportunity to increase our market share by:

- Opening new stores and restaurants and remodeling existing ones with attractive layouts;
- Promoting exclusive merchandise introductions, diversification of food products in our menus and maintaining the quality of merchandise and food products offered to draw in our customers;
- Further developing our credit card portfolio by introducing new products and categories and continue our marketing efforts towards increasing the number of active credit card accounts.
- Expanding and continuing to develop our exclusive maintenance and installation services offerings at our retail stores; and
- Continuing our focus on training sales associates, who are our primary points of contact with our customers, and improving our marketing approach to optimize our customers' shopping experience.

We believe our continued improvements in customer service and marketing will lead us to become the preferred choice amongst our customers in each of our formats. In line with our expectations, during 2011, we increased our presence in the market and deployed additional customer loyalty initiatives, which resulted in an increase in customer traffic and sales in stores where we track customer traffic levels. We will continue to cater to our customers in ways that are aimed at efficiently and effectively improving our customer traffic.

Improved and efficient operations, technology and customer service

We plan to continue to improve our operating margins by leveraging our low cost structure and inventory management systems, and by increasing our operating efficiency and profit margins. We believe that we are continuously improving, especially through the use of our distribution centers. Handling merchandise in our own distribution centers allows us to (i) centralize the acquisition and distribution of merchandise to our stores and customers, allowing us to verify the quality and quantity of the products provided by our suppliers; (ii) provide important savings in shipping costs as well as product management; and (iii) ensure that our merchandise arrives at the desired destinations. Similarly, storing, processing and inspecting the quality of our food in our food processing centers has allowed us to (i) save costs when purchasing products, (ii) avoid shortages, (iii) considerably minimize waste, (iv) react quickly when faced with food products that do not satisfy our standards and (v) maintain consistency for our restaurant customers. In particular, we believe that our initiatives promoting energy efficiency and the increased use of our websites will allow us to better leverage our low cost structure.

We also plan to continue improving our sales force productivity through more effective training programs and attractive compensation systems and enhance our marketing efforts to attract new customers and increase our market share. Through effective sales techniques, well-designed websites and the increasing demand for high quality products in Mexico, we expect to leverage our success at an opportune time, as the average price of customer transactions continues to increase in Mexico. We also plan to continue to improve our information technology systems, databases and customer relationship management system in order to enhance our ability to anticipate consumer demand and promote commercial innovation. In addition, we will continue our commitment to customer service and customer satisfaction by providing a combination of personalized service, high-quality products and services at competitive prices and attractive consumer financing. We have strategically focused on building a strong market position in the retail and restaurant industries and are well-positioned to capture increasing sales and profitability as this category continues to demonstrate attractive growth rates in Mexico.

Enhance consumer credit offerings

We plan to continue enhancing our consumer credit offerings through our private label credit cards. We believe that these credit offerings not only generate finance income through efficient credit portfolio management and historically low non-performing loan rates, but also increase our customer base, enhance our ability to sell additional products and build lasting trust and loyalty with our customers. Besides acting as a catalyst for further growth in our retail and restaurant formats, we believe our consumer credit offerings will increasingly become a source of independent growth through the expansion of our credit card portfolio and development of new financial products and services. As more of our customers use our private label credit cards and with the potential rollout of a co-branded credit card, we expect our same-store sales to increase. We intend to continue building upon our experience and knowledge of providing consumer financing to further expand and enhance our consumer credit offerings, while deepening the loyalty of our customers already using those cards by providing more durable products rather than banking products.

Our History and Development

As one of the largest retail companies in Mexico, our growth has been driven by our focus on innovation, new product introductions, changes in our product mix, the development of our formats and locations and operational efficiency with sustainable growth. We have managed to acquire and successfully integrate other companies and formats, which has allowed us to complement and expand our geographic presence and product portfolio, and evolve from a regional company to one of the largest retail companies in Mexico with highly recognized formats in the Mexican market.

Origin and Development

We were incorporated on December 31, 1928 as a cellulose and paper production company, named Fábricas de Papel Loreto y Peña Pobre, S.A. In December 1997, Grupo Carso restructured its operations and consolidated its various business and retail companies into a single entity. This restructuring involved, among other things: (i) changing the company's name to Comercial Carso, S.A. de C.V. and (ii) the termination of paper making operations. In 1999, Grupo Sanborns, S.A. de C.V. merged into Comercial Carso, S.A. de C.V., creating Grupo Sanborns, S.A. de C.V.

In April 1999, we listed our shares on the BMV. In October 2006, Grupo Carso conducted a public tender offer for our shares and, as a result of this tender offer and additional open purchases in the stock market, Grupo Carso increased its ownership share to 99.9%. In January 2007, due to Grupo Carso's substantial ownership in us, the RNV cancelled our registration with the RNV and our listing on the BMV. We and Grupo Carso then jointly acquired the remaining minority shares in a public tender offer.

Integration of Sears and Boutiques

Sears Operadora México, S.A. de C.V., or "Sears Mexico," was established in 1945, and in April 1997, Grupo Carso acquired a 60.0% ownership interest in Sears Mexico from Sears Roebuck. In August of that same year, Grupo Carso conducted a public tender offer and acquired an additional 24.9% interest, increasing Grupo Carso's ownership interest in Sears Mexico to 84.94%.

In 2003, we acquired a 100% ownership interest of a company that owned six department stores operating in Mexico under the *JC Penney's* trademark. We have since closed or converted each of these stores into Sears department stores.

In 2004, we acquired a 100% ownership interest in Dorian's Tijuana, S.A. de C.V., or "Dorian's Tijuana," and its affiliates. Dorian's Tijuana operated four different types of stores, Dorian's department stores, MAS clothing stores, *Solo un Precio* specialty stores, and DAX stores. We have since modified these store formats, and as of September 30, 2012, seven of these department stores are operated as Sears department stores, and 26 stores are operated as DAX stores.

Integration of Sanborns and Sanborns Cafés

Our subsidiary, Sanborn Hermanos, S.A., or "Sanborn Hermanos," was established as a drugstore in 1903. Over time, it expanded its operations, opening the first soda fountain in Mexico City and developing the store-restaurant concept. Sanborn Hermanos's success led to three additional stores in Mexico City and one in the city of Tampico, Tamaulipas, which closed shortly thereafter. In 1919, the three small stores merged and moved to the famous *Casa de los Azulejos*. At the time, *Casa de los Azulejos* was considered the most elegant store and restaurant in Mexico and today remains a Mexico City landmark. Grupo Carso owns a 99.94% ownership interest in Sanborn Hermanos.

In 1976, we acquired a controlling interest in the operator of the Denny's restaurant chain in Mexico, owned by Denny's Inc. In 1995, we acquired the remaining 20.0%. Over time, we converted this business into our Sanborns Café restaurant format, remodeling the locations to offer the same menu offered in our Sanborns restaurants, but in a modern environment.

Integration of our Music and iShop stores and eduMac centers

Our subsidiary Promotora Musical, S.A. de C.V., or "Promusa," was founded as a holding company in 1994 when we acquired 51.0% of the shares of the company that owned Mixup music stores under the same name. This resulted in a long-lasting continuing partnership with Mixup's founders, Isaac Massry. Isaac Massry and his family currently hold 49.0% of Promusa's outstanding capital stock. In 2008, we opened two new entertainment and technology stores, iShop and eduMac centers.

Integration of Other Businesses

Saks Fifth Avenue

In 2006, we reached an agreement with Saks & Company to obtain an exclusive license to open Saks Fifth Avenue department stores in Mexico. In November 2007, we opened the first Saks Fifth Avenue department store in the *Santa Fe* shopping center. We currently operate two Saks Fifth Avenue department stores in Mexico City, the one in the *Santa* Fe shopping center and another in the *Polanco* area.

International Expansion

In 2005, we began operations in El Salvador with the opening of a Sanborns store-restaurant, a Dorian's department store (which has since been converted to a Sears department store) and one Mixup music store (which was eventually closed). We currently operate one Sears department store and two Sanborns store-restaurants in El Salvador. In 2007, we began operations in Panama with the opening of a Sanborns store-restaurant which we still operate.

Real Estate Business

In 2010, we went through a corporate restructuring process by divesting a portion of our real estate assets, liabilities and capital to a new subsidiary of Grupo Carso, Inmuebles Borgru, S.A. de C.V. As part of this corporate restructuring process, Sears Roebuck de Mexico, S.A. de C.V. contributed a portion of its assets, liabilities and capital relating to the operation of Sears department stores to its subsidiary, Sears Mexico. A majority of these real estate companies were then consolidated into Inmuebles Carso, a newly created, independent public real estate company. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Discontinued Operations."

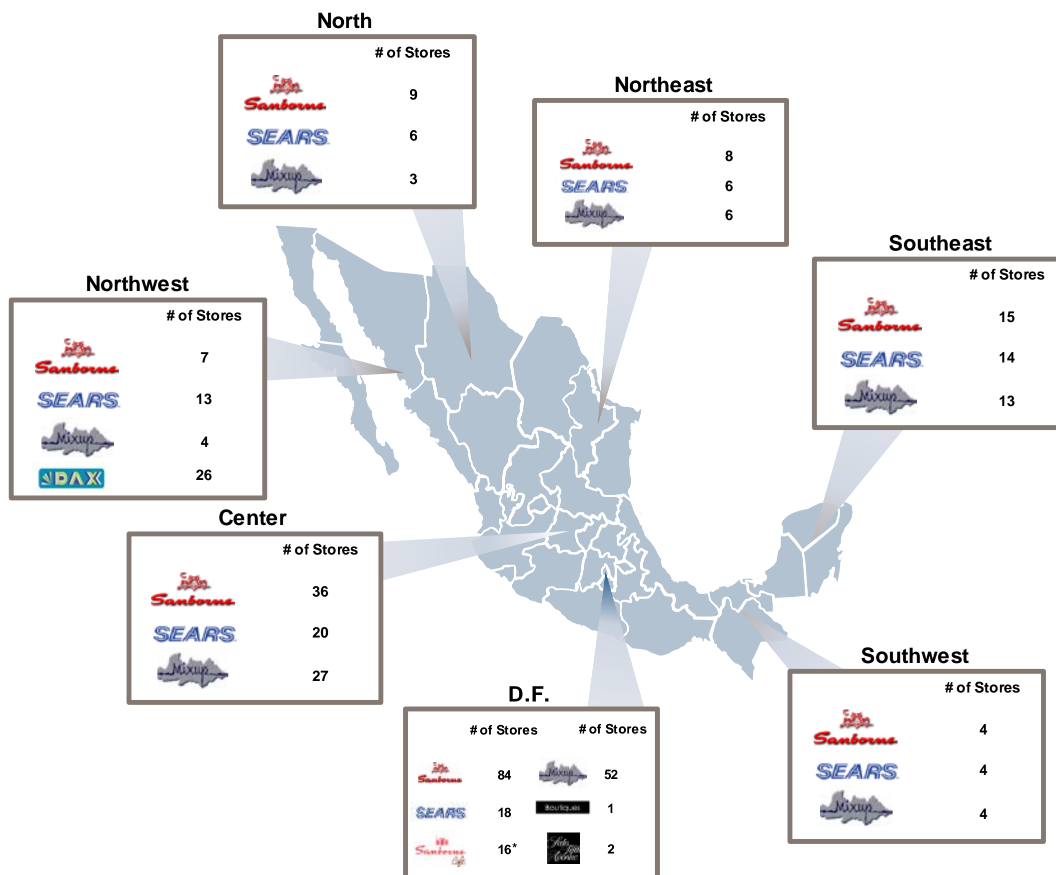
Our Locations

We operate some of the most successful and recognized commercial establishments in Mexico, El Salvador and Panama. We have an important presence throughout Mexico, with high penetration in all

segments of the Mexican population and with the ability to adapt to different and diverse store formats and markets.

As of September 30, 2012, we operated 410 retail stores and restaurants in Mexico, three in El Salvador and one in Panama. We operated Sears department stores and boutiques in 41 different cities throughout Mexico; Sanborns store-restaurants in 40 different cities throughout Mexico and music stores, iShop stores and eduMac centers in 27 different cities throughout Mexico. We also operated DAX stores in six different cities throughout Mexico, Sanborns Café restaurants in eight different cities throughout Mexico, Saks Fifth Avenue department stores and shopping centers in Mexico City. We believe that our current geographic diversification and our experience and knowledge of consumer preferences and habits in these regions provide us with a significant advantage over competitors that have not previously operated in these markets.

The following map indicates our principal locations in Mexico:



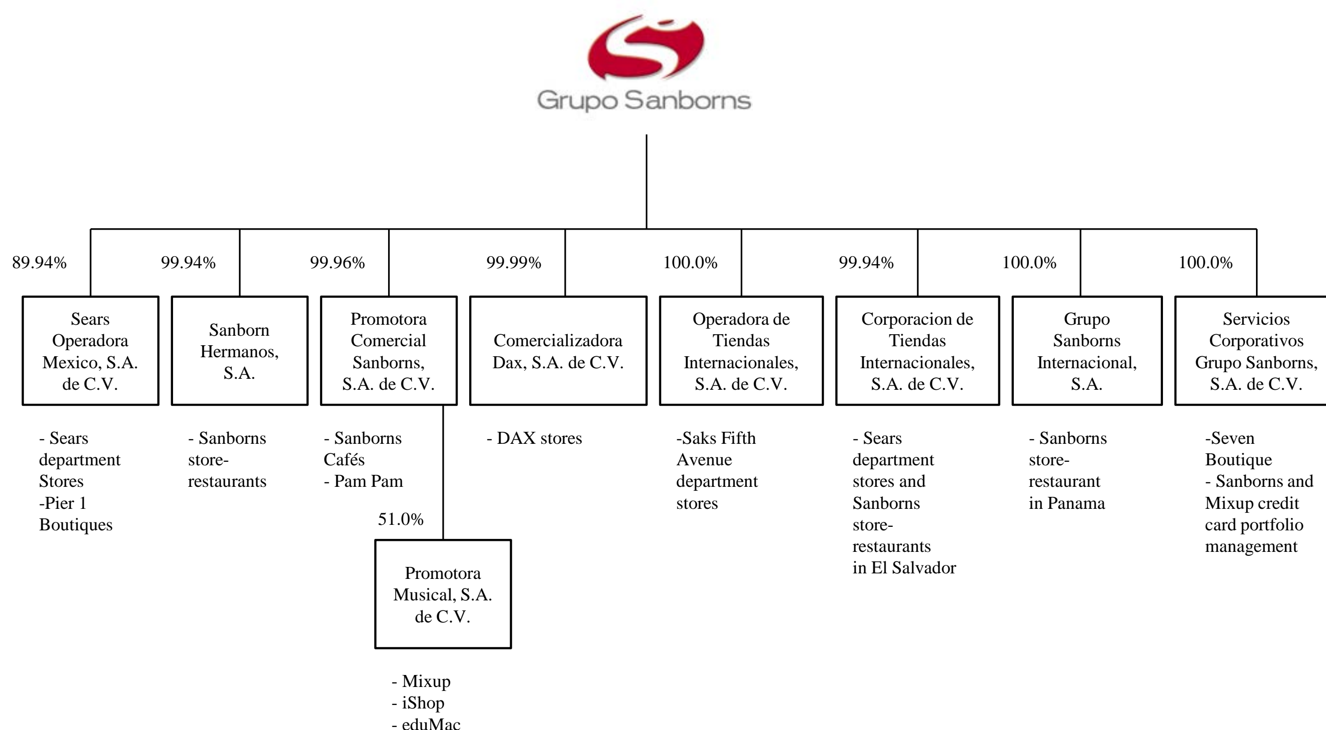
Note: Grupo Sanborns operates 3 Sanborns stores and 1 Sears store in Central America.
* Does not include 12 Sanborns Café stores outside Mexico City

The following table sets forth our geographic diversification and our store-sales area in square meters as of September 30, 2012:

	Sears and Boutiques	Sanborns	Mixup, iShop, eduMac	DAX	Sanborns Café	Saks Fifth Avenue	Seven boutique	Total	Total stores-sales area
México	**81**	**163**	**109**	**26**	**28**	**2**	**1**	**410**	**945,800**
Mexico City and surroundings	18	84	52	-	16	2	1	173	335,403
Aguascalientes	1	3	-	-	-	-	-	4	14,480
Baja California Norte	6	3	2	23	6	-	-	40	78,671
Baja California Sur	2	-	-	2	-	-	-	4	15,425
Campeche	-	1	-	-	-	-	-	1	1,359
Chiapas	1	1	2	-	-	-	-	4	11,691
Chihuahua	2	4	2	-	-	-	-	8	25,803
Coahuila	1	3	1	-	-	-	-	5	14,274
Colima	1	-	-	-	-	-	-	1	4,402
Durango	3	1	-	-	-	-	-	4	13,124
State of Mexico	1	3	4	-	-	-	-	8	14,570
Guanajuato	3	4	3	-	-	-	-	10	26,874
Guerrero	2	3	1	-	1	-	-	7	8,863
Hidalgo	2	2	-	-	-	-	-	4	18,193
Jalisco	3	6	8	-	3	-	-	20	39,643
Michoacán	2	3	2	-	-	-	-	7	23,777
Morelos	1	4	2	-	-	-	-	7	11,030
Nayarit	1	1	-	-	-	-	-	2	12,154
Nuevo León	5	6	6	-	-	-	-	17	57,758
Oaxaca	1	-	1	-	-	-	-	2	3,646
Puebla	2	5	3	-	-	-	-	10	22,671
Querétaro	1	3	4	-	-	-	-	8	14,858
Quintana Roo	2	2	3	-	1	-	-	8	18,543
San Luis Potosí	3	3	1	-	-	-	-	7	21,961
Sinaloa	2	2	1	-	-	-	-	5	18,710
Sonora	2	1	1	1	-	-	-	5	15,763
Tabasco	1	4	2	-	-	-	-	7	22,265
Tamaulipas	1	2	-	-	1	-	-	4	7,096
Veracruz	7	5	5	-	-	-	-	17	40,298
Yucatán	4	3	3	-	-	-	-	10	30,962
Zacatecas	-	1	-	-	-	-	-	1	1,532
El Salvador	**1**	**2**	**-**	**-**	**-**	**-**	-	**3**	**11,348**
Panama	**-**	**1**	**-**	**-**	**-**	**-**	-	**1**	**1,652**
Total	**82**	**166**	**109**	**26**	**28**	**2**	**1**	**414**	**958,800**

Corporate Structure

Retail and restaurant operations are conducted through several subsidiaries. As of the date of this offering circular, our principal subsidiaries were:

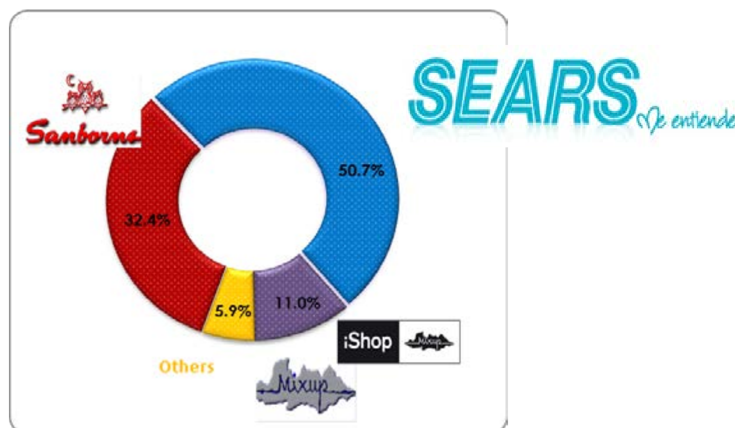


Our Business Formats

We classify our operations into five separate business formats: (i) Sears department stores and boutiques, (ii) Sanborns store-restaurants, (iii) music and iShop stores and eduMac centers, and (iv) other lines of business, which include DAX stores, Sanborns Café restaurants, Saks Fifth Avenue department stores, Sears department stores and Sanborns store-restaurants in Central America, Seven boutique, Pam Pam industrial cafeterias, credit card portfolio management of our Sanborns and Mixup credit cards and the *Plaza Loreto* and *Plaza Inbursa* shopping centers.

As of September 30, 2012, we operated a total of 414 stores, representing our various store and restaurant formats and two shopping centers. We operated 77 Sears department stores, three Pier 1 boutiques, one Seven boutique and one *El* Palacio de los Perfumes boutique; 166 Sanborns store-restaurants; 66 music stores, 37 iShop stores and six eduMac centers. In addition, we operated 26 DAX stores, 28 Sanborns Café restaurants, two Saks Fifth Avenue department stores and two shopping centers (*Plaza Loreto* and *Plaza Inbursa*). We expect our operating capacity and flexibility to allow us to adapt and create new business formats or develop existing ones to match technological advancements and evolving consumer preferences and habits.

The following chart sets forth the percentage of sales contributed by each of our business formats as of September 30, 2012:



"Others" includes sales from our DAX stores, our Sanborns Café restaurants, our Saks Fifth Avenue department stores, our Sears department stores and Sanborns store-restaurants in Central America, our Seven boutique and our Pam Pam industrial cafeterias; finance income on credit sales from our Sanborns and Mixup credit cards, leasing income from renting commercial units at our *Plaza Loreto* and *Plaza Inbursa* shopping centers, income derived from royalties paid by our operating subsidiaries to Grupo Sanborns, S.A.B. de C.V. and eliminations of intercompany transactions.

Sears Department Stores and Boutiques

For the nine months ended September 30, 2012, our Sears department stores and boutiques represented 50.7% of our consolidated net sales.

The following table sets forth the evolution of our store-sales area of Sears department stores and boutiques and selected productivity metrics:

	As of and for the Years Ended December 31,				As of and for the Nine-Month Periods Ended September 30,		
	2009	**2010**	**2011**	**2011**	**2011**	**2012**	**2012**
	(Pesos, except for percentages and other operating data)			(Dollars, with same exceptions)	(Pesos, except for percentages and other operating data)		(Dollars, with same exceptions)
	(Mexican FRS)				(IFRS)		
Number of stores	76[3][4]	75[3]	79	79	75	77	77
Number of boutiques[1]	2	4	5	5	5	4	4
Stores-sales area (m^2)	575,690	557,688	616,732	616,732	574,325	598,876	598,876
Weighted sales per square meter (thousands)[2]	27.2	28.1	29.6	2.4	19.6	19.6	1.5
Sears same-store sales growth (%)	2.2	6.1	5.3	5.3	4.9	4.1	4.1

(1) Boutiques include Pier 1 boutiques, Jeanious boutiques and Palacio de los Perfumes boutiques
(2) Calculated as stores-sales divided by stores-sales area while operating during the periods indicated.
(3) Includes nine Dorian's stores closed or converted into Sears department stores in those years.
(4) Includes four JC Penney's department stores converted into Sears department stores in that year.

Sears department stores offer a great selection of merchandise, including a wide variety of products under its fashion lines, from proprietary brands to nationally and internationally recognized brands in the ladies', gentlemen's and children's clothing departments. It also offers shoes, jewelry, cosmetics, perfumes, accessories, and household items, including furniture, audio and video equipment, appliances, telephones,

cameras, toys, sporting goods and tools. Merchandise is supplied mostly by prestigious international and national suppliers, which are selected using metrics based on quality, service and price.

Most of our Sears department stores are located in shopping centers. Currently, Sears is one of the largest retail store chains in the country, covering a wide geographical area. As of September 30, 2012, we had 77 Sears department stores and four boutiques in Mexico, and one Sears department store in El Salvador, with approximately 598,876 square meters of store-sales area.

Sears department stores tend to have higher sales volume and customer frequency on the weekends and during the months of May, June, November and December, due to Mothers' Day, Fathers' Day, the "*Buen Fin*" and the Christmas holiday season. With respect to fashion merchandise, two seasons are clearly identified: Spring-Summer, which begins at the end of February and continues until August, and Fall-Winter, with more appropriate colors and textures, which begins in September and continues until January of the following year.

Our Sears department stores and boutiques offer a variety of both private label and nationally and internationally recognized brand articles, in price ranges accessible to people in middle to upper-middle income brackets. Additionally, Sears regionalizes the products offered in each of its stores based on local consumer tastes, socioeconomic status and store size.

Consumer Financing

We believe that Sears has one of the most comprehensive consumer financing programs in Mexico, offering a wide variety of credit options. Given the importance of consumer financing in incentivizing the sale of commercial products, we allow our customers to finance their purchases using our Sears credit cards to make purchases in Sears department stores, Sanborns restaurants, DAX stores and iShop stores in Mexico. We also accept all major credit cards, including Master Card, Visa and America Express.

As of September 30, 2012, we had approximately 1,629,690 active Sears credit cards and 50.8% of our sales were paid using our Sears credit cards. We issue two kinds of credit cards depending on the creditworthiness and shopping frequency of our customers: the "Sears Gold Card" and the "*Tarjeta* Sears." The same interest rate and payment conditions apply to both cards, but the authorized credit limits vary from one card to another. The interest we charge our Sears cardholders is established after consulting the rates used by our competitors, the cost of funding and the interest rate charged by competitors.

Our policy with respect to overdue payments consists of classifying accounts as delinquent when they are overdue for 30 days or more, and generally classifying amounts as potential losses in our financial statements when they are more than 180 days overdue, depending on the circumstances of the account. We have preventive reserves that cover 100% of the balance of all delinquent accounts that are overdue for more than 90 days. We have historically experienced low non-performing loan rates on our Sears credit cards. As of September 30, 2012, the non-performing loan rate was 2.4%.

Sears Services

We offer post-sale repair, maintenance and installation services at our Sears department stores. We were the first commercial chain to offer extended warranty policies to customers in Mexico. In addition to being a profitable line of business, we believe that our technical service division helps us improve our relationship with customers, generating long-term loyalty which significantly distinguishes us from our competitors.

As of September 30, 2012, we owned and operated 18 automobile service centers. In addition to being profitable on their own, we believe such centers generate significant customer traffic for associated Sears department stores. Our automobile service centers sell car batteries, tires and other automobile products, and offer preventive maintenance services, including tune-ups, brake system repair and maintenance, and oil changes.

Third-party Concessions and Services

Inside our Sears department stores, we rent retail space for services such as watch repair, optometry and electronic device sales. We receive a pre-established percentage of the concessionaire's income and each concessionaire is responsible for its own operating expenses. We select such concessionaires to align with the customer profile for each respective store.

We also provide payment services in our Sears department stores and accept payments of telephone and cable TV bills, American Express credit and service card bills and airplane tickets, among others.

Sears Roebuck Put Option

In accordance with Grupo Carso's purchase agreement with Sears Roebuck to acquire Sears Mexico, Sears Roebuck has the right to sell to Grupo Carso and cause Grupo Carso to purchase Sears Roebuck's 15.0% ownership interest in Sears Mexico. The exercise of this put option would be beneficial to Grupo Carso given its favorable pricing terms and conditions. We would not obtain any participation or benefits if such put option is exercised and the acquisition occurred.

Sanborns Store-Restaurants

For the nine months ended September 30, 2012, Sanborns store-restaurants represented 32.4% of our consolidated net sales.

The following table sets forth the evolution of our store-sales and number of seats of Sanborns store-restaurants and selected productivity metrics:

	As of and for the Years Ended December 31,				**As of and for the Nine-Month Periods Ended September 30,**		
	2009	**2010**	**2011**	**2011**	**2011**	**2012**	**2012**
	(Pesos, except for percentages and other operating data)			**(Dollars, with same exceptions)**	**(Pesos, except for percentages and other operating data)**		**(Dollars, with same exceptions)**
	(Mexican FRS)				**(IFRS)**		
Number of store–restaurants	158	160	165	165	162	163	163
Total sales area (m^2)	233,863	237,996	247,308	247,308	241,963	246,142	246,142
Store-sales area (m^2)	147,888	151,070	157,430	157,430	153,766	156,784	156,784
Seats	50,948	51,627	53,420	53,420	52,413	53,051	53,051
Weighted sales per square meter (thousands)[1]	49.5	54.4	57.0	4.6	38.6	40.1	3.0
Weighted sales per seat (thousands)[2]	43.2	44.9	46.1	3.7	33.7	34.4	2.6
Same-store sales growth (%)	(2.6)	9.3	5.0	5.0	4.9	4.7	4.7

[1] Calculated as stores-sales divided by stores-sales area while operating during the periods indicated.
[2] Calculated as stores-sales divided by the number of seats while operating during the periods indicated.

Our Sanborns store-restaurants are a unique concept in Mexico. Each Sanborns store-restaurant is a combination of a small-scale specialized department store with a restaurant and bar. Most Sanborns store-restaurants are single-story stand-alone stores.

As of September 30, 2012, we had 163 Sanborns store-restaurants in Mexico, with approximately 246,142 square meters of total sales area, 156,784 of store-sales area, 53,051 seats and an average of 325 seats per Sanborns restaurant. We also had one Sanborns store-restaurant in Panama and two in El Salvador, representing approximately 5,344 square meters and 1,033 seats.

Sanborns store-restaurants tend to have higher sales volume and customer frequency during the months of February, May, June, November and December, due to Valentine's Day, Mothers' Day, Fathers' Day, the "*Buen Fin*" and the Christmas holiday season.

To help promote consumer traffic, we publish and distribute the "*Solo*" magazine with popular products and popular items.

Retail Operations

Sanborns stores offer a wide variety of merchandise, such as books, magazines, pharmacy items, candy, tobacco products, toys, novelties, gifts, DVDs and CDs, audio, video and computer equipment, cell phones, watches and wall clocks, cameras and photo equipment, fashion and fine jewelry, scarves, purses, gloves, umbrellas, perfumes, cosmetics and a few accessories for men, such as belts and ties. As of September 30, 2012, Sanborns stores had the largest bookstore chain and one of the largest chains of pharmaceutical products in Mexico. We consistently strive to meet our client's demands by having the most current products, and by customizing our product mix in each store based on location and customer preferences.

We also provide payment services in our Sanborns department stores and accept payments of telephone and cable TV bills, American Express credit and service card bills and airplane tickets, among others. In addition, ATMs and bank branches are located in most of our Sanborns stores.

In September 1999, we launched our first e-commerce webpage, www.sanborns.com.mx, which offers a wide variety of our most popular products.

Restaurant Operations

Each Sanborns store has a full-service restaurant that caters to patrons and offers a diverse menu with Mexican specialty dishes at reasonable prices. Our Sanborns restaurants have flexible hours and offer breakfast, lunch, dinner and desserts, as well as snacks, baked goods, pastries, mixed drinks, beer and wine. In addition to our restaurant operations, Sanborns also operates bars in most locations.

In general, Sanborns restaurants offer a uniform menu with daily specials that vary from one region to another. Their menu offers a variety of options, with traditional dishes, healthy options, kids' menus and seasonal specialties. We believe that Sanborns restaurants are well known for their high food quality, reasonable prices and good service. We also believe we have been able to standardize processes and operations in our Sanborns restaurants in a way that has allowed us to maintain our customers' loyalty.

Procurement

All Sanborns store-restaurants' retail product and food and beverage product procurement is coordinated through corporate offices, according to each store's retail and restaurant sale parameters.

Meat, coffee, ice cream and some candy and chocolate sold at Sanborns store-restaurants throughout Mexico are shipped from our processing centers in Mexico City, while soups and sauces are shipped from our processing center located at Tlalnepantla, State of Mexico. The products processed in these centers are distributed to our entire national network of Sanborns restaurants through refrigerated trucks owned by us. The processing centers located in Mexico City and Tlalnepantla supply baked goods to Sanborns restaurants located in Mexico City and surrounding areas, while the processing center located in Guadalajara, Jalisco supplies baked goods to Sanborns restaurants in its surrounding areas. Bread and baked goods sold at stores located outside of Mexico City and Guadalajara are produced in Sanborns bakeries located inside of, or close to, such stores.

Consumer Financing

Given the importance of consumer financing in incentivizing the sale of retail and food and beverage products, we allow our customers to finance their purchases using our Sanborns credit card to make

purchases at Sanborns store-restaurants and Sanborns Cafés in Mexico. We also accept all major credit cards, including Master Card, Visa and America Express.

As of September 30, 2012, we had approximately 103,321 active accounts and 4.0% of our sales were paid using our Sanborns credit card, "*Tarjeta de Crédito* Sanborns." The interest we charge our Sanborns cardholders is established after consulting the rates used by our competitors and the cost of funding.

Our policy with respect to overdue payments consists of classifying accounts as delinquent when they are overdue for 30 days or more, and generally classifying amounts as potential losses in our financial statements when they are more than 180 days overdue, depending on the circumstances of the account. We have preventive reserves that cover 100% of the balance of all delinquent accounts that are overdue for more than 90 days. We have historically experienced low non-performing loan rates on our Sanborns credit card. As of September 30, 2012, the non-performing loan rate was 4.0%.

Music, iShop and eduMac

For the nine months ended September 30, 2012, music and iShop stores and eduMac centers represented 11.0% of our consolidated net sales.

The following table sets forth the evolution of our store-sales of music and iShop stores and eduMac centers and selected productivity metrics:

	As of and for the Years Ended December 31,				As of and for the Nine-Month Periods Ended September 30,		
	2009	2010	2011	2011	2011	2012	2012
	(Pesos, except for percentages and other operating data)			(Dollars, with same exceptions)	(Pesos, except for percentages and other operating data)		(Dollars, with same exceptions)
	(Mexican FRS)				(IFRS)		
Number of music stores [(1)]	77	74	69	69	69	66	66
Number of iShop stores	13	23	33	33	29	37	37
Number of eduMac centers	-	4	7	7	7	6	6
Store-sales area (m^2)	41,084	41,424	42,098	42,098	41,213	41,564	41,564
Weighted sales per square meter (thousands)[(2)]	55.2	66.8	88.3	7.1	57.6	70.4	5.3
Same-store sales growth (%)	(4.0)	4.3	17.5	17.5	21.6	13.1	13.1

[(1)] Music stores include Mixup, Mx Mixup, Tower Records and Discolandia.
[(2)] Calculated as stores-sales divided by stores-sales area while operating during the periods indicated.

We operate Mixup, Mx Mixup, Tower Records and Discolandia music stores, iShop stores and eduMac centers, and additional stores that combine these formats.

As of September 30, 2012, we had 39 Mixup stores, 21 Mx Mixup stores, two Discolandia stores, and four Tower Records stores, 37 iShop stores and six eduMac centers, with approximately 41,564 square meters of store-sales area.

Sales Strategy

Our Mixup, Mx Mixup and Tower Records music stores are generally located in shopping centers and their image is designed to attract middle- and high-income customers. Our Discolandia stores are located in strategic locations to attract lower- to middle-income customers. Our music stores have a supplier catalog composed of approximately 125,816 stock-keeping-units of which 61,360 are active. Musical products sold

in our music stores include music, movies and music videos and are targeted to young customers. These stores maintain an inventory of approximately 150,106 stock-keeping-units.

To help promote consumer traffic, we publish and distribute the "*Círculo* Mixup" magazine with current articles and events. We also provide payment services in our Mixup stores and accept payments of concert and live event tickets through our store's Ticketmaster counters.

Our iShop stores are also generally located in shopping centers and their image is designed to attract medium- and high-income customers. We offer *Apple* brand products, such as iPods, iPads, iPhones, computers, software, and various brand accessories and provide maintenance services. Our eduMac centers offer courses and seminars on digital arts using Apple equipment as a platform.

In 2000, we launched our Mixup e-commerce webpage, www.Mixup.com.mx, which offers a wide variety of CDs, DVDs and video games and in 2008, we launched our iShop e-commerce webpage, www.iShopMixup.com, which offers a wide variety of our most popular products.

Consumer Financing

Given the importance of consumer financing in incentivizing the sale of music and technology products, we allow our customers to finance their purchases using our Mixup credit card to make purchases at iShop and Mixup stores. We also accept all major credit cards, including Master Card, Visa and America Express.

As of September 30, 2012, we had approximately 10,175 active accounts and 0.4% of our sales were paid using our Mixup credit card, "*Tarjeta de Crédito* Mixup." The interest we charge our Mixup cardholders is based on the cost of funding and the interest rate charged by competitors.

Our policy with respect to overdue payments consists of classifying accounts as delinquent when they are overdue for 30 days or more, and generally classifying amounts as potential losses in our financial statements when they are more than 180 days overdue, depending on the circumstances of the account. We have preventive reserves that cover 100% of the balance of all delinquent accounts that are overdue for more than 90 days. We have historically experienced low non-performing loan rates on our Mixup credit card. As of September 30, 2012, the non-performing loan rate was 5.8%.

Other Businesses

For the nine months ended September 30, 2012, other lines of business represented 5.9% of our consolidated net sales.

Our other businesses consist of DAX stores, Sanborns Café restaurants, Saks Fifth Avenue department stores, Sears department stores and Sanborns store-restaurants in Central America, Seven boutique, Pam Pam industrial cafeterias, credit card portfolio management of our Sanborns and Mixup credit cards and the *Plaza Loreto* and *Plaza Inbursa* shopping centers.

DAX Stores

For the nine months ended September 30, 2012, DAX stores represented 2.8% of our consolidated net sales.

The following table sets forth the evolution of our stores-sales area of DAX stores and selected productivity metrics (because our DAX stores were opened recently, we only include information as of and for the nine-month periods ended September 30, 2011 and 2012 and as of and for the year ended December 31, 2011):

	As of and for the Year Ended December 31,			As of and for the Nine-Month Periods Ended September 30,	
	2011	2011	2011	2012	2012
	(Pesos, except percentages and operating data)		(U.S. Dollars, with the same exceptions)	(Pesos, except percentages and operating data)	(U.S. Dollars, with the same exceptions)
	(Mexican FRS)			(IFRS)	
Number of stores	26	26	26	26	26
Store-sales area (m^2)	31,658	31,658	31,658	31,658	31,658
Weighted sales per square meter (thousands)	27.7	1.7	19.9	22.7	2.2
Same-store sales growth (%)	-	-	-	12.8	12.8

As of September 30, 2012, we had 26 DAX stores in Mexico with approximately 31,658 square meters of store-sales area.

Our DAX stores offer convenience goods, promotional items, perfume, cosmetics, body care and household items, largely through direct sales to end consumers. Most DAX stores are single-story stand-alone stores. We operate DAX stores primarily in northern Mexico and attract customers from surrounding areas, including customers from southern California who travel to our stores because of their proximity to the border.

As of September 30, 2012, 44.0% of our suppliers were located in the United States, and 53.0% in Mexico or elsewhere outside of Mexico and the United States. Supplier selection is based on quality, service and price. U.S. merchandise is sent by ground transportation to the Otay Warehouse Distribution Center. We own a fleet of trucks that we use to transport bulk merchandise from the Otay Distribution Center to the Integral Distribution Center in Tijuana, Baja California Norte and then distribute merchandise to each DAX store. In addition, we have agreements with suppliers that ship specific products directly to our DAX stores, without passing through our distribution centers.

Sanborns Café Restaurants

As of September 30, 2012, we had 28 Sanborns Café restaurants, representing approximately 9,203 square meters of total sales area, with an average of 193 seats per restaurant and a total of 5,411 seats. During the nine-month period ended September 30, 2012, we had weighted sales per seat of Ps.35.0 thousand.

Saks Fifth Avenue

Our Saks Fifth Avenue department stores offer products and services similar to those in Saks Fifth Avenue stores in the United States, while seeking to adapt to local preferences. As of September 30, 2012, we had two Saks Fifth Avenue department stores located in Mexico City with a weighted store-sales area of 18,282 square meters. During the nine-month period ended September 30, 2012, we had weighted sales per square meter of Ps.15.9 thousand.

International Operations

As of September 30, 2012, we had one Sears department store and two Sanborns store-restaurants in El Salvador and one Sanborns store-restaurant in Panama, with weighted store-sales area of 13,001 square meters. During the nine-month period ended September 30, 2012, we had weighted sales per square meter of Ps.22.6 thousand.

Seven Boutique

As of September 30, 2012, we had one Seven boutique (*Duraznos*) in Mexico City, with store-sales area of 75 square meters. During the nine-month period ended September 30, 2012, we had weighted sales per square meter of Ps.18.3 thousand.

Pam Pam Industrial Cafeterias

Our Pam Pam industrial cafeterias provide food services in 33 company cafeterias throughout Mexico, which generated Ps.96.3 million in sales in the nine-month period ended September 30, 2012.

Credit Card Portfolio Management

As of September 30, 2012, we had 113,496 active accounts of our Sanborns and Mixup credit cards, which generated Ps.90.4 million in revenues in such period.

Shopping Centers

We own two shopping centers in Mexico City, *Plaza Loreto* and *Plaza Inbursa*. As of September 30, 2012, we had total gross leasable area of 73,725 square meters (793.6 thousand square feet) holding high-quality tenants and operating at 100% capacity. We lease approximately 136 commercial units to tenants engaged in a wide variety of businesses, and our "anchor" stores include Sanborns, Mixup, iShop, as well as movie theaters.

We lease the shop units located in *Plaza Loreto* and *Plaza Inbursa* through a standard lease agreement, which sets forth the irrevocable term of the lease, states that the agreement is not transferrable, requires a guaranty deposit and prohibits subleases. Lease payments are calculated based on each tenant's monthly net sales. Each tenant has a guaranteed minimum required monthly payment, in addition to its percentage of sales, which equalizes the overall lease payments between months during which there is a net gain and other months when there is a net loss.

Plaza Loreto. *Plaza Loreto* shopping center focuses on entertainment and targets upper-, and middle-class young consumers. *Plaza Loreto* is located on the facilities of a former paper factory, which began operating as a shopping center in December 1993. *Plaza* Loreto has 66 retail spaces and has maintained a 100% occupancy level since its inauguration. *Plaza Loreto* also has restaurants and an art museum operated by a non-profit organization affiliated with us. During 2001, we completed the planned incorporation of *Plaza Opción* shopping center, which had been located on an adjoining parcel of land. This incorporation has led to increased parking space and other facilities, including restaurants, a fitness center and movie theaters.

Plaza Inbursa. *Plaza Inbursa* shopping center (formerly *Plaza Cuicuilco* shopping center)was inaugurated at the end of 1997 and like *Plaza Loreto*, focuses on entertainment. *Plaza Inbursa* attracts the same kind of consumers as *Plaza Loreto*. *Plaza Inbursa* has 71 commercial units, a fitness center, several restaurants, one movie theater, a large technology exhibition area used by Telmex, and an entertainment center for children and has maintained a 100% occupancy level since its inauguration. The Company believes that sales in this mall are bolstered by its location, which is next to the main offices of Grupo Financiero Inbursa, S.A.B. de C.V. and an office building owned by Telmex.

Other Opportunities and Divestitures

In addition to the formats currently operated in our business, we have since our inception acquired various Mexican and international businesses as investment opportunities. We believe that these acquisitions, although later divested, highlight our forward-thinking, pragmatic philosophy and openness to new business opportunities and industries. Among such investments, we held interests in the CompUSA store chain, the Mexican bakery chains, *El Globo* and *Pastelerías Monterrey*, *Solo un Precio* retail stores, the MAS retail store chain and the paper maker *Loreto y Peña Pobre*. As of the date of this offering circular, we have either sold our ownership interest in these businesses or ceased operations when they became less profitable.

Suppliers

We purchase our products from more than 3,654 suppliers. No single supplier or group of related suppliers accounted for more than 10% of the total products purchased by us in the first nine-month period ended September 30, 2012. We believe that our current suppliers are able to adequately provide our products and we do not anticipate that they will have difficulty meeting our requirements in the future. We have not experienced any material difficulty in obtaining the types or quantities of the merchandise we require for our retail operations, or the food and beverages we require for our restaurants, and we believe that we would be able to find alternative sources without any material disruption to our businesses if our suppliers were no longer able to provide us with adequate products.

The following table sets forth information regarding our main suppliers in Mexico for the nine-month period ended September 30, 2012.

Name of Supplier	Percentage of our Total Purchases (%)
Apple Operations Mexico, S.A. de C.V.	9.76
Radiomóvil Dipsa, S.A. de C.V.	5.28
Samsung Electronics, Mexico, S.A. de C.V.	3.70
Sony de México, S.A. de C.V.	2.77
LG Electronics Mexico, S.A. de C.V.	2.00

In 2012, approximately 8.2% of our sales from Mexican operations consisted of products imported from outside of Mexico. In addition, we sell certain imported products that we acquire from multinational corporations, distributors and wholesalers in Mexico at prices denominated in pesos. We do not believe that we conduct business with our suppliers on terms that are less favorable than those generally available in the retail industry. Domestic suppliers are paid in pesos on terms that vary with the product being purchased. Foreign suppliers are paid in U.S. dollars or, less often, in other foreign currencies.

Description of Distribution Channels

Our distribution channels are our various points of sale which are located primarily in Mexico and, to a lesser extent, in El Salvador and Panama. We operate predominantly through direct sales to end consumers who may pay for their purchases using our different credit cards, bank cards, American Express cards, cash or other forms of payment such as cash vouchers, gift certificates or electronic cash cards.

We promote and sell our products through our different web pages: www.sanborns.com.mx, www.mixup.com.mx, www.ishopmixup.com and www.edumac.com.mx. In addition, we have certain wholesale products, which we distribute to various locations that are not always affiliates, such as chocolates, which we produce in our Mexico City chocolate factory and distribute to movie theaters, drugstores and grocery stores.

The procurement of products sold in all of our businesses is coordinated through our purchases team located in our general offices who make the majority of purchases on a centralized basis. We have an electronic data exchange system with the majority of our suppliers that allows us to issue electronic purchase orders and price labeling instructions to them. This reduces the cost of purchase orders and increases

inventory management efficiency. In addition, we have executed agreements with some of the principal carriers in the country to ship merchandise directly to our different stores.

We have five merchandise receipt and distribution centers for our retail stores, two in Mexico City, one in Tijuana, Baja California, one in Monterrey, Nuevo León and one in Mérida, Yucatán. In addition, we have three food processing centers, one in Mexico City, one in Tlalnepantla, Mexico State and one in Guadalajara, Jalisco and the products processed in these centers are distributed to our entire national network of Sanborns restaurants using a fleet of refrigerated trucks owned by us.

Advertising

We advertise our Sears, Sanborns and Saks Fifth Avenue department stores in the popular media, including newspapers, radio, magazines, television, billboards, movie theaters and the internet. Sears' advertising focuses on seasonal fashion, household goods, exclusive novelty items, sales and credit availability. At Sears, we diversify both the media and the volume of our advertising efforts based on store size and market segment. To attract younger customers and women, advertising campaigns highlight our Spring-Summer and Fall-Winter Collections. Sanborns' advertising focuses on its image and popular products, such as books, electronics, novelty items, exclusive items, loyalty programs, gastronomic festivals, and kids' and light menus. Sanborns store-restaurants also carry out promotional activities and have their own "*Solo*" magazine which promotes popular products and popular items. Saks Fifth Avenue department stores' advertising focuses on the exclusivity of its fashion products and accessories, and the wide recognition of the brand names it offers.

Music, video, and iShop stores are advertised in magazines and newspapers, as well as on the radio. Their ads focus primarily on launching specific products and brand name recognition for the products they offer. Music stores also carry out promotional activities and have their own "*Círculo* Mixup" magazine which promotes popular products and popular items.

We believe that a key element to strengthening the image of our businesses is adapting our product selection to each store's target market and location. We customize our products by changing the style, design, color palette and texture, and we also customize the product selection, inventory level, and prices, based on our target market's tastes and expectations. Retail prices however, are consistent in all retail stores.

Like many other Mexican retailers, we offer interest-free sales promotions on our higher-priced merchandise in our retail stores in coordination with credit card companies. Under these promotional plans, marketed as *meses sin intereses*, or "months without interest," customers pay the full purchase price through their credit card company, and pay off their credit card balances over a pre-defined period ranging from three to 20 months through a series of equal, monthly, interest-free payments. The credit risk is assumed by the issuing banks and not by us. At the time of sale, we typically collect the purchase price, less a discount negotiated with the credit card company. The availability of this feature depends on each individual credit card bank's policies, and the terms of the discount with us are negotiated on a bank-by-bank basis.

Patents, Trademarks, Licenses and other Agreements

Trademarks

The main trademarks we use in our business are *Sears*, *Saks Fifth Avenue*, *Sanborns*, *Sanborns Café*, *Sólo Sanborns*, *iShop*, *Mixup*, *Pier 1*, *Seven*, *Palacio de los Perfumes* and *DAX*.

Our main trademarks that distinguish the different businesses we operate are:

Sanborns, *Sanborns Café*, *Sólo Sanborns*, *iShop*, *Mixup*, and *DAX*, are proprietary trademarks. We have a license that allows us to use the *Sears*, *Saks Fifth Avenue*, *Pier 1*, *Seven*, and *Palacio de los Perfumes* brand names.

Sanborns owns and uses proprietary brand products produced in its factories. With respect to candy and chocolates, Sanborns manufactures and markets its own recognized trademarks, such as *Capitán*, *Tecolote* and *Manicero* chocolates, as well as *Ponpons* and *Gomitas* candies, and *Azulejos* chocolate boxes. In June 2009, Sanborns sold the *Flor de Naranja* cologne trademark, the *Teatrical* face cream trademark and the *Henna Egipcia* hair color trademark for approximately Ps.300 million.

The *Sanborns* trademark and design are registered in several countries, including Mexico, Argentina, Costa Rica, Chile, the United States, Spain, Peru, Venezuela, the European Union, Ecuador, Honduras, Nicaragua and El Salvador. The *Mixup* trademark and design are protected in the Mexico, the United States, Nicaragua, Panama, Peru, the European Union, Costa Rica, Argentina, Chile and Brazil, among others.

Sears Licenses

Sears Mexico has a trademark license agreement with Sears Roebuck under which Sears Mexico is entitled to, among other: (1) an exclusive license to use the *Sears* trademark to operate retail stores in Mexico, and (2) a non-exclusive license to use certain trademarks, trade names, slogans and other rights held by Sears Roebuck in the marketing and sale of certain Sears Roebuck products. In return, Sears Mexico pays 1.0% of its total income to Sears Roebuck, excluding income from leases and third-party credit services. This agreement expires on September 30, 2019. Outside of Mexico, we have a non-exclusive license to use the *Sears* brand in El Salvador. In addition to brand-name products, Sears Mexico has exclusive license agreements with Sears Roebuck to sell household appliances under the *Kenmore* and *Craftsman* trademarks.

Our Sears department stores are developing their own proprietary brand with clothing for ladies, men and children, toiletries and other products. We believe that our Sears private label products generally offer customers better quality at lower prices and help distinguish us from our competitors, while providing higher profit margins than recognized brand-name merchandise. As of September 30, 2012, 7.0% of sales at our Sears department stores were generated by private label products. We expect to continue to grow this percentage in the future.

Sears Mexico also has an exclusive license to use the *Pier 1* trademark, which expires in 2022. Sears Mexico sells *Pier 1* merchandise in most Sears department stores and boutiques. Sears Mexico also has an exclusive license to sell casual clothing under the *Carlo Corinto* trademark in Mexico. This license expires on December 31, 2017.

Apple Non-Exclusive Agreement

We have a non-exclusive agreement to sell *Apple* products in Mexico. This agreement will continue to be in effect until it is terminated by any of the parties to such agreement. This agreement includes standard provisions regarding distribution and supply of products, including the supplier's ability to limit, restrict or temporarily suspend such distribution and supply at any time. Under the terms of the agreement, we have the right to terminate the agreement at any time. We currently sell these products in our Sears department stores, Sanborns store-restaurants and iShop stores. In addition, we have a distribution agreement with Apple, which provides us with most-favored customer status with respect to Apple's distribution network of products and accessories in Mexico. In connection with this distribution agreement, we have the right to act as authorized educational distributor for Apple.

Saks Fifth Avenue Agreement and License

We have an exclusive agreement with Saks & Company which expires in 2022 to (i) use the Saks Fifth Avenue brand name in our Mexican department stores; (ii) sell goods, products and trademarks in Mexico registered under the name of Saks Inc.; and (iii) use Saks Inc. trademarks in Mexico for advertising purposes, including electronic and digital media advertising. In return, each of our Saks Fifth Avenue stores pays approximately U.S.$125,000.00 per trimester to Saks & Company. We own and operate our Saks Fifth Avenue department stores according to this license. If we decide to extend or renew this exclusive license agreement, we would pay an annual amount, which would be based on the current U.S. Consumer Price Index at the moment of extension.

Other Agreements

During the last three fiscal years, we have not entered into any material agreement other than those entered into in the ordinary course of business.

Principal Customers

We are not dependent on any particular type of customer because our sales are generally intended for end consumers; our principal customer is the general public. However, we believe that customer service in

our stores, boutiques and restaurants is a decisive factor in establishing a loyal and growing clientele. In 2011, we carried out approximately 113,476.3 million transactions with consumers.

Applicable Law and Taxation

The main applicable Mexican laws and regulations that govern our business on a federal, state and municipal basis relate to general business law, tax, customs, international trade, intellectual property, consumer protection, antitrust, foreign investments, credit institutions, and civil protections. Upon registration of our shares with the RNV, the LMV will also apply to us, along with any implementing regulations.

For a description of our tax legal framework, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Income Taxes."

Food and Beverage Operations

Several matters in connection with our food and beverage operations are subject to regulation on a federal, state and municipal basis. In general terms, our food and beverage operations are governed by health and safety laws and local regulations, and laws relating to the operation of business establishments, as well as other similar legal bodies.

Real Estate Ownership and Possession

Several matters in connection with our ownership and possession of real estate property are regulated on a federal, state and municipal basis. In general terms, such activities are subject to: (i) state and municipal laws and regulations relating to urban development, planning and zoning; (ii) state and municipal laws and regulations that govern construction and civil protection matters related to construction, including obtaining and granting of related permits and licenses; and (iii) federal and state laws and regulations that govern environmental development.

Human Resources

As of September 30, 2012, we had a total of 45,533 employees, of which 6,725 were management employees, 702 were officers and 38,106 unionized employees. Salaries are adjusted when there is an increase in the minimum wage, as established by the *Comisión Nacional de Salarios Mínimos* (National Minimum Wage Commission).

Our operating subsidiaries conduct training programs for their management personnel and other employees. All employees must participate in certain basic training programs upon joining the business or switching positions. Medium and advanced level mandatory training courses are also provided.

We have relationships with two national unions and have executed collective bargaining agreements with workers' centers and national union organizations, with which we maintain cordial relations. Below are the statistics for union and non-union employees for each of our subsidiaries:

	As of December 31,									**As of September 30,**		
	2009			**2010**			**2011**			**2012**		
	Union	**Non-Union**	**Total**	**Union**	**Non-Union**	**Total**	**Union**	**Non-Union**	**Total**	**Union**	**Non-Union**	**Total**
Sears and boutiques	11,203	5,267	**16,470**	11,697	5,335	**17,032**	11,738	5,517	**17,255**	11,652	5,661	**17,313**
Sanborns	23,317	415	**23,732**	23,437	423	**23,860**	23,600	426	**24,026**	22,382	425	**22,807**
Music, iShop and eduMac	2,016	152	**2,168**	2,036	177	**2,213**	2,073	197	**2,270**	2,039	218	**2,257**
Others	1,288	975	**2,263**	1,263	1,091	**2,354**	2,035	1,136	**3,171**	2,033	1,123	**3,156**
Total	**37,824**	**6,809**	**44,633**	**38,433**	**7,026**	**45,459**	**39,446**	**7,276**	**46,722**	38,106	7,427	**45,533**

Because Grupo Sanborns, S.A.B. de C.V. is a holding company, it does not have direct employees or payroll. The following information is provided by business format:

Sears and Boutiques

As of September 30, 2012, Sears Mexico had 17,313 employees (including temporary employees), of which 9,264 were salespersons. Sears operates two training centers in Mexico City and one in Tijuana, Baja California, with a total of 68 rooms located in our operating units and corporate centers. Sears maintains an ongoing training program for its operating and administrative personnel.

During 2012, we held more than 10,000 introduction, training, operation, human development and product knowledge events for approximately 100,125 participants. Such trainings focused on operating procedures, customer service, sales techniques and knowledge of basic and specialty products. With respect to management development training, 109 events, including product knowledge seminars and specialized training sessions, were held for a total of approximately 2,436 participants. Additionally, 247 events on systems technical management and operations were offered to a total of approximately 3,687 participants in corporate units such as credit services, and 417 technical service events were conducted to provide employees adequate knowledge on the operations and technical support for device failures and services, which reached a total of approximately 4,517 participants.

We promote a personal development program offered by ASUME (*Asociación de la Superación por Mexico*) to our employees. The programs, which motivate personal growth and adherence to personal and group corporate values, are regularly offered to at least two employees per year per operating unit. In the Mexico City area and in other cities throughout the country, 2,427 persons have participated in such programs with very favorable results.

Sanborns, Sanborns Café, Music, iShop and eduMac

As of September 30, 2012, Sanborns, Sanborns Café and our music and iShop stores and eduMac centers had 26,223 full-time employees.

Sanborns's employees are highly unionized, except for management personnel, which represent approximately 2.0% of all employees, and the unions vary regionally. Sanborns's collective bargaining agreements are executed for an indefinite term, and include provisions that allow a certain portion of salesperson and operating personnel salary to come from commissions. Sanborns operates two training centers that offer regular training sessions for Sanborns's management and operating personnel on matters such as sales and management practices. In addition to the training programs Sanborns offers, the company encourages its managers to participate in external training programs to improve their administrative skills. In 2012, Sanborns also offered training to its newly hired employees that were expected to interface with customers. This training focused on matters related to sales techniques, customer service and product knowledge.

In 2012, more than 8,000 introductory, operation, management, operating systems and industrial plant training events were held, involving approximately 47,897 participants. We focused on increasing the relevance of each training session for its sales force by offering specific courses focusing on management development, sales strategies and product knowledge.

DAX

As of September 30, 2012, DAX had 1,027 employees (including temporary employees), of which 474 were salespersons. In 2012, DAX conducted a total of 296 training courses to introduce personnel to the business and train them on operating procedures, systems management and product knowledge. Of these, six training sessions were conducted to promote management development.

Saks Fifth Avenue

As of September 30, 2012, our Saks Fifth Avenue department stores had 322 employees, including temporary employees, of which 165 were salespersons. In 2012, Saks Fifth Avenue conducted a total of 154 training events to introduce personnel to the business and to train them on operating procedures, systems management and product knowledge.

Real Estate Properties

Our properties primarily consist of different store formats and restaurants and distribution and processing centers. We believe that our current facilities are adequate for our current operations and contemplated growth.

Of the 414 stores and restaurants open as of September 30, 2012, 70 were owned and 344 were leased. Most of our lease agreements have a five-year maturity, which may be renewed for additional five-year periods at our option. We generally negotiate a variable payment based on a percentage of stores' sales; however, we must pay additional amounts in case such variable payment does not reach a minimum monthly amount. In 2011, our monthly lease payments for our retail stores, restaurants and distribution centers in Mexico totaled Ps.1,059.0 million.

The following table sets forth our owned and leased space by store format, restaurant and other real estate properties as of September 30, 2012:

	As of September 30, 2012		
	Owned	**Leased**	**Total**
Sears and boutiques......	-	83	83
Sanborns	49	117	166
Music, iShop and eduMac	14	95	109
DAX..............................	-	26	26
Sanborns Café..............	7	21	28
Saks Fifth Avenue	-	2	2
Shopping centers..........	2	-	2
Distribution centers	-	3	3
Warehouses..................	1	-	1
Processing centers........	3	-	3
Chocolate factory..........	1	-	1
Other	1	-	-

We own two shopping centers, *Plaza Loreto* and *Plaza Inbursa*, with a rental area of 73,725 m^2 and 52,155 m^2 of additional parking space.

The following table sets forth certain information of our shopping centers as of September 30, 2012:

	As of September 30, 2012			
	Rental area (m2)	**Parking space (m^2)**	**Common and service areas (m^2)**	**Built-up area (m^2)**
Plaza Loreto	30,413	35,359	7,990	73,762
Plaza Inbursa..........	43,312	16,796	5,516	83,385

Environmental Policies

We believe we comply with all applicable environmental regulations and have obtained the necessary authorizations related to waste water and air emissions controls and inspection, and solid waste and hazardous substance management and disposal. For compliance purposes, we typically hire the services of companies duly authorized by the relevant environmental or health authorities.

We believe that the only business activities that represent a material environmental risk are those indispensable to our operations, such as power plant emissions and solid waste disposal control. We are already subject to special controls and inspections for these activities. Otherwise, we do not believe that our general business activities have any material environmental impact.

Sanborns and Sears are committed to protecting the environment. Therefore, we have implemented certain policies based on the standards established by environmental authorities to reduce negative environmental effects, and expect to do so in the future. In addition, historically, we have sought opportunities to apply more efficient technologies, such as, for example, energy saving through the use of new LED lamps. We intend to reduce our environmental impact and make our businesses more efficient by using new technologies to decrease our energy consumption with respect to lighting.

To protect the environment, the following programs have been implemented and utilized during 2012:

- *Energy Saving Program.* We began using renewable energy sources, such as natural gas co-generators, to reduce energy consumption among our businesses. In addition, we began (i) a program reinstating our use of LED technology to power outdoor lighting on our properties; and (ii) replacing air conditioning equipment with more energy efficient units.

- *Water Saving Program.* We began using rationing systems for our kitchens, showers and sinks, which have contributed to a 4.0% reduction in our businesses' water consumption. We have also gradually begun to install waterless urinals in our men's bathrooms.

- *Paper Use Reduction and Recycling Program.* Our corporate offices began using recycled paper for daily tasks in an effort to reduce deforestation.

We are also developing a power co-generation program, which will reduce our costs, while having a positive impact on the surrounding environment.

Insurance

We maintain customary insurance policies for companies engaged in similar types of operations, including policies covering risks associated with our owned and leased properties, inventories, equipment and deliver vehicles, with policy specifications and insured limits that we believe are appropriate given the relative risk of loss, the cost of the coverage, regulatory requirements and industry practice. We believe our insurance policies are adequate to meet our needs.

Legal Proceedings

In the ordinary course of business, we are involved in various legal proceedings in the different countries where we operate. These judicial proceedings include tax and labor litigation, and contractual claims. While the results of any such proceedings cannot be predicted with certainty, we do not believe that there are any pending or threatened actions, suits or proceedings against or affecting us which, if determined adversely to us, would in our view, individually or in the aggregate, materially harm our business, financial condition or results of operations. As of the date of this offering circular, we are not involved in any material judicial, administrative or arbitration proceedings that could represent a cost or benefit equal to or greater than 10.0% of our assets.

See Note 26 to our Interim Financial Statements for a description of our significant legal proceedings.

Competition

Each of our subsidiaries competes with a different sub-set of companies. The retail industry is highly competitive and characterized by high inventory turnover, controlled operating expenses and small profit margins as a percentage of sales. By contrast, our Sanborns store-restaurants do not compete directly with any other stores, due to their unique format; however, when viewed as two separate industries, our Sanborns stores compete with other specialized retailers, and our Sanborns restaurants compete in a highly fragmented and competitive restaurant market. Finally, our music and technology stores compete largely with smaller, independent stores and departments in larger retail stores.

Earnings in the retail industry primarily depend on the maintenance of high per-store sales volumes, efficient product purchasing and distribution and cost-effective store operations and inventory management. Advertising and promotional expenses are necessary to maintain our competitive position in major markets. Our retail and department stores compete principally on the basis of price, location, selection of merchandise, quality of merchandise, service, store conditions and promotions. We believe our competitive strengths are our prices and our ability to adapt to our local market.

The retail sector in Mexico is fragmented and consumers have multiple store formats available, including traditional, modern and informal establishments. In addition, certain major U.S. and international retailers have established joint ventures with other Mexican companies that compete with our stores and may continue to do so in the future. The traditional sector in Mexico, to which the majority of the existing establishments belong, consists mainly of small, family-owned stores with minimal staff and limited geographical scope. These establishments tend to cater to local consumers. In contrast, the modern sector represents a small percentage of the total establishments, although we estimate that it generates an important percentage of the total retail sales. We expect consumer preferences to move away from traditional stores towards more modern establishments, as consumers look for improved quality, product selection, and convenience, as well as lower prices.

We believe we have a competitive advantage over our Mexican competitors due to our ability to combine the positive aspects of traditional and modern stores. We believe we offer a selection of diverse, quality products at a relatively low cost to our consumers, while taking our local market into account with respect to product selection.

Sears competes with Liverpool, Coppel, Elektra, El Palacio de Hierro, Fábricas de Francia and Suburbia, and has a strong market position in household goods and other long-lasting products, through the brands developed by Sears in the United States, which include *Kenmore* and *Craftsman*.

Due to Sanborns's unique store-restaurant format, it does not face any direct competition. However, Sanborns competes in general terms with department stores, drugstores and restaurant chains. The restaurant business in Mexico is highly fragmented. It consists of national chains, Mexican chains and some independent restaurants. We believe that Vips represents the most significant competitor for Sanborns's restaurant business because customers see Vips and Sanborns as equivalent substitutes. Other competitors

in this business include Wings, Toks, California and El Portón, some of which are found in supermarket chains such as Wal-Mart and Comercial Mexicana.

In music and technology, we believe our music stores are leaders in a very fragmented market composed principally of small independent stores and music departments in large retail stores. iShop stores compete primarily with technology departments in retail stores and other specialized stores.

Below is a chart showing our revenue and market share as of December 31, 2011 and September 30, 2012, with respect to our main competitors in the retail sector:

	As of and for the year ended December 31, 2011		**As of and for the nine-month period ended September 30, 2012**	
	Revenue	**Market Share**	**Revenue**	**Market Share**
	(millions of Pesos)	**(%)**	**(millions of Pesos)**	**(%)**
Grupo Sanborns	37,044	16.5	26,707	14.9
Liverpool	58,648	26.2	43,471	24.2
Coppel	58,773	26.2	45,609	25.4
Elektra	52,019	23.2	50,401	28.1
GPH	17,698	7.9	13,408	7.5
Total	**224,182**	**100.0**	**179,597**	**100.0**

MANAGEMENT

Our Board of Directors

Our board of directors currently consists of nine proprietary members and three alternate directors. Each director has been appointed for a term of one year, is eligible for re-election, and must remain in office until a successor has been appointed and has assumed office. Any alternate director may serve in place of any proprietary director if such director is unable to attend a meeting of the board of directors; provided that, only independent alternate directors may serve in place of independent proprietary members. The members of the board of directors are designated or ratified by our shareholders at their annual meeting. All our proprietary and alternate directors were appointed or ratified at our shareholders' meeting held on January 29, 2013.

In accordance with the LMV and our bylaws, at least 25.0% of the members of the board of directors must be independent and such independence is determined by the shareholders' meeting that appoints them, subject to the CNBV's review.

In accordance with the LMV and our bylaws, our board of directors is responsible for setting general strategies for our business and supervising our operations and commercial activities. The board of directors may rely on one or more committees to carry out its duties. In addition, the board of directors is responsible for executing the resolutions adopted by the shareholders' meeting, directly or through the audit committee. In performing the above duties, our board of directors has the authority to represent us and to enter into any contract and execute any legal action on our behalf and to adopt any resolution necessary or convenient to achieve our corporate purpose.

The following table sets forth the names of our current directors, their position, business experience (including other directorships) and years of service with us as a director.

Name	Position	Years of Service
Carlos Slim Domit.............................	Chairman	26
Patrick Slim Domit	Director	17
Ángel Eduardo Peralta Rosado(1)	Director	57
Juan Antonio Pérez Simón(1) (2)..........	Director	27
Antonio Cosío Pando(1) (2)..................	Director	5
José Kuri Harfush(1) (2)	Director	29
Juan Rodríguez Torres(1)	Director	2
Juan Domingo Beckman Legorreta(1) .	Director	5
Isaac Massry Nakash.........................	Director	19
Pablo Andrés Guzmán Rivera Rio	Alternate director	5
José Manuel Campo y Menéndez	Alternate director	26
Edgar Smolensky Kirchner.................	Alternate director	5

(1) Independent member of our board of directors pursuant to the LMV.
(2) Member of the Audit and Corporate Practices Committee.

Our secretary non-member of the board of directors is Omar Lugo Andere and has 23 years of service with us.

Carlos Slim Domit has an undergraduate degree in business administration from Universidad Anáhuac. Currently, among other positions, he is the co-chairman of the board of directors of América Móvil, S.A.B. de C.V., chairman of Teléfonos de México, S.A.B. de C.V. and Grupo Carso, S.A.B. de C.V. and many of its subsidiaries and affiliates, and actively participates in various industrial and educational associations and philanthropic foundations and organizations. Mr. Slim has been the chief executive officer of Sanborn Hermanos for more than 20 years. He has served as the chairman of our board of directors since 1997 and has been a member of our board of directors since 1990.

Patrick Slim Domit has an undergraduate degree in business administration from the Universidad Anáhuac. He has served as officer and director of many companies, including Grupo Carso, S.A.B. de C.V. and Tenedora de Empresas de Materiales de Construcción, S.A. de C.V. Currently, he is the chief executive officer of Sears Operadora, S.A. de C.V., the chief commercial officer of Mercado Masivo Teléfonos de México, S.A. de C.V., vice-president of Grupo Carso, S.A.B. de C.V., co-chairman of the boards of directors of América Móvil, S.A.B. de C.V. and Grupo Telvista, S.A. de C.V. and a member of the boards of directors of Grupo Carso, S.A.B. de C.V. and certain of its subsidiaries, Minera Frisco, S.A.B. de C.V. and Impulsora para el Desarrollo y el Empleo de LatinoAmerica, S.A.B. de C.V. (IDEAL). He has served as our chief executive officer since 2012 and has been a member of our board of directors since 1996.

Ángel Eduardo Peralta Rosado has an undergraduate degree in architecture from the Universidad Nacional Autónoma de México. He has served as member of the boards of directors of Sanborn Hermanos since 1975 and Sears Mexico since 1997. He has served as vice-president of our board of directors since 1999.

Juan Antonio Pérez Simón has an undergraduate degree in accounting from the Universidad Nacional Autónoma de México. He has served as chairman of the board of directors of Sanborn Hermanos, vice-chairman of the board of directors of Teléfonos de México, S.A.B. de C.V., member of the board of directors of América Móvil, S.A.B. de C.V., Grupo Carso, S.A.B. de C.V., Grupo Financiero Inbursa, S.A.B. de C.V., and Elementia, S.A., and actively participates in various associations and philanthropic foundations and organizations He was recently appointed to serve as an independent member of our board of directors.

Antonio Cosío Pando has an undergraduate degree in advanced engineering at the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM). He has served as vice-president of the board of directors of Grupo Hotelero Brisas, S.A. de C.V., managing director of Compañía Industrial de Tepeji del Río, S.A. de C.V., director of Bodegas Santo Tomás, S.A. de C.V., director of Grupo Financiero Inbursa, S.A.B. de C.V.; director of Grupo Carso, S.A.B. de C.V. and director of Teléfonos de México, S.A.B. de C.V. He was recently appointed to serve as an independent member of our board of directors, although he has served as member of the board of directors of certain of our subsidiaries.

José Kuri Harfush has an undergraduate degree in business administration from the Universidad Anáhuac. Currently, he is the chief executive officer of Galas de México, S.A. de C.V., Janel, S.A. de C.V., Kristafilms, S.A. de C.V., Productos Dorel, S.A. de C.V. and Artes Gráficas Unidas, S.A. de C.V. He is also a member of the boards of directors of Teléfonos de México, S.A.B. de C.V., Grupo Carso, S.A.B. de C.V., Grupo Financiero Inbursa, S.A.B. de C.V. and several of its subsidiaries, Minera Frisco, S.A.B. de C.V. and Sanborn Hermanos. He has served as member of our board of directors since 1984 and has served on the board of directors of certain of our subsidiaries.

Juan Rodríguez Torres has an undergraduate degree in civil engineering from the Universidad Nacional Autónoma de México. Currently, he is member of the board of directors of Minera Frisco, S.A.B. de C.V. and Procorp, S.A. de C.V. He is the founder of the *Asociación Mexicana Empresarial de Generación*. He was recently appointed to serve as an independent member of our board of directors.

Juan Domingo Beckmann Legorreta has a bachelor's degree in business administration and a graduate degree in marketing from the Universidad Anahuac. He attended the Senior Management Program at the Instituto Panamericano en Alta Dirección in Mexico City and the Executive Development Program at Columbia University in New York. He has served on the board of directors of Acciones y Valores, S.A. and the Consejo de la Comunicación. Currently, he is the chief executive officer of José Cuervo and a member of the board of directors of Sears Mexico and Banco Ve por Mas, S.A., Institución de Banca Múltiple. In March 2008, the World Economic Forum elected Mr. Beckmann as Young Global Leader, an award granted each year to recognize and acknowledge the 200 top young leaders from around the world for their professional accomplishments and commitment to society. He was recently appointed to serve as an independent member of our board of directors, although he has served as member of the board of directors of certain of our subsidiaries.

Isaac Massry Nakash has an undergraduate degree in business administration from the University of Austin, Texas. He founded Mixup in 1989, and he is currently its chief executive officer. Currently, he serves as a member of the board of directors of Sears Mexico. He was recently appointed to serve as a member of our board of directors, although he has served as member of the board of directors of certain of our subsidiaries.

Pablo Andrés Guzmán Rivera Rio has an undergraduate degree in civil engineering from the Universidad Nacional Autónoma de México. He served as vice-president of restaurant operations of Walmart Mexico from 2007 to 2008, where he served for 15 years. He has served as chief operating officer of Sanborn Hermanos since 2008. He was recently appointed to serve as alternate member of our board of directors.

José Manuel Campo y Menéndez has an undergraduate degree in business administration from the from the Universidad Tecnológica de México. He has served as general manager of Restaurants and Bars in our Sanborns store-restaurants and our Sanborns Cafés since 1987, and as member of the board of directors of Sanborn Hermanos and Sears Mexico. He was recently appointed to serve as alternate member of our board of directors, although he has served as member of the board of directors of certain of our subsidiaries.

Edgar Smolensky Kirchner has an undergraduate degree in marketing from the Universidad Nuevo Mundo. He served as assistant general manager of marketing of Sears Mexico from 2008 to 2011. Since 2011, he serves as chief commercial officer of Sears Mexico and as special guest in Sears Mexico's board of directors. He was recently appointed to serve as alternate member of our board of directors, although he has served as member of the board of directors of certain of our subsidiaries.

Omar Lugo Andere has a law degree from the Universidad Nacional Autónoma de México. He has served as assistant general counsel of Sears Mexico since 1990 and as our general counsel since 2001. He is a member of the board of directors of ANTAD and GS1 Mexico. He has served as secretary of our board of directors since 2007 and of certain of our subsidiaries for several years.

The following members of the board of directors are related by blood or legally: Mr. Carlos Slim Domit and Patrick Slim Domit are brothers.

In accordance with the LMV and our bylaws, our board of directors must approve, among others, all transactions that deviate from our ordinary course of business, and those that involve (i) related parties, (ii) any purchase or sale of 5.0% or more of our assets, (iii) the granting by us of guarantees in an amount exceeding 5.0% of our consolidated assets, and (iv) the assumption by us of liabilities exceeding 5.0% of our consolidated assets.

Senior Management

The following table sets forth the names of our current senior management members, their principal occupation, business experience (including directorships) and years of service with us or in their current position:

Name	Position	Years of Service
Patrick Slim Domit	CEO	17
Mario Enrique Bermudez Dávila	CFO	9
Omar Lugo Andere	General counsel	23
Edgar Smolensky Kirchner	CCO – Saks Mexico and Purchasing General Manager - Sears	4
Pablo Elias Sayeg	Purchasing General Manager – Sears	-
Pablo Andrés Guzmán Rivera Río	Stores' General Manager – Sanborn Hermanos	5
José Manuel Campo y Menéndez	General Manager - Food and Beverages - Sanborn Hermanos	24
Isaac Massry Nakash	CEO – Promusa	19

Mario Enrique Bermudez Dávila is our chief financial officer and has 18 years of service with us. He has an undergraduate degree in accounting from the Universidad Latinoamericana and a post-graduate degree from the ITAM and the ITESM. He has served as officer of many of our affiliates, including Grupo Financiero Inbursa, S.A.B. de C.V.

Pablo Elias Sayeg is purchasing general manager at Sears and has nine years of service with us. He has an undergraduate degree in business administration from the Universidad Anáhuac. He has served as officer of many of our affiliates, including Grupo Financiero Inbursa, S.A.B. de C.V.

We have not yet adopted a code of conduct for our board of directors or our senior management. We expect to approve a code of conduct once our board of directors is established.

Audit and Corporate Practices Committee

The LMV requires us to have an audit committee, which must be comprised of at least three independent members appointed by the board of directors (except in the case of corporations controlled by a person or corporate group holding 50% or more of the corporation's outstanding capital stock, in which case the majority of the members must be independent). The audit committee (together with the board of directors, which has additional duties) replaces the *comisario* (statutory auditor) that previously had been required pursuant to the Mexican Corporations Law.

Our shareholders approved the creation of the audit and corporate practices committee at their meeting held on January 29, 2013. We believe that all of the members of the audit and corporate practices committee are independent within the meaning of the LMV and at least one of its members qualifies as a financial expert. Standards for independence and financial expertise under Mexican law, however, differ from the New York Stock Exchange, NASDAQ Stock Market LLC or U.S. securities law standards.

The audit and corporate practices committee's principal role is to supervise our external auditors, analyze the external auditor's reports, inform the board of directors of any existing internal controls and any irregularities related to internal controls or otherwise, supervise the execution of related party transactions, supervise the activities of the chief executive officer and internal audit function and provide an annual report to the board of directors. This committee is also responsible for rendering its opinions to the board of directors in connection with the performance of our key officers, transactions with related parties, requests for opinions

from independent third party experts, calling shareholders' meetings and providing assistance to the board of directors in the preparation of reports for the annual shareholders' meeting.

Our audit and corporate practices committee currently consists of the following three members.

Name
Juan Antonio Pérez Simón (Chairman)
Antonio Cosío Pando
José Kuri Harfush

Our board of directors currently does not have any committee other than the audit and corporate practices committee.

Mr. Juan Antonio Pérez Simón is our financial expert and was appointed at our shareholders' meeting held on January 29, 2013.

Share Ownership

At our general ordinary and extraordinary shareholders' meeting held on January 29, 2013, our shareholders resolved, among other things, to commence an initial public offering in Mexico and a private placement in other markets outside of Mexico, to amend our bylaws in their entirety to conform them to the provisions of the LMV applicable to public corporations, to adopt the form of a listed stock corporation (*sociedad anónima bursátil de capital variable*) and to change our name to "Grupo Sanborns, S.A.B. de C.V."

In our shareholders' meeting held on January 29, 2013, our shareholders (i) acknowledged that our outstanding capital stock, after the relevant capital restructuring, was represented by 1,949,691,764 fully paid, ordinary, nominative, no par value, shares representing the fixed portion of our capital stock; and (ii) resolved to increase the fixed portion of our capital stock in an amount of up to 432,308,236 ordinary, nominative, Series B-1 shares, resulting in a total fixed portion of our capital stock represented by 2,382,000,000.

Considering that none of our shareholders exercised its preemptive rights to subscribe and pay for the shares and that the relevant period to so exercise such rights has elapsed, pursuant to the resolutions described in the paragraph above, our outstanding capital stock will be comprised as follows:

	Number of Shares	Series	Portion
Outstanding shares	1,949,691,764	"B-1"	Fixed
Treasury shares	432,308,236	"B-1"	Fixed
Total	2,382,000,000	"B-1"	Fixed

In our last fiscal year, we were not subject to any public tender offer seeking to gain control over us, and we did not commence any public tender offer to gain control over other companies.

The following table sets forth a description of our capital stock immediately after the shareholders' meeting held on January 29, 2013:

	Shares	
Shareholder	Amount	Percentage
Grupo Carso, S.A.B. de C.V.	1,949,259,570	81.83
Minority shareholders	432,194	0.02
Treasury	432,308,236	18.15
Total	2,382,000,000	100.0

As of the date of this offering circular, except as otherwise set forth in "Principal Shareholders," none of our directors or members of our senior management team has an equity interest in our capital stock. During the last three fiscal years, there has not been any material change in the percentage of ownership of shares held by our principal shareholders.

Compensation of Directors and Senior Management

Compensation of members of our board of directors and committees are determined by our general ordinary shareholders' meeting. Members of our board of directors receive Ps.15,000.0 for each meeting attended. In 2011, we did not pay any compensation to our board members and the aggregate amount of compensation paid to our senior management was approximately Ps.50.0 million, including both fixed and variable compensation. Such amount included payments for salaries, vacations and mandatory year-end and discretionary bonuses. The amount accrued in 2011 relating to pension benefits of our senior management was approximately Ps.107.9 million.

There are no agreements or stock option plans allowing members of our board of directors, executive officers or employees to beneficially own our capital stock.

PRINCIPAL SHAREHOLDERS

Grupo Carso

Grupo Carso is our controlling shareholder and holds a majority of our outstanding shares. Certain members of our board of directors, including the chairman of the board, beneficially own, directly or indirectly, shares in Grupo Carso. Members of the Slim family beneficially own, in the aggregate, 79.4% of the outstanding shares of Grupo Carso according to Grupo Carso's reports filed with the CNBV. No other shareholder beneficially owns more than 10.0% of our outstanding shares.

According to Grupo Carso's reports to the CNBV, each of Carlos Slim Domit, Patrick Slim Domit and Marco Antonio Slim Domit, proprietary members of the board of directors of Grupo Carso, beneficially owns, directly or indirectly, more than 10.0% of the outstanding shares of Grupo Carso. Each of Carlos Slim Helú, María Soumaya Slim Domit, Vanessa Paola Slim Domit and Johanna Monique Slim Domit beneficially owns, directly or indirectly, more than 10.0% of the outstanding shares of Grupo Carso. Each of the Administrative and Investment Trust No. F-127, where Banco Inbursa, S.A. acts as trustee, and Inmobiliaria Carso, S.A.B. de C.V. are holders of record of more than 10.0% of the outstanding shares of Grupo Carso.

The table below sets forth certain information regarding the ownership of our capital structure as adjusted to reflect the restructuring of our capital stock approved by our shareholders at our shareholders' meeting held on January 29, 2013 and after giving effect to the global offering.

			Shares owned after the global offering			
	Shares owned prior to the global offering		Non-exercise of options to purchase additional securities		Exercise of options to purchase additional securities	
Name of shareholder	**Number**	**%**	**Number**	**%**	**Number**	**%**
Grupo Carso, S.A.B. de C.V....	1,949,259,570	99.98	1,949,259,570	83.83	1,949,259,570	81.85
Minority shareholders	432,194	0.02	432,194	0.02	432,194	0.02
New investors	-	-	375,407,407	16.15	431,718,518	18.13
Total	1,949,691,764	100.00	2,325,099,171	100.00	2,381,410,282	100.00

Except for Grupo Carso, no individual or entity holds 10.0% or more of our outstanding shares and as of the date of this offering circular, there is no agreement or commitment known to us that may result in a change of control.

RELATED PARTY TRANSACTIONS

In the ordinary course of our business, we engage and may engage in the future in a number of transactions with our shareholders and with companies that are owned or controlled, directly or indirectly, by us or our controlling shareholders, subject to the approval of our board of directors. In accordance with our bylaws and the LMV, our audit and corporate practices committee, which is comprised of independent members, reviews the transactions we engage in with related parties.

Pursuant to the LMV and our bylaws, our board of directors has the following obligations with respect to related party transactions: (i) the approval of guidelines for the use of corporate assets by related parties; (ii) the approval, on an individual basis, of transactions with related parties, subject to certain limited exceptions, (iii) the approval of guidelines to grant loans to, or guarantees for the benefit of, related parties; and (iv) the approval of waivers for members of our board of directors, senior management or individuals with executive authority to take advantage of corporate opportunities directly or through third parties, that initially corresponded to us or entities controlled by us or on which we have a significant influence.

Pursuant to the LMV, "Related Persons" or "Related Parties" includes those who meet any of the following conditions with respect to the relevant entity: (i) persons that control or have significant influence over an entity that is part of the same business group or consortium as an issuer, as well as the members of the board of directors and senior management of the entities forming part of such business group or consortium, (ii) persons with executive authority in an entity forming part of the same business group as an issuer; (iii) the spouse, common law partner and blood or adoptive relatives to the fourth degree and relatives by affinity to the third degree, of individuals mentioned in paragraphs (i) and (ii) above, as well as partners and co-owners of individuals mentioned in such paragraphs with which they maintain a business relationship; (iv) entities that form part of the same business group or consortium as the issuer; and (v) entities over which any of the persons described in paragraphs (i) to (iii) above exercise control or significant influence.

We believe that all transactions with related parties have been made in the ordinary course of business and such are on terms no less favorable to us than would have been obtained in arms' length transactions. These transactions are on terms no less favorable to us than would have been obtained in arms' length transactions, and we believe that we would be able to find alternative sources to raw materials and services in case such transactions with related parties are terminated. See "Risk Factors—Risks Related to our Business—We have engaged in the past, and will continue to engage, in related party transactions which may create potential conflicts of interest and may result in less favorable terms to us." For more information on our related party transactions, see Note 14 to our Audited Financial Statements and Note 21 to our Interim Financial Statements included elsewhere in this offering circular.

In 2009, 2010 and 2011 and in the nine months ended September 30, 2012, we engaged in transactions with related parties for the following concepts, without including financing transactions entered into with Banco Inbursa, Institución de Banca Múltiple, Grupo Financiero Inbursa, or "Inbursa":

	Years Ended December 31,			Nine Months Ended September 30,	
	2009	2010	2011	2011	2012
	(millions of Pesos)				
Sales	81.4	100.7	185.2	130.5	121.7
Services and others	161.2	157.8	138.0	103.7	104.0
Leases (collected)	16.3	18.7	6.0	4.5	36.3
Income (expense) from interest, net	(111.8)	(1.4)	(11.0)	(8.8)	(9.1)
Purchases	(1,508.5)	(1,953.7)	(1,603.1)	(783.2)	(1,064.6)
Other expenses, net	(810.7)	(968.0)	(1,002.5)	(943.3))	(1,014.1)
Total	(2,172.1)	(2,645.8)	(2,287.5)	(1,496.6)	(1,825.8)

Financial Transactions

Transactions with Inbursa

Historically, we have entered into financing transactions with Inbursa, an affiliate of Grupo Carso, which, in some cases, have been material. We also obtain and will continue to obtain insurance policies from Seguros Inbursa, S.A. de C.V., Grupo Financiero Inbursa.

We have entered into and will continue to enter into securities brokerage agreements with Inversora Bursátil S.A. de C.V. Casa de Bolsa, Grupo Financiero Inbursa for investment purposes, which are agreed upon using *Cetes* rates as reference rates, plus a margin negotiated on an arms'-length basis.

See Note 14 to our Audited Financial Statements and Note 21 to our Interim Financial Statements for a more detailed description of our transactions with related parties.

The following tables set forth our related party transactions entered into in the ordinary course of business:

	Years Ended December 31,			Nine Months Ended September 30,	
	2009	2010	2011	2011	2012
	(millions of Pesos)				
Sales	**81.4**	**100.7**	**185.2**	**130.5**	**121.7**
Radiomóvil Dipsa, S.A. de C.V.	18.2	32.7	46.7	31.3	32.6
Seguros Inbursa, S.A.	22.7	25.3	23.2	16.2	17.5
Grupo Técnico de Servicios, S.A. de C.V.	22.0	21.8	22.5	16.7	17.4
Teléfonos de México, S.A.B. de C.V.	5.8	6.9	31.7	26.6	8.9
Sales (others)	12.7	14.0	61.2	39.7	45.4
Services	**160.8**	**157.0**	**135.3**	**101.3**	**103.8**
Radiomóvil Dipsa, S.A. de C.V.	92.5	113.8	92.2	64.4	73.7
Patrimonial Inbursa, S.A.	12.1	12.8	13.1	7.7	9.9
Teléfonos de México, S.A.B. de C.V.	13.9	13.7	9.8	9.8	6.6
Banco Inbursa, S.A.	-	-	-	12.0	-
Services (others)	9.4	16.6	20.2	7.4	13.7
Leases (collected)	**16.3**	**18.7**	**6.0**	**4.5**	**36.3**
Income from sales of fixed assets	**0.4**	**0.8**	**2.7**	**0.2**	**2.4**
Purchases of fixed assets	-	-	-	**(87.8)**	**(25.2)**
Income (expense) from interest, net	**(111.8)**	**(1.4)**	**(14.1)**	**(8.8)**	**(9.1)**
Purchases	**(1,508.5)**	**(1,953.7)**	**(1,603.1)**	(783.2)	(1,064.6)
Radiomóvil Dipsa, S.A. de C.V.	(1,015.7)	(1,170.8)	(1,077.3)	(612.7)	(771.0)
Phillips Morris de México, S.A. de C.V.	(99.7)	(115.8)	(129.0)	(92.4)	(90.8)
Distribuidora Telcel, S.A. de C.V.	(371.6)	(485.6)	(62.9)	-	-
América Móvil, S.A.B. de C.V.	-	-	(323.1)	-	-
Purchases (others)	(21.5)	(181.6)	(10.8)	(78.0)	(202.8)
Insurance expense	-	-	-	**24.1**	**34.2**
Leases (paid)	**(314.3)**	**(372.2)**	**(434.4)**	(279.7)	(428.6)
Inmuebles Srom, S.A. de C.V.	-	-	(149.1)	(102.5)	(147.7)
Dorian's Tijuana, S.A. de C.V.	146.5	(142.4)	-	-	-
Inmose, S.A. de C.V.	66.1	(71.6)	(63.3)	(30.4)	(78.5)
Leases paid (others)	101.7	(158.2)	(221.9)	(146.9)	(202.4)
Services expense	**-**	**-**	**-**	(511.4)	(468.0)
Other expenses, net	**(496.4)**	**(595.8)**	**(568.2)**	**(40.2)**	**(58.0)**
Credit received, net	**-**	**-**	**3.1**	**-**	**-**

The following tables set forth the principal receivables from and payables to related parties during the years and periods indicated.

	As of December 31,			As of September 30,
	2009	2010	2011	2012
	(thousands of Pesos)			
Receivables				
Administradora y Operadora de Estacionamientos, S.A. de C.V.	-	-	-	4,860
Grupo Técnico de Servicios Telvista, S.A. de C.V.	1,348	2,866	2,688	4,004
Seguros Inbursa, S.A. de C.V.	-	1,073	-	-
Hipocampo, S.A. de C.V.	-	-	1,015	-
Promotora Sanborns, S.A. de C.V.	-	-	931	-
Outsourcing Inburnet, S.A. de C.V.	-	-	89	-
Administradora de Personal de Centros Comerciales, S.A de C.V.	-	-	82	-
Inmobiliaria para el Desarrollo de Proyectos, S.A. de C.V.	-	-	65	-
Imsalmar, S. A. de C.V.	-	-	259	-
Almexa Aluminio, S.A. de C.V.	-	-	169	-
Compañía Servicios Ostar, S.A. de C.V.	-	-	426	-
Hotel Geneve, S.A. de C.V.	-	-	144	-
Nacional de Cobre, S.A. de C.V.	-	-	548	-
Nacobre Servicios Administrativos, S.A. de C.V.	-	-	349	-
Elementia Servicios Administrativos, S. A. de C.V.	-	-	202	-
Servicios Corporativos Ideal, S.A. de C.V.	-	-	201	-
Patrimonial Inbursa, S.A. de C.V.	-	642	191	-
Administración Especializada Integral, S.A. de C.V.	-	620	-	-
Banco Inbursa, S.A.	3,730	548	-	2,058
Plaza VIP Com, S.A.P.I. de C.V.	-	-	-	1,266
Promotora del Desarrollo de América Latina, S.A. de C.V.	-	274	484	819
Inversora Bursátil, S.A. de C.V.	-	-	-	733
Administradora de Cartera Chamapa-La Venta, S.A. de C.V.	-	257	149	-
I+D México, S.A. de C.V.	-	109	142	-
Cía. De Telefonía de Bienes Raíces, S.A. de C.V.	-	84	1	-
Buscatel, S.A. de C.V.	217	-	-	-
Others	269	139	300	2,890
Total	**5,564**	**6,612**	**8,435**	**16,630**

	As of December 31,			As of September 30,
	2009	2010	2011	2012
	(thousands of Pesos)			
Payables				
Dorian's Tijuana, S.A. de C.V.	-	-	470,984	58,823
Radiomóvil Dipsa, S.A. de C.V.	49,297	46,797	86,738	71,488
Inmuebles Srom, S.A. de C.V.	-	-	76,526	65,708
Sears Brands Management Corporation	-	-	-	58,130
América Móvil, S.A. de C.V.	-	-	-	11,583
Philip Morris México, S.A. de C.V.	17,817	22,569	8,685	7,470
Inmose, S.A. de C.V.	-	-	7,644	5,983
Bienes Raíces de Acapulco, S.A. de C.V.	-	-	6,839	926
Teléfonos de México, S.A.B. de C.V.	21,647	3,791	6,346	8,600
Bajasur, S.A. de C.V.	-	-	5,633	2,971
Seguros Inbursa, S.A. de C.V.	-	-	5,291	2,747
Desarrollos Sagesco, S.A. de C.V.	-	-	3,404	1,516
Operadora Mercantil, S.A. de C.V.	3,968	3,752	3,262	2,131
Distribuidora Telcel, S.A. de C.V.	34,352	29,397	2,816	3,620
Altabrisa Trust F569/2005	-	-	1,494	-
Editorial Contenido, S.A. de C.V.	-	696	1,392	-
Acolman, S.A.	-	-	1,207	-
Selmec Equipos Industriales, S.A. de C.V.	-	-	909	-
Fianzas Guardiana Inbursa, S.A. de C.V.	-	89,101	772	-
Operaciones e Inversiones, S.A. de C.V.	-	-	700	-
Banco Inbursa, S.A.	-	-	668	-
Impulsora de Empresas y Exportaciones, S.A. de C.V.	-	-	642	-
Santepec, S.A. de C.V.	-	-	481	-
Consorcio Red Uno, S.A. de C.V.	3,682	4,236	447	3,568
Trust 4551-7 Banamex Plaza Universidad, S.A. de C.V.	-	-	436	-
Fundación Carlos Slim, A.C.	5,133	-	-	-
Inmobiliaria Ciudad del Sol, S.A. de C.V.	-	-	420	-
Inmobiliaria Diana Victoria, S.A. de C.V.	-	-	348	-
Productos Chase, S.A. de C.V.	-	-	255	-
Inmobiliaria Buenavista, S.A. de C.V.	-	-	232	-
Patrimonial Inbursa, S.A. de C.V.	848	921,252	-	172
Promotora del Desarrollo de América Latina, S.A. de C.V.	-	1	-	-
Others	696	24	620	1,566
Total	**137,440**	**1,121,616**	**695,191**	**307,002**

We have an available credit line with Inbursa under which we may borrow up to Ps.2,200.0 million or its equivalent in U.S. dollars. Disbursements in Mexican pesos accrue interest at a rate equal to TIIE plus a margin negotiated on an arms' length basis. Disbursements in U.S. dollars accrue interest at a rate equal to LIBOR plus a margin negotiated on an arms' length basis. As of September 30, 2012, we had no outstanding amounts payable under our credit line with Inbursa.

Transactions with Inmuebles Carso

As of September 30, 2012, 28.6% of our store and restaurant facilities were leased from Inmuebles Carso, a related party. We believe all of our lease agreements with Inmuebles Carso are on terms no less favorable to us than would have been obtained in arms' length transactions.

Other Transactions

Inside our Sears department stores and Sanborns store-restaurants, we rent retail space to certain related parties, including ATMs and bank branches owned by Inbursa, which generates positive synergies.

Except as described above, as of the date of this offering circular, we have not entered into any other transaction with any entity where we hold more than 10.0% of the outstanding voting shares or with any of our shareholders holding more than 10.0% of our outstanding voting shares.

DESCRIPTION OF OUR CAPITAL STOCK AND CORPORATE BYLAWS

The following is a description of our capital stock and a brief summary of certain significant provisions of our bylaws and of Mexican law. This description does not purport to be complete and is qualified in its entirety by reference to our bylaws and to Mexican law. This description should be considered a summary; for a more complete review, you should read our bylaws and Mexican applicable law.

General

We were incorporated on December 31, 1928 under the name "Fábricas de Papel Loreto y Peña Pobre" as a stock corporation under Mexican law. At our general ordinary and extraordinary shareholders' meeting held on January 29, 2013, our shareholders resolved, among other things, to amend our bylaws in their entirety to conform them to the provisions of the LMV applicable to public corporations, to adopt the form of a listed stock corporation (*sociedad anónima bursátil de capital variable*) and to change our name to "Grupo Sanborns, S.A.B. de C.V." A copy of our bylaws, as amended, has been filed with, and can be examined at, the CNBV and the BMV, and is available for review at www.bmv.com.mx.

The duration of our corporate existence is indefinite. We are a holding company and conduct most of our operations through our subsidiaries.

Capital Stock

Because we are a publicly traded corporation with variable capital stock, our capital stock must have a fixed portion and may have a variable portion. As of the date of this offering circular, our issued and outstanding share capital consists of 1,949,691,764 series B-1 shares of common stock, no par value. In addition, we have 432,308,236 Series B-1 shares subject to be subscribed and paid for, all or a portion of which may be used in connection with this offering. Immediately after giving effect to the global offering, assuming that we offer 431,718,518 shares, considering the exercise by the initial purchasers and the Mexican underwriters of their options to purchase additional shares from us, 2,381,410,282 of our shares will be outstanding. Our shares may be issued to, paid for and held by either Mexican or non-Mexican investors.

Increases and Decreases in Capital Stock

Immediately after the spin-off of our real estate business in 2010, the value of our capital stock was Ps.1,153,102,244.75 represented by 974,845,882 ordinary, nominative Series B-1 shares, no par value. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Discontinued Operations." Except for the capital increase approved in our ordinary and extraordinary shareholders' meeting held on January 29, 2013 and described in "Management—Share Ownership," we have not increased or decreased our capital stock or carried out any corporate restructuring.

No portion of our current capital stock has been paid in kind in the last three fiscal years. We currently do not have any securities convertible into our shares outstanding or any derivative financial instruments having our shares as underlying securities.

Corporate Purpose

According to our bylaws our corporate purpose includes the acquisition and management of shares, interests, participations, units or any other equity interest of any type of business corporation or partnership or any other entity or company, whether from its inception or subsequent acquisition, as well as the sale, disposition and trading of such shares, interests, participations, units or any other equity interest, including other negotiable instruments, as well as the rendering of administrative, organizational, tax, legal and consulting services to business corporations or partnerships.

Voting Rights

Our shares have full voting rights and each share entitles the holder to one vote at any general meeting of our shareholders.

Shareholders' Meetings

Calls for general shareholders' meetings must be published in one of the newspapers of general circulation in Mexico City at least 15 calendar days prior to the date of the meeting. From the date on which a call is published until the date of the corresponding general meeting, all relevant information will have to be available to the shareholders. Each call must set forth the place, time and agenda for the general meeting and must be signed by whomever convened the meeting.

To be admitted to and vote on any shareholders' meeting, shareholders or their representatives must deposit their share certificates, their provisional certificates or the deposit certificates issued by a financial institution, brokerage house or deposit institution with our secretary at least two business days prior to the shareholders' meeting, in exchange of an admission card. This deposit may also be made with a financial institution or brokerage house in Mexico or abroad. Shareholders may appoint one or more attorneys-in-fact to represent them pursuant proxy letters or powers of attorney granted pursuant to applicable laws or pursuant to power-of-attorney forms prepared and distributed by us through custodians or held at our offices at least 15 calendar days prior to the relevant meeting.

Under our current bylaws, we may hold two types of general shareholders' meetings: ordinary and extraordinary. General ordinary shareholders' meetings are those called to discuss any issue not reserved for extraordinary shareholders' meetings. An annual ordinary shareholders' meeting must be held at least once a year within the first four months following the end of each fiscal year to discuss, among other things, the approval of our financial statements, the report prepared by the chief executive officer and the board of directors on our financial statements, the appointment of members of the board of directors and the determination of compensation for members of the board of directors, the appointment of the chairman of the audit and corporate practices committee, the determination of payments of dividends, the approval of the share repurchase program, and the approval of any material transactions.

Extraordinary shareholders' meetings are those called to consider any of the following matters, among others:

- an extension of our company's duration;
- dissolution of our company;
- an increase or decrease in the fixed portion of our capital stock, as well as increases pursuant to article 53 of the LMV relating to public offerings;
- a change in our corporate purpose;
- a change in our corporate jurisdiction;
- a change in our corporate form;
- any merger or spin-off involving us;
- any issuance of preferred stock;
- any stock redemption or issuance of preferred stock;
- the issuance of bonds, debentures, notes, debt or capital instruments, or any hybrid instrument, provided that they are convertible into shares of another company;
- amendments to our bylaws;
- cancellation of registration of our shares with the RNV and any domestic or international stock exchange, but not in quotation systems or other markets not organized as stock exchanges; and

- any other matters for which applicable Mexican law or our bylaws specifically require a general extraordinary meeting.

General shareholders' meetings are required to be held at our corporate domicile, which is located in Mexico City. The chairman of the board of directors, the chairman of the audit and corporate practices committee, or the secretary of the board of directors may call any shareholders' meetings. In addition, any shareholders representing at least 10% of our outstanding capital stock have the right to request that the chairman of the board of directors, or the chairman of the audit and corporate practices committee, call a shareholders' meeting to discuss the matters indicated in the relevant request.

Quorum

Ordinary shareholders' meetings are legally convened on a first call when at least 50% of the shares representing our outstanding capital stock entitled to vote are represented. Resolutions at ordinary shareholders' meetings pursuant to a first call are valid when approved by the holders of the majority of the shares entitled to vote thereon represented at such meeting. On second or subsequent calls, any number of shares entitled to vote thereon represented at an ordinary shareholders' meeting constitutes a quorum and resolutions are valid when approved by the holders of a majority of the shares entitled to vote thereon represented at the meeting.

Extraordinary shareholders' meetings are legally convened on a first call when at least 75% of the shares representing our outstanding capital are represented. On second or subsequent calls, extraordinary shareholders' meetings are legally convened when at least 50% of the shares representing our outstanding capital are represented. Resolutions at an extraordinary shareholders' meeting are only valid when adopted by at least 50% of our capital stock.

Dividends and Distributions

Typically, at an annual general ordinary shareholders' meeting, the board of directors submits our financial statements prepared by the chief executive officer for the previous fiscal year to the shareholders for approval. Once shareholders approve the financial statements, they determine the allocation of our net income for the preceding fiscal year.

By law, prior to any distribution of dividends, we are required to allocate 5.0% of our net profits to a legal reserve fund until such legal reserve fund equals 20% of our capital stock. This fund must be replenished in case it is reduced for any reason. Additional amounts may be allocated to other reserve funds as the shareholders may determine, including amounts to be used for repurchases of shares. The remaining balance, if any, may be distributed as dividends.

All shares outstanding at the time a dividend or other distribution is declared are entitled to participate in such dividend or other distribution.

Increases or Decreases of Our Capital Stock

The fixed portion of our capital stock may be increased or decreased by a resolution adopted by our shareholders in a general extraordinary shareholders' meeting; provided that our bylaws are concurrently amended to reflect such an increase or decrease. The variable portion of our capital stock may be increased or decreased by our shareholders in an ordinary shareholders' meeting without amending our bylaws.

Increases or decreases in the fixed or variable portion of our capital stock must be recorded in our registry of capital variations, which we are required to maintain under the Mexican Corporations Law. General shareholders' meeting minutes by means of which the fixed portion of our corporate capital is increased or decreased must be notarized, and registered with the corresponding Public Registry of Commerce. Pursuant to the Mexican Corporations Law, generally, new shares cannot be issued unless all issued and outstanding shares at the time of the new issuance have been paid in full.

Appointment of Members of the Board of Directors

Our board of directors currently consists of nine proprietary members and three alternate directors. Each director has been appointed for a term of one year, is eligible for re-election, and must remain in office until a successor has been appointed and has assumed office. Any alternate director may serve in place of any proprietary director if such director is unable to attend a meeting of the board of directors; provided that, only independent alternate directors may serve in place of independent proprietary members. The members of the board of directors are designated or ratified by our shareholders at their annual meeting. All our proprietary and alternate directors were appointed or ratified at our shareholders' meeting held on January 29, 2013.

In accordance with the LMV and our bylaws, at least 25.0% of the members of the board of directors must be independent and such independence is determined by the shareholders' meeting that appoints them, subject to the CNBV's review.

Board of Directors

In accordance with the LMV and our bylaws, our board of directors is responsible for setting general strategies for our business and supervising our operations and commercial activities. The board of directors may rely on one or more committees to carry out its duties.

In addition, the board of directors is responsible for executing the resolutions adopted by the shareholders' meeting, directly or through the audit committee.

In performing the above duties, our board of directors has the authority to represent us and to enter into any contract and execute any legal action on our behalf and to adopt any resolution necessary or convenient to achieve our corporate purpose.

Our management is entrusted to our board of directors and our chief executive officer. The board of directors sets forth the guidelines and general strategy for the conduct of our business and supervises the execution of such strategy.

Meetings of our board of directors are legally convened when at least 51.0% of the members are present at the meeting, including at least one independent director. Resolutions at board of directors' meetings are valid when approved by the majority of directors without a conflict of interest. If required, the chairman of the board of directors has a casting vote.

Meetings of our board of directors may be called by (i) 25.0% of our board members; (ii) the chairman of the board of directors; (iii) the chairman of the audit committee or the corporate practices committee; and (iv) the secretary of the board of directors. Calls for meetings must be provided to members of our board of directors at least five days prior to the relevant meeting.

The LMV also imposes duties of care and of loyalty on directors. The duty of care requires that directors obtain sufficient information and be sufficiently prepared to support their decisions and to act in our best interest. The duty of care is discharged, principally, by obtaining and requesting from us and our officers all the information required to participate in discussions (including the engagement of independent experts), attending board meetings and disclosing material information in possession of the relevant director. Failure to act with care by one or more directors subjects the relevant directors to joint liability for damages and losses caused to the us and our subsidiaries.

The duty of loyalty primarily consists of acting for our benefit and mainly includes the duty to maintain confidentiality of information received in connection with the performance of a director's duties, abstaining from discussing or voting on matters where the director has a conflict of interest and abstaining from usurping a corporate opportunity. In addition, the duty of loyalty is breached when a shareholder or group of shareholders is knowingly favored or if a director takes advantage of a corporate opportunity without the express approval of the board of directors.

The duty of loyalty is also breached if the director uses or authorizes the use of corporate assets in contravention of relevant policies, discloses false or misleading information or orders not to or prevents the registration of any transaction in our records that could affect our financial statements or prevent that important information be disclosed to the public.

Violation of the duty of loyalty subjects the offending director to joint liability for damages and losses caused to us and our controlled subsidiaries. Liability may also attach for damages and losses deriving from benefits obtained by board members or third parties resulting from actions by board members.

Claims for breach of the duty of care or the duty of loyalty may be brought solely for our benefit (as a derivative lawsuit) and not for the benefit of our shareholders, and may only be brought by us or by shareholders representing at least 5.0% of our outstanding shares.

As a safe harbor for directors, the LMV provides that the liabilities described above will not be applicable if the director acted in good faith and if it (i) complied with applicable laws and our bylaws, (ii) the decision was based on information provided by officers, external auditors or third-party experts, the capacity and credibility of which may not be the subject of reasonable doubt, and (iii) the director chose the more adequate alternative in good faith and any negative effect resulting from that decision was not reasonably foreseeable, based upon the then-available information. Mexican courts have not yet interpreted the meaning of this provision and, as a result, the extent and meaning of it is uncertain.

Under the LMV and our bylaws, our chief executive officer and our principal executives are also required to act for our benefit and not for the benefit of a shareholder or group of shareholders. Principally, these executives are required to submit to the board of directors for approval the principal strategies for our business and the business of the companies we control, to execute the resolutions of the board of directors, to comply with the provisions related to repurchase and offering of our shares, verify that capital contributions are effected, comply with any provisions relating to declaration and payment of dividends, to submit to the audit committee proposals relating to internal control systems, to prepare all material information related to our activities and the activities of the companies we control, to disclose all material information to the public, to maintain adequate accounting and registration systems and internal control mechanisms, and to prepare and submit to the board the yearly financial statements.

Audit and Corporate Practices Committee

We maintain an audit and corporate practices committee that assists our board of directors in planning, conducting and executing our business activities. Our audit and corporate practices committee must be comprised only of independent board members and it must consist of at least three directors.

Dissolution or Liquidation

Upon dissolution of our Company, one or more liquidators must be appointed at an extraordinary shareholders' meeting to wind up our company's affairs. All fully paid and outstanding shares of capital stock will be entitled to participate equally in any liquidation proceeds.

Registration and Transfer

We have filed an application to have our shares registered with the RNV, as required under the LMV and regulations issued by the CNBV. Shares are evidenced by certificates issued in registered form, which are to be deposited with Indeval. Accounts may be maintained at Indeval by brokers, banks and other Mexican and non-Mexican financial institutions and entities authorized by the CNBV to be participants at Indeval. In accordance with Mexican law, only persons listed in our stock registry or holders of certificates issued by Indeval or Indeval participants, will be recognized as our shareholders. Under the LMV, certifications issued by Indeval, together with certifications issued by Indeval participants, are sufficient evidence of ownership of our shares and to exercise rights in respect of those shares, at meetings of shareholders or otherwise.

Preemptive rights

Under Mexican law and our bylaws, our shareholders have preemptive rights for all share issuances or capital stock increases, except in the cases noted below. Generally, if we issue additional shares of capital stock, our shareholders will have the right to purchase the number of shares necessary to maintain their existing ownership percentage. Shareholders must exercise their preemptive rights within the time periods set forth by our shareholders at the meeting approving the relevant issuance of additional shares. This period may not be less than 15 calendar days following the publication of notice of the issuance in the official newspaper or in one of the newspapers of general circulation in Mexico City.

Under Mexican law, shareholders cannot waive their preemptive rights in advance, and preemptive rights may not be represented by an instrument that is negotiable separately from the corresponding share. Preemptive rights will not apply to: (i) shares issued by us in connection with mergers; (ii) shares issued in connection with the conversion of convertible securities, the issuance of which was approved by our shareholders; (iii) shares issued in connection with the capitalization of accounts specified in our balance sheet; (iv) the resale by us of shares held in our treasury as a result of repurchases of shares conducted by us through the BMV; and (v) shares placed in a public offering pursuant to Article 53 of the LMV, if the issuance of those shares was approved at a general shareholders' meeting.

Preemptive rights may be unavailable to non-Mexican shareholders, including U.S. shareholders. We are not obligated to carry out any action or obtain any required authorization to allow the exercise of said preemptive rights. See "Risk Factors—Risk Factors Relating to Our Shares and the Global Offering—Preemptive rights may be unavailable to non-Mexican shareholders, including U.S. shareholders."

Redemption

In accordance with our bylaws, shares representing our capital stock are subject to redemption in connection with either (i) a reduction of capital stock or (ii) a redemption with retained earnings, which in either case must be approved by our shareholders. The fixed portion of our capital stock may only be reduced to absorb losses and requires the approval of our extraordinary shareholders' meeting. In connection with a capital reduction, the redemption of shares must be made pro rata among shareholders, beginning with shareholders of variable portion of our capital stock, followed by shareholders of fixed portion of our capital stock. In the case of a redemption with retained earnings, such redemption must be conducted (a) by means of a public tender offer conducted on the BMV at prevailing market prices, or (b) pro rata among the shareholders.

Minority Rights

Pursuant to the LMV and the Mexican Corporations Law, our bylaws include a number of minority shareholder protections. These minority protections include provisions that allow:

- holders of at least 10.0% of our outstanding capital stock entitled to vote, to request a call for a general shareholders' meeting; to request that the voting of shareholders' resolutions, with respect to any matter on which they were not sufficiently informed, be postponed; and to appoint or revoke the appointment of one member of our board of directors and its corresponding alternate member;

- holders of at least 20.0% of our outstanding capital stock to judicially oppose any resolution adopted at a shareholders' meeting; provided that (i) the challenged resolution violates Mexican law or our bylaws, (ii) the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution and (iii) the opposing shareholders deliver a bond to the court to secure payment of any damages that we may suffer as a result of suspending the resolution in the event that the court ultimately rules against the opposing shareholder; and

- holders of at least 5.0% of our outstanding capital stock may initiate an action for civil liabilities provided in the LMV against some or all of our directors or our senior management, for damages

and/or losses incurred by us as a result of violations of their duties of care and loyalty. This action may only be in our benefit and it has a five-year statute of limitations.

The rights afforded to minority shareholders under Mexican law are different from those in the United States and many other jurisdictions. The duties of care and loyalty of directors has not been the subject of extensive judicial interpretation in Mexico, unlike many states in the United States where duties of care and loyalty elaborated by judicial decisions help to shape the rights of minority shareholders.

As a result of these factors, in practice it may be more difficult for our minority shareholders to enforce rights against us or our directors or controlling shareholders than it would be for shareholders of a U.S. company.

Transfer Restrictions

Our bylaws provide that any person who, individually or together with other persons, in one or more transactions, wishes to acquire more than 10.0% of our outstanding capital stock, must obtain the approval of our board of directors. A request for authorization must be submitted to our chairman and the secretary of our board of directors. Our board of directors has three months to approve or disapprove the transaction, counted from the date the request is submitted, or from the date it receives any additional information requested, whichever is later. Our board of directors must follow the procedures set forth in our bylaws.

Suspension or Cancellation of Registration with the RNV

If we wish to cancel our registration of shares with the RNV, or if such registration is cancelled by the CNBV, we are required to conduct a tender offer to purchase all the outstanding shares held by minority shareholders prior to such cancellation. Such offer will only be available to persons that are not part of our control group. Shareholders deemed to have "control," as defined in the LMV, are those that own a majority of our shares, have the ability to control the outcome of decisions made at our shareholders' meetings, or have the ability to appoint or revoke the appointment of a majority of the members of our board of directors, managers or equivalent executive officers, or that may control directly or indirectly our administration, strategy or principal policies.

In the event that our controlling shareholder is unable to purchase all of our outstanding shares pursuant to a tender offer, it will be required to create a trust for a period not to exceed six months and contribute to it funds in an amount sufficient to purchase, at the same price offered pursuant to the tender offer, all of the outstanding shares that remain held by the general public.

Unless otherwise authorized by the CNBV, the offer price will be the higher of: (i) the weighted average quotation price per share on the BMV for the 30 trading days prior to the date on which the tender offer is made; and (ii) the book value of the shares in accordance with the most recent quarterly report submitted to the CNBV and the BMV.

The voluntary cancellation of the registration is subject to: (i) the prior authorization of the CNBV; and (ii) the authorization of not less than 95% of the holders of outstanding capital stock in an extraordinary shareholders' meeting.

Additional Matters

Variable Capital Stock

We are permitted to issue shares representing the fixed portion of our capital stock and shares representing the variable portion of our capital stock. The issuance of variable-capital shares, unlike the issuance of fixed-capital shares, does not require an amendment of our bylaws, although it does require a majority vote of our shares.

Forfeiture of Shares

As required by Mexican law, our bylaws provide that any non-Mexican shareholder will be considered to be a Mexican citizen with respect to shares it holds, property rights, concessions, participations and interests we own and rights and obligations derived from any agreements we have with the Mexican government. Non-Mexican shareholders will be deemed to have agreed not to invoke the protection of their governments, under penalty, in case of breach of such agreement, or forfeiture to the Mexican government of such interest or participation.

Mexican law requires that such a provision be included in the bylaws of all Mexican corporations unless such bylaws prohibit ownership of shares by non-Mexican persons.

Share Repurchases

According to our bylaws, we may repurchase our shares on the BMV at any time at the then prevailing market price. Any such repurchase must conform to guidelines established by Mexican law, and the amount of shares available for repurchase must be approved by the general ordinary shareholders' meeting. The economic and voting rights relating to the shares repurchased may not be exercised during the period in which we own such shares, and such shares are not deemed to be outstanding for purposes of calculating any quorum or vote at any shareholders' meeting during such period.

Conflicts of Interest

Pursuant to the Mexican Corporations Law, a shareholder that votes on a business transaction in which its interests conflict with our interests must abstain from any deliberation or voting on the applicable matter. A breach by any shareholder of any such obligation may result in the shareholder being liable for damages, but only if the transaction would not have been approved without such shareholder's vote.

A member of our board of directors or the audit and corporate practices committee with a conflict of interest must disclose such conflict to the board of directors and must abstain from participating in or being present during the deliberations and voting on matters where such conflict of interest exists. Breach of such duty by any member of our board of directors or the audit and corporate practices committee may result in the individual being liable for damages caused by such individual.

Appraisal Rights

Whenever the shareholders approve a change in our corporate purpose, jurisdiction or corporate form, any shareholder entitled to vote that voted against the proposal is entitled to withdraw as our shareholders and have its shares repurchased at book value; provided that it exercises its appraisal rights within 15 days following the adjournment of the relevant meeting.

Limitations on Corporate Rights

Except for the provisions in our bylaws described above, there are no trusts or other mechanisms that would limit the corporate rights conferred by our shares. There are also no provisions in our bylaws or shareholder agreements that would limit or restrict our board of directors or our shareholders.

TAXATION

The following summary contains a general description of certain Mexican federal and U.S. federal income tax consequences of the acquisition, ownership and disposition of our shares, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, hold or sell our shares. In particular, this summary does not describe any tax consequences arising under the laws of any state, municipality or taxing jurisdiction other than certain federal laws of Mexico and the United States.

This discussion does not constitute, and should not be considered as, legal or tax advice to prospective holders of our shares. The discussion is for general information purposes only and is based upon the federal tax laws of Mexico and of the United States as in effect on the date of this offering circular (including the "Tax Treaty" as defined below), which are subject to change, and such changes may have retroactive effect. Potential investors in our shares should consult their own tax advisors as to the Mexican, U.S. or other tax consequences of the purchase, ownership and disposition of our shares, including, in particular, the effect of any foreign, state or local tax laws and any tax treaties to which Mexico is a party, which are in effect.

The Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion, and the protocols thereto, between the United States and Mexico, became effective on January 1, 1994 and were amended by an additional protocol on July 3, 2003 (collectively, the "Tax Treaty"). The United States and Mexico have also entered into an agreement concerning the exchange of information with respect to tax matters.

Mexican Tax Considerations

The following is a general summary of the principal consequences under the Mexican federal income tax law and the rules and regulations thereunder, as currently in effect, of the acquisition, ownership and disposition of our shares by a holder that is not a resident of Mexico for tax purposes, and that does not hold our shares or a beneficial interest therein in connection with the conduct of a trade or business through a permanent establishment for tax purposes in Mexico (a "non-resident holder").

For purposes of Mexican taxation, the definition of "residence" is highly technical and the term arises in several situations. Generally, an individual is a resident of Mexico if he or she has established his or her home or center of vital interests in Mexico, and a corporation is considered a resident if it has the principal administration of its business or the place of its effective management in Mexico. However, any determination of residence should take into account the particular situation of each person or legal entity.

If a non-resident legal entity or individual is deemed to have a permanent establishment in Mexico for tax purposes, all income attributable to the permanent establishment will be subject to Mexican income taxes, in accordance with applicable Mexican tax laws.

This summary does not address all of the Mexican tax consequences that may be applicable to specific holders of the shares (including a holder that controls us, an investor that holds 10.0% or more of our shares or holders that constitute a group of persons for purposes of Mexican law).

Tax Treaties

Provisions of the Tax Treaty that may affect the taxation of certain U.S. holders (as defined below) are summarized below.

The Mexican federal income tax law has established procedural requirements for a non-resident holder disposing of his or her shares to be entitled to the benefits under any of the tax treaties to which Mexico is a party. These procedural requirements include, among others, the obligation to (i) prove tax treaty residence, (ii) present tax calculations made by authorized certified public accountants, and (iii) appoint representatives in Mexico for tax purposes.

Payment of Dividends

Under current Mexican law and regulations, dividends, either in cash or in kind, paid with respect to our shares will not be subject to Mexican withholding tax; however, dividends that are not paid from distributable earnings are subject to corporate taxes payable by us.

Taxation of Dispositions

Under current Mexican law and regulations, there is no basis for the Mexican tax authorities to impose taxes on income realized by a non-resident holder from a disposition of shares which are registered with the BMV if, among others, the transaction is carried out through (a) the BMV, (b) other securities exchanges or markets approved by the *Secretaría de Hacienda y Crédito Público* (Mexican Ministry of Finance and Public Credit), or (c) other securities exchanges or markets with ample securities trading that are located in countries with which Mexico has entered into an income tax treaty. Sales or other dispositions of shares carried out in other circumstances generally are subject to Mexican tax, except to the extent that a non-resident holder is eligible for benefits under an income tax treaty to which Mexico is a party and satisfies certain procedural and filing requirements.

Pursuant to the Tax Treaty, gains realized by a non-resident holder that is eligible to claim the benefits under the Tax Treaty from the sale or other disposition of shares, even if the sale or disposition is not carried out under the circumstances described in the preceding paragraph, will not be subject to Mexican income tax, provided that the gains are not attributable to a permanent establishment for tax purposes in Mexico and such holder owned, directly or indirectly, less than 25.0% of our outstanding capital stock during the 12-month period preceding such disposition.

Gains realized by other non-resident holders that are eligible to receive benefits pursuant to other income tax treaties to which Mexico is a party may be exempt from Mexican income tax in whole or in part. Non-resident holders other than U.S. residents should consult their own tax advisors as to their possible eligibility under such treaties.

Other Mexican Taxes

A non-resident holder will not be liable for estate, inheritance, gift, succession or similar taxes with respect to its purchase, ownership or disposition of shares. A gratuitous transfer of shares by a non-resident holder, however, may in certain circumstances result in the imposition of Mexican tax upon the recipient.

There are no Mexican stamp, issue, registration or similar taxes payable by a non-resident holder with respect to the purchase, ownership or disposition of our shares.

Certain U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL INCOME TAX ISSUES IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE COMPANY IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following summary describes certain U.S. federal income tax consequences for a U.S. Holder (as defined below) of acquiring, owning and disposing of our shares of common stock. This summary deals only with U.S. Holders that will hold our shares as capital assets for U.S. federal income tax purposes, and does

not purport to deal with all U.S. federal income tax considerations that may be relevant to a particular investor. In particular, this summary does not address the tax consequences that may be applicable to persons in special tax situations, including, without limitation, banks, financial institutions, regulated investment companies, partnerships (and partners in a partnership) or other pass-through entities, dealers, traders who elect to use a mark to market method of accounting, insurance companies, investors who hold our shares as part of a hedge, straddle, conversion, integrated transaction, or other risk-reduction transaction, tax-exempt entities, including individual retirement accounts, persons liable for the alternative minimum tax, investors who have a "functional currency" other than the U.S. dollar or investors who own or are treated as owning 10% or more of the voting shares of our company. This discussion does not address the tax consequences to U.S. Holders of acquiring, owning or disposing of shares under any U.S. federal estate or gift, U.S. state or local, foreign or other tax laws.

For purposes of this discussion, you will be a "U.S. Holder" if you are the beneficial owner of a share of common stock and you are an individual who is a citizen or resident of the United States, a U.S. domestic corporation or otherwise subject to U.S. federal income tax on a net income basis with respect to income from our shares.

This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, final, temporary and proposed regulations promulgated thereunder, administrative pronouncements and judicial decisions, all as currently in effect. These authorities are subject to change, possibly on a retroactive basis, and could result in U.S. federal income tax consequences different from those discussed below.

You should consult your own tax advisers concerning the U.S. federal, state, local, foreign and other tax consequences of purchasing, owning and disposing of shares in light of your particular circumstances.

Taxation of Dividends

The gross amount of cash distributions paid with respect to our shares generally will be treated as dividends to the extent such distribution is actually or constructively paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as dividends. The dividends will be treated as foreign-source income and will not be eligible for the dividends-received deduction generally available to U.S. corporations.

Any distributions paid in pesos will be included in your income in a U.S. dollar amount calculated by reference to the spot rate of exchange in effect on the date of your receipt of the dividend, regardless of whether the payment is in fact converted into U.S. dollars on such date. If such a dividend is converted into U.S. dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. If such a dividend is not converted into U.S. dollars on the date of receipt, you generally will have a basis in the non-U.S. currency equal to its U.S. dollar value on that date. You generally will be required to recognize foreign currency gain or loss realized on a subsequent conversion or other disposition of such currency, which will be treated as U.S.-source ordinary income or loss. You should consult your own tax advisers regarding the treatment of foreign currency gain or loss, if any, on any pesos received that are converted into U.S. dollars on a date subsequent to receipt.

Dividends received by certain non-corporate U.S. holders will generally be subject to taxation at reduced rates if the dividends are "qualified dividends." Dividends paid on our shares will be qualified dividends if (i) we were not, in the year prior to the year in which the dividend payment was made, and are not, in the year in which the dividend payment is made, a passive foreign investment company ("PFIC") and (ii) we are eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service (the "IRS") has approved for purposes of the qualified dividend rules. We expect to be eligible for the benefits of the comprehensive income tax treaty between the United States and Mexico (which has been approved by the IRS for the purpose of the qualified dividend rules). Based on our financial statements and current expectations regarding our income, assets and activities, we believe that we were not a PFIC in 2012 and do

not anticipate becoming a PFIC in 2013 or in the foreseeable future. Accordingly, we expect that the dividends received by non-corporate U.S. holders will generally be subject to taxation at a lower rate than other ordinary income. If we were to be a PFIC for any taxable year during which a U.S. holder holds our shares, certain adverse U.S. federal income tax consequences (including, but not limited to, the treatment of dividends received by non-corporate U.S. holders as other than qualified dividends) could apply.

Distributions of additional shares to you with respect to our shares of common stock that are made as part of a pro rata distribution to all of our shareholders and for which there is no option to receive other property generally will not be subject to U.S. federal income tax. The basis of any new shares so received will be determined by allocating your basis in the old shares between the old shares and the new shares, based on their relative fair market values on the date of distribution.

Taxation on Sale, Exchange or Other Disposition

Upon a sale, exchange, or other taxable disposition of our common shares, you will generally recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the amount realized on the disposition and your adjusted tax basis in the shares as determined in U.S. dollars. Such gain or loss generally will be U.S.-source gain or loss, and will be long-term capital gain or loss if you have held our shares for more than one year. Certain non-corporate U.S. Holders may be eligible for preferential rates of U.S. federal income tax in respect of net long-term capital gains. The deductibility of capital losses is subject to limitations.

The amount realized on a sale or other taxable disposition of our shares for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or disposition. On the settlement date, you will recognize U.S.-source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the U.S. dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of shares traded on an established securities market that are sold by a cash basis U.S. holder (or an accrual basis U.S. holder that so elects), the amount realized will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognized at that time.

Your tax basis in our shares will generally equal the U.S. dollar cost of the shares to you. The U.S. dollar cost of shares purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase in the case of shares traded on an established securities market that are purchased by a cash basis U.S. holder (or an accrual basis U.S. holder that so elects).

As indicated above under "—Mexican Tax Considerations," holders that qualify for benefits under the Mexico-U.S. income tax treaty generally will not be subject to Mexican withholding tax on capital gains. If you are not eligible for benefits under the Mexico-U.S. income tax treaty and withholding tax is imposed on the disposition of your shares, you may elect to deduct such withholding tax. However, you may be substantially limited in your ability to claim a foreign tax credit because the capital gains would not qualify as foreign source.

U.S. Information Reporting and Backup Withholding

Dividend payments and proceeds from the sale or other disposition of our shares may be subject to the information reporting requirements of the Code and may be subject to backup withholding unless you (i) establish that you are a corporation or other exempt holder or (ii) timely provide an accurate taxpayer identification number on a properly completed IRS Form W-9 and certify that no loss of exemption from backup withholding has occurred. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that certain required information is furnished to the IRS.

PLAN OF DISTRIBUTION

Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc. and Morgan Stanley & Co. LLC are acting as joint book runners of the international offering and as representatives of the initial purchasers named below, or the "representatives."

Subject to the terms and conditions stated in the purchase agreement dated the date of this offering circular, each initial purchaser named below has severally agreed to purchase, and we have agreed to sell to that initial purchaser, the number of shares set forth opposite the initial purchaser's name.

Initial Purchasers	Number of Shares
Credit Suisse Securities (USA) LLC	57,006,407
Citigroup Global Markets Inc.	57,006,407
Morgan Stanley & Co. LLC	38,004,272
Total	152,017,086

In respect of the Mexican offering, subject to the terms and conditions set forth in the Mexican *contrato de colocación* (underwriting agreement), dated the date of this offering circular, each Mexican underwriter named below has severally agreed to purchase, and we have agreed to sell to that Mexican underwriter, the number of shares set forth opposite such Mexican underwriter's name.

Mexican Underwriters	Number of Shares
Inversora Bursátil, S.A. de C.V., Casa de Bolsa, Grupo Financiero Inbursa	157,690,869
Acciones y Valores Banamex, S.A. de C.V., Casa de Bolsa, Integrante del Grupo Financiero Banamex	43,490,000
Casa de Bolsa Credit Suisse (México), S.A. de C.V., Grupo Financiero Credit Suisse (México)	16,424,452
Casa de Bolsa Santander, S.A. de C.V., Grupo Financiero Santander	5,785,000
Total	223,390,321

The purchase agreement and the Mexican underwriting agreement provide that the obligations of the initial purchasers and the Mexican underwriters, respectively, to purchase the shares are subject to certain conditions precedent, including the absence of any material adverse change in our business and the approval of legal matters by counsel. The initial purchasers and the Mexican underwriters must purchase all the shares (other than those covered by the initial purchasers' and the Mexican underwriters' options to purchase additional shares described below) if they purchase any of the shares.

The initial purchasers and the Mexican underwriters propose to resell the shares at the offering price set forth on the cover page of this offering circular. The initial purchasers propose to sell such shares within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States and Mexico in reliance on Regulation S. See "Transfer Restrictions." The offering price for the shares may be changed at any time without notice.

The shares have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of shares within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

We have granted options to the initial purchasers and the Mexican underwriters, exercisable for 30 days from the date of this offering circular, to purchase up to an aggregate of 56,311,111 additional shares (in the case of the initial purchasers up to 22,802,563 additional shares and in the case of the Mexican underwriters

up to 33,508,548 additional shares) at the offering price set forth on the cover of this offering circular less discounts and commissions. To the extent the options are exercised, each initial purchaser and Mexican underwriter must purchase an additional number of shares approximately proportionate to such person's initial purchase commitment. The international and Mexican options to purchase additional shares are expected to be exercised in a coordinated manner, but may be exercised independently of each other in accordance with applicable law. Any shares issued or sold under the options to purchase additional shares will be issued and sold on the same terms and conditions as described in this offering circular.

Prior to this offering, there has been no public market for our shares. Consequently, the offering price for the shares was determined by negotiations among us and the representatives. Among the factors considered in determining the offering price were our results of operations, our current financial condition, our future prospects, our markets, the economic conditions in and future prospects for the industry in which we compete, our management, currently prevailing general conditions in the equity securities markets, and current market valuations of publicly traded companies considered comparable to our company.

The shares will constitute a new class of securities with no established trading market. We have applied to have the shares listed on the BMV. However, we cannot assure you that the prices at which the shares will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the shares will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the shares. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the shares at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the shares.

In connection with the global offering, the representatives and the Mexican underwriters, acting through Credit Suisse Securities (USA) LLC, may purchase and sell shares in the open market. Purchases and sales in the open market may include short sales and purchases to cover short positions, which may include purchases pursuant to the initial purchasers' and the Mexican underwriters' options to purchase additional shares and stabilizing purchases.

- Short sales involve secondary market sales by the initial purchasers and the Mexican underwriters of a greater number of shares than they are required to purchase in the offering.
    - "Covered" short sales are sales of shares in an amount up to the number of shares represented by the initial purchasers' and Mexican underwriters' options to purchase additional shares.
    - "Naked" short sales are sales of shares in an amount in excess of the number of shares represented by the initial purchasers' option to purchase additional shares. Mexican law does not permit naked short sales and, as a result, the Mexican underwriters will not conduct any naked short sales.
- Covering transactions involve purchases of shares either pursuant to the initial purchasers' and the Mexican underwriters' options to purchase additional shares or in the open market after the distribution has been completed in order to cover short positions.
    - To close a covered short position, the initial purchasers and Mexican underwriters must purchase shares in the open market after the distribution has been completed or must exercise their option to purchase additional shares. In determining the source of shares to close the covered short position, the initial purchasers and Mexican underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares by exercising their option to purchase additional shares.
    - Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the initial purchasers and the Mexican underwriters for their own accounts, may have the effect of preventing or

retarding a decline in the market price of the shares. They may also cause the price of the shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

The initial purchasers and their affiliates have performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The initial purchasers and their affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In addition, affiliates of some of the initial purchasers are lenders, and in some cases agents or managers for the lenders, under our credit agreements. Certain of the initial purchasers and Mexican underwriters or their respective affiliates may receive a portion of the net proceeds from this offering that are used to repay outstanding indebtedness.

The initial purchasers and the Mexican lead underwriters have entered into an intersyndicate agreement providing for the coordination of their activities. Under the intersyndicate agreement, the Mexican lead underwriters may offer and sell a portion of the shares to be sold pursuant to the purchase agreement, the initial purchasers may purchase a portion of the shares to be sold pursuant to the Mexican underwriting agreement, and the initial purchasers and the Mexican lead underwriters have agreed to coordinate their efforts to stabilize and exercise their options to purchase additional shares, in each case, on the terms and subject to the conditions set forth in the intersyndicate agreement and observing the applicable rules prescribed by the CNBV.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make because of any of those liabilities.

Lock-up Agreements

We and our principal shareholder have agreed, for a period of 180 days from the date of the offering circular, without the prior written consent of the representatives, not to issue, offer, sell, contract to sell, pledge or otherwise dispose of, any shares of our capital stock or any securities convertible into or exchangeable for, or that represent the right to receive, shares of our capital stock. These lock-up agreements have certain exceptions, including certain exceptions in our principal shareholder's lock-up agreement for shares of our capital stock or any security convertible into our capital stock that are transferred to a trust for the direct or indirect benefit of our principal shareholder or pledged to a bank or other financial institution; provided, in each case, that such shares of our capital stock or security convertible into our capital stock continue to be subject to the obligations in the lock-up agreement until the expiration of the lock-up period and that the transferee or pledgee, as applicable, signs and delivers a lock-up agreement substantially in the same form for the balance of the lock-up period. The representatives, in their sole discretion, may release any of the securities subject to these agreements at any time without notice.

Selling Restrictions

Other than with respect to the public offering of the shares listed on the BMV, no action has been or will be taken in the United States, the United Kingdom or any country or jurisdiction by us, the initial purchasers or the Mexican underwriters that would permit a public offering of the shares, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Accordingly, the shares may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering material or advertisements in connection with the shares may be distributed, published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This offering circular does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this offering circular comes are advised to inform themselves about and to observe any restrictions relating to the offering of the shares, the distribution of this offering circular and resale of the shares. See "Transfer Restrictions."

Australia

No prospectus, disclosure document, offering material or advertisement in relation to the shares has been lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange Limited. Accordingly, a person may not (a) make, offer or invite applications for the issue, sale or purchase of shares within, to or from Australia (including an offer or invitation which is received by a person in Australia) or (b) distribute or publish this offering circular or any other prospectus, disclosure document, offering material or advertisement relating to the shares in Australia, unless (i) the minimum aggregate consideration payable by each offeree is the U.S. dollar equivalent of at least A$500,000 (disregarding moneys lent by the offeror or its associates) or the offer otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 (CWLTH) of Australia; and (ii) such action complies with all applicable laws and regulations.

Hong Kong

The shares may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may they be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Japan

The securities offered in this offering circular have not been registered under the Securities and Exchange Law of Japan. The securities have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law, and (ii) in compliance with any other applicable requirements of Japanese law.

Where the shares are subscribed or purchased under section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under section 275 except: (1) to an institutional investor under section 274 of the SFA or to a relevant person, or any person pursuant to section 275(1a), and in

accordance with the conditions, specified in section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), an offer to the public of any shares which are the subject of the placement contemplated by this offering circular (the "Securities") may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Securities may be made at any time with effect from and including the Relevant Implementation Date under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are qualified investors as defined in the Prospectus Directive;
- to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the initial purchasers for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities shall require us or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Securities to be offered so as to enable an investor to decide to purchase any Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

This EEA selling restriction is in addition to any other selling restrictions set out in this offering circular.

United Kingdom

Each initial purchaser has represented, warranted and agreed that:

(a) they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act of 2000 ("FSMA") received by it in connection with the issue or sale of the securities in circumstances in which Section 21(1) of the FSMA does not, or would not, apply to us; and

(b) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the securities in, from or otherwise involving the United Kingdom.

France

No prospectus (including any amendment, supplement, or replacement thereto) has been prepared in connection with the offering of our shares that has been approved by the *Autorité des marchés financiers* or by the competent authority of another Relevant Member State and notified to the *Autorité des marchés financiers*. No shares have been offered or sold and will be offered or sold, directly or indirectly, to the public in France except to permitted investors ("Permitted Investors") consisting of persons licensed to provide the

investment service of portfolio management for the account of third parties, qualified investors (*investisseurs qualifiés*) acting for their own account and/or corporate investors meeting one of the four criteria provided in article D. 341-1 of the French *Code monétaire et financier* and belonging to a limited circle of investors (*cercle restreint d'investisseurs*) acting for their own account, with "qualified investors" and "limited circle of investors" having the meaning ascribed to them in Article L. 411-2, D. 411-1, D. 411-2, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code monétaire et financier*; none of this offering circular or any other materials related to the offer or information contained therein relating to the shares has been released, issued or distributed to the public in France except to Permitted Investors; and the direct or indirect resale to the public in France of any shares acquired by any Permitted Investors may be made only as provided by articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French *Code monétaire et financier* and applicable regulations thereunder.

Italy

The offering of our shares has not been cleared by the Italian Securities Exchange Commission (*Commissione Nazionale per le Societá e la Borsa*, or the CONSOB) pursuant to Italian securities legislation and, accordingly, our shares may not and will not be offered, sold or delivered, nor may or will copies of this offering circular or any other documents relating to our shares or the offer be distributed in Italy other than to professional investors (*operatori qualificati*), as defined in Article 31, paragraph 2 of CONSOB Regulation No. 11522 of July 1, 1998, as amended, or Regulation No. 11522, or in other circumstances where an exemption from the rules governing solicitations to the public at large applies in accordance with Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended, or the Italian Financial Law, and Article 33 of CONSOB Regulation No. 11971 of May 14, 1999, as amended.

Any offer, sale or delivery of our shares or distribution of copies of this offering circular or any other document relating to our shares or the offer in Italy may and will be effected in accordance with all Italian securities, tax, exchange control, and other applicable laws and regulations, and in particular, will be:

- made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 385 of September 1, 1993, as amended, or the Italian Banking Law, the Italian Financial Law, Regulation No. 11522, and any other applicable laws and regulations;
- in compliance with Article 129 of the Italian Banking Law and the implementing guidelines of the Bank of Italy; and
- in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy.

Any investor purchasing our shares in the offer is solely responsible for ensuring that any offer or resale of shares it purchased in the offer occurs in compliance with applicable laws and regulations. This offering circular and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third party residing in or located in Italy for any reason. No person residing in or located in Italy other than the original recipients of this document may rely on it or its content.

In addition to the above (which shall continue to apply to the extent not inconsistent with the implementing measures of the Prospective Directive in Italy), after the implementation of the Prospectus Directive in Italy, the restrictions, warranties and representations set out under the heading "—Notice to Prospective Investors in the European Economic Area" above shall apply to Italy.

Switzerland

The shares may not and will not be publicly offered, distributed or re-distributed on a professional basis in or from Switzerland and neither this offering circular nor any other solicitation for investments in the shares may be communicated or distributed in Switzerland in any way that could constitute a public offering within the meaning of Articles 1156 or 652a of the Swiss Code of Obligations or of Article 2 of the Federal Act on Investment Funds of March 18, 1994. This offering circular may not be copied, reproduced, distributed or

passed on to others without the initial purchasers' prior written consent. This offering circular is not a prospectus within the meaning of Articles 1156 and 652a of the Swiss Code of Obligations or a listing prospectus according to article 32 of the Listing Rules of the Swiss exchange and may not comply with the information standards required thereunder. We will not apply for a listing of our shares on any Swiss stock exchange or other Swiss regulated market and this offering circular may not comply with the information required under the relevant listing rules. The shares have not and will not be registered with the Swiss Federal Banking Commission and have not and will not be authorized under the Federal Act on Investment Funds of March 18, 1994. The investor protection afforded to acquirers of investment fund certificates by the Federal Act on Investment Funds of March 18, 1994, does not extend to acquirers of the shares.

Spain

Neither the shares nor this offering circular have been approved or registered in the administrative registries of the Spanish National Securities Exchange Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the shares may not be offered in Spain except in circumstances which do not constitute a public offer of securities in Spain within the meaning of articles 30bis of the Spanish Securities Market Law of 28 July 1988 (*Ley 24/1988, de 28 Julio, del Mercado de Valores*), as amended and restated, and supplemental rules enacted thereunder.

Germany

The shares will not be offered, sold or publicly promoted or advertised in the Federal Republic of Germany other than in compliance with the German Securities Prospectus Act (*Gesetz über die Erstellung, Billigung und Veröffentlichung des Prospekts, der beim öffentlicken Angebot von Wertpapieren oder bei der Zulassung von Wertpapieren zum Handel an einem organisierten Markt zu veröffenlichen ist—Wertpapierprospektgesetz*) as of 22 June 2005, effective as of 1 July 2005, as amended, or any other laws and regulations applicable in the Federal Republic of Germany governing the issue, offering and sale of securities. No selling prospectus (*Verkaufsprospeckt*) within the meaning of the German Securities Selling Prospectus Act has been or will be registered within the Financial Supervisory Authority of the Federal Republic of Germany or otherwise published in Germany.

The Netherlands

Our shares may not be offered, sold, transferred or delivered, in or from the Netherlands, as part of the initial distribution or as part of any reoffering, and neither this offering circular nor any other document in respect of the offering may be distributed in or from the Netherlands, other than to individuals or legal entities which trade or invest in securities in the conduct of their profession or trade (which includes banks, investment banks, securities firms, insurance companies, pension funds, other institutional investors and treasury departments and finance companies of large enterprises), in which case, it must be made clear upon making the offer and from any documents or advertisements in which a forthcoming offering of shares is publicly announced that the offer is exclusively made to said individuals or legal entities.

Argentina

We have not made, and will not make, any application to obtain an authorization from the National Securities Exchange Commission (*Comisión Nacional de Valores* or the "CNV") for the public offering of the shares in Argentina. The CNV has not approved the shares, the Global Offering nor any document relating to the offering of the shares. The shares will not be offered or sold in Argentina, except in transactions that will not constitute a public offering of securities within the meaning of Section 16 of the Argentine Public Offering Law N° 17,811, as amended. Argentine insurance companies may not purchase the shares.

Brazil

The offer of securities described in this offering circular will not be carried out by any means that would constitute a public offering in Brazil under Law No. 6,385, of December 7, 1976, as amended, and under CVM Rule (*Instrução*) No. 400, of December 29, 2003, as amended. The offer and sale of the securities have

not been and will not be registered with the *Comissão de Valores Mobiliários* in Brazil. Any representation to the contrary is untruthful and unlawful. Any public offering or distribution, as defined under Brazilian laws and regulations, of the interests in Brazil is not legal without such prior registration. Documents relating to the offering of the securities, as well as information contained therein, may not be supplied to the public in Brazil, as the offering of the securities is not a public offering of securities in Brazil, nor may they be used in connection with any offer for sale of the securities to the public in Brazil. This offering circular is addressed to you personally, upon your request and for your sole benefit, and is not to be transmitted to anyone else, to be relied upon by anyone else or for any other purpose either quoted or referred to in any other public or private document or to be filed with anyone without our prior, express and written consent.

Chile

Neither we nor the shares are registered in the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros de Chile* or the "SVS"), or subject to the control and supervision of the SVS. This offering circular and other offering materials relating to the offer of the shares do not constitute a public offer of, or an invitation to subscribe for or purchase, the shares in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not "addressed to the public at large or to a certain sector or specific group of the public").

Colombia

The shares have not been and will not be registered in the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) and may not be offered, sold or negotiated or otherwise be subject to brokerage activities in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Part 4 of Decree 2555 of 2010 to privately market and offer the shares to their Colombian clients.

Peru

Neither the shares nor this offering circular have or will be registered with or approved by the Peruvian Capital Markets Superintendency (*Superintendencia del Mercado de Valores*). Accordingly, the shares cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities market law establishes, among others, that any particular offer may qualify as private if it is directed exclusively to institutional investors.

TRANSFER RESTRICTIONS

The international offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. Our shares will be registered with the RNV and we have applied for listing on the BMV; however, they have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the shares may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the shares are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

Purchasers' representations and restrictions on resale and transfer

Each purchaser of shares (other than the initial purchasers in connection with the initial issuance and sale of the shares) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) the offering and sale of the shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction except Mexico, and are intended to be exempt from registration under the Securities Act pursuant to Section 4 thereof;

(2) the purchaser is acquiring the shares for its own account (or, if it is acquiring the shares as a fiduciary or agent for one or more investor accounts, the purchaser has the full power and authority to make the representations, warranties and agreements herein on behalf of each such account);

(3) the purchaser is not acquiring the shares with a view to any distribution of the shares within the meaning of the Securities Act;

(4) the purchaser is (or, if it is acquiring the shares as a fiduciary or agent for one or more investor accounts, each such account is) (i) a "qualified institutional buyer," as such term is defined in Rule 144A or (ii) not a "U.S. person," as such term is defined in Regulation S, and is purchasing the shares in an offshore transaction pursuant to Regulation S;

(5) the purchaser has sufficient knowledge and experience in financial and business matters so as to be capable of independently evaluating the merits and risks of an investment in the shares, and the purchaser is able to bear the economic risk of the investment. The purchaser has made its own investment decision regarding the shares based on its own knowledge;

(6) the purchaser understands and agrees that neither the shares may be re-offered, resold, pledged or otherwise transferred except (1)(A) to a person who it reasonably believes is a qualified institutional buyer in a transaction exempt from registration under U.S. securities laws or (B) through the BMV or any other stock exchange outside the United States on which the shares or any beneficial interest therein may be listed and traded in accordance with Regulation S or otherwise in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S and, in either case, (2) in accordance with all applicable securities laws of the states of the United States;

(7) the purchaser has had the opportunity to ask questions of, and receive answers from us, concerning us, our business and financial condition and the shares to be acquired by the purchaser and other related matters. The purchaser further represents and warrants that we have made available to the purchaser or its agents all documents and information requested by the purchaser or on its behalf relating to an investment in the shares, including this offering circular. In evaluating the suitability of an investment in the shares, the purchaser has not relied and will not rely on any other representations or other

information (whether oral or written) made by or on behalf of us (or any of our agents, including, without limitation, the Mexican underwriters and the initial purchasers) other than as contemplated by the two preceding sentences;

(8) the purchaser agrees not to deposit the shares into an unrestricted American or global depositary facility, for so long as the shares constitute restricted securities, as such term is defined in Rule 144 under the Securities Act; and

(9) the purchaser acknowledges that we, the initial purchasers, the Mexican underwriters and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

LEGAL MATTERS

The validity of the shares and certain other legal matters under Mexican law will be passed upon for us by Bufete Robles Miaja, S.C., our Mexican counsel, and for the initial purchasers by Ritch Mueller, S.C., Mexican counsel to the initial purchasers.

Certain legal matters under U.S. federal and New York state law will be passed upon for us by Cleary Gottlieb Steen & Hamilton LLP, New York, New York, our U.S. counsel, and for the initial purchasers by Paul Hastings LLP, New York, New York, U.S. counsel to the initial purchasers.

INDEPENDENT AUDITORS

The consolidated financial statements for Grupo Sanborns, S.A.B. de C.V. and its subsidiaries as of and for the years ended December 31, 2011, 2010 and 2009 included elsewhere in this offering circular have been audited by Galaz, Yamazaki, Ruíz Urquiza, S.C. (member of Deloitte and Touche Tohmatsu Limited), independent auditors, as stated in their report appearing herein.

Our independent auditors were appointed by our board of directors based on their experience and quality of service.

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Grupo Sanborns, S.A. de C.V. and Subsidiaries
(Subsidiary of Grupo Carso, S.A.B. de C.V.)

Interim Consolidated Financial Statements (unaudited) as of September 30, 2012, and for the Three and Nine Months Ended September 2012 and 2011

Grupo Sanborns, S.A. de C.V. and Subsidiaries
(Subsidiary of Grupo Carso, S.A.B. de C.V.)

Interim consolidated financial statements (unaudited) as of September 30, 2012 and for the three and nine months ended September 2012 and 2011

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Grupo Sanborns, S.A. de C.V. and Subsidiaries
(Subsidiary of Grupo Carso, S.A.B. de C.V.)

Interim consolidated statement of financial position (unaudited)

As of September 30, 2012
(In thousands of Mexican pesos)

	Note	September 30, 2012	December 31, 2011	January 1, 2011
Current assets:				
Cash and cash equivalents	6	$ 759,637	$ 944,222	$ 598,518
Investment securities held for trading	7	626,345	1,105,340	927,799
Accounts receivable – net	8	7,828,503	8,451,519	8,293,016
Inventories – net	9	8,694,551	8,155,504	7,138,344
Prepaid expenses		99,790	59,486	78,069
Derivative financial instruments	12	-	-	154,734
Total current assets		18,008,826	18,716,071	17,190,480
Non-current assets:				
Long-term receivables		69,000	80,500	92,000
Property, machinery and equipment	13	8,744,314	8,811,067	8,274,982
Investment property	14	1,477,628	1,477,628	1,424,216
Investment in associates		1,352	1,319	1,319
Employee retirement benefits	18	819,258	832,066	758,959
Other assets - net		32,201	37,367	27,049
Total assets		$ 29,152,579	$ 29,956,018	$ 27,769,005

	Note	September 30, 2012	December 31, 2011	January 1, 2011
Current liabilities:				
Notes payable to financial institutions and current portion of long-term debt	15	$ 124,052	$ 25,863	$ 2,833,276
Marketable notes	16	1,371,876	1,347,073	-
Accounts payable to suppliers		4,051,706	4,863,752	3,246,262
Direct employee benefits		445,419	352,650	335,637
Income taxes		51,347	21,348	-
Accrued expenses and other taxes		2,336,581	2,718,926	3,161,820
Provisions	17	83,886	74,708	61,551
Derivative financial instruments	12	41	21,237	113
Due to related parties	21	307,002	695,191	1,121,616
Total current liabilities		8,771,910	10,120,748	10,760,275
Non-current liabilities:				
Deferred taxes	24	1,248,301	1,442,850	1,464,516
Total liabilities		10,020,211	11,563,598	12,224,791
Stockholders' equity:				
Capital stock		1,634,370	1,634,370	1,634,370
Additional paid-in capital		140,043	140,043	140,043
Retained earnings		15,682,512	15,069,946	12,406,106
Controlling interest		17,456,925	16,844,359	14,180,519
Non-controlling interest		1,675,443	1,548,061	1,363,695
Total stockholders' equity	19	19,132,368	18,392,420	15,544,214
Total liabilities and stockholders' equity		$ 29,152,579	$ 29,956,018	$ 27,769,005

See accompanying notes to interim consolidated financial statements.

Grupo Sanborns, S.A. de C.V. and Subsidiaries
(Subsidiary of Grupo Carso, S.A.B. de C.V.)

Interim consolidated statements of comprehensive income (unaudited)

For the nine and three months ended September 30, 2012 and 2011
(In thousands of Mexican pesos)

	Note	For the nine months ended		For the three months ended	
		September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Net sales		$ 26,707,447	$ 24,525,049	$ 8,912,155	$ 8,196,791
Cost of sales	23	15,979,217	14,530,924	5,344,606	4,910,136
Gross profit		10,728,230	9,994,125	3,567,549	3,286,655
Sales and development expenses	23	6,258,760	5,808,923	2,105,888	1,914,010
Administrative expenses	23	1,298,124	1,306,270	446,619	464,430
Depreciation and amortization		481,738	441,679	164,757	149,136
Other (income) expenses	22	(39,056)	(8,224)	6,137	(4,205)
Interest expense		74,646	100,234	26,139	34,720
Interest income		(109,089)	(101,504)	(37,987)	(43,474)
Exchange (gain) loss		(10,609)	20,367	(5,804)	70,429
Effects of valuation of derivative financial instruments.		(45,134)	10,048	-	10,048
Income before income taxes		2,818,850	2,416,332	861,800	691,561
Income taxes	24	809,824	717,585	242,169	202,829
Consolidated net income		2,009,026	1,698,747	619,631	488,732
Other comprehensive income (loss):					
Translation effects		1,013	(3,542)	(7,256)	13,762
Consolidated comprehensive income		$ 2,010,039	$ 1,695,205	$ 612,375	$ 502,494

	Note	For the nine months ended		For the three months ended	
		September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Consolidated net income attributable to:					
Controlling interest		$ 1,811,653	$ 1,539,421	$ 558,757	$ 440,717
Non-controlling interest		197,373	159,326	60,874	48,015
		$ 2,009,026	$ 1,698,747	$ 619,631	$ 488,732
Basic earnings per ordinary share attributable to controlling interest		$ 0.93	$ 0.79	$ 0.29	$ 0.23
Weighted average number of shares ('000)		1,949,692	1,949,692	1,949,692	1,949,692
Consolidated comprehensive income attributable to:					
Controlling interest		$ 1,812,566	$ 1,536,211	$ 551,825	$ 451,067
Non-controlling interest		197,473	158,994	60,550	51,427
		$ 2,010,039	$ 1,695,205	$ 612,375	$ 502,494

See accompanying notes to interim consolidated financial statements.

Grupo Sanborns, S.A. de C.V. and Subsidiaries
(Subsidiary of Grupo Carso, S.A.B. de C.V.)

Interim consolidated statements of changes in equity (unaudited)

For the nine months ended September 30, 2012 and 2011
(In thousands of Mexican pesos)

	Capital stock	Additional Paid-in capital	Retained earnings	Translation effects of foreign operations	Actuarial gain and loss on defined employee benefits plan	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances as of January 1, 2011	$ 1,634,370	$ 140,043	$ 12,406,106	$ -	$ -	$ 14,180,519	$ 1,363,695	$ 15,544,214
Dividends paid to non-controlling interest	-	-	-	-	-	-	(72,144)	(72,144)
Consolidated comprehensive income	-	-	1,539,421	(3,210)	-	1,536,211	158,994	1,695,205
Balances as of September 30, 2011	$ 1,634,370	$ 140,043	$ 13,945,527	$ (3,210)	$ -	$ 15,716,730	$ 1,450,545	$ 17,167,275
Balances as of January 1, 2012	$ 1,634,370	$ 140,043	$ 15,066,610	$ (9,451)	$ 12,787	$ 16,844,359	$ 1,548,061	$ 18,392,420
Dividends paid to controlling and non-controlling interest	-	-	(1,200,000)	-	-	(1,200,000)	(70,091)	(1,270,091)
Consolidated comprehensive income	-	-	1,811,653	913	-	1,812,566	197,473	2,010,039
Balances as of September 30, 2012	$ 1,634,370	$ 140,043	$ 15,678,263	$ (8,538)	$ 12,787	$ 17,456,925	$ 1,675,443	$ 19,132,368

See accompanying notes to interim consolidated financial statements.

Grupo Sanborns, S.A. de C.V. and Subsidiaries
(Subsidiary of Grupo Carso, S.A.B. de C.V.)

Interim consolidated statements of cash flows (unaudited)

For the nine months ended September 30, 2012 and 2011
(In thousands of Mexican pesos)

	September 30, 2012	September 30, 2011
Cash flows from operating activities:		
Income before income taxes	$ 2,818,850	$ 2,416,332
Items related to investing activities:		
Depreciation	495,371	473,705
(Gain) loss on sale of property, machinery and equipment	(41,494)	26,414
Interest income	(109,089)	(101,504)
Items related to financing activities:		
Interest expense	74,646	100,234
	3,238,284	2,915,181
Items related to operating activities:		
Accounts receivable - net	623,016	534,856
Inventories	(539,047)	(656,647)
Prepaid expenses	(40,304)	(15,665)
Other assets	5,166	(18,926)
Net assets from projected future benefits	12,808	35,244
Long-term receivables	11,500	11,500
Accounts payable to suppliers	(812,046)	205,845
Direct employee benefits	92,769	58,894
Income taxes paid	(973,361)	(803,426)
Accrued expenses and other taxes	(386,573)	(1,515,302)
Provisions	9,178	800,761
Derivative financial instruments	(21,196)	178,895
Due to related parties	(388,189)	(417,287)
Net cash flows provided by operating activities	832,005	1,313,923
Cash flows from investing activities:		
Sale of investments securities held for trading	478,995	530,220
Purchase of property, machinery and equipment	(495,213)	(854,276)
Proceeds from sale of property, machinery and equipment	108,089	22,056
Investment in associates	(33)	-
Interest received	109,089	101,504
Net cash flows provided by (used in) investing activities	200,927	(200,496)

(Continued)

	September 30, 2012	September 30, 2011
Cash flows from financing activities:		
Marketable securities issued	24,803	1,250,000
Borrowings from financial institutions	-	500,000
Borrowings from (payment to) financial institutions and long-term debt	98,189	(2,766,995)
Interest paid	(74,646)	(100,234)
Dividends paid to controlling and non-controlling interest	(1,270,091)	(72,144)
Net cash flows used in financing activities	(1,221,745)	(1,189,373)
Effects of exchange rate changes on cash and cash equivalents	4,228	(81,220)
Net decrease in cash and cash equivalents	(184,585)	(157,166)
Cash and cash equivalents at beginning of the period	944,222	598,518
Cash and cash equivalents at end of the period	$ 759,637	$ 441,352

See accompanying notes to interim consolidated financial statements.

Grupo Sanborns, S.A. de C.V. and Subsidiaries
(Subsidiary of Grupo Carso, S.A.B. de C.V.)

Notes to interim consolidated financial statements (unaudited)

As of September 30, 2012 and for the three and nine months ended September 30, 2012 and 2011.
(In thousands of Mexican pesos ($) and thousands U.S. dollars (US$))

1. Activities

Grupo Sanborns, S.A. de C.V. ("Grupo Sanborns") and Subsidiaries (the "Company") is a subsidiary of Grupo Carso, S.A.B. de C.V. ("Grupo Carso"). The Company is the owner of a group of companies mainly domiciled in Lago Zurich Núm. 245 floor 7, Colonia Ampliación Granada in México Distrito Federal, Postal Code 11529 and is primarily engaged in the operation of retail stores and restaurants, including a department store chain, high fashion boutiques, Sanborns retail stores, a retail and service chain selling the last-generation Apple- brand products, a retail network of recorded music and video, a luxury department store chain, a regional cosmetic and perfume retailer a restaurant chain offering traditional Mexican food and a chain of industrial cafeterias, and managing and leasing of two shopping malls.

The Company´s main subsidiaries and their respective primary activities are described in Note 3.b.

2. International Financial Reporting Standards ("IFRS")

a. ***IFRS adoption*** - Beginning with its financial statements for the year ending December 31, 2012, the Company will adopt International Financial Reporting Standards ("IFRS") and their amendments and interpretations issued by the International Accounting Standards Board (IASB), effective as of December 31, 2012, with January 1, 2011 as its transition date. Therefore, the last annual financial statements of the Company for the year ended December 31, 2011 form part of the Company's first annual set of IFRS financial statements, for which reason the Company adopted IFRS 1, *First-time Adoption of International Financial Reporting Standards*. IFRS comprises various standards and interpretations known, by their acronyms, as IFRS, IAS, IFRIC and SIC.

IFRS 1 generally requires retrospective application of the standards and interpretations applicable in an entity's first set of IFRS financial statements. Nevertheless, IFRS 1 contains certain mandatory exceptions and allows certain other voluntary exemptions to retrospective application of certain IFRS upon initial adoption, to assist entities in the transition process. The Company has applied the mandatory exceptions and has elected certain first-time adoption exceptions as described below. Further information regarding the effects of adoption are discussed in Note 28.

Mandatory exceptions:

i) The Company applied the mandatory exception to with respect to accounting estimates at the transition date, as they are consistent with those used as of that date under Mexican Financial Reporting Standards ("MFRS", individually referred to as *Normas de Información Financiera* or "NIF"). , except for those related to differences in accounting policies under IFRS.

ii) Non-controlling interests– The Company prospectively applied certain requirements of IAS 27 (2008) *Consolidated and Separate Financial Statements* as of the transition date.

iii) As of the transition date, the Company was already applying hedge accounting in accordance with NIF, which complies with the criteria established in IAS 39, *Financial Instruments: Recognition and Measurement,* for which reason this mandatory exception has no effects upon adoption.

Other mandatory exceptions to retrospective application of IFRS do not apply to the Company.

Furthermore, the Company has applied the optional exceptions for first-time adoption, as described below:

i) The Company elected to use the revalued amount under NIF (depreciated cost adjusted for inflationary effects) at the transition date, as deemed cost for certain of its property, plant and equipment.

ii) With respect to the recognition of employee retirement benefits, the Company applied the exemption to recognize all actuarial gains and losses at the transition date, of all employee benefit plans, instead of separating the respective recognized and unrecognized portions. Furthermore, it early-adopted the amendments established in IAS19 (2011), *Employee Benefits*, which required the recognition of all unamortized past service costs existing at the transition date.

iii) The Company elected to take the exemption which allows for the application of foreign currency translation effects against retained earnings on the transition date. This optional exemption was applied to the foreign currency translation effects of all subsidiaries with a functional currency different from the Mexican peso.

iv) The Company applied the transition provisions of IAS 23, *Borrowing Costs*, which enables the transition date to be designated as the starting date upon which to capitalize borrowing costs of loans related to all qualifying assets.

3. Preparation and consolidation basis

a. ***Basis of preparation -*** The accompanying consolidated interim financial statements as of September 30, 2012 and for three and nine months ended September 30, 2012 and 2011 have been prepared in accordance International Accounting Standards (IAS) 34, *Interim Financial Information*.

These consolidated interim consolidated financial statements have been prepared in accordance with those standards and interpretations issued and effective or issued and adopted in advance, at the date of preparation of these financial statements. The standards and interpretations that will be applicable at December 31, 2012, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing these consolidated interim financial statements.

The accompanying interim consolidated financial statements have not been audited. In the opinion of Company´s management, all adjustments (consisting mainly of ordinary, recurring adjustments) necessary for a fair presentation of the accompanying consolidated interim financial statements are included. The results of the periods are not necessarily indicative of the results for the full year.

These unaudited interim consolidated financial statements do not include all the required information for an annual complete financial statement, therefore, it should be read in conjunction with the audited consolidated financial statements of the Company and their respective notes for the year ended December 31, 2011. The disclosures included in these financial statements include all those that the Company's management considers necessary to understand the transition to IFRS.

The accompanying consolidated interim financial statements have been prepared on a historical cost basis, except for certain long-term non-monetary assets and financial instruments which were recognized at fair value upon transition to IFRS. Historical cost is generally measured as the fair value of the consideration received for the assets. The interim consolidated financial statements are prepared in pesos, the legal currency of the United Mexican States and are presented in thousands, except as noted otherwise.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies in areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated interim financial statements as disclosed in Note 5.

The policies set out below have been consistently applied to all periods presented.

b. ***Basis of consolidation -*** The consolidated interim financial statements include the financial statements of Grupo Sanborns, S. A. de C. V. and its direct and indirect subsidiaries over which it exercises control. The ownership percentage over the capital stock of its subsidiaries as of September 20, 2012, December 31, 2011 and January 1, 2011 is shown below. Intercompany balances and transactions have been eliminated:

		Ownership %		
Subsidiary	**Activity**	**September 30, 2012**	**December 31, 2011**	**January 1, 2011**
Sanborn Hermanos, S.A. y Subsidiarias ("Sanborns")	Operation of department, gift, and record stores and restaurants under the Sanborns brand	99.94	99.94	99.94
Sears Operadora México, S.A. de C.V. ("Sears")	Operation of department stores under the Sears brand	84.94	84.94	84.94
Promotora Comercial Sanborns, S.A. de C.V. y Subsidiarias	Operation of computer and record stores, restaurants and coffee shops under the Ishop, Mix-up and Sanborns Café brands	99.96	99.96	99.96
Operadora de Tiendas Internacionales, S.A. de C.V	Operation of department stores under the Saks Fifth Avenue brand	100.00	100.00	100.00
Servicios Corporativos de Grupo Sanborns, S.A. de C.V.	Boutiques operator and subholding	100.00	100.00	100.00
Grupo Sanborns Internacional, S.A. y Subsidiarias	Sanborns stores in Panama	100.00	100.00	100.00
Corporación de Tiendas Internacionales, S.A. de C.V. ("Corpti")	Sanborns and Sears stores in El Salvador	100.00	100.00	100.00
Comercializadora Dax, S.A. de C.V.	Operation of department stores under Dax brand	100.00	100.00	-
Prestadora de Servicios Loreto y Cuicuilco, S.A. de C.V.	Personnel services provided to shopping mall	100.00	100.00	-

The equity in results and changes in stockholders' equity of the subsidiaries bought or sold during the year are included in the financial statements, from or up to the date on which the transactions were performed.

c. ***Seasonality -*** Historically the Company has experienced seasonal patterns of sales in stores due to increased consumption activity during the Christmas and New Year period, in the months of May and June, because of Mother's Day and Father's Day, respectively, and at the start of the school year in September. During these periods they promote products such as toys or winter clothes, and school utensils and articles during the back-to-school period. By contrast, they suffer from a drop in sales in July and August. The Company seeks to reduce the effect of seasonality in its results through commercial strategies such as agreements with suppliers, competitive pricing and intensive promotion, for which reason its impact in the statements of comprehensive income and of financial position is insignificant.

4. Significant accounting policies

The accompanying unaudited consolidated interim financial statements have been prepared in accordance IAS 34, *Interim Financial Reporting*. Their preparation requires that Company´s 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, upon applying 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. ***Recognition of effects of inflation -*** The Company only recognizes the inflationary effects for entities that operate in hyperinflationary economies, which is considered to be economies in which inflation of the last three years is greater than 100%. In 2012 and 2011, Grupo Sanborns did not recognize inflationary effects in its operations.

b. ***Foreign operations -*** To consolidate the financial statements of foreign operations , the following methodologies are applied:

Foreign operations with a functional currency different from the local currency translate their financial statements from local currency to functional currency, using the following exchange rates: 1) the closing exchange rate in effect at the date of the statement of financial position for monetary assets and liabilities; 2) historical exchange rates for non-monetary assets and liabilities and stockholders' equity; and 3) the rate on the date of accrual of revenues, costs and expenses, except those arising from non-monetary items that are translated using the historical exchange rate for the related non-monetary item. Translation effects are recorded as foreign currency gains and losses in the consolidated statement of comprehensive income. The financial information in functional currency is subsequently translated to the reporting currency using the exchange rate in effect at the date of the statement of financial position for assets and liabilities, the historical exchange rate for stockholders' equity and the rate on the date of accrual of revenues, costs and expenses; translation effects are recorded within other comprehensive income.

Foreign operations with a reporting currency different from the functional currency translate their financial statements using the following exchange rates: 1) the closing exchange rate in effect at the date of the statement of financial position for assets and liabilities; 2) historical exchange rates for stockholders' equity; and 3) the rate on the date of accrual of revenues, costs and expenses. Translation effects are recorded in other comprehensive income.

The functional and recording currency of Grupo Sanborns and all of its subsidiaries is the Mexican peso, except for two foreign subsidiaries whose functional and recording currency are as shown below:

Company	Recording currency	Functional currency
Grupo Sanborns Internacional, S.A. (Panamá)	U. S. dollar	U. S. dollar
Corporación de Tiendas Internacionales, S.A. de C.V. (El Salvador)	U. S. dollar	U. S. dollar

Foreign currency transactions are recorded at the exchange rate in effect as of the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated to the reporting currency in effect at the date of the statement of financial position; exchange rate gains and losses are recognized within the statement of comprehensive income.

c. ***Cash and cash equivalents -*** Consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash or with a maturity of three months upon its acquisition and are subject to insignificant value change risks. Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in results of the period. Cash equivalents are represented by money market funds and short-term bank investments.

d. ***Inventories and cost of sales -*** Inventories are stated at the lower of cost and net realizable value (sale price less sales expenses) using the average cost method.

e. ***Property, machinery and equipment -*** As of January 1, 2011, property, plant and equipment were valued at deemed cost (depreciated cost adjusted for an inflation index), Subsequent acquisitions are recorded at acquisition cost. Depreciation is calculated using the straight-line method based on the remaining useful lives of the related assets which are reviewed yearly; the effect of any change in the recorded estimate is recognized on a prospective basis.

	Depreciation weighted average rate %
Buildings and leasehold improvements	From 1.4 to 10.00
Machinery and equipment	5
Furniture and equipment	5
Vehicles	25
Computers	16.67 and 25.00

Borrowing costs incurred during the period of construction and installation of qualifying property, machinery and equipment was capitalized.

The gain or loss on the sale or retirement of an item of property, plant and equipment is calculated as the difference between the resources received from sale and the carrying value of the asset, and is recognized in results.

f. ***Leases-*** Leases are classified as finance leases when the terms of the lease substantially transfer all the risks and benefits inherent to ownership. All other leases are classified as operating leases.

Rental payments for operating leases are charged to results using the straight-line method during the lease term, except when another systematic distribution basis is more representative of reflecting the pattern of leasing benefits. Contingent rentals are recognized as expenses in the periods in which they are incurred.

g. ***Investment properties-*** Investment properties are those maintained for leasing and/or capital gains through appreciation in their value over time (including properties in construction for such purpose). Investment properties are valued at fair value. The gains or losses that arise from changes in the fair value of the investment property are included in the net gain or loss during the period in which they are originated. Properties which are held as investment include two shopping malls.

h. ***Investment in shares of associated companies*** - Permanent investments in entities where significant influence exists are initially recognized based on the net fair value of the entities' identifiable assets and liabilities as of the date of acquisition. If impairment indicators are present, investment in shares of associated companies is subject to impairment testing.

i. ***Other assets-*** These mainly include guarantee deposits and installation expenses of a new computer system; however, as the system is currently in the testing period, it is expected that the installation costs will be amortized once the implementation is completed.

j. ***Impairment of tangible assets-*** The Company reviews the carrying values of its tangible assets to determine whether there are indications that such assets have suffered any loss for impairment. In the event of any such indication, the recoverable amount of the asset is calculated in order to determine the amount of the loss from impairment. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which such asset belongs. When a reasonable and consistent distribution basis can be identified, the corporate assets are also assigned to the individual cash generating units; otherwise, they are assigned to the smallest group of cash generating units for which a reasonable and consistent distribution basis can be identified.

The recoverable amount is the higher of fair value less cost of sale and the value in use. When the value in use is assessed, the estimated future cash flows are discounted at present value using a discount rate before taxes that reflects the current market assessment of the value of money over time and the specific risks of the asset for which the estimated future cash flows have not been adjusted.

If it is estimated that the recoverable amount of an asset (or cash generating unit) is less than its carrying value, the carrying value of the asset (or cash generating unit) is reduced to its recoverable value. Losses from impairment are recognized in results except when the asset is recorded at a revalued amount, in which case the loss from impairment should be considered as a reduction in the revaluation.

When a loss from impairment subsequently reverses, the carrying value of the asset (or cash generating unit) is increased to the estimated value revised to its recoverable value, in such a way that the increased carrying value does not exceed the carrying value that would have been determined if a loss from impairment had not been recognized for such asset (or cash generating unit) in previous years. The reversal of the loss from impairment is recognized in results.

k. ***Financial instruments-*** Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

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

i. ***Financial assets*** - All the financial assets are recognized and are derecognized for accounting purposes at the transaction date, in the presence of a purchase or sale of a financial asset under a contract whose conditions require the delivery of the asset over a period generally regulated by the respective market, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss' (FVTPL), ‘held-to-maturity' investments, ‘available-for-sale' (AFS) financial assets and ‘loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Currently, the Company holds trading investments and loans and receivables.

– ***Financial assets 'at fair value through profit or loss' (FVTPL)***

Financial assets are classified as FVTPL when the financial asset is held for trading purposes or designated as a fair value financial asset with changes through results.

A financial asset will be classified as held for trading purposes if:

- It is purchased mainly for the purpose of sale in the near term; or
- In its initial recognition, it forms part of a portfolio of identified financial instruments which the Company administers together, and for which there is a recent real pattern of short-term profit-taking; or
- It is a derivative that is not designated as a hedge instrument.

– ***Loans and accounts receivable***

Loans, customer receivables and other accounts receivable with fixed or determinable payments, which are not traded on an active market, are classified as loans and accounts receivable. Loans and accounts receivable are valued at amortized cost using the effective interest rate method, less any impairment. An allowance for bad debts is recognized in results when there is objective evidence that the accounts receivable are impaired. Interest income is recognized by applying the effective interest rate, except for short-term accounts receivable if the interest recognition is immaterial.

– ***Effective interest rate method***

This is a method of calculation for the amortized cost of a financial instrument and of assigning the financial revenue or financial expense throughout the relevant period. The effective interest rate is the discount rate that exactly discounts the estimated future cash flows receivable or payable (including commission, interest basis points paid or received, transaction costs and other premiums or discounts that are included in the effective interest rate calculation) throughout the expected life of the financial instrument (or, when appropriate, in a shorter period), to the net carrying value of the financial asset or liability upon its initial recognition.

– ***Impairment of financial assets***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as customer receivables, the assets which have been subjected to impairment testing and have not suffered individual impairment, are included in the evaluation of impairment on a collective basis. The objective evidence that a receivables portfolio might be impaired could include the Company's past experience in terms of collections, an increase in the number of late payments in the portfolio which exceed the average credit period of seven months, and observable changes in national and local economic conditions that correlate with payment defaults.

For the financial assets recorded at amortized cost, the amount of the recognized loss from impairment is the difference between the carrying value of the asset and the present value of future collections, discounted at the original effective interest rate of the financial asset.

The carrying value of the financial asset is directly reduced by loss from impairment for all the financial assets, except customer receivables, where the carrying value is reduced through an allowance for doubtful accounts. When an account receivable is deemed to be a bad debt, it is eliminated against the allowance. The subsequent recovery of amounts previously eliminated is recognized within results. Changes in the carrying value of the allowance for bad debts are also recognized within results.

ii. ***Financial liabilities and equity instruments issued by the Company***

Classification as debt or equity - Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments - An equity instrument is any contract that evidences a residual interest in the net assets of an entity. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issuance costs.

Financial liabilities - Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Currently, the Company only holds other financial liabilities, including derivative financial instruments designated as hedges, and has not designated any financial liabilities as FVTPL.

- ***Other financial liabilities***

  Other financial liabilities, including loans, are initially valued at fair value, net of transaction costs; subsequently, they are valued at amortized cost using the effective interest rate method, and the interest expense is recognized on an effective yield basis.

- ***Derecognition of financial liabilities***

  The Company derecognizes financial liabilities when, and only when, the Company´s obligations are discharged, cancelled or they expire. The difference between the carrying value and the sum of the consideration received or receivable is recognized in results.

l. ***Derivative financial instruments -*** The Company enters into derivative financial instruments for trading purposes and for hedging risks related to: a) interest rates, and b) exchange rates on long-term debt. Note 12 provides additional detail regarding derivative financial instruments.

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.

Derivatives are initially recognized at fair value at the date on which the derivative contract is signed and are subsequently remeasured at fair value at the end of the reporting period. The resulting gain or loss is recognized in results unless the derivative is designated and is effective as a hedge, in which case the timing of the recognition in results will depend on the nature of the hedging relationship. The Company designates certain derivatives either as fair value hedges of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecasted transactions or foreign currency risk hedges of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a long-term asset or liability if the maturity date of the instrument is 12 months or more, and it is not expected to be realized or canceled within those 12 months. Other derivatives are presented as short-term assets and liabilities.

– ***Cash flow hedges***

At the start of each hedge, the Company documents the hedging relationship and objective, together with its risk management strategy. This documentation includes the manner in which the Company will measure the effectiveness of the hedge with regards to offsetting changes to the fair value of the hedged item or the cash flow attributable to the hedged risk.

The Company recognizes all assets and liabilities resulting from transactions involving derivative financial instruments at fair value in the statement of changes in financial position, regardless of its reason for holding these instruments. Fair value is determined based on the prices reported on recognized markets; however, when they are not quoted on a market, the Company utilizes valuation techniques accepted by the financial sector. The decision to enter into an economic or accounting hedge is based on an analysis of market conditions and expectations concerning domestic and international economic scenarios.

The effective portion of changes to the fair value of the derivative financial instruments designated and classified as cash flow hedges is recognized under other comprehensive income. The gains and losses derived from the ineffective portion of the hedge instrument are recognized in results and included under the heading of "other (income) expenses".

The amounts previously recognized under other comprehensive income and accrued to stockholders' equity are reclassified to the results of the periods in which the hedged item is recognized in results, under the same heading as the recognized hedged item. However, when a forecast hedged transaction leads to the recognition of a nonfinancial asset or liability, the losses or gains previously recognized in other comprehensive income and accrued to stockholders' equity are transferred and included in the initial valuation of the cost of the nonfinancial asset or liability.

The Company ceases to account for hedges whenever the hedging relationship is revoked, the instrument expires or is sold, terminated or exercised, or when it ceases to reflect the criteria established for hedge accounting purposes. Any accrued gain or loss derived from the hedge instrument and recognized in equity remains there until the forecasted transaction is ultimately recognized in results. When the forecasted transaction is no longer expected to occur, the gain or loss accrued to equity is immediately reclassified to results.

– ***Fair value hedges***

Changes to the fair value of derivative financial instruments designated and classified as fair value hedges are recognized in results together with any change to the fair value of the hedged asset or liability attributable to the hedged risk. The change to the fair value of the hedge instrument and hedged item attributable to the hedged risk are recognized in results under the same heading.

The Company ceases to account for hedges whenever the hedge relationship is revoked, the instrument expires or is sold, terminated or exercised, or when it ceases to reflect the criteria established for hedge accounting purposes. The adjustment in accounting to the fair value of the hedged item derived from the hedged risk is applied to results as of that date.

- ***Embedded derivatives***

  The Company reviews its executed contracts to identify any embedded derivatives which must be separated from the host contract for valuation and accounting purposes. When embedded derivatives are identified in other financial instruments or contracts (host contracts), they are treated as separate derivatives when their risks and characteristics are not closely related to those of the respective host contracts and when the latter are not recorded at their fair value with changes recorded through results.

  An embedded derivative is presented as a long-term asset or liability when the respective hybrid instrument will mature in 12 months or more and when is not expected to be realized or canceled during that 12-month period. Other embedded derivatives are presented as short-term assets or liabilities.

  During the reporting period, the Company did not enter into any fair value hedges for its net investment in foreign transactions or embedded derivatives.

m. ***Provisions -*** Are recognized for current obligations (legal or assumed) that arise from a past event, that are probable to result in the use of economic resources, and that can be reasonably estimated.

   The amount recognized as a provision is the best estimate of the resources required to settle the present obligation at end of period, taking into account the risks and uncertainties associated with the obligation. When a provision is valued using the estimated cash flows to settle the present obligation, its carrying amount represents the present value of the cash flow (only when the value of money over time is material).

   When it is expected that some or all of the economic benefits required to settle a provision are recovered from a third party, an asset is recognized by a receivable when it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

n. ***Income taxes -*** The expense for income taxes represents the sum of current and deferred tax calculated as the higher of regular income tax (ISR) or the business flat tax (IETU). ISR is calculated based on taxable profit which differs from net income reported in the interim consolidated statement of comprehensive income due to income or expenses taxable or nontaxable in other periods and also items that are not taxable. IETU is calculated based on cash flows of each fiscal year, representing revenues, less deductions and certain tax credits. The income tax liability is calculated based on the promulgated or substantially approved tax rate at the end of the reporting period.

   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 carry forwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery, to the extent that estimated taxable profits will be available to utilize such tax benefits. Deferred tax assets and liabilities are not recognized if temporary differences arise from goodwill or the initial recognition (unless involving a business combination) of other assets and liabilities in a transaction that will not affect the Company's taxable income or accounting profit.

   The Company recognizes a deferred tax liability for taxable temporary differences related to its investments in subsidiaries, except when it is able to control the reversal of the temporary difference and it is likely that the latter will not be reversed in the foreseeable future. The deferred tax assets generated by the temporary differences associated with these investments are only recognized when it is likely that the Company will generate sufficient future tax income to which these temporary differences can be applied and when they are expected to be reversed in the near future.

The carrying value of a deferred tax asset must be reviewed at the end of each reporting period and must be decreased to the extent that the Company considers that it will generate sufficient taxable profits to enable it to totally or partially recover the asset.

Deferred tax assets and liabilities are calculated using the tax rates which the Company's expects to apply in the period in which the liability is settled or the asset is realized, based on the rates (and tax laws) which have been enacted or substantially enacted at the end of the reporting period. The valuation of deferred tax liabilities and assets reflects the tax effects that would be generated by the manner in which the Company expects to recover or settle the carrying values of its assets and liabilities at the end of the reporting period.

The Company incurs consolidated income tax (ISR) in conjunction with Grupo Carso, S.A.B. de C.V.

Current and deferred income tax are recorded in the results of the year they are incurred, except when related to items recognized as other comprehensive income. Asset tax paid in prior years that is expected to be recoverable is recorded as a tax credit.

o. ***Direct employee benefits and at retirement -*** The costs incurred related to direct benefits and defined retirement benefit plans are recognized as expenses when employees have provided the services which grant them the right to these benefits.

The seniority premium liability for all personnel, non-union personnel pensions and retirement payments treated as pensions are considered in defined benefit plans. The cost of these benefits is determined by using the projected unit credit method and the actuarial valuations prepared at the end of each reporting period. Actuarial gains and losses are immediately recognized in other comprehensive income, net of deferred tax, based on the net asset or liability recognized in the consolidated statement of changes in financial position, so as to reflect the over- or underfunded status of employee benefit plan obligations. Similarly, past service costs are recognized in results when the plan is modified or when restructuring costs are incurred.

Retirement benefit obligations recognized in the statement of changes in financial position represent the current value of the defined benefit obligation adjusted according to actuarial gains and losses and the past service costs, less the fair value of plan assets. When plan assets exceed the liabilities of the defined benefit plan, they are valued according to the lower of: i) the defined benefit plan surplus, and ii) the current value of any economic benefits derived from the plan and available as future plan contribution reimbursements or reductions.

p. ***Revenue recognition -*** Revenue is measured at the fair value of the consideration received or receivable considering the amount of sales returns, discounts and other similar discounts or rebates. Revenues are recognized based on the criteria below:

- ***Sale of goods -*** The sale of goods is recognized when the inherent risks and rewards are transferred to the customer, provided the respective income can be reliably measured, it is likely that the Company will receive the economic benefits associated with the transaction, the costs that have been or will be incurred to perform the transaction can be reliably measured, the Company is not continuously involved in the ownership of the goods and does not retain effective control over them. Generally, revenues recognition coincides with the date on which the goods are delivered and ownership is legally transferred to the customer.

- ***Finance income on credit sales*** – Finance income on credit sales is recognized when it is accrued and is generated by credit card transactions (Sanborns, Sears, Saks, Dorian's, Mixup and Corpti).

- ***Services*** – Revenues from services provided are recognized when the service is rendered.

- ***Rentals*** – Rental revenue is recognized on a straight-line basis as lease services are provided and maintenance fees are collected; these amounts are recognized throughout the period of the lease contract from which they are derived.

q. ***Loyalty programs*** - Awards are accounted for as a separate component of the initial sale transaction, measured at their fair value and recognized as deferred income in the statement of financial position, within other accounts payable and accrued liabilities. Deferred revenue is recognized in income once the award is redeemed or expires.

r. ***Cash flows statement -*** The Company reports cash flows from operating activities using the indirect method, whereby profit or loss is adjusted for the effects of transactions of a non-cash nature. Interest received is presented as an investing activity and interest paid is presented as a financing activity.

s. ***Earnings per share -*** The basic profit per ordinary share is calculated by dividing the net consolidated profit attributable to the controlling interest by the weighted average of ordinary outstanding shares during the period.

5. Critical accounting judgments and key sources of uncertainty estimations

In applying the accounting policies (see Note 4), the Company's management makes judgments, estimates and assumptions about certain amounts of assets and liabilities in the financial statements. The estimates and associated assumptions are based on historical experience and other factors deemed relevant. Actual results could differ from those estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period of the revision and future periods if the revision affects both current period and subsequent periods.

Critical accounting judgments and key sources of uncertainty in applying the estimations that may have a significant impact on the amounts recognized in the accompanying interim consolidated financial statements are as follows:

a. ***Inventory and accounts receivable reserves -*** The Company use estimates to determine inventory and accounts receivable reserves. When calculating inventory reserves, the Company considers production and sales volumes, as well as the demand for certain products. When determining the allowance for doubtful accounts, the Company primarily considers the financial risk represented by each customer, unguaranteed accounts and significant collection delays based on established credit conditions. See Notes 8 and 9 for further detail.

b. ***Property, machinery and equipment -*** The Company reviews the estimated useful life of property, plant and equipment at the end of each annual period to determine the depreciation of these assets. Asset useful lives are defined according to the technical studies prepared by specialized internal personnel and with the participation of external specialists. As part of the adoption of IFRS, Company management prepared a detailed analysis to modify the useful life of certain components of property, plant and equipment components. The level of uncertainty related to useful life estimates is also linked to market changes and asset utilization based on production volumes and technological development.

c. ***Investment property -*** The Company prepares an annual valuation of investment property with the assistance of independent appraisers. The valuation techniques are based on different methods including physical inspection, market and income approaches; the Company has utilized the physical inspection approach for the value of investment properties included in the accompanying interim consolidated financial statements. The valuation methodology includes observable assumptions for properties which, while dissimilar, nonetheless involve the same geographic zones and commercial use. The Company considers the highest and best use of its assets.

The valuation techniques used by the Company were not modified in 2012 and 2011. Company management considers that the valuation methodologies and assumptions utilized are appropriate for determining the fair value of the Company's investment properties.

d. ***Impairment of long-lived assets*** **-** The carrying value of noncurrent assets is reviewed to detect indications of impairment; i.e., if certain situations or changing circumstances indicate that carrying values may not be recoverable. If indications of impairment are detected, the Company performs a review to determine whether the carrying value exceeds its recovery value and is impaired. When applying asset impairment tests, the Company must estimate the value in use assigned to property, plant and equipment and cash generating units, in the case of certain assets. Use value calculations require that the Company determine the future cash flows which must be produced by cash generating units, together with an appropriate discount rate for calculating present value. The Company utilizes cash flow projections by estimating market conditions, prices, production and sales volumes.

e. ***Valuation of financial instruments*** **-** The Company uses valuation techniques for its financial instruments which include information that is not always based on an observable market to estimate the fair value of certain financial instruments. Note 11 contains detailed information on the key assumptions used to determine the fair value of the Company's financial instruments, as well as an in-depth sensitivity analysis of these assumptions. Company management considers that the valuation techniques and assumptions it has utilized are suitable for determining the fair value of its financial instruments.

f. ***Contingencies*** **-** As the Company is involved in certain legal proceedings, it evaluates the probability of a payment obligation arising. Accordingly, it considers the legal situation in effect at the estimate date and the opinion of its legal advisers; these evaluations are periodically reconsidered.

g. ***Employee benefits at retirement*** **-** The Company uses assumptions to determine the best annual estimate of these benefits. Like the above assumptions, these benefits are jointly and annually determined in conjunction with independent actuaries. These assumptions include demographic hypotheses, discount rates, expected remuneration increases and future employee tenure, among other items. While the Company considers that these assumptions are appropriate, any modification in this regard could affect the value of employee benefit assets (liabilities) and the statement of comprehensive income of the period in which any such modification takes place.

6. Cash and cash equivalents

	September 30, 2012	December 31, 2011	January 1, 2011
Cash	$ 733,965	$ 745,103	$ 516,356
Cash equivalents:			
Treasury notes	9,592	185,000	8,158
Money market funds in dollars	14,860	8,732	68,757
Others	1,220	5,387	5,247
	$ 759,637	$ 944,222	$ 598,518

7. Investment securities held for trading

	September 30, 2012	December 31, 2011	January 1, 2011
Bank notes	$ 134,100	$ 822,440	$ 910,999
Treasury notes	492,245	282,900	16,800
	$ 626,345	$ 1,105,340	$ 927,799

As of September 2012, the Company's investment securities held for trading are mainly represented by bank notes and treasury notes, measured at fair value.

8. Accounts receivable

	September 30, 2012	December 31, 2011	January 1, 2011
Clients	$ 7,991,143	$ 8,599,415	$ 8,344,510
Allowance for doubtful accounts	(328,236)	(330,445)	(336,746)
	7,662,907	8,268,970	8,007,764
Sundry debtors	114,359	102,280	145,857
Due to related parties	16,630	8,435	6,612
Recoverable income tax	-	-	45,712
Recoverable taxes, mainly IDE and payroll tax credit	34,607	71,834	87,071
	$ 7,828,503	$ 8,451,519	$ 8,293,016

a. ***Clients***

The Company organizes sales promotions in which it grants credit to its customers for different average periods of 211, 218 and 224 days at September 30, 2012, December 31 and January 1, 2011, respectively. In the case of sales promotions with collection periods exceeding one year, the respective accounts receivable are classified as short-term because they form part of the Company's regular transaction cycle, which is a standard industry practice. Total maturities arising after one year are $522,644 at September 30, 2012, $657,874 and $673,916 at December 31 and January 1, 2011, respectively.

b. ***Past due but not impaired***

Accounts receivable from customers include amounts that are overdue at the end of the reporting period and for which the Company has not recognized an allowance for bad debts as there has been no significant change in the customer's credit rating and the amounts in question are still deemed to be recoverable. A summary of customer accounts receivable which are overdue, but are not considered impaired is detailed below:

	September 31, 2012	December 31, 2011	January 1, 2011
Past due more than 90 days	$ 129,389	$ 141,322	$ 190,445

The Company provides follow-up on customers' compliance with payments for which collateral was not provided and which only have guarantors. According to the Company's policies, if customer payments are delayed, the respective credit line is suspended for future purchases. Similarly, in the event of more significant delays, the Company implements out-of-court and legal measures to recover the outstanding balance. However, if it is unsuccessful, the respective credit line and account are canceled. The Company has recognized an allowance for doubtful accounts equal to 100% of all accounts receivable which could become uncollectible.

c. ***Reconciliation of the allowance for doubtful accounts is presented below:***

	September 31, 2012	December 31, 2011
Beginning balance	$ 330,445	$ 336,746
Period accrual	147,133	262,619
Write offs and cancelations	(149,342)	(268,920)
Ending balance	$ 328,236	$ 330,445

9. Inventories

	September 30, 2012	December 31, 2011	January 1, 2011
Inventory in stores	$ 8,437,128	$ 8,018,928	$ 7,067,352
Allowance for obsolete and missing inventories	(268,018)	(254,600)	(228,182)
	8,169,110	7,764,328	6,839,170
Merchandise in transit	413,800	262,813	191,614
Spare parts and other inventories	111,641	128,363	107,560
	$ 8,694,551	$ 8,155,504	$ 7,138,344

The Company recognizes two estimates for possible losses derived from inventory impairment, one for obsolete and slow-moving goods and one for shrinkage.

The estimate for obsolete and slow-moving goods is determined based on the Company's prior-year experience by store and department, which enables it to determine the movement of goods on the market, their use at different locations, fashion trends and new product models. Accordingly, it evaluates the possibility of increasing this reserve if the goods in question are slow-moving until considering the entire cost as an impairment loss.

The estimate related to goods shrinkage is determined based on the Company's experience with shrinkage determined from physical inventories taken on a periodic basis. The Company therefore adjusts inventory according to the variable percentages of shrinkage in effect at different stores.

a. ***A reconciliation of the allowance for obsolete, slow moving and missing inventories is presented below:***

	September 30, 2012	December 31, 2011
Beginning balance	$ 254,600	$ 228,182
Period accrual	15,016	27,220
Write offs and cancelations	(1,598)	(802)
Ending balance	$ 268,018	$ 254,600

10. Financial risk management

The Company is exposed to market, operating and financial risks as a result of its use of financial instruments. These include interest rate, credit, liquidity and exchange rate risks, which are managed in a centralized manner by the corporate treasury of Grupo Carso. The Company seeks to minimize its exposure to these risks by contracting hedges based on derivative financial instruments.

The different financial instrument categories and amounts at September 30, 2012, December 31 and January 1, 2011, are detailed below:

	September 30, 2012	December 31, 2011	January 1, 2011
Financial assets			
Cash and cash equivalents	$ 759,637	$ 944,222	$ 598,518
Measured at fair value:			
• Trading investment securities	626,345	1,105,340	927,799
• Derivative financial instruments	-	-	154,734
Loans and receivables	7,897,503	8,532,019	8,385,016

	September 30, 2012	December 31, 2011	January 1, 2011
Financial liabilities			
At amortized cost:			
• Loans with financial institutions	124,052	25,863	2,833,276
• Marketable notes	1,371,876	1,347,073	-
• Payables to suppliers	4,051,706	4,863,752	3,246,262
• Due to related parties	307,002	695,191	1,121,616
• Accrued expenses	1,741,112	2,090,655	2,666,716
Measured at fair value:			
• Derivative financial instruments	41	21,237	113

The Board of Directors establishes and monitors the policies and procedures used to measure risks, which are described below:

a. ***Capital risk management -*** The Company manages its capital to ensure that it will continue as a going concern, while it maximizes returns to its shareholders through the optimization of the balances of debt and equity. The capital structure of Grupo Sanborns is composed by its net debt (mainly the bank loans, securitization certificates and intercompany loans detailed in Notes 15, 16 and 21) and stockholders' equity (issued capital, capital reserves, the group profits and noncontrolling equity detailed in Note 19). The Company is not subject to any kind of capital requirement.

   Grupo Carso has the policy of maintaining a net debt ratio not exceeding three times its EBITDA (Earnings before taxes, plus/less interest, exchange rate fluctuations, and the valuation effect of derivative financial instruments, depreciation and amortization).

   The net debt ratio of the Company is presented below:

	September 30, 2012	December 31, 2011	January 1, 2011
Loans with financial institutions	$ 124,052	$ 25,863	$ 2,833,276
Marketable notes	1,371,876	1,347,073	-
Cash and cash equivalents	759,637	944,222	598,518
Investment securities held for trading	626,345	1,105,340	927,799
Net debt with financial institutions	109,946	(676,626)	1,306,959
EBITDA	$ 3,224,035	$ 4,975,350	$ 4,489,486
Net debt ratio	0.03	N/A	0.29

b. ***Interest rate risk management -*** The Company is exposed to interest rate risks from customer loans and financial debt contracted at variable rates. However, it manages this risk through an adequate combination of fixed and variable interest rates and by using interest rate swaps for its customer portfolio. Hedging activities are regularly evaluated to ensure that they are properly aligned with interest rates and the respective risks and to facilitate the application of more profitable hedge strategies. Hedge contracts are detailed in Note 12.

The Company's exposure to interest rate risks is primarily based on the Mexican Interbank Equilibrium Offered rate (TIIE) applicable to financial liabilities and its customer portfolio. Accordingly, it periodically prepares a sensitivity analysis by considering the cost of the net exposure from its customer portfolio and financial liabilities derived that earn and bear interest at variable interest rates; it also prepares an analysis based on the amount of outstanding credit at the end of the period.

If the TIIE interest rate increased or decreased by 100 basis points in each reporting period and all other variables remained constant, the pretax profit for the nine months ended September 30, 2012 and 2011 would have increased (decreased) by $28,551 and $26,424, respectively.

c. ***Exchange risk management -*** The Company's functional currency is the Mexican peso. Its acquisition of goods through foreign currency transactions represents less than 12% of its total purchases; however, when deemed appropriate, it enters into exchange rate hedges to manage the exchange rate risk. The carrying values of monetary assets and liabilities denominated in foreign currency and which primarily generate exposure for the Company at the end of the reporting period, are as follows (figures in thousands):

	Liabilities			**Assets**		
	September 30, 2012	**December 31, 2011**	**January 1, 2011**	**September 30, 2012**	**December 31, 2011**	**January 1, 2011**
U.S. dollars	47,785	44,756	237,218	37,049	38,096	39,201

The following table indicates the Company's sensitivity to a 10% increase or decrease of the Mexican peso versus the US dollar. This percentage is the sensitivity rate used to internally report the exchange rate risk to key management personnel and also represents management's evaluation of the possible fair value change to exchange rates. The sensitivity analysis only includes monetary items denominated in foreign currency and adjusts their conversion at the end of the period by applying a 10% fluctuation; it also includes external loans. A negative or positive figure, respectively (as detailed in the following table), indicates a (decrease) or increase in net income derived from a depreciation of the Mexican peso by 10% with regard to the US dollar (figures in thousands):

	September 30, 2012	**December 31, 2011**	**January 1, 2011**
U.S. dollars	(1,074)	(666)	(19,802)

d. ***Credit risk management -*** The credit risk refers to the situation in which the borrower defaults on its contractual obligations, thereby generating a financial loss for the Company and which is essentially derived from customer accounts receivable and liquid funds. The credit risk affecting cash and cash equivalents and derivative financial instruments is limited because the counterparts are banks with high credit ratings issued by credit rating agencies. The Company's maximum credit risk exposure is represented by the balance in the statement of financial position. The Company primarily grants credit to customers in Mexico after first evaluating their credit capacity, which it constantly evaluates, while providing follow-up according to the credit policies explained in Note 8. There are no credit risk concentrations in the Company's database because all accounts receivable are diluted by more than 1,745,000 customers, which do not represent an individual concentration risk.

e. ***Liquidity risk management -*** Company management reviews on working capital, which enables it to administer short, medium and long-term financing requirements, maintain cash reserves and credit line availability, constantly monitor cash flows (projected and actual) and reconcile the maturity profiles of financial assets and liabilities.

The following table details the remaining contractual maturities of the Company's non-derivative financial liabilities, based on contractual repayment periods. The table has been designed based on un-discounted projected cash flows of financial liabilities based on the date on which the Company must make payments. The table includes both projected cash flows related to interest and capital on financial debt in the statements of financial position. Where the contractual interest payments are based on variable rates, the amounts are derived from interest rate at the end of the period.

As of September 30, 2012	Weighted average effective interest rate	3 months	6 months	More than 6 months, less than 1 year	Total
Loans with financial institutions	4.21%	$ 124,052	$ -	$ -	$ 124,052
Marketable notes	4.5% and 4.6%	1,371,876	-	-	1,371,876
Payables to suppliers		3,888,690	163,016	-	4,051,706
Derivative financial instruments		41	-	-	41
Due to related parties		307,002	-	-	307,002
Total		$ 5,691,661	$ 163,016	$ -	$ 5,854,677

As of December 31, 2011	Weighted average effective interest rate	3 months	6 months	More than 6 months, lessthan1year	Total
Loans with financial institutions	1.52%	$ 25,863	$ -	$ -	$ 25,863
Marketable notes	4.5% and 4.6%	1,347,073	-	-	1,347,073
Payables to suppliers		4,694,760	168,992	-	4,863,752
Derivative financial instruments		21,237	-	-	21,237
Due to related parties		695,191	-	-	695,191
Total		$ 6,784,124	$ 168,992	$ -	$ 6,953,116

As of January 1, 2011	Weighted average effective interest rate	3 months	6 months	More than 6 months, lessthan1year	Total
Loans with financial institutions	2.36%	$ 361,856	$ -	$ 2,471,420	$ 2,833,276
Payables to suppliers		3,246,262	-	-	3,246,262
Derivative financial instruments		113	-	-	113
Due to related parties		1,121,616	-	-	1,121,616
Total		$ 4,729,847	$ -	$ 2,471,420	$ 7,201,267

f. Financial asset reclassifications

During the presented periods there are no reclassifications between instruments categories.

11. Financial instruments fair value

The fair value of financial instruments presented below has been determined by the Company using information available in the markets, but require judgment with respect to their development and interpretation. As a result, the estimated amounts presented below are not necessarily indicative of the amounts that the Company could obtain in a current market exchange. The use of different assumptions and/or estimation methods could have a material effect on the estimated amounts of fair value.

The financial instruments which are measured following their initial fair value recognition and are grouped by levels ranging from 1 to 3 based on the extent to which their value can be observed, are as follows:

- Level 1 - the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1, are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 - fair value valuations are those derived from indicators other than the quoted prices included in Level 1, but which include indicators that are observable for a given asset or liability, whether directly based on quoted prices or indirectly, i.e., derived from these prices; an

- Level 3 - fair value valuations are those generated by valuation techniques which include asset or liability indicators that are not based on observable market information (unobservable indicators).

The Company considers that the carrying amount of cash, accounts receivable and accounts payable from related and third parties approximate their fair values because they have short-term maturities.

To obtain and disclose the fair value of long-term debt, fair value is based on market rates or rates for similar instruments. In order to determine the fair value of other financial instruments, the Company utilizes other techniques such as estimated cash flows, discounting these cash flows by using rates that reflect the counterparty risk and the credit risk of the Company itself during the reference period. The fair value of interest rate swaps is calculated as the present value of estimated future net cash flows. The fair value of currency forwards is determined by using the future exchange rates quoted at the date of the statement of changes in financial position.

The amounts of the financial instruments by category and their fair values are presented below:

	September 30, 2012		**December 31, 2011**		**January1, 2011**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets:						
Cash and cash equivalents	$ 759,637	$ 759,637	$ 944,222	$ 944,222	$ 598,518	598,518
Investments held for trading:						
Treasury bonds	626,345	626,345	1,105,340	1,105,340	927,799	927,799
Derivative financial instruments	-	-	-	-	154,734	154,734
Loans and receivables:						
Clients	7,828,503	7,882,832	8,451,519	8,438,196	8,293,016	8,228,942
Financial institutions loans:						
Bank loans including current portion of long-term debt	124,052	124,052	25,863	25,863	2,833,276	2,833,276
Marketable notes	1,371,876	1,373,266	1,347,073	1,343,255	-	-
Payables to suppliers	4,051,706	4,051,706	4,863,752	4,863,752	3,246,262	3,246,262
Due to related parties	307,002	307,002	695,191	695,191	1,121,616	1,121,616
Accrued expenses	1,741,112	1,741,112	2,090,655	2,090,655	2,666,716	2,666,716
Derivative instruments non classified for hedge purposes:						
Interest rate swaps	41	41	21,237	21,237	113	113
Total	$ 16,810,274	16,865,993	$ 19,544,852	$ 19,527,711	$ 19,842,050	$ 19,777,976

No transfers between Level 1, 2 and 3 occurred during the period.

12. Derivative financial instruments

The Company executes contracts with derivative financial instruments in order to partially hedge against the financial risks generated by its exchange and interest rate exposure. These contracts may be classified as accounting hedges if they meet hedge criteria; otherwise, they are considered and accounted for as economic hedges. The decision to enter into an economic hedge is based on market conditions, the related expectations of the instrument, and the domestic and international economic indicators which could affect the Company's operations.

Transactions performed with currency forwards and swaps and/or interest rates and embedded derivatives are summarized below:

		Notional			Measurement as of September 30, 2012			
Instrument	**Classified as**	**Amount ('000)**	**Currency**	**Maturity**	**Asset (Liability)**	**Period result**	**Reclassified from other comprehensive income to results**	**(Income) loss on settlement**
Dollar forwards	Trading Buying	45,00(	Dollars	30-ene-12	$ -	$ -	$ -	$ 2,009
Fixed TIIE swaps	Trading Buying	300,00(	Pesos	28-feb-13	(41)	41	-	-
Total as of September, 2012					$ (41)	$ 41	$ -	$ 2,009
Total as of December, 2011					$ (21,237)	$ 21,237	$ -	$ (191,417)
Total as of January 1, 2011					$ 154,621	$ 93,855	$ (248,476)	$ 57,702

13. Property, machinery and equipment

	Balance as of December 31, 2011	Additions	Sales to third parties	Transfers to related assets	Balance as of September, 2012
Investment:					
Building and leasehold improvements	$ 8,765,534	$ 98,366	$ (54,578)	$ 51,903	$ 8,861,225
Machinery and equipment	1,971,254	61,767	(16,586)	6,599	2,023,035
Furniture and equipment	2,976,423	45,359	(28,128)	6,647	3,000,301
Vehicles	268,788	33,752	(29,933)	-	272,607
Computers	911,517	39,128	(4,558)	581	946,668
Total investment	14,893,516	278,372	(133,783)	(65,730)	15,103,835
Accumulated depreciation:					
Building and leasehold improvements	(3,796,519)	(264,553)	3,600	-	(4,057,472)
Machinery and equipment	(1,463,706)	(47,144)	12,625	-	(1,498,225)
Furniture and equipment	(1,815,986)	(124,396)	20,775	-	(1,919,607)
Vehicles	(207,754)	(16,857)	27,310	-	(197,301)
Computers	(777,749)	(42,421)	4,159	-	(816,011)
Total accumulated depreciation	(8,061,714)	(495,371)	68,469	-	(8,488,616)
Subtotal	6,831,802	(216,999)	65,314	65,730	6,615,219
Land	1,791,817	-	-	-	1,791,817
Construction in progress	187,448	216,841	(1,281)	65,730	337,278
Net investment	$ 8,811,067	$ (158)	$ (66,595)	$ -	$ 8,744,314

	January 1, 2011	Additions	Sales to third Parties	Transfers to related assets	Balance as of December 31,2011
Investment:					
Building and leasehold improvements	$ 7,977,812	$ 551,741	$ (43,594)	$ 279,575	$ 8,765,534
Machinery and equipment	1,815,587	324,519	(4,560)	(164,292)	1,971,254
Furniture and equipment	2,769,214	83,177	(40,547)	164,579	2,976,423
Vehicles	258,581	32,106	(23,041)	1,142	268,788
Computers	850,418	66,952	(5,853)	-	911,517
Total investment	13,671,612	1,058,495	(117,595)	281,004	14,893,516
Accumulated depreciation:					
Building and leasehold improvements	(3,465,830)	(335,217)	9,959	(5,431)	(3,796,519)
Machinery and equipment	(1,425,754)	(43,070)	4,335	783	(1,463,706)
Furniture and equipment	(1,692,134)	(145,598)	11,889	9,857	(1,815,986)
Vehicles	(205,053)	(24,317)	21,519	99	(207,754)
Computers	(708,304)	(66,477)	2,980	(5,948)	(777,749)
Total accumulated depreciation	(7,497,075)	(614,679)	50,682	(640)	(8,061,714)
Subtotal	6,174,537	443,815	(66,913)	280,363	6,831,802
Land	2,019,680	18,378	(2,463)	(243,778)	1,791,817
Construction in progress	80,765	148,426	(5,157)	(36,586)	187,448
Net investment	$ 8,274,982	$ 610,620	$ (74,533)	$ -	$ 8,811,067

14. Investment property

The Company has two shopping malls, Loreto and Cuicuilco, located in Mexico City, which generate rentals that are recognized in results when they are accrued. For the three and nine months ended on September 30, 2012 and 2011, these rentals totaled $52,352, $50,352, $161,134 and $149,387, respectively.

Direct operating expenses including maintenance derived from the investment properties recognized in results represent approximately 42% and 40% of rental income for the three and nine months ended September 30, 2012 and 2011, respectively.

The table below details the investment property as of the mentioned dates:

	September, 30, 2012	December 31, 2011	January 1, 2011
Investment property	$ 1,477,628	$ 1,477,628	$ 1,424,216

A rollforward of investment property is as shown below:

Balance as of December 2011	Fair value revaluation	Balance as of September 30, 2012
$ 1,477,628	$ -	$ 1,477,628

Balance as of December 31, 2010	Fair value revaluation	Balance as of December 31, 2011
$ 1,424,216	$ 53,412	$ 1,477,628

15. Notes payables to financial institutions and current portion of long-term debt

		September 30, 2012	December 31, 2011	January 1, 2011
a.	Syndicated loan of US $ 200 million, with principal maturing in September 2011, bearing interest at 0.275% above the London Interbank Offered Rate ("LIBOR") rate, payable quarterly	$ -	$ -	$ 2,473,244
b.	Direct loans with Banco Santander, S. A. de C. V., contracted in December 30, 2011, with a 90-day maturity, bearing interests at 6%, payable monthly	-	-	300,100
c.	Direct loans denominated in US dollars contracted with Banco Inbursa, S. A., a related party, with principal maturity in January 2011, which accrue interest payable monthly at the 2.95% annual rate	-	-	59,932
d.	Direct loans denominated in US dollars contracted with Banco Nacional de México, S. A., with principal maturity in January 2012, which accrue interest payable monthly at the 1.52% annual rate	-	25,863	-
e.	Direct loans denominated in US dollars contracted with Banco Nacional de México, S. A., with principal maturity in October 2012, which accrue interest payable monthly at the 4.85% annual, rate	100,256	-	-
f.	Direct loans denominated in US dollars contracted with Banco Nacional de México, S. A., with principal maturity in October 2012, which accrue interest payable monthly at the 1.52% annual rate	23,796	-	-
		$ 124,052	$ 25,863	$ 2,833,276

The syndicated loan contract established affirmative and negative covenants for Grupo Carso, S.A.B. de C.V., which acts as guarantor for the loan; furthermore, based on the consolidated financial statements, it also required that certain financial ratios and proportions be maintained, with which the Company is in compliance.

16. Marketable notes

On May 19, 2011, Sears Operadora México, S. A. de C. V., subsidiary company, issued a two-year marketable unsecured notes program in pesos, bearing interest between 4.5% and 4.6%, payable every 28 days, allowing withdrawals up to an amount of $2,500,000. At September 30, 2012, the balance amounted to $1,375,000 with maturity as of October 10, 2012.

The marketable notes contain certain affirmative and negative covenants, with which the Company is in compliance.

17. Provisions

Provisions represent labor, foreign trade, water and other contingencies arising during the period. Final amounts payable and the schedule of disbursements may vary because they are subject to a certain degree of uncertainty. Movements in provisions are presented below:

	September 30, 2012	December 31, 2011
Beginning balance	$ 74,708	$ 61,551
Additions	15,917	16,241
Write offs and cancelations	(6,739)	(3,084)
Ending balance	$ 83,886	$ 74,708

18. Retirement employee benefits

Projected net assets at September 30, 2012 have not changed significantly with respect to the amount recorded at December 31, 2011. As the 2012 actuarial study will be available at the yearend close, the disclosures referring to this Note at September 30 are considered irrelevant. Likewise, as actuarial losses and gains are determined at the yearend close, the effects on employee benefits during the interim periods ending September 30, 2012 and 2011 have been estimated based on the December 31, 2011 actuarial calculation.

The Company has created payment plans for the retirement, death or total disability of non-union personnel at most of its subsidiaries. Likewise, seniority premium payment plans are in effect for all personnel, as required by employment contracts. The respective liability and the annual cost of these benefits are calculated by an independent actuary according to the bases defined in these plans and by using the projected unit credit method. The current values of these obligations and the rates used for calculation purposes are as follows:

	December 31, 2011
Vested benefit obligation	$ (247,642)
Nonvested benefit obligation	(778,272)
Defined benefit obligation	(1,025,914)
Plan assets at fair value	1,857,980
Net projected asset	$ 832,066
Employer contributions	$ 33,000

Nominal rates used in actuarial calculations are as follows:

	December 31, 2011 %
Discount of the projected benefit obligation at present value	7.13
Salary increase	4.74
Expected yield on plan assets	7.33

Net cost for the period includes the following items:

	December 31, 2011
Current service cost	$ 53,365
Past service cost	8,167
Financial cost	74,052
Expected yield from plan assets	(135,301)
Curtailment and settlement other than restructuring	(24,958)
Net period income	$ (24,675)

Changes in the present value of the defined benefit obligation:

	December 31, 2011
Changes in the present value of the defined benefit obligations as of January 1	$ 1,015,959
Current service cost	53,365
Past service cost	8,167
Financial cost	74,052
Actuarial gains	(84,377)
Benefits paid	(16,294)
Curtailment and settlement other than restructuring	(24,958)
Present value of the defined benefit obligations	$ 1,025,914

Changes in the present value of the plan assets during the period:

	December 31, 2011
Initial fair value of the plan assets	$ 1,774,918
Expected yield from plan assets	135,301
Actuarial gains and losses	(68,945)
Employer contributions	33,000
Benefits paid	(16,294)
Total fair value of the plan assets	$ 1,857,980

The main categories of investments are:

	Plan assets fair value December 31, 2011
Equity instruments	$ 1,034,734
Debt instruments	$ 823,246

The general expected rate of return represents a weighted average of the expected returns generated by different plan asset categories. Directors' evaluation of expected returns is based on historical return trends and forecasts made by market analysts of asset returns during the life of the related obligation.

The benefits provided to key Company managers were as follows:

	December 31, 2011
Current benefits	82,127
Defined benefit plans	97,458

19. Stockholders' equity

a. As of September 30, 2012, December 31, 2011 and January 1, 2011, the capital stock of the Company is comprised as follows:

	Number of shares	Amount
Historical capital stock A1 Series	974,845,882	$ 1,153,102

Common stock is composed by ordinary, nominative shares at no par value. Series B1 shares represent fixed capital, while Series B2 shares represent variable capital, which is unlimited; these shares can be freely subscribed

b. At the Ordinary General Meeting of the Stockholders of Grupo Sanborns on April 26, 2012, the stockholders declared dividends of $1,200,000, which were paid on April 30, 2012.

c. Retained earnings include the statutory legal reserve. The General Corporate Law requires that at least 5% of net income of the year be transferred to the legal reserve until the reserve equals 20% of capital stock at par value. The legal reserve may be capitalized but may not be distributed unless the entity is dissolved and must be replenished if it is reduced for any reason. As of September 30, 2012, December 31, 2011 and January 1, 2011, the legal reserve was $256,569.

d. 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,

e. The balances of the stockholders' equity tax accounts are as follows:

	September 30, 2012	December 31, 2011	January 1, 2011
Contributed capital account	$ 3,786,625	$ 3,702,793	$ 3,567,035
Net consolidated tax income account	10,376,332	7,875,751	7,561,788
Total	$ 14,162,957	$ 11,578,544	$ 11,128,823

20. Foreign currency balances and transactions

As of September 30, 2012, December 31 and January 1, 2011, assets, liabilities and transactions in foreign currency different than the functional currency of each reported unit translated to U. S. dollars are presented below:

	Thousands of U. S. dollars		
	September 30, 2012	December 31, 2011	January 1, 2011
Current assets	37,049	38,096	39,201
Current liabilities	47,785	44,756	237,218
Net foreign currency liability position	(10,736)	(6,660)	(198,017)

Transactions denominated in foreign currency, except purchases of machinery and equipment, were as follows:

	Thousands of U. S. dollars	
	Nine months ended September 30, 2012	Nine months ended September 30 2011
Sales	22,405	21,206
Interest paid	(20)	(809)
Purchases	(9,259)	(6,285)
Import purchases	(77,246)	(71,086)
Equipment maintenance	(1,612)	(1,963)
Services	(7,833)	(7,647)
Dividends	(3,446)	-
Royalties	(11,788)	(11,896)
Rents paid	(2,025)	(2,056)
Credit notes	(515)	-
Total	(91,339)	(80,536)

	Thousands of U. S. dollars	
	Three months ended September 30, 2012	Three months ended September 30, 2011
Sales	7,802	7,712
Interest paid	(7)	(218)
Purchases	(1,849)	(935)
Import purchases	(27,412)	(34,629)
Equipment maintenance	(486)	(458)
Services	(2,142)	(1,490)
Royalties	(3,727)	(1,610)
Rents paid	(617)	(607)
Credit notes	(515)	-
Total	(28,953)	(32,235)

U.S. dollar exchange rates as of each reporting period and as of the date of the independent auditors' review report were as follows:

	September 30, 2012	December 31, 2011	January 1, 2011	January 24, 2013
U. S.	$ 12.8521	$ 13.9787	$ 12.3571	$ 12.6616

21. Balances and transactions with related parties

a. Balances with related parties are as follows:

	September 30, 2012	December 31, 2011	January 1, 2011
Receivables-			
Administradora y Operadora de Estacionamientos, S.A. de C.V.	$ 4,860	$ -	$ -
Grupo Técnico de Servicios Telvista, S. A. de C. V.	4,004	2,688	2,866
Banco Inbursa, S.A.	2,058	-	548
Plaza VIP Com S.A.P.I. de C.V.	1,266	-	-
Promotora del Desarrollo de América Latina, S. A. de C. V.	819	484	274
Inversora Bursátil, S.A. de C.V.	733	-	-
Others	2,890	5,263	2,924
	$ 16,630	$ 8,435	$ 6,612

	September 30, 2012	December 31, 2011	January 1, 2011	
Payables-				
Radiomóvil Dipsa, S. A. de C. V.	$ 71,488	$ 86,738	$ 46,797	
Inmuebles Srom, S. A. de C. V.	65,708	76,526	-	
Dorians Tijuana, S. A. de C. V.	58,823	470,984	-	
Sears Brands Management Corporation	58,130	-	-	
América Móvil, S.A. de C.V	11,583	133	-	
Teléfonos de México, S. A. B. de C. V.	8,600	6,346	3,791	
Philip Morris México, S. A. de C. V.	7,470	8,685	22,569	
Inmose, S. A. de C. V.	5,983	7,644	-	
Distribuidora Telcel, S. A.de C. V.	3,620	2,816	29,397	
Consorcio Red Uno, S. A. de C. V.	3,568	447	4,236	
Bajasur, S. A. de C. V.	2,971	5,633	-	
Seguros Inbursa, S. A. de C. V.	2,747	5,291	-	
Operadora Mercantil, S. A. de C. V.	2,131	3,262	3,752	
Desarrollos Sagesco, S. A. de C. V.	1,516	3,404	-	
Bienes Raíces de Acapulco, S. A. de C. V.	926	6,839	-	
Patrimonial Inbursa, S.A. de C.V.	172	-	921,252	(1)
Fianzas Guardiana Inbursa, S.A. de C.V.	-	772	89,102	
Others	1,566	9,671	720	
	$ 307,002	$ 695,191	$ 1,121,616	

(1) Unsecured loan denominated in Mexican pesos, maturing as of January 19, 2011, bearing interest at a 5.9% rate.

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

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Sales-		
Radiomóvil Dipsa, S.A. de C.V.	$ 32,641	$ 31,335
Seguros Inbursa, S.A.	17,453	16,154
Grupo Técnico de Servicios, S.A. de C. V.	17,361	16,692
Teléfonos de México, S.A.B. de C.V.	8,862	26,625
Sales (others)	45,405	39,708
Total	$ 121,722	$ 130,514
Interest received	$ -	$ 3,106
Leases granted	$ 36,288	$ 4,488
Services income-		
Radiomóvil Dipsa, S.A. de C.V.	$ 73,671	$ 64,414
Patrimonial Inbursa, S.A.	9,905	7,703
Teléfonos de México, S.A.B. de C.V.	6,565	9,783
Banco Inbursa, S.A.	-	12,009
Services (others)	13,689	7,381
Total	$ 103,830	$ 101,290
Fixed asset disposals	$ 174	$ 2,395

	Nine months ended September 30, 2012	Nine months ended September 30, 2011
Inventory purchases-		
Radiomóvil Dipsa, S.A. de C.V.	$ (771,008)	$ (612,693)
Phillips Morris de México, S.A. de C.V.	(90,803)	(92,427)
Purchases (others)	(202,836)	(78,044)
Total	$ (1,064,647)	$ (783,164)
Insurance expenses	$ (34,179)	$ (24,109)
Lease expenses-		
Inmuebles Srom, S.A. de C.V.	$ (147,659)	$ (102,486)
Inmose, S.A. de C.V.	(78,546)	(30,368)
Rental expense (others)	(202,423)	(146,861)
Total	$ (428,628)	$ (279,715)
Interest expenses	$ (9,136)	$ (11,923)
Services expenses	$ (468,039)	$ (511,417)
Other expenses, net	$ (58,008)	$ (40,196)
Fixed asset purchase	$ (25,249)	$ (87,834)

	Three months ended September 30, 2012	Three months ended September 30, 2011
Sales-		
Radiomóvil Dipsa, S.A. de C.V.	$ 10,953	$ 16,714
Seguros Inbursa, S.A.	6,393	3,132
Grupo Técnico de Servicios, S.A. de C. V.	6,366	5,902
Teléfonos de México, S.A.B. de C.V.	3,201	26,625
Sales (others)	18,094	1,044
Total	$ 45,007	$ 53,417
Interest received	$ -	$ 860
Leases granted	$ 22,814	$ 2,985
Services income-		
Radiomóvil Dipsa, S.A. de C.V.	$ 26,478	$ 22,960
Patrimonial Inbursa, S.A.	3,410	1,288
Teléfonos de México, S.A.B. de C.V.	2,022	4,041
Banco Inbursa, S.A.	1,621	3,840
Services (others)	2,930	4,189
Total	$ 36,461	$ 36,318
Fixed asset disposals	$ 53	$ 1,422
Inventory purchases-		
Radiomóvil Dipsa, S.A. de C.V.	$ (279,239)	$ (163,681)
Phillips Morris de México, S.A. de C.V.	(30,651)	(32,289)
Purchases (others)	(79,717)	(8,331)
Total	$ (389,607)	$ (204,301)
Insurance expenses	$ (2,555)	$ (5,488)

	Three months ended September 30, 2012	Three months ended September 30, 2011
Lease expenses-		
Inmuebles Srom, S.A. de C.V.	$ (40,819)	$ (52,422)
Inmose, S.A. de C.V.	(18,646)	(18,381)
Rental expense (others)	(78,847)	(59,911)
Total	$ (138,312)	$ (130,714)
Interest expenses	$ -	$ (1,233)
Services expenses	$ (173,959)	$ (222,809)
Other expenses, net	$ (32,096)	$ (16,487)
Fixed asset purchase	$ (13,771)	$ (21,182)

22. Other (income) expenses

	Nine months ended		Three months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Recovery of costs from store openings	$ (12,675)	$ (13,695)	$ (5,095)	$ (4,880)
Sales of waste material	(60,990)	(28,393)	(7,321)	(12,055)
Loss on sale of property, machinery and equipment, net	41,494	26,414	31,987	13,141
Other income (expenses), net	(6,885)	7,450	(13,434)	(411)
	$ (39,056)	$ (8,224)	$ (6,137)	$ (4,205)

23. Cost and expenses by nature

	Nine months ended September 30, 2012			
Concept	Cost of sales	Sales and development expenses	Administrative expenses	Total expenses
Wages and salaries	$ 5,833	$ 1,787,615	$ 370,900	$ 2,164,348
Finished products	15,881,750	-	-	15,881,750
Advertising	-	226,568	-	226,568
Insurance	2,113	53,920	2,927	58,960
Employee benefits	-	1,356,051	257,152	1,613,203
Leases	-	757,607	44,369	801,976
Electricity	-	486,595	4,974	491,569
Maintenance	-	284,909	32,338	317,247
Safety and security	-	125,064	3,900	128,964
Cleaning accessories	-	93,030	-	93,030
Supplies	-	70,113	21,691	91,804
Cash transport fees	-	81,556	-	81,556

Concept	Cost of sales	Sales and development expenses	Administrative expenses	Total expenses
	Nine months ended September 30, 2012			
Water	-	77,052	899	77,951
Taxes and duties	-	58,966	17,541	76,507
Fuel	-	69,408	-	69,408
Freight	-	67,914	787	68,701
Employee profit sharing	-	68,328	-	68,328
Store opening expenses	-	-	67,914	67,914
Telephone	-	39,550	32,086	71,636
Messaging	-	6,940	45,433	52,373
Others	75,888	547,574	395,213	1,018,675
	15,965,584	6,258,760	1,298,124	23,522,468
Depreciation	13,633	459,485	22,253	495,371
	$ 15,979,217	$ 6,718,245	$ 1,320,377	$ 24,017,839

Concept	Cost of sales	Sales and development expenses	Administrative expenses	Total expenses
	Nine months ended September 30, 2011			
Wages and salaries	$ 5,105	$ 1,652,275	$ 353,080	$ 2,010,460
Finished products	14,441,722	-	-	14,441,722
Advertising	447	219,623	-	220,070
Insurance	2,215	53,630	3,797	59,642
Employee benefits	-	1,258,651	230,309	1,488,960
Leases	-	672,660	39,439	712,099
Electricity	-	445,356	7,187	452,543
Maintenance	-	272,681	31,542	304,223
Safety and security	-	115,774	4,310	120,084
Cleaning accessories	-	82,911	-	82,911
Supplies	-	68,937	10,476	79,413
Cash transport fees	-	79,914	-	79,914
Water	-	74,240	1,144	75,384
Taxes and rights	-	55,704	17,480	73,184
Fuel	-	64,756	-	64,756
Freight	-	64,404	612	65,016
Employee profit sharing	-	65,190	-	65,190
Store opening expenses	-	-	69,261	69,261
Telephone	-	40,309	36,824	77,133
Messaging	-	3,306	41,900	45,206
Others	49,409	518,602	458,909	1,026,920
	14,498,828	5,808,923	1,306,270	21,614,091
Depreciation	32,026	412,190	29,489	473,705
	$ 14,530,924	$ 6,221,113	$ 1,335,759	$ 22,087,796

Concept	Cost of sales	Sales and development expenses	Administrative expenses	Total expenses
	Three months ended September 30, 2012			
Wages and salaries	$ 1,987	$ 593,756	$ 119,505	$ 715,248
Finished products	5,313,893	-	-	5,313,893
Advertising	-	75,394	-	75,394
Insurance	1,081	17,223	1,004	19,308
Employee benefits	-	455,113	84,770	539,883
Leases	-	237,929	14,487	252,416
Electricity	-	177,028	2,038	179,066
Maintenance	-	106,490	10,153	116,643
Safety and security	-	72,250	1,307	73,557
Cleaning accessories	-	20,643	-	20,643
Supplies	-	24,064	7,509	31,573
Cash transport fees	-	52,695	-	52,695
Water		30,307	35	30,342
Taxes and rights	-	24,215	4,305	28,520
Fuel	-	27,521	-	27,521
Freight	-	22,787	263	23,050
Employee profit sharing	-	68,328	-	68,328
Store opening expenses	-	-	42,998	42,998
Telephone	-	19,168	8,901	28,069
Messaging	-	2,450	15,580	18,030
Others	27,019	78,257	137,109	239,309
	5,343,980	2,105,888	446,619	7,896,487
Depreciation	626	142,504	22,253	165,383
	$ 5,344,606	$ 2,248,392	$ 468,872	$ 8,061,870

Concept	Cost of sales	Sales and development expenses	Administrative expenses	Total expenses
	Three months ended September 30, 2011			
Wages and salaries	$ 1,665	$ 548,674	$ 122,295	$ 672,634
Finished products	4,881,244	-	-	4,881,244
Advertising	447	76,632	-	77,079
Insurance	768	18,610	1,195	20,573
Employee benefits	-	410,533	77,394	487,927
Leases	-	201,457	12,187	213,644
Electricity	-	175,113	2,414	177,527
Maintenance	-	98,591	10,967	109,558
Safety and security	-	65,679	1,397	67,076
Cleaning accessories	-	18,554	-	18,554
Supplies	-	21,980	3,603	25,583
Cash transport fees	-	51,379	-	51,379
Water		27,532	208	27,740
Taxes and rights	-	26,025	8,490	34,515
Fuel	-	24,897	-	24,897
Freight	-	20,840	202	21,042
Employee profit sharing	-	65,190	-	65,190
Store opening expenses	-	-	40,670	40,670
Telephone	-	20,395	13,769	34,164
Messaging	-	1,391	14,826	16,217
Others	16,085	40,538	167,031	223,654
	4,900,209	1,914,010	464,430	7,278,649
Depreciation	9,927	119,647	29,489	159,063
	$ 4,910,136	$ 2,033,657	$ 493,919	$ 7,437,712

24. Income taxes

Income tax (ISR) is calculated based on the taxable profit which differs from accounting net income reported in the interim consolidated statement of comprehensive income due to income or expenses taxable or nontaxable in other periods as well as items that will never be deductible or taxable. Income tax liability is calculated based on the enacted or substantially enacted tax rate at the end of the reporting period for in the jurisdictions in which all of the Company's subsidiaries are located.

The Company is subject to ISR and IETU.

The ISR rate is 30% for 2010 to 2012 and will decrease to 29% in 2013 and 28% for 2014. The Company pays ISR, together with Grupo Carso, S. A. B. de C. V. on a consolidated basis.

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%. In addition, as opposed to ISR, the parent and its subsidiaries will incur IETU on an individual basis.

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

Based on its financial projections, the Company determined that it will basically pay ISR, therefore, it only recognizes deferred ISR. As of September 30, 2012, December 31 and January 1, 2011 neither the Company, nor its subsidiaries incurred IETU.

a. Income taxes consist of the following:

	For the nine months ended		For the three month period	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
ISR:				
Current	$ 1,003,471	$ 798,203	$ 360,669	$ 292,779
Deferred	(193,647)	(80,618)	(118,500)	(89,950)
	$ 809,824	$ 717,585	$ 242,169	$ 202,829

b. The main items originating a deferred ISR liability at September 30, 2012, December 31 and January 1, 2011 are:

	September 30, 2012	December 31, 2011	January 1, 2011
Deferred tax (asset) liability:			
Property, machinery and equipment	$ 1,345,747	$ 1,377,644	$ 1,432,877
Inventories	147,847	228,516	257,934
Accounts receivables in installment sales	230,402	340,948	389,160
Accrued expenses	(620,551)	(695,705)	(632,804)
Employee benefits	233,489	241,299	220,098
Others	(20,991)	(41,305)	(132,219)
Deferred ISR due to temporary differences	1,315,943	1,451,397	1,535,046
Tax loss carryforwards	(39,865)	(44,200)	(57,715)
Asset tax	(987)	(987)	(987)
Effect of changes in statutory tax rate	(26,790)	36,640	(11,828)
Deferred income tax liability	$ 1,248,301	$ 1,442,850	$ 1,464,516

c. A reconciliation of the deferred income tax liability is shown below:

	September 30, 2012	December 31, 2011
Beginning balance	$ 1,442,850	$ 1,464,516
Income tax applied to period results	(193,647)	(10,319)
Others	(902)	(11,347)
	$ 1,248,850	$ 1,442,850

d. The reconciliation of income tax statutory rate and the effective rate expressed as a percentage of income before income taxes is as follows:

	2012 %	2011 %
Statutory rate	30	30
Plus (less) permanent differences -		
Nondeductible expenses	1	1
Inflation effects	(2)	(1)
Effective rate	29	30

e. Benefits from restated tax loss carry forwards for which a deferred ISR asset has been recognized can be recovered by fulfilling certain requirements. The amount of tax loss carryforwards for all of the Company's subsidiaries and their related expiration dates as of September 30, 2012 are as follows:

Expiration date	Amount
2016	$ 308
2017	845
2018	81,013
2019	966
2020	49,749
	$ 132,881

25. Commitments

a. As of December 31, 2011, contracts were executed with suppliers for the renovation and construction of certain of the Company's stores. The related commitment amount is approximately $1,302,036.

b. Similarly, as of December 31, 2011, the Company and its subsidiaries have executed lease agreements in 302 stores (Sears, Saks, Sanborn Hermanos, Sanborn's - Café, Mix-Up, Discolandia, I Shop, Comercializadora Dax, Corpti and Sanborns Panama). Such lease agreements are for mandatory terms ranging from one to 20 years. Lease expense for the three and nine months ended September 30, 2012 and 2011 was $233,032, $222,394, $699,097 and $667,183, respectively. Additionally, as a lessor the Company and its subsidiaries have executed contracts for terms ranging from one to 15 years; the lease income for the three and nine months ended September 30, 2012 and 2011 was $55,088, $50,564, $165,264 and $151,691, respectively.

- Future minimum lease payments payable by the Company are as follows:

Maturity	September 30, 2012
1 year	$ 288,853
1 to 5 years	1,207,747
More than 5 years	2,050,247
	$ 3,546,847

- Future minimum lease payments receivable by the Company are as follows:

Maturity	September 30, 2012
1 year	$ 14,001
1 to 5 years	65,752
More than 5 years	138,031
	$ 217,784

c. In December 2010, Sears Operadora México, S.A. de C.V. (formerly Sears Roebuck de México, S.A. de C.V. or ("Sears") and Sears Roebuck and Co. (Sears US), extended the current terms of the Brand Use License Agreement and the Advice and Merchandise Sales agreements, which govern the commercial relationship among the parties and under which Sears pays royalties to Sears US of 1% of sales. The agreement will be in effect until September 30, 2019, but provides for a seven-year extension under the same conditions, unless otherwise decided by either party, which must then give two years' notice to the other party.

d. Through an agreement executed on September 12, 2006, the Company agreed to pay, to Saks Fifth Avenue, amounts for consulting services and the brand use license for an initial term of 15 years, renewable for 10 years. The agreement establishes a minimum annual payment of US$500,000 and allows the use of the Saks Fifth Avenue brand name both in its corporate name and in its stores.

26. Contingencies

At the date of these financial statements the Company is involved in legal proceedings pending resolution by the competent authorities related to various matters, primarily contributions from foreign trade, collection recovery and labor claims.

The aggregate amount of these proceedings as of September 30, 2012 amounts to $792,999, of which a liability of $68,269 is recorded in other liabilities in the consolidated statements of financial position. The Company disbursed approximately $15,917 for these purposes during 2012. While the results of these legal proceedings cannot be predicted with certainty, management of the Company does not believe that there are any legal proceedings which, if determined adversely to the Company, would have a material adverse effect on its financial position or results of operations.

27. Segment information

Information by reported to the chief operating decision maker for purposes of resource allocation and assessment of segment performance is based on the reportable segments as presented below.

a. Information by operating segment is as follows:

	As of and for the nine months ended September 30, 2012				
	Sears and Boutiques	Sanborns	Mixup and Ishop	Others	Total consolidated
Total revenue	$ 13,549,753	$ 8,652,185	$ 2,932,424	$ 1,573,085	26,707,447
EBITDA (1)	1,726,984	691,023	158,139	647,889	3,224,035
Consolidated net income	1,042,981	353,877	87,927	525,254	2,010,039
Interest income	334	45,346	7,447	55,962	109,089
Interest expense	61,230	35,534	1,281	(23,399)	74,646
Depreciation	207,873	210,679	42,768	34,051	495,371
Income taxes	431,283	136,133	29,743	212,665	809,824
Total assets	15,330,354	8,655,510	1,296,196	3,870,519	29,152,579
Current liabilities	6,067,788	2,988,511	531,962	(816,351)	8,771,910
Long-term liabilities	567,204	368,082	18,170	294,845	1,248,301
Total liabilities	6,634,992	3,356,593	550,132	(220,285)	10,321,432
Capex	293,244	132,585	22,769	89,111	537,709

	As of and for the nine months ended September 30, 2011				
	Sears and Boutiques	Sanborns	Mixup and Ishop	Others	Total consolidated
Total revenue	$ 12,474,507	$ 8,123,751	$ 2,388,726	$ 1,538,065	$ 24,525,049
EBITDA (1)	1,606,820	600,190	91,078	621,094	2,919,182
Consolidated net income	935,194	319,167	39,706	401,138	1,695,205
Interest income	(1,431)	64,565	6,111	32,259	101,504
Interest expense	58,573	50,829	1,146	(10,314)	100,234
Depreciation	183,361	203,005	37,336	50,003	473,705
Income taxes	396,969	134,057	18,662	167,897	717,585
Total assets	14,274,370	8,289,650	1,306,789	3,492,890	27,363,699
Current liabilities	6,320,940	2,826,435	577,886	(911,054)	8,814,207
Long-term liabilities	632,556	500,819	14,711	234,131	1,382,217
Total liabilities	6,953,496	3,327,254	592,597	(375,702)	10,497,645
Capex	474,688	336,542	21,059	(90,290)	741,999

	As of and for the three months ended September 30, 2012				
	Sears and Boutiques	Sanborns	Mixup and Ishop	Others	Total consolidated
Total revenue	$ 4,581,660	$ 2,784,489	$ 1,010,245	$ 535,761	$ 8,912,155
EBITDA (1)	548,563	208,699	44,102	208,167	1,009,531
Consolidated net income	333,389	88,822	22,904	167,260	612,375
Interest income	1,427	4,430	2,213	29,917	37,987
Interest expense	19,878	13,528	433	(7,700)	26,139
Depreciation	65,671	70,537	13,649	15,526	165,383
Income taxes	145,204	27,289	8,501	61,175	242,169
Total assets	15,330,354	8,655,510	1,296,196	3,873,643	29,155,703
Current liabilities	6,067,788	2,988,511	531,962	(813,228)	8,775,033
Long-term liabilities	567,204	368,082	18,170	294,845	1,248,301
Total liabilities	6,634,992	3,356,593	550,132	(217,162)	10,324,555
Capex	293,244	132,585	22,769	89,111	537,709

	As of and for the three months ended September 2011				
	Sears and Boutiques	Sanborns	Mixup and Ishop	Others	Total consolidated
Total revenue	$ 4,176,785	$ 2,649,376	$ 853,413	$ 517,217	$ 8,196,791
EBITDA (1)	549,410	164,899	26,864	181,174	922,347
Consolidated net income	311,688	87,042	9,969	93,795	502,494
Interest income	799	10,304	2,522	29,849	43,474
Interest expense	24,309	16,585	368	(6,542)	34,720
Depreciation	56,484	67,862	14,118	20,599	159,063
Income taxes	125,593	29,508	7,745	39,983	202,829
Total assets	14,274,370	8,289,650	1,306,789	3,497,815	27,368,624
Current liabilities	6,320,940	2,826,435	577,886	(906,129)	8,819,132
Long-term liabilities	632,556	500,819	14,711	234,131	1,382,217
Total liabilities	6,953,496	3,327,254	592,597	(370,777)	10,502,570
Capex	474,688	336,542	21,059	(90,290)	741,999

(1) EBITDA reconciliation

	For the nine months ended September 30, 2012	For the nine months ended September 30, 2011	For the three months ended September 30, 2012	For the three months ended September 30, 2011
Income before income taxes	$ 2,818,850	$ 2,416,332	$ 861,800	$ 691,561
Depreciation	495,371	473,705	165,383	159,063
Interest income	(109,089)	(101,504)	(37,987)	(43,474)
Interest expense	74,646	100,234	26,139	34,720
Exchange gain	(109,212)	(353,705)	(30,268)	(174,140)
Exchange loss	98,603	374,072	24,464	244,569
Effects of valuation of derivative financial instruments	(45,134)	10,048	-	10,048
EBITDA	$ 3,224,035	$ 2,919,182	$ 1,009,531	$ 922,347

b. General information of segments by geographical area:

The Company operates in different locations and has distribution channels in Mexico and Central America through its commercial offices or representatives.

Geographic distribution of revenues is as follows:

	Nine months ended September 30, 2012	%	Nine months ended September 30, 2011	%
México	$ 26,412,996	98.90	$ 24,268,000	98.95
El Salvador	217,195	0.81	193,545	0.79
Panamá	77,256	0.29	63,504	0.26
	$ 26,707,447	100.00	$ 24,525,049	100.00

	Three months ended September 30, 2012	%	Three months ended September 30, 2011	%
México	$ 8,812,999	98.89	$ 8,101,060	98.84
El Salvador	21,900	0.24	32,227	0.39
Panamá	77,256	0.87	63,504	0.77
	$ 8,912,155	100.00	$ 8,196,791	100.00

28. Explanation of the transition to IFRS

As discussed in Note 2, the consolidated financial statements to be issued by the Company for the year ending December 31, 2012 will be its first annual financial statements complying with IFRS. The transition date is January 1, 2011 for which reason the Company's annual audited consolidated financial statements as of and for the year ended December 31, 2011 will be part of the period covered by its first IFRS annual financial statements. In preparing the accompanying financial statements, the Company applied IFRS 1, and therefore has applied the mandatory exceptions and certain of the voluntary exemptions from full retrospective application of IFRS included therein, discussed in Note 2. The following reconciliations quantify the effects and impact on stockholders' equity at January 1, 2011, September 30, 2011 and December 31, 2011 and on comprehensive income and cash flows for the three and nine months ended September 30, 2011 and for the year ended December 31, 2011.

	January 1, 2011 NIF		IFRS transition effect	Reclassifications		IFRS as of January 1, 2011	December 31, 2011 NIF		IFRS transition effects	Reclassifications		IFRS as of December 31, 2011
Assets												
Current assets:												
Cash and cash equivalents	$ 516,356		$ -	82,162	a.	$ 598,518	$ 745,103		$ -	$ 199,119	a.	$ 944,222
Investment securities held for trading	1,009,961		-	(82,162)	a.	927,799	1,304,459		-	(199,119)	a.	1,105,340
Accounts receivable - net	8,697,800	j.	(404,784)	-		8,293,016	8,891,022	j.	(439,503)	-		8,451,519
Inventories - net	7,141,614	j.	(4,776)	1,506	b.	7,138,344	8,119,045	j.	36,459	2		8,155,504
Prepaid expenses	79,575		-	(1,506)	b.	78,069	62,413	k.	(2,927)	-		59,486
Derivative financial instruments	154,734		-	-		154,734	-		-	-		-
Total current assets	17,600,040		(409,560)	-		17,190,480	19,122,042		(405,973)	2		18,716,071
Long-term receivables	92,000		-	-		92,000	80,500		-	-		80,500
Property, machinery and equipment, net	9,359,218	h, i.	(1,084,236)	-		8,274,982	9,975,672	h. i.	(1,164,605)	-		8,811,067
Investment property	-	h.	1,424,216	-		1,424,216	-	h.	1,477,628	-		1,477,628
Investment in associates	1,319		-	-		1,319	1,319		-	-		1,319
Employee retirement benefits	380,058	g.	378,901	-		758,959	431,076	g.	403,995	(3,005)	c.	832,066
Other assets - net	27,049		-	-		27,049	37,109		(2,747)	3,005	c.	37,367
Total non-current assets	9,859,644		718,881	-		10,578,525	10,525,676		714,271	-		11,239,947
Total assets	$ 27,459,684		$ 309,321	$ -		$ 27,769,005	$ 29,647,718		$ 308,298	$ 2		$ 29,956,018
Liabilities and stockholders' equity												
Current liabilities:												
Notes payables to financial institutions and current portion of long-term debt	$ 2,831,352		$ -	$ 1,924	d.	$ 2,833,276	$ 25,861		$ -	$ 2		$ 25,863
Marketable notes	-		-	-		-	1,350,000	k.	(2,927)	-		1,347,073
Accounts payable to suppliers	4,372,654	j.	(4,776)	(1,121,616)	e.	3,246,262	5,566,014	j.	(7,073)	(695,189)	e.	4,863,752
Direct employee benefits	335,637		-	-		335,637	352,650		-	-		352,650
Income taxes	-		-	-		-	21,348		-	-		21,348
Accrued expenses and other taxes	2,557,184	j.	(453,505)	1,058,141	d.e.	3,161,820	2,577,885	j.	(479,440)	620,481	e.	2,718,926
Provisions	-		-	61,551	e.	61,551	-		-	74,708	e.	74,708
Derivative financial instruments	113		-	-		113	21,237		-	-		21,237
Due to related parties	1,121,616		-	-		1,121,616	695,191		-	-		695,191
Total current liabilities	11,218,556		(458,281)	-		10,760,275	10,610,186		(486,513)	2		10,120,748
Deferred taxes	1,536,062	l.	(71,546)	-		1,464,516	1,504,593	l.	(61,743)	-		1,442,850
Deferred PTU	44,656	g.	(44,656)	-		-	47,032	g.	(47,032)	-		-
Non-current liabilities	1,580,718		(116,202)	-		1,464,516	1,551,625		(108,775)	-		1,442,850
Total liabilities	12,799,274		(574,483)	-		12,224,791	12,161,811		(598,215)	2		11,563,598
Stockholders' equity												
Capital stock												
Historical capital stock	1,747,162	f.	(112,792)	-		1,634,370	1,747,162	f.	(112,792)	-		1,634,370
Additional paid-in capital	475,542	f.	(335,499)	-		140,043	475,542	f.	(335,499)	-		140,043
Contributed capital inflation effects	-		-	-		-	-		-	-		-
	2,222,704	.	(448,291)	-		1,774,413	2,222,704		(448,291)	-		1,774,413
Earned capital												
Retained earnings	11,050,919	m.	1,355,187	-		12,406,106	13,707,552	m.	1,362,394	-		15,069,946
Other comprehensive income	34,848	n.	(34,848)	-		-	24,416	n.	(24,416)	-		-
	11,085,767		1,320,339	-		12,406,106	13,731,968		1,337,978	-		15,069,946
Total controlling interest	13,308,471	m.	872,048	-		14,180,519	15,954,672	m.	889,687	-		16,844,359
Total non-controlling interest	1,351,939	m.	11,756	-		1,363,695	1,531,235	m.	16,830	-		1,548,065
Total stockholders' equity	14,660,410		883,804	-		15,544,214	17,485,907		906,513	-		18,392,420
Total liabilities and stockholders' equity	$ 27,459,684		$ 309,321	$ -		$ 27,769,005	$ 29,647,718		$ 308,298	$ (2)		$ 29,956,018

A reconciliation of stockholders' equity as of September 30, 2011 is shown below:

	September 30, 2011 NIF		As of September 30, 20111 IFRS Transition effects	Reclassifications		IFRS
Assets						
Current assets:						
Cash and cash equivalents	$ 391,623		$ -	$ 49,729	a.	$ 441,352
Investment securities for trading	447,308		-	(49,729)	a.	397,579
Accounts receivable – net	8,094,141	j.	(335,981)	-		7,758,160
Inventories – net	7,799,732	j.	(4,741)	-		7,794,991
Prepaid expenses	88,533	k.	(4,924)	5,200	b.	88,809
Total current assets	16,821,337		(345,646)	5,200		16,480,891
Long-term receivables	80,500		-	-		80,500
Property, machinery and equipment, net	9,764,869	h.i.	(1,157,786)	-		8,607,083
Investment property	-	h.	1,424,216	-		1,424,216
Investment in associates	1,319		-	-		1,319
Employee benefits	354,547	g.	369,168	-		723,715
Other assets, net	51,175		-	(5,200)	b.	45,975
Total non-current assets	10,252,410		635,598	(5,200)		10,882,808
Total assets	$ 27,073,747		$ 289,952	$ -		$ 27,363,699
Liabilities and stockholders' equity						
Current liabilities:						
Notes payables to financial institutions and current portion of long-term debt	$ 565,095		$ -	$ 1,186	d.	$ 566,281
Marketable notes	1,250,000	k.	(4,925)			1,245,075
Accounts payable to suppliers	4,159,955	j.	(3,519)	(704,329)	e.	3,452,107
Direct employee benefits	394,531		-	-		394,531
Income taxes	-		-	-		-
Accrued expenses and other taxes	2,110,166	j.	(385,699)	628,435	d.e.	2,352,902
Provisions	-		-	74,708	e.	74,708
Derivative financial instruments	24,274		-	-		24,274
Due to related parties	704,329			-		704,329
Total current liabilities	9,208,350		(394,143)	-		8,814,207
Deferred taxes	1,473,110	l.	(90,893)	-		1,382,217
Deferred PTU	45,984	g.	(45,984)	-		-
Non-current liabilities	1,519,094		(136,877)	-		1,382,217
Total liabilities	10,727,444		(531,020)	-		10,196,424
Stockholders' equity						
Capital stock	-		-	-		-
Historical capital stock	1,747,162	f.	(112,792)	-		1,634,370
Additional paid-in capital	475,542	f.	(335,499)	-		140,043
	2,222,704		(448,291)	-		1,774,413
Earned capital						
Retained earnings	12,649,630	m.	1,292,687	-		13,942,317
Other comprehensive income	31,306	n.	(31,306)	-		-
	12,680,936		1,261,381	-		13,942,317
Total controlling interest	14,903,640	m.	813,090	-		15,716,730
Total non-controlling interest	1,442,663	m.	7,882	-		1,450,545
Total stockholders' equity	16,346,303		820,972	-		17,167,275
Total liabilities and stockholders' equity	$ 27,073,747		$ 289,952	$ -		$ 27,363,699

Reclassifications in the financial position statement under IFRS

a. Certain of the Company's investments in securities for trading purposes meet the criteria as cash equivalents and have been reclassified to the cash and cash equivalents category.

b. The Company reclassified spare parts that were presented as prepaid expenses to inventories. Additionally, certain amounts in other assets were reclassified to prepaid expenses.

c. Certain of the Company's employee retirement benefits assets were reclassified to other assets.

d. The Company reclassified interest related to its notes payables, presented within accrued expenses, to the Notes payables to financial institutions and current portion of long-term debt caption.

e. The Company reclassified certain amounts that were presented as accounts payable to suppliers as provisions and accrued expenses.

The effects generated by the transition to IFRS are as follows:

f. According to IAS 29*, Financial Information in Hyperinflationary Economies,* the effects of inflation are only be recognized in a hyperinflationary economy. An economy is considered hyperinflationary when, among other indicators, the cumulative inflation of the prior three years approximates or exceeds 100%. As the Company and its main subsidiaries have operated in a non-hyperinflationary economy since 1999, the effects of inflation recognized in conformity with NIF from 1999 until 2007 were eliminated, except for those assets for which the Company applied the deemed cost exception of IFRS 1, as discussed in Note 2.

g. Under IAS 19, *Employee Benefits*, the provision recorded for employment benefits was recalculated by: i) eliminating the provision for severance indemnities as they do not comply with the recognition criteria for termination benefits established by IAS 19; ii) recognizing the previously unrecognized actuarial losses and gains; and iii) recognizing the previously unrecognized past services costs due to amendments to IAS 19.

Additionally, the provision for deferred PTU was eliminated as it does not meet the definition of an employee benefit under IFRS.

h. According to IAS 40, *Investment Property,* the two types of real property that meet the criteria as investment property were reclassified from the property, machinery and equipment heading. As an accounting policy, the Company established the use of the fair value model for the subsequent valuation of its investment properties. Accordingly, the adjustment also includes the revaluation of the properties.

i. In conformity with IAS 16, *Property, Plant and Equipment*, the Company determined the most significant components of its real property and equipment; it subsequently adjusted the useful lives of these assets and the respective effect on accumulated depreciation. The Company also capitalized spare parts and utensils because it expects to use these items for more than one year. These items were formerly recognized as an expense at their acquisition date. Similarly, the Company incurred certain expenses which did not qualify for capitalization as part of fixed assets under IFRS and were eliminated hereon.

As the Company opted to apply the deemed cost exception, it utilized historical costs plus inflationary effects at the transition date as its deemed cost for certain assets under the heading of property, plant and equipment.

j. According to IAS 18, *Revenue*, sales generated under the “interest-free installment sales” scheme must be recognized at their discounted value to separate the financing component of the sale; subsequently, the Company recognizes financing revenue over the period in which it receives payment for the goods, using the effective interest method. In addition, the Company seeks a discount on the cost of products sold under this scheme; accordingly, the value of the inventory, related cost of sales and accrued expenses or payable related to the purchase of these goods is adjusted to reflect these discounts.

The adjustment to inventories also contemplates an adjustment with respect to costing of inventories. IAS 2, *Inventories*, establishes that the cost of inventory includes all acquisition, conversion and other costs incurred to bring inventories to their condition and location for immediate sale. As this standard does not permit direct costing, the Company recognized an allocation of distribution center expenses as part of inventory, which had been directly recognized in the cost of sales under NIF.

k. Under IAS 39, *Financial Instruments: Recognition and Measurement*, financial liabilities are initially recognized at their fair value less the costs directly attributable to the acquisition or issuance of these instruments.

l. According to IAS 12, *Income Taxes*, the Company recalculated deferred taxes by utilizing the carrying values of assets and liabilities valued based on their IFRS amounts. Additionally, under IAS 12, deferred tax liabilities are recognized for all taxable temporary differences, except to the extent that such deferred tax liability arises from the initial recognition of goodwill. The adjustment hereon also eliminates the deferred tax liability recognized under MFRS for the initial recognition of goodwill in a business acquisition in 1999.

m. At January 1, 2011, all the adjustments derived from the adoption of IFRS were recorded in retained earnings, with the respective effects recognized within noncontrolling interest.

n. The Company elected to reset all translation effects of foreign operations to zero, as permitted by IFRS 1 and as discussed in Note 2.

Effects of adopting IFRS in the consolidated statements of comprehensive income statement are as follows:

	December 31, 2011			
	NIF		**IFRS adoption adjustments**	**Total IFRS**
Total revenue	$ 37,044,327	a.b.c	$ (628,370)	$ 36,415,957
Cost of sales	22,567,948	a.b.d.f	(794,036)	21,773,912
	14,476,379		165,666	14,642,045
Sales and development expenses	7,662,084	a.e.f.h.	334,624	7,996,708
Administrative expenses	1,717,294	a.e.f.h	70,352	1,787,646
Depreciation and amortization	491,171	f.	92,368	583,539
Other (income) expenses	25,856	g.	(53,549)	(27,693)
Interest expense	419,333	e.h.	(272,703)	146,630
Interest income	(74,139)	e.h.	(50,552)	(124,691)
Exchange loss (gain)	64,769		(7,328)	57,441
Effects of valuation of derivative financial instruments	-		7,328	7,328
Income before income taxes	4,170,011		45,126	4,215,137
Income taxes	1,243,581	i.	20,374	1,263,955
Consolidated net income	2,926,430		24,752	2,951,182
Other comprehensive income				
Foreign currency translation effects	(10,432)		-	(10,432)
Non controlling interest consolidated net income	269,886		7,111	276,909
Controlling interest consolidated net income	$ 2,646,200		$ 17,641	$ 2,663,841

Effects of adopting IFRS in the consolidated statements of comprehensive income statement are as follows:

	Nine months ended September 30, 2011			
	NIF		IFRS adoption adjustments	Total IFRS
Total revenue	$ 24,920,435	a.b.c	$ (395,386)	$ 24,525,049
Cost of sales	15,007,608	a.b.d.f	(476,684)	14,530,924
	9,912,827		81,298	9,994,125
Sales and development expenses	5,485,644	a.e.f.h	323,279	5,808,923
Administrative expenses	1,247,713	a.e.f.h	58,557	1,306,270
Depreciation and amortization	365,930	f.	75,749	441,679
Other (income) expenses	52,849	g.	(61,073)	(8,224)
Interest expense	299,224	e.h.	(198,990)	100,234
Interest income	(59,754)	e.h.	(41,749)	(101,504)
Exchange loss (gain)	30,447		(10,080)	20,368
Effects of valuation of derivative financial instruments	-		10,048	10,048
Income before income taxes	2,490,774		(74,443)	2,416,331
Income taxes	734,018	i.	(16,433)	717,585
Consolidated net income	1,756,756		(58,010)	1,698,746
Other comprehensive income				
Foreign currency translation effects	(3,542)		-	(3,542)
Non-controlling interest consolidated comprehensive income	159,871		(877)	158,994
Controlling interest consolidated comprehensive income	$ 1,593,343		$ (57,132)	$ 1,536,210

Effects of adopting IFRS in the consolidated statements of comprehensive income statement are as follows:

	Three months ended September 30, 2011			
	NIF		IFRS adoption adjustments	Total IFRS
Total revenue	$ 8,293,078	a.b.c	$ (96,287)	$ 8,196,791
Cost of sales	5,069,460	a.b.d.f	(159,324)	4,910,136
	3,223,618		63,037	3,286,655
Sales and development expenses	1,782,801	a.e.f.h	131,209	1,914,010
Administrative expenses	430,592	a.e.f.h	33,838	464,430
Depreciation and amortization	122,566	f.	26,570	149,136
Other (income) expenses	20,077	g.	(24,282)	(4,205)
Interest expense	102,771	e.h.	(68,051)	34,720
Interest income	(29,559)	e.h.	(13,915)	(43,474)
Exchange loss (gain)	80,478		(10,049)	70,429
Effects of valuation of derivative financial instruments	-		10,048	10,048
Income before income taxes	713,892		(22,331)	691,561
Income taxes	208,673	i.	(5,844)	202,829
Consolidated net income	505,219		(16,487)	488,732
Other comprehensive income			-	-
Foreign currency translation effects	(13,762)		-	(13,762)
Consolidated comprehensive income	$ 518,981		$ (16,487)	$ 502,494

Notes to reconciling items to IFRS on the statements of comprehensive income:

a. According to IAS 18, *Revenue*, sales generated under the "interest-free installment sales" scheme must be recognized at their discounted value to separate the financing component of the sale; subsequently, the Company recognizes financing revenue over the period in which it receives payment for the goods, using the effective interest method. In addition, the Company seeks a discount on the cost of products sold under this scheme; accordingly, the value of the inventory, related cost of sales and accrued expenses or payable related to the purchase of these goods is adjusted to reflect these discounts.

b. Under IFRIC 13, *Customer Loyalty Programs*, the fair value of the payment received for the initial sale must be allocated between the sale of the good or service and the value of the customer loyalty program component. Consequently, the Company reclassified the provision for the deferred revenue related to the customer loyalty program component from cost of sales to be presented as an adjustment to revenue.

c. According to IAS 18, *Revenue*s, in those cases in which products sold are permitted to be returned by the customer under the Company's return policy, revenues associated with the transaction may only be recognized if expected returns can be reliably estimated. The Company therefore determined the amount of expected customer returns based on prior experience and other relevant factors, with a corresponding decrease to revenues and the related accounts receivable.

d. IAS 2, *Inventories,* establishes that the cost of inventory includes all acquisition, conversion and other costs incurred to bring inventories to their condition and location for immediate sale. As this standard does not permit direct costing, the Company recognized an allocation of distribution center expenses as part of inventory, which had been directly recognized in the cost of sales under NIF.

e. Under IAS 19, *Employee Benefits (revised in 2011)*, the Company recalculated the employment benefit provision by: i) eliminating the provision for severance indemnities, as they do not comply with the recognition criteria for termination benefits established by IAS 19; ii) recognizing the previously unrecognized actuarial losses and gains; and iii) recognizing the previously unrecognized past service costs, due to amendments to IAS 19.

f. In conformity with IAS 16, *Property, Plant and Equipment,* the Company depreciates fixed assets based on their components under IFRS. Additionally, certain fixed assets were valued at their fair value as of the transition date, thereby affecting the amount of depreciation for the periods presented.

g. The Company established the use of the fair value model for the subsequent valuation of its investment properties. The adjustment hereon represents the change in the fair value of the investment property during the respective period.

h. Presentation differences: The following reclassifications have been included herein: i) Commissions related to payments with credit card were classified as interest expense under MFRS; under IFRS, such expenses are presented within sales and development expenses; ii) the financing component related to employee benefit obligations and the related assets were classified as sales and development and administrative expenses under MFRS; under IFRS, the Company has elected to present such amounts within interest expense and interest income.

i. Deferred ISR was recalculated by utilizing accounting bases as adjusted for the effects of IFRS.

Cash flows: The transition to IFRS did not significantly affect the presentation of the Company's consolidated statement of cash flows.

29. Subsequent events

a. On November 14, 2012, Sears Operadora Mexico, S.A. de C.V. issued $1,125,000 of marketable notes payable monthly; on November 15, 2012, Sanborns Hermanos, S.A. issued bank notes with monthly maturities for $1,400,000, while Sears Operadora Mexico, S.A. de C.V. issued notes for $ 1,000,000 and Grupo Sanborns, S.A. de C.V. issued $950,000, to finance its working capital.

b. Among other resolutions, at the Stockholders' Ordinary General Meeting on November 20, 2012, the stockholders approved the payment of a cash dividend of $4,700,000 based on a dividend of 4.821275 pesos for each outstanding share, declared from the Company's net tax income account.

c. On November 30, 2012, amendments to the Federal Employment Law were published. As of the date of issuance of the accompanying consolidated financial statements, the Company is evaluating the impact that these reforms could have on its financial information.

d. On January 24, 2013, Grupo Carso, S.A.B. de C.V., the Company's controlling shareholder, has approved the following actions, which are irrevocable, but which will be formally adopted upon approval at the Company's general ordinary and extraordinary shareholders' meeting:

   i. Commence a public offering of ordinary shares representing the Company's fixed capital (i) in Mexico through the Bolsa Mexicana de Valores, S.A.B. de C.V., and/or (ii) in the United States under Rule 144A and/or Regulation S of the US Securities Act of 1933, as amended or any other applicable regulations, and in other foreign markets according to applicable laws, as necesFsary or deemed appropriate.

   ii. That Offering would be held according to the periods, terms and conditions determined by the Offering Representatives based on the level of supply and demand, the conditions in effect in the stock markets at the placement date and any other relevant factors.

   iii. Carry out a stock split of shares representing the Company's common stock by issuing two new shares for each current outstanding share, without affecting the value of the Company's capital stock. As the stock split has been irrevocably approved by the Company's shareholders, the effects of the stock split have been reflected in the accompanying consolidated financial statements, retroactively, with respect to the disclosure of number of shares and earnings per share.

   iv. Increase the minimum portion of fixed capital without withdrawal rights by $432,308 thousand by issuing up to 432,308,236 ordinary, nominative Series "B-1" shares, whereby the Company's authorized minimum fixed capital without withdrawal rights remains at a total amount of up to $1,585,410 thousand, as represented by a total of up to 2,382,000,000 ordinary, nominative Series "B-1" shares after giving effect to the stock split. All the shares subject to this increase will be included for placement in the Offering based on the price per share determined by the Offering Representatives; any unsubscribed shares will be held by the treasury.

   v. Amend the Company's corporate bylaws to comply with the requirements established by the National Banking and Securities Commissions (CNBV), provided that the Company's new corporate bylaws will take effect for general purposes as of the present date, albeit except for the articles regarding the Company's corporate name as a "public stock company", which will take effect when the shares representing its common stock are registered with the National Securities Registry maintained by the CNBV.

The Company intends to use the net proceeds for general corporate purposes, including, among others, to fund the expansion of our store and restaurant network and renovate existing stores and restaurants, increase our working capital, fund our operating needs and, as the case may be, fund our development and expansion plans organically or through acquisitions and repay outstanding indebtedness.

30. New accounting principles

The International Accounting Standards Board (IASB) has published a series of new IFRS and amendments to the IAS, which were issued, but had not taken effect at the date of this report:

- IFRS 9, *Financial Instruments*, is applicable as of January 1, 2013, although its early application is permitted. In August 2011, the IASB issued an accounting regulatory proposal entitled IFRS Mandatory Effective Date, which proposes changing the effective date of IFRS 9 from January 1, 2013 to January 1, 2015.
- IFRS 10, *Consolidated Financial Statements*.
- IFRS 11, *Joint Arrangements.*
- IFRS 12, *Disclosure of Interests in Other Entities.*
- IFRS 13, *Fair Value Measurement.*
- IAS 28, *Investments in Associates and Joint Ventures*
- Amendments to IAS 1, *Presentation of Items in Other Comprehensive Income*
- IAS 27, *Separate Financial Statements*
- IAS 28, *Investments in Associates and Joint Ventures*

IFRS 9 requires that all recognized financial assets within the scope of IAS 39 be subsequently measured based on their applied cost or fair value. More specifically, debt investments in a business model intended to collect contractual cash flows exclusively composed by principal and interest on outstanding principal balances are generally measured according to their applied cost at the end of subsequent accounting periods. All other debt and capital investments are measured based on their fair value at the end of subsequent accounting periods.

In May 2011, a package of four standards involving consolidation, joint arrangements, associates and disclosures, including IFRS 10, IFRS 11, IFRS 12 and IAS 27 (according to the 2011 revision) was issued. The main requirements of these standards are described below:

IFRS 10, *Consolidated Financial Statements*. IFRS 10 replaces the parts of IAS 27, *Consolidated and Separate Financial Statements*, regarding consolidated financial statements. Additionally, Standards Interpretation Committee Interpretation No. 12, *Consolidation-Special Purpose Entities*, has been withdrawn due to the issuance of IFRS 10. Under IFRS 10, control is the only basis for consolidation. Furthermore, IFRS 10 includes a new definition of control which contains three elements: (a) power over an investee; (b) exposure or rights to variable returns from involvement with an investee, and (c) the investor’s ability to utilize this power over the investee to affect the amount of the investor’s returns. A large number of guidelines have been added to IFRS 10 to deal with complex scenarios.

IFRS 11, *Joint Arrangements*. IFRS 11 replaces IAS 31, *Interests in Joint Ventures*. IFRS 11 focuses on the manner in which an arrangement, in which two or more parties exercise joint control, must be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, there are three types of joint ventures according to IAS 31: entities under joint control, assets under joint control and operations under joint control. Likewise, according to IFRS 11, joint ventures must be accounted for by using the equity method, while entities under joint control according to IAS 31 can utilize the equity or proportionate consolidation method.

IFRS 12, *Disclosure of Interests in Other Entities*. IFRS 12 is a disclosure standard applicable to entities holding equity in subsidiaries, joint ventures, associates and/or unconsolidated structured entities. In general terms, the disclosure requirements of IFRS 12 are more extensive than under current standards.

IAS 27, *Separate Financial Statements*.
IAS 28, *Investments in Associates and Joint Ventures*.

IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) must be adopted commencing on January 1, 2013, although their early adoption is permitted, provided that, they are all adopted at the same time.

IFRS 13, *Fair Value Measurement*. IFRS 13 establishes a single body of guidelines for fair value measurements and the respective disclosures. This standard defines fair value, establishes its measurement framework and requires disclosures regarding these measurements. The scope of IFRS 13 is extensive because it is applicable to both financial instrument items and non-financial instrument items for which other IFRS require or permit fair value measurements and disclosures about fair value measurement. In general terms, the disclosure requirements of IFRS 13 are more extensive than under current standards.

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

31. Authorization to issue the financial statements

The accompanying consolidated financial statements for the three and nine months ended September 30, 2012, were authorized by the Company's Finance and Administrative Director Lic. Mario Bermudez Dávila on November 9, 2012, and January 24, 2013 pursuant Note 29; consequently, they do not reflect events that may have occurred after that date and are subject to the approval of the Company's Board of Directors and at the Stockholders' Ordinary General Meeting, where they may be amended, based on the relevant provisions of the Mexican General Corporate Law.

* * * * * *

Grupo Sanborns, S.A. de C.V. and Subsidiaries
(Subsidiary of Grupo Carso, S.A.B. de C.V.)

Consolidated Financial Statements for the Years Ended December 31, 2011 2010 (as restated) and 2009 (as restated), and Independent Auditors' Report Dated February 28, 2012

Grupo Sanborns, S.A. de C.V. and Subsidiaries
(Subsidiary of Grupo Carso, S.A.B. de C.V.)

Independent Auditors' Report and Consolidated Financial Statements for 2011, 2010 (as restated) and 2009 (as restated)

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Independent Auditors' Report to the Board of Directors and Stockholders of Grupo Sanborns, S.A. de C.V.

We have audited the accompanying consolidated statements of financial position of Grupo Sanborns, S. A. de C. V. and Subsidiaries (the "Company") as of December 31, 2011, 2010 (as restated) and 2009 (as restated), 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 2.c, the Company restated the financial statements at December 31, 2010 and 2009 and for the years then ended.

As mentioned in Note 3.a, beginning January 1, 2011, the Company adopted the following new financial reporting standards and interpretations: C-4, *Inventories*; C-5, *Prepaid Expenses*; and Interpretation of Mexican Financial Reporting Standards 19, *Changes Derived from the Adoption of International Financial Reporting Standards*. The effects of the application of these new provisions, some of which are retrospective, are mentioned in Notes 3.a and 20.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Grupo Sanborns, S.A. de C.V. and subsidiaries as of December 31, 2011, 2010 (as restated) and 2009 (as restated), 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.

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

C.P.C. Luis Javier Fernández Barragán

February 28, 2012

Grupo Sanborns, S.A. de C.V. and Subsidiaries
(Subsidiary of Grupo Carso, S.A.B. de C.V.)

Consolidated Statements of Financial Position

As of December 31, 2011, 2010 and 2009
(In thousands of Mexican pesos)

Assets	**2011**	**2010**	**2009**
Current assets:			
Cash and cash equivalents	$ 745,103	$ 516,356	$ 503,718
Investments in securities	1,304,459	1,009,961	1,186,058
Accounts and notes receivable – net	8,891,022	8,697,800	9,436,614
Inventories – net	8,119,045	7,141,614	6,674,884
Prepaid expenses	62,413	79,575	181,696
Derivative financial instruments	-	154,734	249,026
Assets from discontinued operations - current	-	-	4,319,578
Total current assents	19,122,042	17,600,040	22,551,574
Long term accounts receivable	80,500	92,000	103,500
Property, plant and equipment – net (as restated, see Note 2.c)	9,975,672	9,359,218	9,263,393
Investment in shares of associated companies	1,319	1,319	9,140
Employee retirement benefits	431,076	380,058	366,400
Other assets – net	37,109	27,049	25,448
Assets from discontinued operations – long-term (as restated, see Note 2.c)	-	-	19,516,559
Total	$ 29,647,718	$ 27,459,684	$ 51,836,014

See accompanying notes to consolidated financial statements.

Liabilities and stockholders' equity	2011	2010	2009
Current liabilities:			
Notes payable to financial institutions	$ 25,861	$ 359,932	$ 713,335
Current portion of long-term debt	-	2,471,420	-
Marketable notes	1,350,000	-	2,700,000
Accounts payable to suppliers	5,566,014	4,372,654	4,035,454
Direct employee benefits	352,650	335,637	299,502
Taxes payable and accrued expenses	2,599,233	2,557,184	3,483,616
Derivative financial instruments	21,237	113	1,368
Due to related parties	695,191	1,121,616	137,440
Liabilities from discontinued operations	-	-	6,850,689
Total current liabilities	10,610,186	11,218,556	18,221,404
Long-term debt	-	-	2,611,741
Deferred income taxes (as restated, see Note 2.c)	1,504,593	1,536,062	2,528,040
Deferred statutory employee profit sharing	47,032	44,656	39,829
Liabilities from discontinued operations – long-term (as restated, see Note 2.c)	-	-	3,039,626
Total liabilities	12,161,811	12,799,274	26,440,640
Stockholders' equity:			
Capital stock	1,747,162	1,747,162	3,559,799
Additional paid-in capital	475,542	475,542	968,905
Retained earnings (as restated, see Note 2.c)	13,707,552	11,050,919	18,454,915
Translation effects of foreign operations	24,416	34,848	44,253
Controlling interest	15,954,672	13,308,471	23,027,872
Non-controlling interest (as restated, see Note 2.c)	1,531,235	1,351,939	2,367,502
Total stockholders' equity	17,485,907	14,660,410	25,395,374
Total	$ 29,647,718	$ 27,459,684	$ 51,836,014

Grupo Sanborns, S.A. de C.V. and Subsidiaries
(Subsidiary of Grupo Carso, S.A.B. de C.V.)

Consolidated Statements of Income

For the years ended December 31, 2011, 2010 and 2009
(In thousands of Mexican pesos)

	2011	2010	2009
Net sales	$ 37,044,327	$ 33,261,013	$ 30,554,592
Cost of sales	22,567,948	20,101,068	18,658,647
Gross profit	14,476,379	13,159,945	11,895,945
Operating expenses	9,870,548	9,257,774	8,496,571
Operating income	4,605,831	3,902,171	3,399,374
Other (expenses) income – net	(25,856)	(97,512)	324,502
Comprehensive financing (cost) income:			
Interest expense	(419,333)	(483,560)	(608,532)
Interest income	74,139	44,462	46,659
Exchange gain (loss) - net	(64,769)	2,814	17,849
	(409,963)	(436,284)	(544,024)
Equity in income of associated companies	-	8,689	-
Income before income taxes	4,170,012	3,359,686	3,179,852
Income taxes (as restated, see Note 2.c)	1,243,581	950,614	871,905
Income before discontinued operations (as restated, see Note 2.c)	2,926,431	2,409,072	2,307,947
Discontinued operations – net (as restated; see Note 2.c)	-	724,165	1,025,216
Consolidated net income	$ 2,926,431	$ 3,133,237	$ 3,333,163
Controlling interest	$ 2,656,633	$ 2,868,134	$ 3,071,786
Non-controlling interest	269,798	265,103	261,377
Consolidated net income	$ 2,926,431	$ 3,133,237	$ 3,333,163
Basic earnings per ordinary share attributable to controlling interest	$ 2.73	$ 2.94	$ 3.15
Weighted average number of Shares (‘000)	974,846	974,846	974,846

See accompanying notes to consolidated financial statements.

Grupo Sanborns, S.A. de C.V. and Subsidiaries
(Subsidiary of Grupo Carso, S.A.B. de C.V.)

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2011, 2010 and 2009
(In thousands of Mexican pesos)

	Capital stock	Additional paid-in capital	Retained earnings	Translation effects of foreign operations	Non-controlling interest	Total stockholders' equity
Consolidated balances as of December 31, 2008	$ 3,559,799	$ 968,905	$ 15,469,094	$ 50,293	$ 2,270,551	$ 22,318,642
Change of accounting policy upon initial application of C-4, *Inventories*	-	-	(84,852)	-	(4,068)	(88,920)
Consolidated balances as of December 31, 2008	3,559,799	968,905	15,384,242	50,293	2,266,483	22,229,722
Dividends paid to non-controlling interests	-	-	-	-	(157,758)	(157,758)
Balances before comprehensive income	3,559,799	968,905	15,384,242	50,293	2,108,725	22,071,964
Consolidated net income (as restated; see Note 2.c)	-	-	3,071,786	-	261,377	3,333,163
Translation effect of foreign operations	-	-	-	(6,040)	(2,210)	(8,250)
Change of accounting policy upon initial application of C-4	-	-	(1,113)	-	(390)	(1,503)
Total comprehensive income	-	-	3,070,673	(6,040)	258,777	3,323,410
Consolidated balances as of December 31, 2009 (as restated; see Note 2.c)	3,559,799	968,905	18,454,915	44,253	2,367,502	25,395,374
Dividends paid to non-controlling interests	-	-	-	-	(79,336)	(79,336)
Effects of spin-off	(1,812,637)	(493,363)	(10,636,915)	-	(1,204,033)	(14,146,948)
Effects of restatement (see Note 2.c)	-	-	349,533	-	-	349,533
Change of accounting policy upon initial application of NIF C-4	-	-	15,252	-	2,703	17,955

	Capital stock	Additional paid-in capital	Retained earnings	Translation effects of foreign operations	Non-controlling interest	Total stockholders' equity
Balance before comprehensive income	1,747,162	475,542	8,182,785	44,253	1,086,836	11,536,578
Consolidated net income (as restated; see Note 2.c)	-	-	2,868,134	-	265,103	3,133,237
Translation effect of foreign operations	-	-	-	(9,405)	-	(9,405)
Total comprehensive income	-	-	2,868,134	(9,405)	265,103	3,123,832
Consolidated balances as of December 31, 2010 (as restated; see Note 2.c)	1,747,162	475,542	11,050,919	34,848	1,351,939	14,660,410
Dividends paid to non-controlling interests	-	-	-	-	(90,590)	(90,590)
Balances before comprehensive income	1,747,162	475,542	11,050,919	34,848	1,261,349	14,569,820
Consolidated net income	-	-	2,656,633	-	269,798	2,926,431
Translation effect of foreign operations	-	-	-	(10,432)	88	(10,344)
Comprehensive income	-	-	2,656,633	(10,432)	269,886	2,916,087
Consolidated balances as of December 31, 2011	$ 1,747,162	$ 475,542	$ 13,707,552	$ 24,416	$ 1,531,235	$ 17,485,907

See accompanying notes to consolidated financial statements.

Grupo Sanborns, S.A. de C.V. and Subsidiaries
(Subsidiary of Grupo Carso, S.A.B. de C.V.)

Consolidated Statements of Cash Flows

For the years ended December 31, 2011, 2010 and 2009
(In thousands of Mexican pesos)

	2011	2010	2009
Operating activities:			
Income before taxes and discontinued operations	$ 4,170,012	$ 3,359,686	$ 3,179,852
Items related to investing activities:			
Depreciation and amortization	534,312	652,320	663,997
Loss on sale of property, plant and equipment	31,463	10,136	16,056
Impairment of long-lived assets	-	2,400	2,860
Effect of correction (see Note 2.c)	-	349,533	-
Equity in income of associated companies	-	8,689	-
Current and deferred employee profit sharing	98,984	94,083	101,797
Interest income	(74,139)	(44,462)	(46,659)
Items related to financing activities:			
Interest expense	419,333	483,560	608,532
Unrealized foreign exchange losses and valuation of derivative financial instruments	21,125	(16,966)	(59)
	5,201,090	4,898,979	4,526,376
(Increase) decrease in:			
Accounts and notes receivable	(181,722)	750,489	(1,151,921)
Inventories	(977,431)	(448,775)	26,472
Prepaid expenses	17,162	102,121	(137,959)
Other asses	(10,060)	(1,601)	41,322
Increase (decrease) in:			
Account payable to suppliers	1,193,360	337,200	480,535
Direct employee benefits	(79,595)	(53,245)	(722,387)
Taxes and accrued expenses	42,048	(1,516,973)	193,619
Due to related parties	(426,425)	984,176	(450,707)
Derivative financial instruments	154,733	94,292	89,456
Net asset arising from retirement benefits	(51,018)	(13,658)	(53,025)
Income taxes paid	(1,275,049)	(1,351,927)	(1,260,546)
Net cash flows from operating activities (as restated, see Note 2.c)	3,607,093	3,780,903	1,581,235

(Continued)

	2011	2010	2009
Investing activities:			
Sale (purchase) of securities held for trading	(294,498)	176,097	(486,390)
Purchase of property, plant and equipment	(1,225,299)	(820,157)	(489,934)
Sales of property, machinery and equipment	43,070	59,476	147,045
Sale of subsidiary, net of cash	-	(868)	-
Effects of spin-off	-	523,039	(690,365)
Interest received	74,139	44,462	46,659
Net cash flows used in investing activities (as restated, see Note 2.c)	(1,402,588)	(17,951)	(1,472,985)
Excess cash to be applied to financing activities	2,204,505	3,762,952	108,250
Financing activities:			
Issuance of marketable notes	1,350,000	-	-
Repayment of marketable notes	-	(2,700,000)	-
Borrowings from financial institutions	25,861	237,246	3,213,304
Payment of loans	(2,831,352)	(713,335)	(2,552,633)
Interest paid	(419,333)	(485,484)	(608,532)
Dividends paid to controlling and non-controlling interest	(90,590)	(79,336)	(157,578)
Net cash flows used in financing activities	(1,965,414)	(3,740,909)	(105,439)
Net increase in cash and cash equivalents	239,091	22,043	2,811
Effects of exchange rate changes on cash and cash equivalents	(10,344)	(9,405)	(6,670)
Cash and cash equivalents at beginning of year	516,356	503,718	507,577
Cash and cash equivalents at end of year	$ 745,103	$ 516,356	$ 503,718

(End)

See accompanying notes to consolidated financial statements.

Grupo Sanborns, S.A. de C.V. and Subsidiaries
(Subsidiary of Grupo Carso, S.A.B. de C.V.)

Notes to Consolidated Financial Statements

For the years ended December 31, 2011, 2010 and 2009
(In thousands of Mexican pesos and thousands of dollars)

1. Activities and significant events

a. ***Activities*** - Grupo Sanborns, S.A. de C.V. ("Grupo Sanborns") and Subsidiaries (the "Company") is a subsidiary of Grupo Carso, S.A.B. de C.V. ("Grupo Carso"), that is primarily engaged in the operation of retail stores and restaurants, including a department store chain, high fashion boutiques, Sanborns retail stores, a retail and service chain selling the last-generation Apple- brand products, a retail network of recorded music and video, a luxury department store chain, a regional cosmetic and perfume retailer, a restaurant chain offering traditional Mexican food and a chain of industrial cafeterias, and up to December 2010, in building and managing shopping malls and leasing real estate.

The Company's main subsidiaries and their respective primary activities are as follows:

Subsidiary	Ownership percentage 2011	2010	2009	Activities
Sanborn Hermanos, S.A. and Subsidiaries ("Sanborns")	99.94	99.94	99.94	Operation of department, gift, record stores and restaurants under the Sanborns brand.
Sears Operadora México, S.A. de C.V. and Subsidiaries ("Sears")	84.94	84.94	84.94	Operation of department stores under the Sears brand.
Promotora Comercial Sanborns, S.A. de C.V. and Subsidiaries ("Promotora Comercial")	99.96	99.96	99.96	Operation of computer and record stores, restaurants and cafeterias under the Ishop, Mix-up and Sanborns Café brands.
Operadora de Tiendas Internacionales, S.A. de C.V. and Subsidiaries	100	100	100	Operation of department stores under the Saks Fifth Avenue brand.
Servicios Corporativos de Grupo Sanborns, S.A. de C.V.	100	100	100	Boutiques operator and sub-holding.
Grupo Sanborns Internacional, S.A. and Subsidiaries (Panama)	100	100	100	Sanborns stores in Panama.
Corporación de Tiendas Internacionales, S.A. de C.V. ("Corpti") El Salvador	100	100	100	Sanborns and Sears stores in El Salvador.
Comercializadora Dax, S.A. de C.V.	100	100	-	Department stores operator under the Dax brand.
Prestadora de Servicios Loreto y Cuicuilco, S.A. de C.V.	100	100	-	Personnel services provided to shopping malls.

b. **Significant events**

i. On December 31, 2010, the Company spun off its real estate business resulting in the creation of Inmuebles Borgru, S.A. de C.V. ("Inmuebles Borgru"), which directly or indirectly through its subsidiaries owns several real estate properties which were previously owned by Grupo Sanborns, S.A. de C.V. and subsidiaries. Inmuebles Borgru became a subsidiary of Inmuebles Carso, S.A.B. de C.V., a public company with variable capital that was spun-off of Grupo Carso, S.A.B. de C.V. The accompanying financial statements provide a retrospective effect to the spin-off of the business, as required by Mexican Financial Reporting Standards, presented under discontinued operations. Consequently, the 2010 and 2009 figures are comparable (see Note 17).

ii. During a Stockholders' Extraordinary General Meeting of Grupo Sanborns Prestación de Servicios y Asesorías, S.A. de C.V. held on December 30, 2009, the stockholders approved the merger of Grupo Sanborns Prestación de Servicios y Asesorías, S.A. de C.V. and Administradora de Personal de Centros Comerciales, S.A. de C.V., with the latter remaining as the merged entity. The merger went into effect on December 31, 2009.

iii. On August 7, 2009, the shares of Operadora de Cafeterías de Grupo Sanborns, S.A. de C.V. and its subsidiary were sold. The selling price was $75,972, resulting in a gain of $54,171, which was recorded in results for the year under other income.

iv. On June 24, 2009, Grupo Sanborns, S.A. de C.V. acquired all the shares of Inmobiliaria para el Desarrollo de Proyectos, S.A. de C.V. (subsidiary subsequently spun-off as part of the real estate business discussed in Note i above) for $306,390. $753,794 was assigned to the value of the land and buildings acquired, as it corresponded to the fair value of such assets as determined by an independent appraisal, according to NIF B-7 *Business Combinations.* The acquisition was of a related public company; therefore, the National Banking and Securities Commission was notified and the approval of the Federal Competition Commission was obtained.

v. On June 5, 2009, Sanborn Hermanos, S.A. executed an agreement to assign the rights to the Teatrical, Henna Egipcia and Flor de Naranja brands for $300,000, which was recorded in results for the year under other revenues.

2. Basis of presentation

a. ***Basis of presentation*** - 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 financial statements and notes as of December 31, 2011, 2010 and 2009 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power.

c. ***Reissuance of financial statements*** -

i. In 2011, Grupo Sanborns concluded the analysis of the spin-off effects described in Note 1.b, and determined the final amounts of the net assets transferred to Inmuebles Borgru, having determined the final construction costs of certain properties. As a result of such analysis, (i) an adjustment of $349,533 was recorded, decreasing income from discontinued operations, with a corresponding credit to retained earnings in 2010, to reflect the sale of certain assets that were not previously considered as discontinued operations; (ii) an adjustment of $728,920 in 2009, decreasing property, plant and equipment and increasing assets from discontinued operations, in order to reflect those assets within assets from discontinued operations, as they were not previously considered in the determination of assets comprising discontinued operations and (iii) an adjustment of $684,920 to net deferred income tax liabilities, with a corresponding decrease in liabilities from discontinued operations, as well as a decrease to deferred income tax expense of $13,984 with a corresponding decrease to income from discontinued operations in the 2009 statement of income, to reflect certain deferred income tax assets that form part of discontinued operations that were not previously considered in that determination.

ii. In 2011, the Company restated its consolidated statements of cash flows to present the net effect of discontinued operations within investing activities instead of separately presenting changes in assets and liabilities of discontinued operations within operating activities. Accordingly, $12,906,614 and $737,459 presented within cash flows from operating activities in 2010 and 2009, respectively, were reclassified to cash flows from investing activities.

d. ***Consolidation of financial statements -*** The consolidated financial statements include the financial statements of the Grupo Sanborns, S. A. de C. V. and its subsidiaries over which it exercises control. Significant intercompany balances and transactions have therefore been eliminated from these consolidated financial statements.

e. ***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.

Subsequently, foreign operations with a functional currency different from the local currency translate their financial statements from local currency to functional currency, using the following exchange rates: 1) the closing exchange rate in effect at the balance sheet date for monetary assets and liabilities; 2) historical exchange rates for non-monetary assets and liabilities and stockholders' equity; and 3) the rate on the date of accrual of revenues, costs and expenses, except those arising from non-monetary items that are translated using the historical exchange rate for the related non-monetary item. Translation effects are recorded as foreign currency gains and losses in the statement of income.

Foreign operations with a reporting currency different from the functional currency 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 on the date of accrual of revenues, costs and expenses. Translation effects are recorded in stockholders' equity as part of the other comprehensive income line item.

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 on the date of accrual of revenues, costs and expenses. Translation effects are recorded in stockholders' equity as part of the other comprehensive income line item.

Below are the main indirect subsidiaries whose local and/or functional currencies are different from the reporting currency:

Company	Recording currency	Functional currency
Grupo Sanborns Internacional, S.A. and subsidiarias (Panamá)	U.S. dollar	U.S. dollar
Corporación de Tiendas Internacionales, S.A. de C.V. (El Salvador)	U.S. dollar	U.S. dollar

The accumulated effect of conversion included in equity as of December 31, 2011, 2010 and 2009 was $24,416, $34,848 and $44,253, respectively.

f. ***Comprehensive income*** - Represents changes in stockholders' equity during the year, for concepts other than capital contributions, reductions and distributions, and is comprised of the net income of the year, plus other comprehensive income items of the same period, which are presented directly in stockholders' equity without affecting the consolidated statements of operations. The other comprehensive income items are the translation effects of foreign operations, and valuation of derivative financial instruments net of deferred income taxes. When assets and liabilities that generated the other comprehensive income items are realized they are reclassified to the recognized in the statement of income.

g. ***Operating income -*** Income from operations 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. ***Reclassifications -*** Certain amounts in the financial statements as of and for the year ended December 31, 2010 and 2009 have been reclassified to conform to the presentation of the 2011 financial statements.

3. Summary of significant accounting policies

The accompanying consolidated financial statements have been prepared in conformity with, 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 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*** -

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

NIF C-4, *Inventories*, eliminates the direct cost and last-in, first-out valuation methods. It establishes that any change in the 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.

Effects of adoption of these new NIFs on the December 31, 2010 and 2009 statements of financial position are as follows:

	2010 (as previously reported)	Adjustments	2010 (as adjusted)
Inventories – net	$ 7,225,123	$ (83,509)	$ 7,141,614
Deferred income taxes	1,559,585	(23,523)	1,536,062
Retained earnings	11,104,062	(53,143)	11,050,919
Non-controlling interest	1,353,683	(1,744)	1,351,939

	2009 (as previously reported)	Adjustments	2009 (as adjusted)
Inventories – net	$ 6,807,225	$ (132,341)	$ 6,674,884
Deferred income taxes	1,881,872	(38,752)	(1) 1,843,120
Retained earnings	18,540,880	(85,965)	18,454,915
Non-controlling interest	2,371,960	(4,458)	2,367,502

(1) Additionally, deferred income tax amounting to $684,920 was adjusted as explained in Note 2.b.i.

NIF C-5, Prepaid Expenses, establishes that a basic feature of advance payments is the fact that they do not transfer the risks and rewards of the ownership of goods and services to the Company. Therefore, advances for the purchase of inventories or property, plant and equipment, among others, must be presented separately from inventory or property, plant and equipment if the risks and rewards of ownership of those goods have not transferred to the Company. The standard requires that advance payments be impaired when they lose their ability to generate future economic benefits. This standard also requires classification of advance payments as current or noncurrent, depending on their nature.

The effect of the change resulted in the reclassification from inventories to prepaid expenses $6,664, $5,099 and $3,166 as of December 31, 2011, 2010 and 2009, respectively.

NIF C-6, Property, Plant and Equipment, includes guidance with respect to the treatment of non-monetary exchanges with economic substance. The standard includes the basis for determining the residual value of a component, that being the amount that could be obtained currently from the disposal of the asset, assuming it is of the age and in the condition expected at the end of its useful life. The standard eliminates the requirement to record, at an appraised value, property, plant and equipment which was acquired at no cost or at a minimal cost that does not adequately represent the economic significance of the asset. The standard also establishes the obligation to separately depreciate significant components of an item of property, plant and equipment. This provision of the standard will be effective on January 1, 2012. Finally, the standard establishes a requirement to continue depreciating a component when it is not in use, except when depreciation methods are based on usage.

NIF C-18, Obligations Associated with the Retirement of Property, Plant and Equipment, establishes specific guidance for the initial and subsequent recognition of provisions related to 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 the entity has implemented an accounting change or corrected an error, it should present a statement of financial position at the beginning of the earliest period for which comparative financial information is required, retroactively presenting the accounting change or error correction.
>
> *Bulletin C-3, Accounts Receivable*, includes standards for the recognition of interest income on accounts receivable, and clarifies that recognition of accrued interest income on receivables whose collection is doubtful is prohibited.
>
> *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 finance 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 finance lease be deferred and amortized over the term of the agreement.

Improvements generating accounting changes in Bulletin C-10, Derivative Financial Instruments and Hedging Transactions:

Hedging instruments - options
Options are used to hedge changes in the cash flows or fair value of a hedged item above or below its specific strike price. The changes to the standard clarify that the effective portion of these hedges, subject to recognition in comprehensive income (loss), is represented only by the intrinsic value of the option.

Improvements not generating accounting changes in Bulletins C-2, Financial Instruments and C-10, Derivative Financial Instruments and Hedging Transactions

> Bulletin C-2, *Financial Instruments,* eliminates the ability to present derivative financial instruments net of the items they hedge.
>
> Bulletin C-10, *Derivative Financial Instruments and Hedging Transactions*, requires that when only a portion of an item or transaction is hedged, any effects of changes in the portion not being hedged should be recognized in accordance with the standard applicable to that item or transaction.

Beginning January 1, 2010, the Company adopted the following new NIFs and Interpretations to the Financial Reporting Standards (INIFs):

NIF C-1, Cash and Cash Equivalents - This standard requires presentation of cash and restricted cash equivalents together within the caption "cash and cash equivalents", as opposed to Bulletin C-1, which required restricted cash to be presented separately. This standard also replaces the concept "temporary investments payable on demand" with "readily available investments" and permits their classification as cash equivalents only when they have a maturity within three months from the date of acquisition

Improvements to Mexican Financial Reporting Standards 2010 - The main improvements that generate accounting changes are as follows:

NIF B-1, Accounting Changes and Correction of Errors - This improvement requires extended disclosures when the Company applies a new standard.

NIF B-2, Statement of Cash Flows - This improvement requires that the impact of changes in value of cash and cash equivalents resulting from exchange rate fluctuations be presented separately within the caption "Effects from exchange rate changes on cash", presented below financing activities. In addition, this caption includes the effects of converting the cash flows and balances of foreign operations to the reporting currency as well as the effects of inflation associated with the cash flows and balances of any entities within the consolidated group that operate in an inflationary economic environment.

NIF B-7, Business Acquisitions - This improvement permits the recognition of intangible assets or provisions stemming from above- or below-market leases in a business acquisition only when the acquired business is the lessee of an operating lease. This accounting change is recognized retrospectively beginning January 1, 2010.

NIF C-7, Investments in Associated Companies and Other Permanent Investment - This improvement modifies the manner in which the effects of increases in an investment in an associated company are determined. It also requires that the effects of increases or decreases in an investment in an associated company be recognized in equity in income (loss) of associated companies, instead of under non-ordinary items in the statement of income.

NIF C-13, Related Parties - This improvement requires that if the direct parent company or the ultimate parent company of the reporting entity does not issue financial statements for public use, the reporting entity should disclose the name of the direct parent company or the closest indirect parent company that does issue financial statements available for public use.

b. ***Recognition of the effects of inflation -*** Since the cumulative inflation for the three fiscal years prior to those ended December 31, 2011, 2010 and 2009 was 15.19% , 14.48% and 15.01%, 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, 2010 and 2009 were 3.82%, 4.40% and 3.57%, respectively.

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

c. ***Cash and cash equivalents -*** Cash and cash equivalents consist mainly of bank deposits in checking accounts and short-term investments, highly liquid and easily convertible into cash, which are subject to insignificant value change risks. Cash is stated at nominal value and cash equivalents are valued at fair value; any fluctuations in value are recognized in comprehensive financing cost of the period. Cash equivalents consist primarily of investments in money market funds.

d. ***Investments in securities*** - The investments in securities held by the Company are classified as for trading purposes because it intends to trade them in the short term without considering their maturity dates; they are presented at fair value and fluctuations in their valuation are included in the results for the period. Fair value is determined using prices listed on recognized markets. If such securities are not traded, fair value is determined by applying recognized technical valuation models.

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

The Company reviews the carrying amount of inventories when an impairment indicator suggests that the carrying amounts of inventories might not be recoverable, through estimation of the net realizable value, based on the most reliable evidence available at that time in which is expected that inventories will be realized. Impairment is recorded if the net realizable value is less than carrying value. Impairment indicators considered for these purposes are, among others, obsolescence, decrease in market prices and damage. During the year ended December 31, 2011, 2010 or 2009, the Company did not recognize in results any amounts related to the allowance for impairment of inventories.

In the case of supplier advances, when the suppliers transfer the risks and rewards of the acquired goods to the Company, they are recognized under the inventory line item.

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

	Average annual depreciation rate %
Buildings and leasehold improvements	From 1.43 to 10.00
Machinery and equipment	5
Vehicles	25
Furniture and equipment	5
Computers	16.67 and 25.00

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

g. ***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 amounts mentioned above. The 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, reduction in the demand for the services rendered, competition and other legal and economic factors. For the years ended December 31, 2010 and 2009, an impairment was recognized for $2,400 and $2,860, respectively and is presented under the caption of other income (expenses) in the consolidated statement of income. For the year ended December 31, 2011, there were no impairment effects recognized.

h. ***Investment in shares of associated companies*** - Permanent investments in entities where significant influence exists, are initially recognized based on the net fair value of the entities' identifiable assets and liabilities as of the date of acquisition. Such value is subsequently adjusted for the portion related both to comprehensive income (loss) of the associated company and the distribution of earnings or capital reimbursements thereof. When the fair value of the consideration paid is greater than the value of the investment in the associated company, the difference represents goodwill, which is presented as part of the same investment. Otherwise, the value of the investment is adjusted to the fair value of the consideration paid. If impairment indicators are present, investment in shares of associated companies is subject to impairment testing. Permanent investments made by the Company in entities where it has neither control, nor joint control, nor significant influence, are initially recorded at acquisition cost and any dividends received are recognized in current earnings, except when they are taken from earnings of periods prior to the acquisition, in which case, they are deducted from the permanent investment.

i. ***Other assets*** - Intangible assets are recognized in the statement of financial position when they are identifiable, provide future economic benefits and there is control over such benefits. Intangible assets with indefinite lives are not amortized and those with definite lives are systematically amortized based on the best estimate of their useful lives, which is determined according to the expected future economic benefits. The value of these assets is subject to an annual impairment test.

Expenses incurred in the installation of a new system are recognized as intangible assets in the financial statements; however, if the system is currently in a testing period such costs are amortized once the implementation concludes if such asset has an indefinite life.

j. ***Derivative financial instruments*** - Derivative financial instruments entered into for either trading purposes hedge risks related to: a) interest rates, and b) exchange rates on long-term debt, and are recognized as assets and liabilities at their fair value.

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 (loss) 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; (3) for hedges of an investment in a foreign subsidiary, the effective portion is recognized as a component of other comprehensive income (loss) as part of the cumulative translation adjustment. The ineffective portion of the gain or loss on the hedging instrument is recognized in current earnings, if it is a derivative financial instrument. If not, it is recognized as a component of other comprehensive income (loss) until the investment is sold or transferred.

Certain derivative financial instruments are entered into for hedging purposes from an economic perspective but have not been designated as such for accounting purposes. The fluctuation in the fair value of these derivatives is recognized in results under comprehensive financing result.

The Company suspends hedge accounting when the derivative matures, is sold, cancelled or exercised, when the derivative is not highly effective in offsetting the changes in the fair value or cash flows of the hedged item, or when the entity decides to cancel the hedge designation.

In the case of cash flow hedges, when hedge accounting is suspended, the amounts recorded in stockholders' equity as part of comprehensive income remain in stockholders' equity until the effects of the forecasted transaction or the firm commitment affect results. If it is unlikely that the firm commitment or the forecasted transaction will occur, the gains or losses accrued under comprehensive income are immediately recognized in results. When the hedging of a forecasted transaction was satisfactory but subsequently did not comply with the effectiveness test, the effects accrued under other comprehensive income in stockholders' equity are proportionately carried to results insofar as the forecasted assets or liabilities affect results.

k. ***Provisions -*** Provisions are recognized for current obligations that arise from a past event, that are probable to result in the use of economic resources, and that can be reasonably estimated.

l. ***Direct employee benefits -*** Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly statutory employee profit sharing (PTU) payable, compensated absences, such as vacation and vacation premiums, and incentives

m. ***Employee benefits from termination, retirement and other*** - Liabilities from seniority premiums, pension plans for non-union employees and payments that are similar to pensions and severance payments are recognized as they accrue and are calculated by independent actuaries using nominal interest rates. Therefore, the liability is being recognized that is considered sufficient to cover the present value of the obligation for these benefits to the estimated dates of retirement of all employees working in the Company.

n. ***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. 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 a liability may be settled or a benefit is generated, 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.

o. ***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.

p. ***Foreign currency balances and transactions -*** Foreign currency transactions are recorded at the applicable exchange rate in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into Mexican pesos at the applicable exchange rate in effect at the balance sheet date. Exchange fluctuations are recorded in the consolidated statements of operations.

q. ***Revenue recognition*** - Sale revenues are recognized when the risks and rewards are transferred to the customer which generally coincides with the date on which the goods are delivered to the customer. Interest income is recognized as accrued and is generated by credit card operations (Sanborns, Sears, Dorian's, Mixup and Corpti). Rental income is recognized monthly as the leasing services are provided and maintenance fees are recognized throughout the duration of the related lease agreement.

4. Investments in securities

	2011	2010	2009
Held for trading	$ 1,304,459	$ 1,009,961	$ 1,186,058

As of December 31, 2011, 2010 and 2009, the Company's investments in securities are mainly represented by commercial and government paper, valued at fair value.

5. Accounts receivable

	2011	2010	2009
Customers	$ 9,038,917	$ 8,749,293	$ 8,717,868
Less - Allowance for doubtful accounts	(330,445)	(336,746)	(338,623)
	8,708,472	8,412,547	8,379,245
Other receivables	102,281	145,858	1,030,140
Balances receivable with related parties	8,435	6,612	5,564
Taxes recoverable	71,834	132,783	21,665
	$ 8,891,022	$ 8,697,800	$ 9,436,614

The Company offers sales promotions for which payment terms are longer than one year. The corresponding accounts receivable are presented as current assents because the Company considers them as part of its normal business cycle, and also, because it is a common practice in the department store industry. Receivables with payment terms that are longer than one year amount to $141,322 in 2011, $673,916 in 2010 and $372,498 in 2009.

On October 17, 2002, Sears Operadora México, S. A. de C. V., subsidiary company, executed a collection right assignment contract with Electrogob, S. A. de C. V. (formerly Grupo Kane, S. A. de C. V.), through which it acquired collection rights derived from promissory notes as well as the related collateral, at a discount equal to 2.25% of the face value of these instruments. At December 31, the portfolio acquired from Electrogob, S. A. de C. V. was valued at $12,035 in 2011, $12,085 in 2010 and $12,505 in 2009.

6. Inventories

	2011	2010	2009
Inventory in stores	$ 7,989,774	$ 7,072,126	$ 6,668,986
Foods and drinks	46,524	50,939	46,843
Inventory in general warehouse	75,175	55,117	35,253
	8,111,473	7,178,182	6,751,082
Allowance for obsolete inventories	(254,600)	(228,182)	(256,456)
	7,856,873	6,950,000	6,494,626
Merchandise in-transit	262,172	191,614	180,258
	$ 8,119,045	$ 7,141,614	$ 6,674,884

7. Property, plant and equipment

	December 31, 2010	Additions	Disposals to third parties	Transfers	Balance as of December 31, 2011
Investment:					
Building and leasehold improvements	$ 8,470,680	$ 551,741	$ (43,594)	$ 278,934	$ 9,257,761
Furniture and equipment	2,692,164	324,519	(40,547)	287	2,976,423
Machinery and equipment	1,816,358	83,177	(4,560)	-	1,894,975
Computers	850,418	66,952	(5,853)	-	911,517
Vehicle	258,581	32,106	(23,041)	1,143	268,789
Total investments	14,088,201	1,058,495	(117,595)	280,364	15,309,465

	Balance as of December 31, 2010	Additions	Disposals to third parties	Transfers	Balance as of December 31, 2011
Accumulated depreciation:					
Building and leasehold improvements	(2,974,270)	(265,609)	9,959	5,960	(3,223,960)
Furniture and equipment	(708,304)	(135,734)	11,889	-	(832,149)
Machinery and equipment	(1,692,134)	(42,262)	4,335	-	(1,730,061)
Computers	(205,053)	(66,445)	2,980	(5,960)	(274,478)
Vehicles	(1,425,755)	(24,262)	21,519	-	(1,428,498)
Total accumulated depreciation	(7,005,516)	(534,312)	50,682	-	(7,489,146)
Subtotal	7,082,685	524,183	(66,913)	280,364	7,820,319
Land	2,195,768	18,378	(2,463)	(243,778)	1,967,905
Construction-in-progress	80,765	148,426	(5,157)	(36,586)	187,448
Net investment	$ 9,359,218	$ 690,987	$ (74,533)	$ -	$ 9,975,672

	Balance as of December 31, 2009 (as restated; see Note 2.c)	Additions	Disposals to third parties	Transfers	Balance as of December 31, 2010
Investment:					
Building and leasehold improvements	$ 7,983,546	$ 613,399	$ (285,918)	$ 159,653	$ 8,470,680
Furniture and equipment	2,584,332	93,593	-	14,239	2,692,164
Machinery and equipment	1,761,015	57,905	(2,562)	-	1,816,358
Computers	916,389	22,488	(89,419)	960	850,418
Vehicle	243,205	32,773	(17,754)	357	258,581
Total investments	13,488,487	820,158	(395,653)	175,209	14,088,201
Accumulated depreciation:					
Building and leasehold improvements	(2,727,418)	(349,016)	409,306	(307,142)	(2,974,270)
Furniture and equipment	(1,611,977)	(129,603)	57,978	(8,532)	(1,692,134)
Machinery and equipment	(1,341,104)	(84,651)	-	-	(1,425,755)
Computers	(720,034)	(67,649)	80,555	(1,176)	(708,304)
Vehicles	(204,687)	(21,401)	21,140	(105)	(205,053)
Total accumulated depreciation	(6,605,220)	(652,320)	568,979	(316,955)	(7,005,516)
Subtotal	6,883,267	167,838	173,326	(141,746)	7,082,685
Land	2,242,146	-	(245,339)	198,961	2,195,768
Construction-in-progress	137,980	-	-	(57,215)	80,765
Net investment	$ 9,263,393	$ 167,838	$ (72,013)	$ -	$ 9,359,218

	Balance as of December 31, 2008	Additions	Disposals to third parties	Transfers	Balance as of December 31, 2009 (as restated; see Note 2.c)
Investment:					
Building and leasehold improvements	$ 8,185,410	$ 243,902	$ (142,823)	$ (302,943)	$ 7,983,546
Furniture and equipment	2,486,392	120,619	(22,679)	-	2,584,332
Machinery and equipment	1,569,618	32,764	(39,391)	198,024	1,761,015
Computers	1,149,202	15,166	(247,979)	-	916,389
Vehicle	289,694	4,535	(51,024)	-	243,205
Total investments	13,680,316	416,986	(503,896)	(104,919)	13,488,487
Accumulated depreciation:					
Building and leasehold improvements	(2,560,898)	(408,132)	241,612	-	(2,727,418)
Furniture and equipment	(1,517,851)	(142,384)	48,258	-	(1,611,977)
Machinery and equipment	(1,058,871)	(90,008)	35,235	(227,460)	(1,341,104)
Computers	(897,467)	(14,202)	191,635	-	(720,034)
Vehicles	(227,292)	(9,271)	31,876	-	(204,687)
Total accumulated depreciation	(6,262,379)	(663,997)	548,616	(227,460)	(6,605,220)
Subtotal	7,417,937	(247,011)	44,720	(332,379)	6,883,267
Land	2,018,588	25,037	(210,680)	409,201	2,242,146
Construction-in-progress	166,891	47,911	-	(76,822)	137,980
Net investment	$ 9,603,416	$ (174,063)	$ (165,960)	$ -	$ 9,263,393

8. Long-term debt

	2011	2010	2009
Syndicated loan of US $ 200 million, with principal maturing in September 2011, bearing interest at 0.275% above the London Interbank Offered Rate ("LIBOR") rate, payable quarterly	$ -	$ 2,471,420	$ 2,611,741
Less - Current portion of long-term debt	-	(2,471,420)	-
Long –term debt	$ -	$ -	$ 2,611,741

The long-term debt in US dollars bears interest at variable rates. The average annual interest rate in 2010 and 2009 was 0.670% and 1.13%, respectively.

9. Marketable notes

On May 19, 2011, Sears Operadora México, S. A. de C. V., subsidiary company, issued unsecured marketable notes in pesos under a two-year program for up to $2,500,000. The notes bear interest at approximately 5% and mature and roll over every 28 days. At December 31, 2011 the balance amounted to $1,350,000, maturing on January 4, 2012.

On May 14, 2009, Sears Operadora México, S. A. de C. V., subsidiary company issued unsecured marketable notes in pesos, bearing interest of approximately 5% and payable every 35 days, under a two-year program for up to $3,500,000. At December 31, 2009 the balance amounted to $2,700,000, which was settled on December 22, 2010.

The marketable notes contain certain affirmative and negative covenants, with which the Company is in compliance as of December 31, 2012.

10. Derivative financial instruments

The Company's objective in executing contracts for derivative financial instruments is to partially cover the financial risks from exposure to exchange rates and interest rates, or to ensure a minimum financial return generated by the behavior of the corresponding underlyings.

Transactions with forwards and foreign exchange swaps and / or interest rates are summarized below:

		Notional			Valuation at 31 December			
Instrument	Classification	Amount ('000)	Unit	Maturity	Asset (liability)	Comprehensive financing income for the year	Comprehensive financing income for previous years	(Profit) loss on settlement recognized in comprehensive financing income
Forwards dollar	Trading purchase	45,000	Dollars	December 2011	$ -	$ -	$ -	$ 26,018
Forwards dollar	Trading purchase	45,000	Dollars	February 2012	(21,125)	21,125	-	-
Swaps TIIE to fixed rate	Trading purchase	266,667	Pesos	September 2012	(112)	112	-	-
Swaps TIIE to fixed rate	Trading purchase	1,195,846	Pesos	During 2011	-	-	-	915
Swaps dollar / Libor to pesos / TIIE	Trading purchase	110,000	Dollars	September 2011	-	-	-	(218,350)
Total as of December 31, 2011					$ (21,237)	$ 21,237	$ -	$ (191,417)
Total as of December 31, 2010					$ 154,621	$ 93,855	$ (248,476)	$ 66,715
Total as of December 31, 2009					$ 247,658	$ 90,824	$ (338,482)	$ 67,195

11. Employee benefits

The Company has employee benefit plans for retirement, death or total disability payments for non-union employees. It also maintains seniority premium plans for all employees as stipulated in their employment contracts. The Company is also required to pay severance for reasons other than restructuring. The related liabilities and the annual benefit cost are calculated by independent actuaries according to the bases defined in the plans, using the projected unit credit method.

The present values of these obligations and the rates used for their calculations are:

	2011	2010	2009
Vested benefit obligation	$ (247,642)	$ (237,874)	$ (191,799)
Non-vested benefit obligation	(808,933)	(816,313)	(784,558)
Defined benefit obligation	(1,056,575)	(1,054,187)	(976,357)
Plan assets at fair value	1,856,696	1,771,656	1,556,642
Funded status – Overfunded	800,121	717,469	580,285
Unrecognized items:			
Past service costs and changes to the plan	12,817	53,488	60,887
Actuarial gains	(381,862)	(390,899)	(274,772)
	(369,045)	(337,411)	(213,885)
Net projected asset	$ 431,076	$ 380,058	$ 366,400

Nominal rates used in actuarial calculations are as follows:

	2011 %	2010 %	2009 %
Discount of the projected benefit obligation at present value	7.43	7.33	8.15
Salary increase	4.71	5.18	4.50
Expected yield on plan assets	7.83	6.83	8.15

The past service costs generated in 2007 will be amortized over a period not to exceed five years.

Net cost (income) for the period includes the following items:

	2011	2010	2009
Current service cost	$ 62,441	$ 70,701	$ 67,636
Financial cost	73,530	50,824	42,292
Expected yield from plan assets	(137,274)	(98,991)	(96,369)
Past service labor cost	2,497	39,755	35,964
Net actuarial gains and losses	(6,959)	(98,257)	(97,257)
Periodic income	$ (5,765)	$ (35,968)	$ (47,734)

Under Mexican legislation, the Company must make payments equivalent to 2% of its worker's daily integrated salary (ceiling) to a defined contribution plan that is part of the retirement savings system. The expense in 2011, 2010 and 2009 was $118,556, $106,442 and $97,046 respectively.

12. Stockholders' equity

a. As of December 31, 2011, 2010 and 2009, the capital stock of the Company is comprised as follows:

	Number of stock	Amount
Fixed Capital-		
Series B1	974,845,882	$ 1,153,102

Common stock consists of ordinary, nominative, no-par value share. Series B1 shares represent fixed capital and Series B2 shares represent the variable capital, which is of free and unlimited subscription.

b. 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 $303,579 ($256,569 at nominal value), while at December 31, 2009, the legal reserve was $712,123 ($601,848 at nominal value).

c. 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.

d. The balances of the stockholders' equity tax accounts as of December 31 are:

	2011	2010	2009
Contributed capital account	$ 3,702,793	$ 3,567,035	$ 3,416,700
Net tax income account	7,875,751	7,561,788	6,562,675
Total	$ 11,578,544	$ 11,128,823	$ 9,979,375

13. Foreign currency balances and transactions

a. At December 31, the foreign currency monetary position in thousands of U.S. dollars is as follows

	2011	2010	2009
Monetary assets	38,096	39,201	42,625
Monetary liabilities	(44,756)	(237,218)	(30,780)
Long-term monetary liabilities	-	-	(200,000)
Net foreign currency liability position	(6,660)	(198,017)	(188,155)
Mexican peso equivalent (thousands)	$ (93,098)	$ (2,446,920)	$ (2,457,060)

b. Transactions denominated in foreign currency in thousands of U.S. dollars were as follows:

	2011	2010	2009
Export sales	31,678	28,152	24,533
Import purchases	(86,726)	(91,334)	(119,855)
Interest expense	(816)	(1,023)	(1,890)
Furnishings for new stores	(33,787)	(14,765)	(13,327)
Logistics services	(18,890)	(13,767)	(9,684)
Royalties	(15,047)	(13,712)	(10,498)
Others (1)	(108)	(14,244)	(13,196)

(1) Others is comprised mainly of dividends, rents and maintenance.

c. 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	February 22, 2010	2009	2012
U.S. dollar	$ 13.9787	$ 12.3571	$ 13.0587	$ 12.8779

14. Transactions and balances with related parties

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

	2011	2010	2009
Sales-			
Radiomóvil Dipsa, S.A. de C.V.	$ 46,661	$ 32,707	$ 18,239
Seguros Inbursa, S.A.	23,150	25,297	22,687
Grupo Técnico de Servicios, S.A. de C. V.	22,459	21,819	22,018
Teléfonos de México, S.A.B. de C.V.	31,704	6,900	5,786
Sales (others)	61,199	14,006	12,676
Total	$ 185,173	$ 100,729	$ 81,406
Services-			
Radiomóvil Dipsa, S.A. de C.V.	$ 92,200	$ 113,820	$ 92,526
Patrimonial Inbursa, S.A.	13,059	12,789	12,144
Teléfonos de México, S.A.B. de C.V.	9,835	13,744	13,921
Inmobiliaria para el Desarrollo de Proyectos, S.A. de C.V.	-	-	21,778
Services (others)	20,238	16,648	20,420
Total	$ 135,332	$ 157,001	$ 160,789
Rental income	$ 6,049	$ 18,708	$ 16,296
Sales of furniture and equipment	$ 2,656	$ 805	$ 408
Interest expense	$ (14,123)	$ (1,360)	$ (111,792)
Purchases-			
Radiomóvil Dipsa, S.A. de C.V.	$ (1,077,253)	$ (1,170,791)	$ (1,015,660)
Phillip Morris de México, S.A. de C.V.	(129,080)	(115,778)	(99,705)
Distribuidora Telcel, S.A. de C.V.	(62,887)	(485,550)	(371,580)
América Móvil, S.A.B. de C.V.	(323,108)	-	-
Purchases (others)	(10,802)	(181,606)	(21,521)
Total	$ (1,603,130)	$ (1,953,725)	$ (1,508,466)
Rental expense-			
Inmuebles Srom, S.A. de C.V.	$ (149,141)	$ -	$ -
Dorian's Tijuana, S.A. de C.V.	-	(142,366)	(146,500)
Inmose, S.A. de C.V.	(63,317)	(71,621)	(66,110)
Rental expense (others)	(221,899)	(158,180)	(101,724)
Total	$ (434,357)	$ (372,167)	$ (314,334)
Others expenses - net	$ (568,188)	$ (595,833)	$ (496,392)
Loans received - net	$ 3,106	$ -	$ -

d. Balances with related parties are as follows:

	2011	2010	2009
Receivable -			
Grupo Técnico de Servicios Telvista, S. A. de C. V.	$ 2,688	$ 2,866	$ 1,348
Seguros Inbursa, S.A. de C.V.	-	1,073	-
Hipocampo, S. A. de C. V.	1,015	-	-
Promotora Sanborns, S. A. de C. V.	931	-	-
Outsourcing Inburnet, S. A. de C. V.	89	-	-
Administradora de Personal de Centros Comerciales, S. A de C.V.	82	-	-
Inmobiliaria para el Desarrollo de Proyectos, S. A. de C. V.	65	-	-
Imsalmar, S. A. de C. V.	259	-	-
Almexa Aluminio, S. A. de C. V.	169	-	-
Compañía Servicios Ostar, S. A. de C. V.	426	-	-
Hotel Geneve, S. A. de C. V.	144	-	-
Nacional de Cobre, S. A. de C. V.	548	-	-
Nacobre Servicios Administrativos, S. A. de C. V.	349	-	-
Elementia Servicios Administrativos, S. A. de C. V.	202	-	-
Servicios Corporativos Ideal, S. A. de C. V.	201	-	-
Patrimonial Inbursa, S. A. de C. V.	191	642	-
Administración Especializada Integral, S. A. de C. V.	-	620	-
Banco Inbursa, S.A.		548	3,730
Promotora del Desarrollo de América Latina, S. A. de C. V.	484	274	-
Administradora de Cartera Chamapa-La Venta, S. A. de C. V.	149	257	-
I+D México, S. A. de C. V.	142	109	-
Cía. De Telefonía de Bienes Raíces, S. A. de C. V.	1	84	-
Buscatel, S. A. de C. V.	-	-	217
Others	300	139	269
	$ 8,435	$ 6,612	$ 5,564

	2011	2010	2009
Payable -			
Dorians Tijuana, S. A. de C. V.	$ 470,984	$ -	$ -
Radiomóvil Dipsa, S. A. de C. V.	86,738	46,797	49,297
Inmuebles Srom, S. A. de C. V.	76,526	-	-
Philip Morris México, S. A. de C. V.	8,685	22,569	17,817
Inmose, S. A. de C. V.	7,644	-	-
Bienes Raíces de Acapulco, S. A. de C. V.	6,839	-	-
Teléfonos de México, S. A. B. de C. V.	6,346	3,791	21,647
Bajasur, S. A. de C. V.	5,633	-	-
Seguros Inbursa, S. A. de C. V.	5,291	-	-
Desarrollos Sagesco, S. A. de C. V.	3,404	-	-
Operadora Mercantil, S. A. de C. V.	3,262	3,752	3,968
Distribuidora Telcel, S. A. de C. V.	2,816	29,397	34,352
Fideicomiso Altabrisa F569/2005	1,494	-	-
Editorial Contenido, S. A. de C. V.	1,392	696	-
Acolman, S. A.	1,207	-	-
Selmec Equipos Industriales, S. A. de C. V.	909	-	-
Fianzas Guardiana Inbursa, S. A. de C. V.	772	89,101	-
Operaciones e Inversiones, S. A. de C. V.	700	-	-
Banco Inbursa, S. A.	668	-	-
Impulsora de Empresas y Exportaciones, S. A. de C.V.	642	-	-
Santepec, S. A. de C. V.	481	-	-
Consorcio Red Uno, S. A. de C. V.	447	4,236	3,682
Fideicomiso 4551-7 Banamex Plaza Universidad, S. A. de C. V.	436	-	-
Fundación Carlos Slim, A.C.	-	-	5,133
Inmobiliaria Ciudad del Sol, S. A. de C. V.	420	-	-
Inmobiliaria Diana Victoria, S. A. de C. V.	348	-	-
Productos Chase, S.A. de C.V.	255	-	-
Inmobiliaria Buenavista, S. A. de C. V.	232	-	-
Patrimonial Inbursa, S.A. de C.V.	-	921,252	848
Promotora del Desarrollo de América Latina, S. A. de C. V.	-	1	-
Others	620	24	696
	$ 695,191	$ 1,121,616	$ 137,440

15. Other (expenses) income

	2011	2010	2009
Loss on disposals of furniture and equipment	$ (31,463)	$ (10,136)	$ (16,056)
Loss (gain) on sale of subsidiary	-	(90,605)	54,171
Recovery of prior year taxes	278	427	30,905
Current PTU	(96,608)	(89,380)	(95,947)
Deferred PTU	(2,392)	(4,703)	(5,850)
Costs of opening new stores	17,252	-	-
Assignment of rights	-	-	28,447
Impairment of long-lived assets	-	(2,400)	(2,860)
Profit on sale of brands	-	-	300,000
Other income, net	87,077	99,285	31,692
	$ (25,856)	$ (97,512)	$ 324,502

a. PTU is calculated based on taxable income, which for this purposes does not consider the annual adjustment for inflation, while tax depreciation is at historical, not restated values.

b. The main temporary items which originated the deferred PTU liability are as follows:

	2011	2010	2009
Deferred employee profit sharing liability:			
Excess of the employee retirement benefit trust	$ 42,612	$ 38,005	$ 33,247
Reserves	4,420	6,651	6,582
Long-term deferred PTU liability	$ 47,032	$ 44,656	$ 39,829

16. Income taxes

The Company is subject to ISR and IETU.

The ISR rate is 30% for 2011 and 2010, and 28% for 2009; it will be 30% for 2012, 29% for 2013, and 28% for 2014. The Company pays ISR, together with Grupo Carso, S. A. B. de C. V. on a consolidated basis.

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 was 17.0% 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.

Based on its financial projections and according to INIF 8, Effects of the Business Flat Tax, the Company determined that it will basically pay ISR. Therefore, it only recognizes deferred ISR

a. ISR consist of the following:

	2011	2010	2009 (as restated; see Note 2.c)
ISR:			
Current	$ 1,273,944	$ 1,265,366	$ 1,260,546
Deferred	(30,363)	(314,752)	(388,641)
	$ 1,243,581	$ 950,614	$ 871,905

b. The reconciliation of income tax statutory rate and the effective rate expressed as a percentage of income before income taxes is:

	2011 %	2010 %	2009 %
Statutory rate	30	30	28
(Less) plus – effect of permanent differences:			
Non-deductible expenses	1	3	4
Non-taxable income	-	(1)	(1)
Inflation effects	-	(3)	(2)
Tax effect due to tax rate changes	(1)	(1)	(1)
	30	28	28

c. The main items originating a deferred ISR liability at December 31, are:

	2011	2010	2009 (as restated; see Note 2.c)
Accounts receivable from installment sales	$ 357,565	$ 389,160	$ 576,624
Inventories	232,917	286,772	426,595
Property, furniture and equipment	1,291,790	1,135,130	1,660,996
Liability reserves	(795,451)	(627,964)	(734,267)
Other	461,972	410,679	646,815
	1,548,793	1,593,777	2,576,763
Tax loss carryforward	(44,200)	(57,715)	(48,723)
Deferred ISR	$ 1,504,593	$ 1,536,062	$ 2,528,040

d. The benefits of the tax loss carryforwards of Grupo Sanborns, S.A. de C.V. and subsidiaries, for which the deferred income tax asset has been recognized, can be recovered subject to certain conditions. Expiration dates and restated amounts as of December 31, 2011, are:

Year of expiration	Tax loss carryforwards
2016	$ 302
2017	276
2018	114,982
2019 and thereafter	31,772
	$ 147,332

17. Discontinued operations (as restated, see Note 2.c)

As discussed in Note 1.b, on December 31, 2010, the Company spun off its real estate assets; therefore, the 2010 and 2009 consolidated statements of income were retroactively adjusted to separately present the result of the spun off real estate business under discontinued operations, and the consolidated statements of financial position as of December 31, 2009 was retroactively adjusted to separate the long-term assets and liabilities related to the real estate business, which are presented as discontinued assets and liabilities.

Below are the relevant figures of the consolidated statements of income as of December 31:

	2010	2009
Net sales	$ 3,663,315	$ 3,472,790
Cost of sales	1,872,404	1,750,745
Operating expenses	792,165	678,980
Other income – net	72,879	140,246
Comprehensive financing income	(315,284)	(316,832)
Equity in income of associated companies	121,532	111,702
Income before income tax	877,873	978,181
Income tax	116,293	(47,035)
Income before discontinued operations	761,580	1,025,216
Non-controlling interest	37,415	-
Net income before discontinued operations	$ 724,165	$ 1,025,216

The consolidated statements of financial position as of December 31, 2009 of the spun off real estate business are as follows:

	2009
Current assets:	
Cash and cash equivalents	$ 801,886
Accounts receivable – net	3,182,297
Inventories – net	311,647
Payments in advance	23,748
Total current assets	4,319,578
Property, plant and equipment	18,271,763
Investment in shares of associated companies	1,146,891
Accounts receivable and other assets	97,905
Total	19,516,559
Total assets	$ 23,836,137

	2009
Current liabilities:	
Current portion of long-term debt	$ 3,123,034
Trade accounts payable	199,088
Taxes, accrued expenses and other accounts payable	3,528,567
Total current liabilities	6,850,689
Long-term debt	2,768,757
Deferred income taxes	206,983
Other long-term liabilities	63,886
Total long term liabilities	3,039,626
Total liabilities	$ 9,890,315

18. Commitments

As of the date of the financial statements the main subsidiaries have the following commitments:

e. As of December 31, 2011, contracts were executed with suppliers for the renovation and construction of some of the stores. The related commitment amount is approximately $452,939.

f. Similarly, as of December 31, 2011, the Company and its subsidiaries have executed lease agreements in 302 stores (Sears, Saks, Sanborn Hermanos, Sanborn's - Café, Mix-Up, Discolandia, I Shop, Comercializadora Dax, Corpti and Sanborns Panama). Such lease agreements are for mandatory terms ranging from one to 20 years. Lease expense in 2011, 2010 and 2009 was $1,059,358, $748,096 and $686,356, respectively. Similarly, as lessor the Company and its subsidiaries have executed contracts for terms ranging from one to 15 years and the lease income in 2011, 2010 and 2009 was $205,323, $1,109,915 and $204,104, respectively.

g. Through an agreement executed on September 12, 2006, the Company agreed to pay for consulting services and the brand use license for an initial term of 15 years, renewable for 10 more years, which establishes a minimum annual payment of US$500,000 and allows the use of the Saks Fifth Avenue name both in its corporate name and in its stores.

h. Sears Operadora México, S.A. de C.V. (formerly Sears Roebuck de México, S.A. de C.V. or ("Sears") and Sears Roebuck and Co. (Sears US), executed an agreement in December 2010, whereby the Brand Use License Agreement and the Advice and Merchandise Sales agreements, which govern the commercial relationship among the parties whereby Sears pays royalties to Sears US 1% of sales, were extended under the current terms. The agreement will be in effect until September 30, 2019, but provides for a seven-year extension under the same conditions, unless otherwise decided by either party, which must then give two years' notice to the other party.

19. Contingencies

At the date of these financial statements the Company is involved in legal proceedings resulting from the ordinary course of its business.

The aggregate amount of these proceedings as of December 31, 2011 amounts to $719,513, of which there is a liability recorded for $43,583 which is included in other liabilities in the consolidated statements of financial position. During 2011, the Company disbursed approximately $30,125 for these purposes. While the results of these legal proceedings cannot be predicted with certainty, management of the Company does not believe that there are any legal proceedings which, if determined adversely to the Company, would have a material adverse effect on its financial position or results of operations.

20. Effects of adoption of International Financial Reporting Standards

In January 2009, the National Banking and Securities Commission published the amendments to its Single Circular for Issuers, which requires companies to file financial statements prepared in conformity with International Financial Reporting Standards (IFRS) beginning in 2012, and permits their early adoption. Considering that the Company is a direct subsidiary of Grupo Carso, S.A.B. de C.V., which is public company required to prepare its consolidated financial statements on that basis, it was determined that the Company will adopt IFRS as of January 1, 2012. Therefore, between December 31, 2011 and the date of issuance of the accompanying consolidated financial statements, the Company has been in the process of adoption of IFRS.

The consolidated financial statements for the year ending December 31, 2012 will be the Company's 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, *First-Time Adoption of International Financial Reporting Standards*. According to IFRS 1, the Company will apply the relevant mandatory exceptions and certain optional exemptions to retrospective application of IFRS.

a. The following are the significant changes identified by the Company in its accounting policies as a result of the adoption of IFRS:

1.- Property, plant and equipment: The Company's policy was amended to include the requirements of IAS 16 *Property, Plant and Equipment* regarding component depreciation. Similarly, there is an option available to value fixed assets at deemed cost or historical cost; the Company is evaluating its options.

2.- Investment properties: IAS 40 *Investment Property* allows the use of the fair value model, which reflects the gains and losses in the results for the period, or the cost model. The Company chooses to value investment properties at fair value.

3.- Sales at monthly interest-free installments: Pursuant to IAS 18 *Revenues*, interest-free sales must be recognized at discounted value; accordingly, the Company discounted the trade portfolio, net of the effect of supplier incentives, recognizing the difference between the straight-line method applied under MFRS and the effective interest rate under IFRS.

4.- Functional currency: The Company's functional currency was not amended as a result of the adoption of IFRS; however, the functional currency of certain subsidiaries was amended to apply a greater emphasis on certain economic indicators and factors defined in IAS 21 *Effects of Changes in Foreign Exchange Rates*.

5.- Employee benefits: The Company has decided to early apply the new IFRS which becomes effective in 2013, thereby recognizing actuarial gains and losses and past service costs in results. Additionally, under IFRS, the Company only recognizes severance payments when incurred as opposed to recognizing a liability under actuarial methods as was required by MFRS.

6.- Presentation of comprehensive income in the financial statements: Comprehensive income may be presented in the income statement or separately as another financial statement. For the moment, the Company chooses to present comprehensive income in a separate financial statement.

b. As of the date of issuance of these financial statements, the Company has determined that the adoption of IFRS will principally have the following effects on its statement of financial position as of January 1, 2011, mainly with respect to accounts receivable, fixed assets, deferred PTU, and employee retirement benefits.

Concept		MFRS January 1, 2011 (as adjusted; Notes 2.c and 3.a)		IFRS adjustments Credit (Debit)		IFRS January 1, 2011
Assets						
Accounts and notes receivable – net	$	8,697,800	$	(404,784)	$	8,293,016
Buildings and leasehold improvements		8,470,680		(492,867)		7,977,813
Furniture and equipment		2,692,164		77,050		2,769,214
Machinery and equipment		1,816,358		(771)		1,815,587
Accumulated depreciation		7,005,516		(491,558)		7,497,074
Land		2,195,768		(176,090)		2,019,678
Investment properties		-		1,424,216		1,424,216
Projected net assets for employee retirement benefits		380,058		378,901		758,959
Liabilities						
Taxes payable and accrued expenses	$	2,557,184	$	453,957	$	2,103,227
Deferred income taxes		1,536,062		(71,546)		1,464,516
Deferred PTU		44,656		(44,656)		-
Stockholders' equity						
Capital stock	$	1,747,162	$	(112,792)	$	1,634,370
Additional paid-in capital		475,542		(335,499)		140,043
Retained earnings		11,050,919		1,355,187		12,406,106
Translation effects of foreign operations		34,848		(34,848)		-
Non-controlling interest		1,351,939		11,756		1,363,695

As of the issuance date of the accompanying consolidated financial statements, the Company continues to assess the impact of adoption of IFRS on its financial information; it does not anticipate any significant effects on its consolidated statement of cash.

The information presented in this Note has been prepared in conformity with the standards and interpretations issued and in effect or issued and adopted early as of the preparation date of these consolidated financial statements. The standards and interpretation applicable as of December 31, 2012, including those that are optional, are not reliably known as of the preparation date of the accompanying consolidated financial statements as of December 31, 2011, 2010 and 2009. Similarly, the accounting policies chosen by the Company may be modified as a result of changes in the economic environment or industry trends that are detected after the issuance of these consolidated financial statements. The information presented in this Note is not intended to comply with IFRS, given that only a group of financial statements which includes the statement of financial position, comprehensive income, changes in stockholders' equity and cash flows, together with comparative information and explanatory notes, may provide an adequate presentation of the Company's financial position, the results of its operations and cash flows in conformity with IFRS.

21. International accounting standards recently issued but not yet in effect

The International Accounting Standards Board has issued a series of new International Financial Reporting Standards (IFRS) and changes to International Accounting Standards (IAS), as follows:

Amendments to IFRS 7	*Financial Instruments: Disclosures*
IFRS 9	*Financial Instruments*
IFRS 10	*Consolidated Financial Statements*
IFRS 12	*Disclosure of Equity in Other Entities*
IFRS 13	*Fair Value Measurement*
Amendments to IAS 1	*Financial Statement Presentation*
Amendments to IAS 12	*Income Taxes*
Amendments to IAS 32	*Financial Instruments: Presentation*
Amendments to IAS 28	*Investments in Associates and Joint Ventures*

Except for the amendments to IAS 1, whose presentation of other comprehensive income line items will be adapted when the amendments are applied in future accounting periods, the Company has not conducted a detailed analysis of the effect of applying these new and amended standards and, therefore, has not quantified the scope of the impact.

22. Authorization to issue the financial statements

The accompanying consolidated financial statements for the years ended December, 2010 and 2009 were authorized in Stockholders' General Meetings held on May 12, 2011 and June 28, 2010, respectively. On February 28, 2012, the issuance of the accompanying consolidated financial statements for the year ended December 31, 2011 was authorized by C.P. Mario Bermúdez Dávila, Finance and Administrative Director; consequently, they do not reflect events that may have occurred after that date. These consolidated financial statements are subject to the approval of the Company's Board of Directors and the Stockholders' Ordinary General Meeting, where they may be amended, based on the relevant provisions of the Mexican General Companies Law.

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ISSUER

Grupo Sanborns, S.A.B. de C.V.
Lago Zurich 245, Edificio Presa Falcón, Piso 7
Colonia Ampliación Granada
C.P. 11320, México, Distrito Federal

LEGAL ADVISORS

To the Issuer

As to U.S. Federal and New York Law
Cleary Gottlieb Steen & Hamilton LLP
One Liberty Plaza
New York, New York 10006
United States of America

As to Mexican Law
Bufete Robles Miaja, S.C.
Bosque de Alisos 47 A-PB
Col. Bosques de las Lomas
05120, México, Distrito Federal
México

To the Initial Purchasers

As to U.S. Federal and New York Law
Paul Hastings LLP
75 East 55th street
New York, New York 10022
United States of America

As to Mexican Law
Ritch Mueller, S.C.
Blvd. Manuel Ávila Camacho 24, Piso 20
Col. Lomas de Chapultepec
11000, México, Distrito Federal
México

AUDITORS

Galaz Yamazaki Ruiz Urquiza S.C.
(Member of Deloitte Touche Tohmatsu Limited)
Paseo de la Reforma 489 Piso 6
Col. Cuauhtémoc
06500, México, Distrito Federal
México

Grupo Sanborns