GRUPO

cars

ANNUAL REPORT 2012

Grupo Carso is one of the largest and most important diversified conglomerates in Latin America, consisting of three sectors defined as strategic: Retail, Industrial, and Infrastructure and Construction.

The Company has a significant presence in the Mexican economy where it has maintained a leading position due to an outstanding portfolio of formats, products and services, innovation in processes and technology as well as a sustainable resource management.

Since its founding more than 30 years ago, **Grupo Carso** has been characterized by its dynamism and financial strength, which are result of the operational synergies, profitability and consistent cash-flow generation, meaning a track record of long-term value creation for shareholders.

Image on the cover:
Emisor Oriente Tunnel

Independencia I Oil Jack-Up

PRODUCTS AND SERVICES

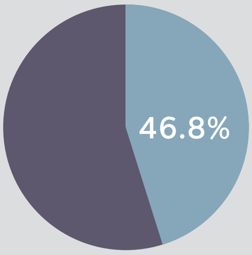

Sanborns Plaza Carso


Latincasa Plant, manufacturing of electric conductors

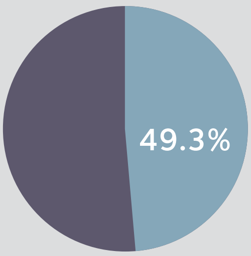

Oil platform

RETAIL

Revenue Breakdown



Operating Income Breakdown



Grupo Sanborns

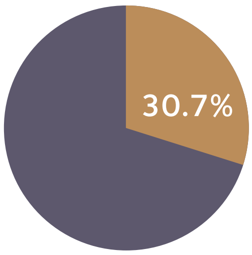
Leader in the retail market, has extensive coverage in Mexico as well as a presence in some Central American countries. Operates some of the most successful retail formats with widely recognized brands, catering to a large percentage of consumers in the medium, medium high and high segments.

Formats
- Department stores and boutiques
- Specialty stores
- Electronics and Software Stores
- Convenience stores
- Restaurants
- Luxury Department stores

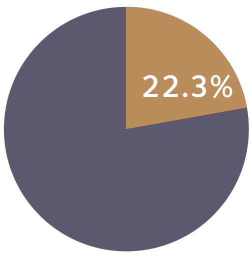
Main brands
- SEARS
- SAKS FIFTH AVENUE
- DAX
- SANBORNS
- SANBORNS CAFÉ
- ISHOP/MIXUP

INDUSTRIAL AND MANUFACTURE

Revenue Breakdown



Operating Income Breakdown



Grupo Condumex

Has a wide range of products and services focused on meeting the demand of industries such as telecommunications, construction, electrical, energy, automotive and mining.

Products and services

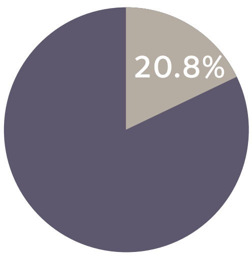
- High-tension, telecommunications, electrical, electronics, mining, fiber optic and construction cables
- Magnetic wire;
- Electromechanical installations;
- Transformers and reactors;
- Mobile electrical substations:
- Automotive shock absorbers and electrical harnesses
- Alternative energy systems:
- Low-consumption LED lighting systems;
- Precision steel tubing;
- Specialized transportation;
- Turnkey power projects;
- Integral contact center solutions

Main brands

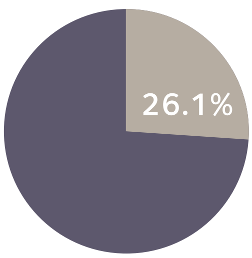
- CONDUMEX
- GABRIEL
- PRECITUBO
- LOGTEC
- CABLENA BRASIL
- IEM
- MICROM
- AMATECH
- SITCOM
- SINERGIA
- EQUITER

INFRASTRUCTURE AND CONSTRUCTION

Revenue Breakdown



Operating Income Breakdown



Carso Infraestructura y Construcción

Construction firm that focuses its activities in four sectors: oil and chemical industry services, duct installation, infrastructure, civil construction and housing development.

Products and services

- Platform construction, well perforation and rental of perforation equipment for the petroleum industry
- Construction of shopping malls, industrial plants and office buildings
- Construction of highways, dams, water treatment plants, gas ducts and aqueducts
- Installation of residential natural gas networks
- Design and installation of telecommunications networks and radio bases for cellular telephony
- Low, middle and residential housing
- Fabrication of pressure vessels, hot and cold-side heat exchangers
- Design, engineering and fabrication of projects and equipment, steel structures

Main brands

- CICSA
- SWECOMEX
- CICSA DUCTOS
- CILSA
- GSM
- URVITEC
- PC CONSTRUCTORES

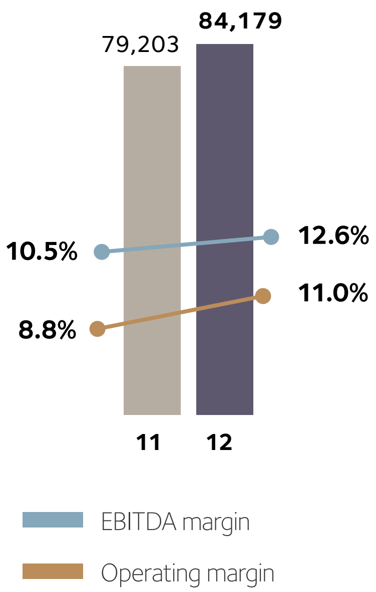
KEY FINANCIAL INFORMATION

(Thousand pesos as of December 31, 2012)

	2011	2012	Variation 2012-2011
Revenues	79,203,396	**84,179,267**	6.3%
Operating Income	7,003,859	**9,259,806**	32.2%
Controlling Participation in Net Income	4,321,562	**7,640,589**	76.8%
EBITDA	8,329,880	**10,604,914**	27.3%
Total Assets	73,031,121	**76,862,314**	5.2%
Total Liabilities	29,267,126	**34,981,725**	19.5%
Stockholders' Equity	43,763,995	**41,880,589**	-4.3%
Outstanding Shares (´000*)	2,298,757	**2,289,877**	-0.4%
Earnings per Share (EPS)**	1.88	**3.34**	76.9%

* Compounded average
** EPS: Calculated as Controlling Participation in Net Income divided by the compounded average shares outstanding

Revenues
million pesos

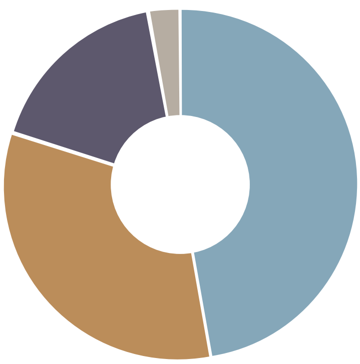


Operating Income
million pesos

EBITDA
million pesos

Sales Breakdown by Subsidiaries

million pesos



46.8% Grupo Sanborns $39,411
30.7% Grupo Condumex $25,852
20.8% CICSA $17,533
1.7% Other $1,383
100% Total $84,179

Operating Income Breakdown by Subsidiaries

million pesos

49.3% Grupo Sanborns $4,566
22.3% Grupo Condumex $2,063
26.1% CICSA $2,412
2.3% Other $219
100% Total $9,260

LETTER TO SHAREHOLDERS

The same structural and financial conditions that characterized the global economy in the past few years remained in force in 2012. Most significantly, the macroeconomic variables of developed nations continue to be problematic, which has an impact on global economic growth. On the other hand, developing countries, most of which have healthy fiscal and financial systems, have benefited from global monetary policies, since low interest rates and the easy availability of resources encourage the development of productive projects, make the economy more dynamic, and create jobs.

The United States has maintained a short-term monetary policy of negative interest in real terms in an effort to reactivate investment in production to accelerate economic activity and to make the payment of interest on its enormous government debt less onerous, even as it seeks to make mortgage payments more affordable for families. However, the problem of the high fiscal deficit remains, which forces the U.S. to continue to raise its debt ceiling by having agreed to a fiscal consolidation plan that allows it to meet its immediate spending commitments and reduce over the medium term the high deficit, which began to worsen in 2008, and lower the overall debt level, which in 2012 exceeded 100% of the country's GDP.

For its part, Europe is facing similar circumstances, but with strong restrictions on spending, an overvalued currency, and high unemployment rates in many countries in the region. Growth is practically flat or even negative in some countries, and short and medium-term prospects are not promising.

Mexico's economic variables remain strong. Since its low rates are higher than those of the developed countries, it is attracting a lot of foreign portfolio investment, a flow that in 2012 exceeded US$ 80 million, double that of the previous year. Although this reflects the confidence of investors in our country, this situation creates vulnerability since its duration is uncertain and because of the revaluation of the peso, which leads to higher imports and lower exports. With regard to foreign direct investment, the country has become a primary destination for manufacturing, especially for the automotive industry, due to competitive advantages in terms of cost attributable to production and proximity to the world's biggest market. Inflation, however, is unstable.

Mexico's banking system is well capitalized and characterized by sound public finances, interest rates that encourage financing and investment, long-term money availability internal and external savings, a young population, natural resources, and potential in terms of tourism, agriculture, energy, infrastructure, and mining, among other factors that encourage development. Therefore, despite an unfavorable global environment, our country has the opportunity to accelerate its expansion, adding millions of people to productive operations, creating wellbeing and consumption capacity, which are the only sustainable drivers of permanent growth.

Grupo Carso

Grupo Carso took advantage of Mexico's macroeconomic stability and capitalized on its competitive advantages, despite the challenges mentioned above and which characterized other markets, such as the U.S. and Europe. This had a positive impact on our performance in the three sectors we consider strategic: Retail, Industrial, and Infrastructure and Construction.

In recognition of the Group's confidence in the domestic economy and in consideration of a number of related macroeconomic and demographic factors, as well as the favorable prospects of the department store industry, on February 8, 2013, Grupo Sanborns held its global IPO. The offering was a success on the Mexican Stock Exchange, where 59.5% of the shares were offered to domestic investors while foreign investors bought the remaining 40.5%. Both equity holdings represented 17.2% of the company's capital.

In 2012, the commercial division accounted for 47% of the Group's revenues and 49% of its operating income. This division's most significant activities included the opening of four iShops, a Sears Department store, and four Sanborns store-restaurants. It should also be noted that these stores have a newer look, which incorporates more efficient lighting, updated furnishings, and larger spaces.

With respect to the industrial division, Condumex continued to offer a broad array of products and services to the construction, energy, telecommunications, and mining sectors. During the year we faced challenges stemming from lower business volume in fiber optics and transformer procurements. Despite the difficulties in sales, better operating margins were attained because of efficiencies in operating expenses and costs in the automotive, construction, energy, and industrial metals production chains.

Grupo Condumex accounted for 31% of revenues and 22% of operating income.

Carso Infraestructura y Construcción confirmed its status as one of the most solid construction firms in the country, a claim bolstered by significant double-digit growth in both sales and operating results. In 2012, this division contributed 21% of revenues and 26% of operating income.

The sector that stood out the most was manufacturing and services for the chemical and oil industry, thanks to additions to drilling contracts and the awarding of public works contracts to build three offshore production platforms.

The dynamic performance of the three divisions was reflected in Grupo Carso's consolidated sales, which grew 6.3% to 84,179 million pesos. Operating income and EBITDA moved up 32% and 27%, respectively. Operating margin was 11.0%, while EBITDA margin represented 12.6% of sales.

The Group's financial condition remained solid, with net cash flow from operating activities totaling 7,663 million pesos. Total assets came to 76,862 million pesos, while consolidated stockholder's equity ended the year at 41,881 million pesos. The liabilities to equity ratio stood at 0.3, while net debt represented 0.9 times the 12-month EBITDA.

Based on the above-mentioned figures, In May and October of 2012 Grupo Carso paid out cash dividends of $0.60 pesos per share. Capital expenditures totaled $1,791 million pesos.

Grupo Carso believes that the company's financial structure will allow it to adequately address the diverse investment projects required by its several subsidiaries. We remain committed to diversification in order to introduce new categories of products and services to consumers and to consolidate best practices that allow us to continue generating value our shareholders through sustainable and profitable growth.

In 2012, all of the divisions engaged in sustainability efforts, such as reducing water and paper use and recycling programs. At Condumex ecological cables and processes were developed and robotics education programs were supported. Carso Infraestructura y Construcción conducted flora and fauna rescue and relocation programs, and Grupo Sanborns continued with donation of food, the historical building recuperation program, like the House of the Counts of Xala and employment of people with disabilities in the shops and restaurants.

Finally, on behalf of the Board of Directors, I would like to thank our shareholders, customers, and providers for the trust they have deposited in us. I would also like to thank all of our employees for their effort and commitment, since it is they who enable Grupo Carso to achieve its goals, to strengthen its performance, and to continue to contribute to Mexico's development.

Sincerely,

Carlos Slim Domit
Chairman of the Board of Directors

MANAGEMENT'S DISCUSSION AND ANALYSIS


Sears Buenavista

In 2012, the Group's consolidated sales totaled 84,179 million pesos, up 6.3% over the previous year, due to solid 22.2% and 8.2% sales performances from the Infrastructure and Commercial divisions, respectively.

Operating income increased by 32.2% in 2012, totaling $9,260 million pesos, while operating margin rose by 2.2 percentage points, representing 11.0% of sales. These results reflected reductions of 1.6 and 0.1 percentage points in sales costs and consolidated operating expenses, respectively.

On the other hand, EBITDA increased 27.3%, moving up from $8,330 million pesos in 2011 to $10,605 million pesos in 2012, accompanied by an EBITDA margin of 12.6%, a 2.1 percentage point increase with respect to sales.

The improvement in operating results was attributable to the positive performance of the three divisions, particularly Carso Infraestructura y Construcción, and, to a lesser extent, Grupo Sanborns and Grupo Condumex.

With regard to financial results, we recorded a positive overall financing result of $387 million pesos, compared to the cost of $1,133 million posted in 2011, which included higher interest payments and the booking of exchange rate and derivatives losses.

Consolidated net income came to $7,640 million pesos in 2012, up $3,319 million pesos, yielding a significant growth rate of 76.8% over the 2011 net income figure.

On December 31, 2012, total debt stood at $14,413 million pesos, 33.9% higher than the overall debt level reported at the close of the previous year. Net debt was $9,314 million pesos, compared to $5,752 million pesos at the close of 2011. Despite the increase in overall debt, the Group's financial condition remains sound, with a net debt to EBITDA ratio of 0.9 times and interest coverage measured as EBITDA over financing expenses of 13.0 times.

The company has two stock certificate programs: i) a short-term program authorized in June of 2011 for up to $5,000 million pesos, of which no amount had been issued through the end of the year, and ii) a short- and long-term program authorized in February of 2012, also for $5,000 million pesos or its equivalent in U.S. dollars, which has been fully utilized.

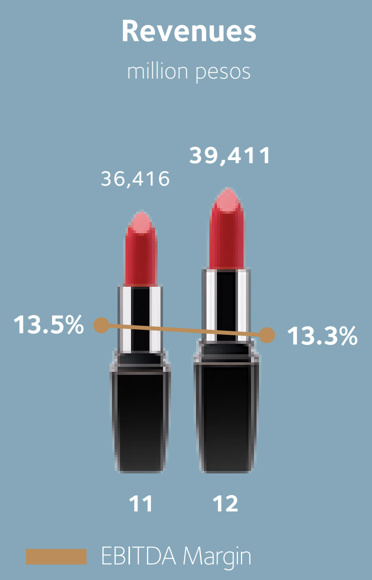
One of the division's most significant corporate events occurred in February of 2013 when Grupo Sanborns, a Grupo Carso subsidiary, reported on its IPO issue of 405.3 million common "B-1" series shares at a unit price of $28.00 pesos. The issue increased the company's subscribed capital to $11,349 million pesos.

RETAIL DIVISION

Grupo Sanborns' revenues for 2012 were

39,411

million pesos




Sears Buenavista

Grupo Sanborns

Consistent with our expectations, we increased our presence in the market in 2012, attaining sales of $39,411 million pesos, an increase of 8.2%, or $2,995 million pesos, over the 2011 figures.

This was attributable to: i) sales of merchandise, food, and beverages, primarily at Sears, and, to a lesser extent, at the Sanborns and the iShop stores, as well as ii) consumer credit revenues from the Sears, Sanborns and MixUp credit cards.

In cumulative terms, Sears increased its total sales by 8.7% and its same-store sales (SSS) by 5.7%. Sanborns sales increased 5.7% overall and 4.2% on an SSS basis. The iShop/MixUp stores increased their total sales by 16.8%, and their SSS sales moved up 10.0%. Other formats such as Dax, Saks, and the Sanborns Café restaurants, increased their total sales by 3.4%.

Sears Santa Fe

During 2012 four iShop stores were opened, one Sears department store and four Sanborns store-restaurants. The new stores feature a new image that includes more efficient lighting, modern furniture and larger spaces.

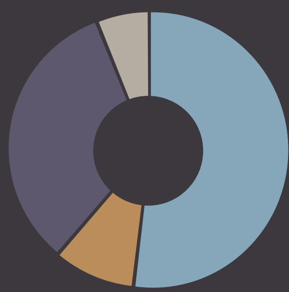
Operating income came to $4,566 million pesos, accompanied by a margin of 11.6%, a slight, 0.2 percentage point decline that resulted from higher merchandise costs as well as a reduction in operating expenses, both with respect to sales. EBITDA came to $5,226 million pesos, an increase of 6.6% in 2012 on a 13.3% margin.

Grupo Sanborns' consolidated net income totaled $3,298 million pesos, compared to the 2011 figure of $2,951 million pesos, an 11.7% increase.

In 2012 we opened 1 Sears store, 4 Sanborns store-restaurants and 4 iShop stores. We closed 2 Sears stores, 1 Jeanious boutique, 1 Sanborns store, and 2 Sanborns Café, and we converted 2 Sanborns to Sanborns Café restaurants. We also closed 3 MixUp music stores and 1 eduMac center.

Revenues by Format

million pesos



51.7%	Sears $20,383	**31.8%**	Sanborns $12,535
10.9%	iShop/Mixup $4,281	**5.6%**	Other $2,212

Total: $39,411


Sanborns Plaza Carso


iShop Plaza Carso

Grupo Sanborns ended the year with 418 units under operation, a sales floor area of 973,876 m2 and seating capacity of 60,331 persons under formats such as Sears, Sanborns, and iShop/MixUp, as well as others including the Dax stores, Sanborns Café restaurants, Saks Fifth Avenue, Sears, and Sanborns in Central America, as well as a few specialized boutiques and two shopping centers.

We increased our presence in the market in 2012 and implemented initiatives aimed at rewarding customer loyalty, which increased traffic volumes at the stores. We introduced exclusive merchandise and diversified the food options on the restaurant menus, while maintaining the quality of service.

Grupo Sanborns' capital investments increased to $961 million pesos, which included investments in new stores and renovations. The make-over of the Sanborns stores included the elimination the glass showcases, allowing merchandise to be displayed in a more attractive fashion. Sears focused more on fashion and accessories for the entire family and continued to offer appliances the additional technical service. This new concept involved replacing the existing lighting with LED options and, in the case of Sanborns, the introduction of energy co-generation plants, steps that create significant savings and are consistent with the company-wide philosophy of sustainable and environmental practices.

INDUSTRIAL AND MANUFACTURING DIVISION

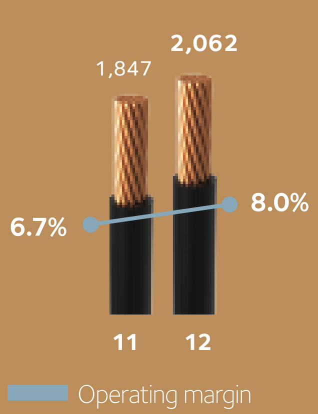
Grupo Condumex's revenues for 2012 were

25,852

million pesos

Operating Income

million pesos



EBITDA

million pesos

Braiding wire plant in Guadalajara

Grupo Condumex

The favorable performance of the automotive sector was not sufficient to offset the declines in Condumex's Telecom, Construction and Energy, and Industrial Metals businesses. Consequently, the division's sales fell by 6.4% to $25,852 million pesos in 2012.

The impact of the resumption of auto manufacturing at the domestic and global levels was reflected in Condumex's Automotive business sales, which moved up 10.1% on higher volumes of automotive harnesses and cables.

With regard to the Telecommunications business, highlights included higher volumes in copper and coaxial cable, the latter resulting from increased residential demand for cable television service, as well as new cable operations for automotive antenna.

Queretaro Technical Centre. Innovation for automotive products

Sinergia power generation center. Concheño Mine

Despite these increases, fiber-optic cabling activities declined in both Mexico and Brazil compared to 2011 levels.

The mixed performance of the Construction and Energy sector reflected: i) the increase in turnkey projects as well as in energy cabling due to expansion of the export market to North, Central, and South America, and ii) the reduction in transformer sales resulting from a lower number of bids.

With respect to industrial metals, production at co-packing plants increased, which decreased the amount of revenue booked in this sector.

The segment's operating income and EBITDA climbed to $2,062 and $2,402 million pesos, respectively, increases of 11.7% and 6.8%, compared to the 2011 figures. These results reflect costs and operating expense efficiencies in the production chain, primarily in the Automotive, Construction and Energy, and Industrial Metals sectors.

Grupo Condumex's net income came to $1,705 million pesos in 2012, a 36.7% increase over the $1,247 million pesos recorded in 2011.

Capital investments on the year totaled $334 million pesos, which were allocated to the investment and industrial assets maintenance programs in Mexico and in South America.

Grupo Condumex's Latincasa plant received the San Luis Potosí 2012 State Quality Award, granted by the Mexican Manufacturing Industry Chamber (Canacintra) in recognition of best practices in the areas of quality management,

CIDEC. Measurement of lighting patterns for low energy lighting

Through the Carso Research and Development Center (CIDEC), Condumex remains at the forefront to benefit the country, developing innovations in technology and alternative energy. An example is the Solar Photovoltaic Center in Santa Rosalia, Baja California; project successfully completed in 2012.

human resources, ongoing improvement, organizational administration, safety and hygiene, environmental management, and social responsibility.

Microm completed the successful delivery of the Pilot 1 MW Solar Photovoltaic Center to the Federal Electricity Commission (CFE) in Santa Rosalía, Baja California Sur, which operates at a 98% efficiency rate, higher than the contracted target rate, while Sitcom received an award from the Mexican Institute of Intelligent Buildings (IMEI) for its Museo Soumaya automation project. Additionally, IEM began manufacturing high-efficiency, low-consumption transformers, had its ISO9000 and 14000 certifications renewed, and was recognized for the second year by the Mexican Center for Philanthropy (CEMEFI) as a Socially Responsible Company.

Santa Rosalia Solar Photovoltaic Center

INFRASTRUCTURE AND CONSTRUCTION DIVISION

Carso Infraestructura y Construcción's revenues for 2012 were

17,533

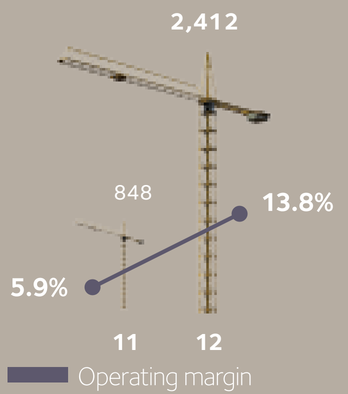
million pesos

Revenues

million pesos

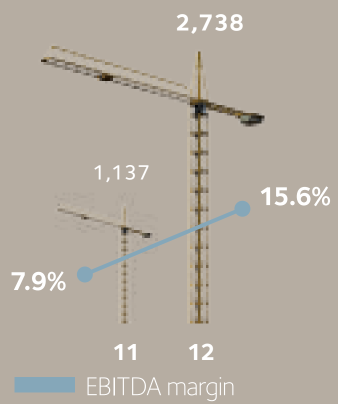
Operating Income

million pesos



EBITDA

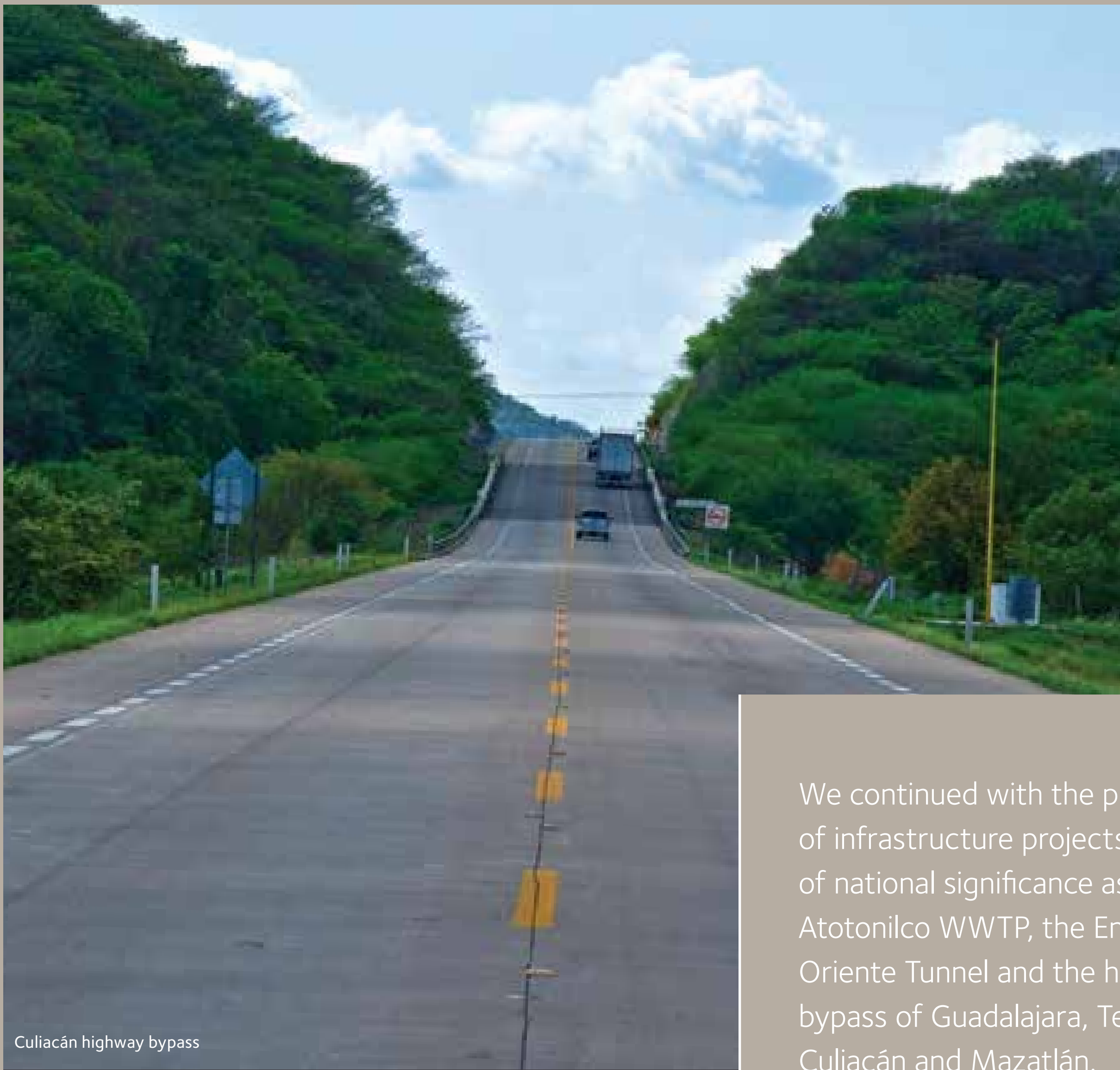
million pesos



Emisor Oriente Tunnel. Downloading of transmission

Carso Infraestructura y Construcción

Carso Infraestructura y Construcción's annual sales grew by 22.2% in 2012, totaling $17,533 million pesos, compared to $14,349 million pesos in sales in 2011, due mainly to a higher contribution from Manufacturing and Services for the Chemical and Oil Industry sector, as well as the increase in Pipeline Installation sales.



Culiacán highway bypass

We continued with the progress of infrastructure projects of national significance as Atotonilco WWTP, the Emisor Oriente Tunnel and the highway bypass of Guadalajara, Tepic, Culiacán and Mazatlán.

The division’s operating income and EBITDA also presented solid growth rates of 184.6% and 140.7%, respectively, in 2012, as margins in those categories increased by 7.9 and 7.7 percentage points. Operating improvements were attained in all of the sectors, primarily in Manufacturing and Services for the Chemical and Oil Industry and Pipeline Installation.

Consolidated net income moved up from $386 million pesos in 2011 to $2,045 million pesos in 2012.

Annual Backlog*

million pesos

*Amount of outstanding work contracts to build

Metro subway line 12 Mexico City

Emisor Oriente Tunnel

The Infrastructure business initiated construction on the Mazatlán highway bypass and on the Guadalajara southern highway bypass. Work continued on the Valley of Mexico Emisor Oriente Tunnel and on the Atotonilco Wastewater Treatment Plant (WWTP) projects. Completed projects included the Culiacán highway bypass, the El Realito dam, and several mining projects.

The improvements in sales and profitability in Manufacturing and Services for the Chemical and Oil Industry was due mainly to additions to the existing drilling contracts, the drilling of steam injection wells and the assignment of three production platforms.

With respect to Pipeline Installation, we continue to see growth in the network businesses domestically, like the natural gas network, while the construction of fiber-optic networks and links was a highlight of the International division.

The performance of the Civil Construction sector declined as a result of the completions and delays in certain project launches. The CIMMYT and the El Rosario multimodal terminal were completed, while construction continued on the Star Médica hospital in Querétaro and on several Plaza Carso buildings.

Oil Rig

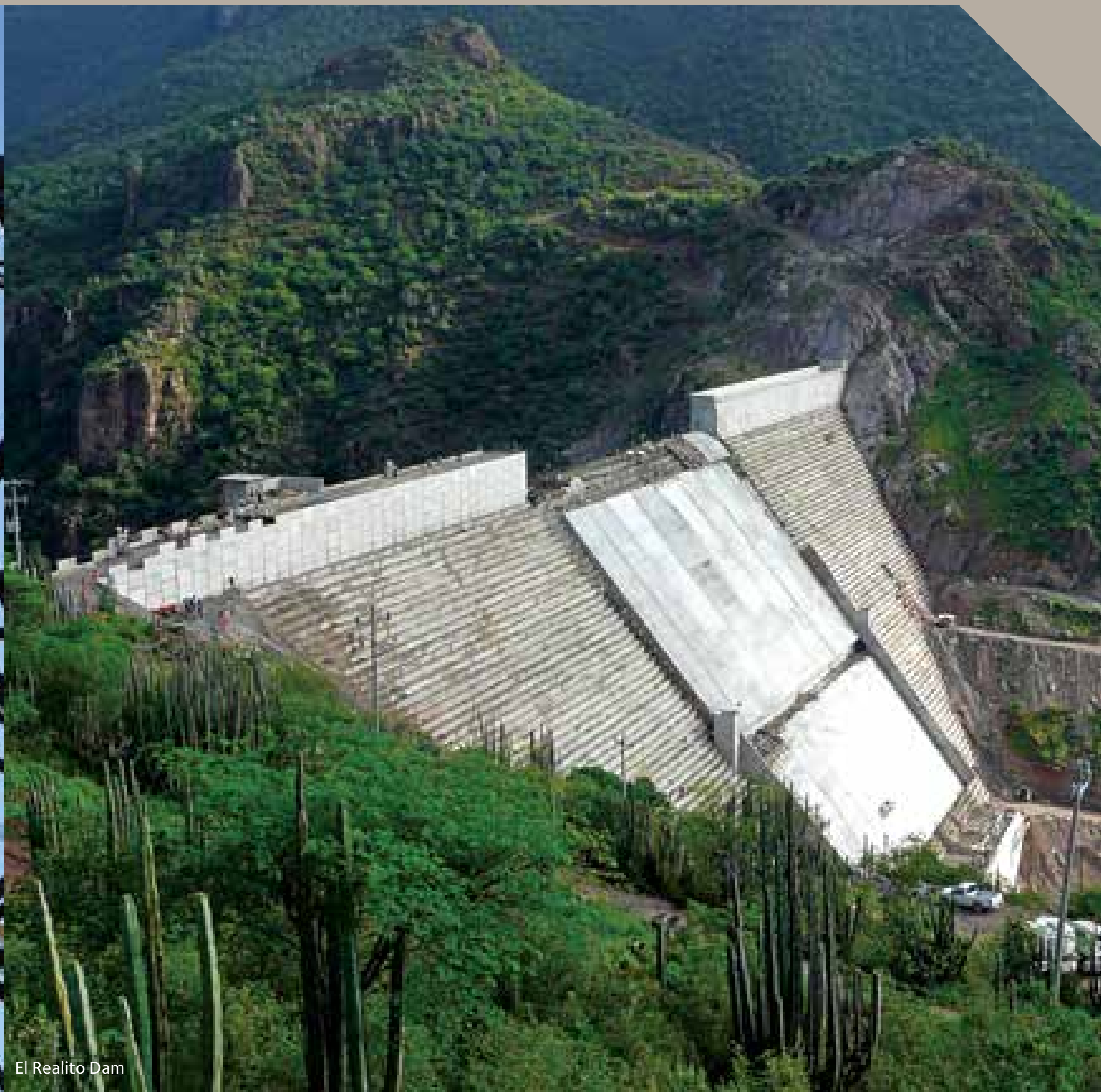
CICSA's backlog reached $26,379 million pesos as of December 31, 2012, up 60.3% over the figure reported at the close of the previous year.

Star Medica Hospital Queretaro

The net income of Carso Infraestructura y Construcción during 2012 reached

2,045

million pesos



El Realito Dam

Carso Infraestructura y Construcción's capital investments totaled $396 million pesos in 2012, funds that were allocated to enhanced maintenance of machinery and heavy construction and production as well as drilling equipment for oil wells, among other investments.

Sincerely,

José Humberto Gutiérrez-Olvera Zubizarreta
Chief Executive Officer

During 2012 the construction of several projects was completed such as El Realito dam, the building of the International Maize and Wheat Improvement Center (CIMMYT) and the subway line 12 in Mexico City.

CORPORATE SOCIAL RESPONSIBILITY

Sustainability Activities

A fundamental part of the strategy and philosophy of Grupo Carso is the Social Responsibility. This is the reason why more than 25 years ago we started to work on our goal to link the business experience with the social activity through the Carlos Slim Foundation, created in 1986 under the name Asociación Carso, A.C.

Additionally, companies in the three divisions of the Group have environmental initiatives, social and outreach activities with stakeholders, in line with the programs of the Foundation and with corporate values.

Environmental Initiatives

In November 2009 the Carso Verde Committee was formed, including among other companies Condumex, Carso Infraestructura y Construcción and Grupo Sanborns. Its objective is to reduce the environmental impacts of processes and promote a culture of caring for our environment among all the employees.

During 2012 the retail division continued with its energy saving measures in Sanborns through the installation of solar panels and rain water recuperation. It also implemented various replacement programs such as: more efficient lighting, centralized refrigeration equipment, update-art compressors and waterless urinals. To promote the care and rational use of energy, air conditioning controls were implemented, training courses

Carso Training Center

were provided to the maintenance personnel and legends were placed on switches and electronic equipment at Sears.

Condumex Group obtained the CSR award in most of its sectors (cables, automotive, IEM, turnkey projects), as well as the Clean Industry Certificate and ISO 14001. High Performance Teams were created, working together with CIDEC and the Ecological Enhancement Group. Awareness programs were designed and environmental products and ecological processes were developed, taking advantage of the resources in a better way and reducing pollution. Examples include: solvent recovery, waste treatment, environmental reels for cables, photovoltaic solar systems, cables that comply with RoHS (Restriction of Hazardous Substances) guidelines and LED lights.

Carso Infraestructura y Construcción has an Environmental Management System through which controls and monitors its construction activities. During 2012 this division obtained the CSR award and carried out initiatives for energy and water saving -considering awareness campaigns for contractors and subcontractors- as well as the 1st “Pilo-ton” for collection and recycling of batteries. One of the most important programs was the rescue and relocation of wildlife, including the relocation of native species and reforestation and restoration of impacted sites.

Outreach activities with stakeholders

Grupo Carso considers that support for human capital formation and educational activities are a priority for the country’s growth. Therefore the


CEHM


CICSA reforestation activities Infrastructure Sector


Panteras UP 2013 team


Domestic electrical installer course

company maintains education initiatives at various levels:

The Center for the Study of the History of Mexico Carso (CEHM) aims to recover printed works and documentaries relating to the history of Mexico from the colonial era to the present. These copies may be consulted by national and foreign researchers and the general public as well.

Carso Training Centers started operations in 2001, fulfilling a social need by giving free training to the general public, teaching basic and advanced courses in electrical installations in residential and commercial low voltage.

The Carso Research and Development Center (CIDEC) is responsible for creating new products, processes, materials, embedded software and environmental management systems, quality, manufacturing and technology in areas such as metallurgy, telecommunications and energy.

In February 2013 Condumex sponsored the Panteras UP high school students from the Universidad Panamericana in their preparation for the FIRST Robotic Competition (FRC) in Irving, Texas, USA. In this robotics competition – which brings together students from around the world- the Panteras UP team became the first Mexican team to play in the final of a regional tournament and won the "Engineering Inspiration Award" and an invitation to participate in the world championship.

Each year Grupo Condumex, CICSA and Grupo Sanborns sponsor Digital Scholarships in collaboration with the Carlos Slim Foundation, providing

Development of environment-friendly insulating substances

computers and internet services to students in elementary, middle and high school. Additionally, with the support of the Telmex Foundation, annual scholarships are given to students with top high performance.

Social initiatives

Through corporate volunteering, both CICSA and Grupo Condumex maintained links with the Ministry of Health through the State Commission for Sanitary Risks. In communities close to the operations, both companies were involved in annual campaigns for prevention and control of medical conditions, in addition to providing basic guidelines for self-care in collaboration with the Instituto Carlos Slim de la Salud.

As usual, Grupo Sanborns continued with the monthly donation of food cases to various civil and religious institutions to supplement the diet of children, women and seniors. Additionally, a percentage of sales generated in the Festival Gourmet at the restaurants was allocated to an association, which is different every year. In Sanborns various aid programs were carried out for organizations such as: Un Kilo de Ayuda, Doctor Sonrisas and the Chespirito Foundation among others.

As part of the recovery program for buildings, in 2012 Sanborns opened a restaurant in the Casa de los Condes de Xala, eighteenth century building situated in the historic center of Mexico City, which was restored and adapted for the enjoyment of future generations.

Lastly, through the Mexican Confederation of Organizations in Favour of People with Disabilities (CONFE) Multiple Assistance Center (MAC), YMCA and DIF, Grupo Sanborns kept giving opportunities and hiring people with disabilities in the Sanborns restaurants and stores.

For more information and detail about sustainability activities please visit:

Fundación Carlos Slim Report (In Spanish only)
www.carlosslim.com/pdf/reporte_fcs_agosto2012.pdf

Carso Medio Ambiente (In Spanish only)
www.carso.com.mx/ES/Folleto%20informativo/GCARSO_reporte_ambiental_2010.pdf

Social Responsibility in the Annual Report of Grupo Sanborns S.A.B de C.V.
www.gsanborns.com.mx

Environmental Report Carso Infraestructura y Construcción 2012 (In Spanish only)
www.ccicsa.com.mx/Documents/RptMedioAmbiente.pdf

BOARD OF DIRECTORS

BOARD MEMBERS

	Position*	Years as Board Member**	Type of Member***
Carlos Slim Domit	COB – Grupo Carso COB – Grupo Sanborns Co-Chairman – América Móvil COB – Teléfonos de México	Twenty-two	Patrimonial Related
Antonio Cosío Ariño	CEO – Cía. Industrial de Tepeji del Río	Twenty-two	Independent
Arturo Elías Ayub	Director of Strategical Alliances, Communication and Institutional Relations – Teléfonos de México CEO – Fundación Telmex	Fifteen	Related
Claudio X. González Laporte	COB – Kimberly Clark de México	Twenty-two	Independent
José Humberto Gutiérrez Olvera Zubizarreta	CEO – Grupo Carso COB – Minera Frisco COB and CEO – Grupo Condumex	Twenty-two	Related
Daniel Hajj Aboumrad	CEO – América Móvil	Eighteen	Related
David Ibarra Muñoz	CEO – Despacho David Ibarra Muñoz	Eleven	Independent
Rafael Moisés Kalach Mizrahi	COB and CEO – Grupo Kaltex	Nineteen	Independent
José Kuri Harfush	COB – Janel	Twenty-three	Independent
Juan Antonio Pérez Simón	COB – Sanborn Hermanos Vice Chairman – Teléfonos de México	Twenty-three	Independent
Fernando Senderos Mestre	COB – Grupo Kuo COB – Dine	Six	Independent
Patrick Slim Domit	Vice Chairman – Grupo Carso Co-Chairman – América Móvil CEO – Grupo Sanborns Commercial Director of Mass Market – Teléfonos de México COB – Grupo Telvista COB – Sears Operadora México	Seventeen	Patrimonial Related
Marco Antonio Slim Domit	COB and CEO – Grupo Financiero Inbursa COB – Inversora Bursátil COB – Seguros Inbursa COB – Impulsora del Desarrollo y el Empleo en América Latina	Twenty-two	Patrimonial Related
Fernando Solana Morales	CEO – Solana y Asociados, S.C.	Eight	Independent

CEO: Chief Executive Officer

ALTERNATE BOARD MEMBERS

	Position*	Years as Board Member**	Type of Member***
Eduardo Valdés Acra	Vice Chairman – Grupo Financiero Inbursa COB – Banco Inbursa CEO – Inversora Bursátil	Twenty-One	Related
Julio Gutiérrez Trujillo	Business Consultant	Eight	Independent
Antonio Cosío Pando	General Manager – Cía. Industrial de Tepeji del Río	Eleven	Independent
Alfonso Salem Slim	Vice Chairman – Impulsora del Desarrollo y el Empleo en América Latina COB –Inmuebles Carso	Twelve	Patrimonial Related
Antonio Gómez García	CEO – Carso Infraestructura y Construcción	Nine	Related
Fernando G. Chico Pardo	CEO – Promecap, S.C.	Twenty-three	Independent
Ignacio Cobo González	COB – Grupo Calinda	Eleven	Independent
Alejandro Aboumrad Gabriel	COB – Grupo Proa	Twenty-two	Independent

TREASURER

Quintín Humberto Botas Hernández	Comptroller – Grupo Condumex	Ten

PRO-SECRETARY

Alejandro Archundia Becerra	General Manager Legal Department Grupo Condumex	Eleven

* Based on information from the Board members.

** The age as board member was considered since 1990, year when the shares of Grupo Carso S.A.B. de C.V. were listed in the Mexican Stock Exchange.

*** Based on information from the board members.

COB: Chairman of the Board

REPORT OF THE CORPORATE PRACTICES AND AUDITING COMMITTEE

José Kuri Harfush
Chairman

Antonio Cosío Ariño

Claudio X. González Laporte

Rafael Moisés Kalach Mizrahi

To the Board of Directors:

As the chairman of the Corporate and Auditing Practices Committee of Grupo Carso, S.A.B. de C.V. (the "Committee"), I submit the following annual report of activities for the 2012 fiscal year.

Corporate Practices, Evaluation and Compensation

The director general of Grupo Carso, S.A.B. de C.V. (the "Company") and the executives of the corporate entities controlled by the Company, satisfactorily complied with the stated goals and with their responsibilities.

The transactions with affiliates submitted to the consideration of the Committee were approved. Among them are the following significant transactions, each of which represents more than 1% of the consolidated assets of the Company, executed successively:

Teléfonos de México, S.A.B. de C.V., for installation services of the external plant, optical fiber and network design, including the sale of copper and fiber optic telephone cable; call center services, telephone installation services and sale of telephone articles; food service and commission for the sale of junk, salvaging and substitution of automobiles for fleets; Minera Real de Angeles, S.A. de C.V. and Minera San Francisco del Oro, S.A. de C.V., for services of transformers, control panels, substations, engine control center, instrumentation for cyclone control, generators, water pumping equipment, installations, start-up processes, transportation and cable; and construction projects; Embratel Participacaoes, S.A., for the sale of cable and fiber optics in Brazil; Delphi Packard Electric Systems for the sale of harness, cable and automotive engineering services, Constructora Mexicana de Infaestructura Subterránea, S.A. de C.V. for infrastructure in the Túnel Emisor Oriente project; Minera Tayahua, S.A. de C.V. for services of transformers, control panels, substations, engine control center, and instrumentation for cyclone controls; Concesionaria de Carretaras y Libramientos del Pacífico Norte, S.A. de C.V. for infrastructure on the highway project of the Farac Culiacán, and Radiomóvil Dipsa, S.A. de C.V., for the purchase of equipment, cell-phone plans and telephone cards, among others.

All transactions with related parties were carried out at market prices and reviewed by Galaz, Yamazaki, Ruiz Urquiza, S.C., and a summary of them is contained in a note of the certified financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries at December 31, 2012.

The CEO of Grupo Carso, S.A.B. de C.V. receives no remuneration for his activity. The Company does not have employees, and as to remuneration of the relevant executives of the companies controlled by the Company, we verified that they complied with the policies approved by the Board of Directors.

The Board of Directors of the Company granted no exemption to any members of the Board, relevant executives or anyone in an executive position to take advantage of business opportunities, either for himself or for third parties, that correspond to the Company or to the corporate entities it controls or in which it has a significant influence. The Committee, on its part, granted no exemptions for the operations referred to in paragraph c), Section III, Article 28 of the Securities Market Law.

Auditing Functions

The internal control and internal auditing system of Grupo Carso, S.A.B. de C.V. and of the corporate entities controlled by it are satisfactory and comply with the guidelines approved by the Board of Directors, as observed in the information provided to the Committee by management of the Company and in the external audit certification.

We have no knowledge of any relevant default on the guidelines and operation and accounting registry policies of the Company or of the corporate entities controlled by it and, consequently, no preventive or corrective measures were implemented.

The performance of the Galaz, Yamazaki, Ruiz Urquiza, S.C. and Camacho, Camacho y Asociados, S.C. accounting firms, the corporate entities that conducted the audit of the financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries to December 31, 2012, and of the external auditor in charge of said audit, was satisfactory and the objectives agreed at the time they were retained were achieved. In addition, according to the information provided by said firms to the management of the Company, their fees for the external audit represented a percentage less than 20% of their total revenue.

Moreover, approval was given for Galaz, Yamazaki, Ruiz Urquiza, S.C. to provide to some subsidiaries of Sears the following additional audit services: assessment on digitalization of diverse documents.

As a result of the review of the financial statements of Grupo Carso, S.A.B. de C.V. and subsidiaries at December 31, 2012, no adjustments were required to the audited figures contained in said financial statements.

Pursuant to the information provided to us by the management of the Company and the meetings we held with the external and internal auditors without the presence of the Company's officers, and to the best of our knowledge, there were no relevant comments from shareholders, members of the Board, relevant executives, employees or, in general, any third party, related to the accounting, internal control and matters related to the internal or external audit, nor claims by said persons regarding any irregularity in the management of the Company.

During the period to which this report refers, we verified that the resolutions adopted by shareholders' meetings and the Board of Directors of the Company were duly complied with. In addition, according to the information provided to us by the management of the Company, we verified that it has controls that allow for determining that it complies with provisions applicable to the stock market and that the legal department conducts a review at least once a year to verify said compliance, and there were no comments in this respect or any adverse change in the legal situation.

With respect to financial information prepared by the Company and filed with the Bolsa Mexicana de Valores (Mexican Stock Exchange) and the Comisión Nacional Bancaria y de Valores (National Banking and Securities Commission), we verified that the information was prepared under the same principles, criteria and accounting practices with which the annual information is prepared.

Finance and Planning Functions

During the 2012 fiscal year, the Company and some of the entities under its control effected significant investments. In this regard, we verified that the financing was carried out in accordance with the strategic plan of the Company over the medium and long terms. In addition, we evaluated from time to time that the strategic position of the Company was conformed to said plan. We also reviewed and evaluated the budget for the 2012 fiscal year together with financial projects that were taken into account for its preparation, which include the principal investments and financial transactions of the Company, which we consider are viable and congruent with investment and financing policies and with the strategic vision of the Company.

For the preparation of this report, the Committee for Corporate and Auditing Practices evaluated information provided by the director general of the Company, the relevant executives of the corporate persons controlled by the Company and by the external auditor.

The Chairman

José Kuri Harfush

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Responsibility of Independent Auditors

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Emphasis of matter

As mentioned in Note 2, beginning January 1, 2011, the Entity adopted International Financial Reporting Standards, and consequently, the financial statements for the year ended December 31, 2011 have been restated to make them comparable with those of 2012. Previously, the 2011 financial statements had prepared based on Mexican Financial Reporting Standards. The effects of the transition to International Financial Reporting Standards on the consolidated financial position and consolidated financial performance are shown in Note 35.

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

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

C. P. C. Luis Javier Fernández Barragán
April 3, 2013

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	Note	2012	2011	January 1, 2011 (transition date)
Current assets:				
Cash and cash equivalents	8	$ 4,994,738	$ 4,897,894	$ 3,087,281
Investments in securities (held for trading)	9	103,864	111,656	81,804
Accounts and notes receivable, net	10	17,478,940	16,370,014	16,160,204
Due from related parties	27	2,275,154	1,666,658	1,562,207
Inventories, net	11	14,828,102	14,382,985	13,071,284
Prepaid expenses		1,355,467	1,120,774	1,245,124
Derivative financial instruments	15	610	316,141	412,290
Assets available for sale	31	–	76,533	1,339,414
Total current assets		41,036,875	38,942,655	36,959,608
Non-current assets				
Long-term accounts receivable		83,172	152,571	12,591,441
Other investments available for sale		–	–	236,552
Real state inventories		515,923	669,631	667,131
Property, machinery and equipment, net	16	20,001,451	20,194,039	19,144,818
Investment property	17	1,534,811	1,534,811	1,481,399
Investment in associates	18	11,426,672	9,721,040	9,466,660
Employee retirement benefits	24	633,572	657,553	683,612
Derivative financial instruments	15	303,942	–	91,209
Intangible assets, net	19	329,036	350,951	291,824
Deferred income taxes	30	120,929	145,641	77,966
Other assets – net	20	875,931	662,229	703,400
Total non-current assets		35,825,439	34,088,466	45,436,012
Total assets		**$ 76,862,314**	**$ 73,031,121**	**$ 82,395,620**
Current liabilities:				
Notes payable to financial institutions and other		$ 9,330,449	$ 10,607,763	$ 17,158,734
Current portion of long-term debt	21	38,904	36,174	7,449,346
Trade accounts payable		9,359,032	8,718,411	6,903,805
Due to related parties	27	975,923	1,017,052	1,941,484
Other accounts payable and accrued liabilities		3,050,252	2,169,830	1,282,020
Provisions	22	2,327,673	2,085,123	1,767,697
Direct employee benefits		747,471	667,446	593,055
Derivative financial instruments	15	8,874	929,651	550,140
Advances from customers		1,872,584	1,195,548	1,202,326
Liabilities for assets available for sale	31	–	–	1,040,101
Total current liabilities		27,711,162	27,426,998	39,888,708
Non-current liabilities:				
Long-term debt	21	5,043,693	117,372	141,564
Deferred income taxes	30	1,252,091	1,715,044	2,355,978
Other long-term liabilities		3,714	2,857	58,273
Deferred revenue – Net		872	875	–
Derivative financial instruments	15	970,193	3,980	–
Total non-current liabilities		7,270,563	1,840,128	2,555,815
Total liabilities		34,981,725	29,267,126	42,444,523
Consolidated stockholders' equity:				
Capital stock		2,536,774	2,535,478	2,539,813
Net stock issuance premium		879,092	879,092	879,092
Retained earnings		35,291,538	32,394,029	29,550,923
Other comprehensive income items		9,929	567,245	(64,123)
Controlling interest		38,717,333	36,375,844	32,905,705
Non-controlling interest		3,163,256	7,388,151	7,045,392
Total consolidated stockholders' equity	25	41,880,589	43,763,995	39,951,097
Total liabilities and stockholders' equity		**$ 76,862,314**	**$ 73,031,121**	**$ 82,395,620**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2012 and 2011
(In thousands of Mexican pesos, except data of basic earnings per common share)

	Note	2012	2011
Continuing operations:			
Net sales		$ 84,179,267	$ 79,203,396
Cost of sales	28	61,760,353	59,392,589
Gross profit		22,418,914	19,810,807
Sales and development expenses	28	9,133,691	8,450,442
Administrative expenses	28	3,250,808	3,242,099
Depreciation	28	645,431	595,964
Statutory employee profit sharing		208,190	198,548
Other (income) expenses, net	29	(79,012)	319,895
Interest expense		815,206	775,298
Interest income		(294,654)	(490,300)
Exchange gain		(1,923,075)	(2,936,561)
Exchange loss		1,626,347	3,285,878
Effects of valuation of derivative financial instruments		(611,042)	498,391
Equity in income of associates	18	(1,551,698)	(635,717)
Income before income taxes		11,198,722	6,506,870
Income taxes	30	2,967,734	1,894,361
Income from continuing operations		8,230,988	4,612,509
Discontinued operations:			
Income from discontinued operations, net	31	5,782	291,979
Consolidated net income for the year		**$ 8,236,770**	**$ 4,904,488**
Other comprehensive income (loss):			
Translation effects of foreign operations		(446,084)	741,300
Valuation of derivative financial instruments		2,255	93,382
Actuarial losses		(148,191)	(86,163)
Share of other comprehensive income of associates		8,863	24,676
Consolidated comprehensive income of the year		**$ 7,653,613**	**$ 5,677,683**
Consolidated net income attributable to:			
Controlling interest		$ 7,640,589	$ 4,321,562
Non-controlling interest		596,181	582,926
		$ 8,236,770	**$ 4,904,488**
Basic earnings per common share attributable to controlling interest:			
Continuing operations		**$ 3.337**	**$ 1.880**
Discontinued operations		**$ 0.003**	**$ 0.127**
Basic earnings per common share		**$ 3.340**	**$ 2.007**
Weighted average number of shares ('000)		**2,289,877**	**2,298,757**
Consolidated comprehensive income attributable to:			
Controlling interest		$ 7,083,273	$ 4,952,930
Non-controlling interest		570,340	724,753
		$ 7,653,613	**$ 5,677,683**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

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

	Capital stock	Net stock issuance premium	Retained earnings
Balances as of January 1, 2011 (transition date)	$ 2,539,813	$ 879,092	$ 29,550,923
Repurchase of stock	(4,335)	-	(350,228)
Cash dividends decreed	-	-	(1,148,647)
Dividends paid to non-controlling interest	-	-	-
Decrease in non-controlling interest due to stock purchase	-	-	20,419
Balances before comprehensive income	2,535,478	879,092	28,072,467
Consolidated comprehensive income of the year	-	-	4,321,562
Consolidated balances as of December 31, 2011	2,535,478	879,092	32,394,029
Repurchase of stock	1,296	-	(60,890)
Cash dividends decreed	-	-	(1,373,881)
Dividends paid to non-controlling interest	-	-	-
Decrease in non-controlling interest due to stock purchase (Note 3i)	-	-	(3,308,309)
Balances before comprehensive income	2,536,774	879,092	27,650,949
Consolidated comprehensive income of the year	-	-	7,640,589
Consolidated balances as of December 31, 2012	$ 2,536,774	$ 879,092	$ 35,291,538

See accompanying notes to consolidated financial statements.

Translation effects of foreign operations	Valuation of derivative financial instruments	Actuarial losses	Share of other comprehensive income of associates	Total controlling interest	Non-controlling interest	Total stockholders' equity
$ -	$ (64,123)	$ -	$ -	$ 32,905,705	$ 7,045,392	$ 39,951,097
-	-	-	-	(354,563)	-	(354,563)
-	-	-	-	(1,148,647)	-	(1,148,647)
-	-	-	-	-	(122,174)	(122,174)
-	-	-	-	20,419	(259,820)	(239,401)
-	(64,123)	-	-	31,422,914	6,663,398	38,086,312
659,242	33,308	(85,858)	24,676	4,952,930	724,753	5,677,683
659,242	(30,815)	(85,858)	24,676	36,375,844	7,388,151	43,763,995
-	-	-	-	(59,594)	-	(59,594)
-	-	-	-	(1,373,881)	-	(1,373,881)
-	-	-	-	-	(1,241,637)	(1,241,637)
-	-	-	-	(3,308,309)	(3,553,598)	(6,861,907)
659,242	(30,815)	(85,858)	24,676	31,634,060	2,592,916	34,226,976
(420,774)	2,950	(148,355)	8,863	7,083,273	570,340	7,653,613
$ 238,468	$ (27,865)	$ (234,213)	$ 33,539	$ 38,717,333	$ 3,163,256	$ 41,880,589

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	2012	2011
Cash flows from operating activities:		
Consolidated net income	$ 8,236,770	$ 4,904,488
Adjustments not requiring (providing) cash:		
Income tax recognized in earnings	2,967,734	1,894,361
Depreciation	1,345,108	1,326,021
Amortization	86,958	65,616
Gain on sale of property, machinery and equipment	(9,453)	19,134
Equity in income of associated companies	(1,551,698)	(635,717)
Interest income	(294,654)	(490,300)
Interest expense	815,206	775,298
Exchange (gain) loss from financing	(30,270)	331
Other items	(313,158)	696,378
Income from discontinued operations	(5,782)	(291,979)
	11,246,761	8,263,631
Items related to operating activities:		
(Increase) decrease in:		
Accounts receivable	(1,826,595)	(633,913)
Due from related parties	(608,496)	(104,451)
Inventories	(831,254)	(1,256,715)
Prepaid expenses	(234,693)	124,350
Other assets	(9,290)	1,163,708
Increase (decrease) in:		
Trade accounts payable	640,621	1,814,606
Due to related parties	(41,129)	(924,432)
Other liabilities	337,199	551,619
Income taxes paid	(1,680,040)	(2,309,931)
Derivative financial instruments	670,322	165,840
Net cash flows provided by operating activities	7,663,406	6,854,312
Cash flows from investing activities:		
Sale of investments securities held for trading, net	7,792	(29,852)
Purchase of property, machinery and equipment	(1,791,312)	(2,773,501)
Proceeds from sale of property, machinery and equipment	451,242	71,562
Purchase of real estate inventories	153,708	(2,500)
Intangible assets	(141,513)	67,374
Interest received	294,654	490,300
Dividends received	347,662	688,679
Long-term accounts receivable	69,399	12,438,870
Sale of shares in associated	8,596	655,981
Acquisition of shares in subsidiaries and associates	(182,625)	(429,500)
Net cash flows from investing activities	(782,397)	11,177,413
Cash flows from financing activities:		
Borrowings	13,228,313	10,836,004
Payment of borrowings and long-term debt	(9,552,967)	(24,818,095)
Interest paid	(808,420)	(792,720)
Dividends paid	(2,615,518)	(1,270,821)
Repurchase of stock	(59,594)	(354,563)
Acquisition of non-controlling interest	(6,861,907)	-
Net cash flows used in financing activities	(6,670,093)	(16,400,195)
Effects of exchange rate changes on cash and cash equivalents	(114,072)	179,083
Net decrease in cash and cash equivalents	96,844	1,810,613
Cash and cash equivalents at beginning of the year	4,897,894	3,087,281
Cash and cash equivalents at end of the year	**$ 4,994,738**	**$ 4,897,894**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2012 and 2011 and January 1, 2011 (transition date)
(In thousands of Mexican pesos ($) and thousands of U.S. dollars (US$))

1.Activities

Grupo Carso, S.A.B. de C.V. ("Grupo Carso") and Subsidiaries (the "Entity") is a holding entity with a duration of 99 years that maintains investments in the shares of a group of companies that operate in the industrial, retail and infrastructure and construction sectors. Grupo Carso is domiciled in Lago Zurich 245, sixth floor, Colonia Ampliación Granada, Mexico City, Postal Code 11529.

2.International Financial Reporting Standards (IFRS)

Adoption of IFRS -Beginning January 1, 2012, the Entity adopted 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 a transition date of January 1, 2011. Therefore, the Entity adopted IFRS 1, First-time Adoption of International Financial Reporting Standards, since are part of the period covered in these financial statements were reported previously under Mexican Financial Reporting Standards ("MFRS", individually referred to as Normas de Información Financiera or "NIF"). 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 Entity has applied the mandatory exceptions and has elected certain first-time adoption exemptions as described below. Further information regarding the effects of adoption are dicussed in Note 35.

Mandatory exceptions:

i) The Entity applied the mandatory exception with respect to accounting estimates at the transition date that are consistent with those used as of that date under MFRS. This mandatory exception does not apply to MFRS accounting estimates that were determined on a basis different from that under IFRS.

ii) Non-controlling interests - The Entity 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 Entity was already applying hedge accounting in accordance with MFRS, 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 are not applicable to the Entity.

Furthermore, the Entity has applied the optional exceptions for first-time adoption, as described below:

i) As the Entity applied business combination transactions prospectively as of the transition date, it did not reissue any business combinations which arose prior to the transition date. Accordingly, the values and classification of acquired assets and assumed liabilities determined in accordance with MFRS are presented on the previous MFRS basis in the initial financial statements.

ii) Given the circumstances of each subsidiary's assets, the Entity opted to utilize the fair value determined at the transition date based on the appraisals made for certain assets (property, machinery and equipment and investment properties) or the restated value determined in accordance with MFRS (depreciated cost adjusted for the effects of inflation) at the transition date as the deemed cost used for certain property, plant and equipment components.

iii) With respect to the recognition of employee retirement benefits, the Entity applied the exemption to recognize all actuarial gains and losses related to all employee benefits plans at the transition date, instead of separating the respective recognized and unrecognized portions.

iv) The Entity 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.

v) The Entity has operations that require the recognition of provisions for environmental damage and dismantlement of assets. Therefore, the application of this exemption allows the Entity to include in the depreciated cost of certain assets, the amount equal to the net present value of the dismantlement liability determined at the date of transition, net of depreciation accumulated from the date the liability was first incurred through the date of transition.

vi) The Entity 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.Significant events for the year

i. On January 12, 2012, the Entity made a Public Offering (the "Offering") for the acquisition of up to $6,793,779, equal to 828,509,610 ordinary no par value Series B-1 shares which represented 32.82% of the common stock of its subsidiary, Carso Infraestructura y Construcción, S.A. de C.V. (CICSA), an entity listed with the Mexican Stock Exchange (BMV). Through the Offering, which expired on February 10, 2012, Grupo Carso acquired 32.71% of the noncontrolling interest in and increased its holding to 99.92 of the outstanding shares of CICSA, thereby resulting in its delisting from the BMV.This transaction generated a charge to retained earnings of $3,308,309, together with a decrease in noncontrolling interest in the amount of $3,553,598.

ii. The subsidiary, Tenedora de Empresas de Materiales de Construcción, S.A. de C.V. made two equity contributions in Elementia, S.A. de C.V. as follows: on December 28, 2012, it acquired 822,620 Series B-L shares for the amount of $267,971 and on July 31, 2012, it acquired an additional 822,620 Series B-L shares for the amount of $267,971.

iii. On January 14, 2011, Grupo Condumex, S.A. de C.V. sold the shares of its subsidiaries, Hubard y Bourlon, S.A. de C.V., Ingeniería HB, S.A. de C.V. and Selmec Equipos Industriales, S.A. de C.V. to its related party, Enesa Ingeniería, S.A. de C.V. The total selling price of the shares was $515,000, generating an accounting profit of $92,040 for Hubard y Bourlon, S.A. de C.V., an accounting loss of ($69) for Ingeniería HB, S.A. de C.V. and an accounting profit of $78,228 for Selmec Equipos Industriales, S.A. de C.V. As of December 31, 2010, such operations were reclassified to held for sale and discontinued operations.

iv. On March 1, 2011, an issuance of capital was carried out to formalize the transaction whereby Grupo Carso contributed the amount of US$23,300 to Tabasco Oil Company (TOC), in exchange for 70% of the equity of such company. TOC is certified as an oil company and has the concession for the LLA 56 block located in the Llanos Orientales region of northeast Colombia, which was granted by the National Hydrocarbons Agency of Colombia (ANH) in February 2011 for purposes of exploration and production of hydrocarbons. The concession area covers 413.2 km2 and includes a commitment to make initial investments as stipulated in the concession agreement. TOC must complete three-dimensional seismic studies in an area of at least 145.2 km² and develop at least one exploratory well in the first phase. At the date of issuance of this report, there are basic studies on the perspectives of such block, including two dimensional seismic studies. Based on current estimates, the first exploratory well A3 will be drilled in late 2013 and beginning of 2014.

   In March 2012, TOC acquired contractual rights for the exploration and production of hydrocarbons in the Jagüeyes B block. This contract was executed for a 30-year period and refers to a contracted area of 243.97 Km2. Three-dimensional (3-D) seismic studies have already been performed for a 150 Km2 area of this block. Two exploratory A3 wells have also been drilled. TOC is currently drilling a third exploratory well in compliance with the third phase of the contract.

v. In November 2011, CICSA acquired the remaining 20% of the common stock of Bronco Drilling MX, S.A. de C.V. (formerly Bronco Drilling MX, S. de R.L. de C.V.), for US$5,000, after which CICSA now holds 100% of the common stock of Bronco Drilling MX, S.A. de C.V. This purchase originated a benefit of $132,156 recorded directly to stockholders' equity because it represents the acquisition of the non-controlling interest.

vi. In January 2011, CICSA reached an agreement with Tubacero, S. de R.L. de C.V. to sell certain assets related to the operation of a pipe mill within the manufacturing and services sector with a value of US$ 45 million. The sale, which took place in May 2011, generated a loss of $45,535, which is included in income from discontinued operations.

vii. As of December 31, 2011, CICSA sold all of its shares held in Archer Limited, a public entity listed on the Oslo Stock Exchange, to Allis Chalmers Energy, Inc., the same entity from which CICSA originally acquired the shares of Archer Limited during 2011. This transaction generated a loss on the sale of shares of $105,206, which was recorded under the heading of other expenses. This loss arose due to the decrease in the market value of the shares over the period from when they were acquired. As of December 31, 2010, there were 2,700,000 publically traded shares with a market value of $ 236,552.

viii. In November 2010, CICSA reached an agreement with its related party, Ideal Panamá, S.A., to sell 100% of the common stock of its subsidiary Cilsa Panamá, S.A. for US$700, which transaction was completed on January 31, 2011. This sale generated a gain of $51,390, which is included in income from discontinued operations. Accordingly, the operating results of this subsidiary are excluded from income from continuing operations as presented in these consolidated financial statements (See Note31).

ix. CICSA acquired a warrant (the "Warrant") from Banco Inbursa, S.A., Institución de Banca Múltiple, Grupo Financiero Inbursa for a three-year period to acquire up to 5,440,770 shares of Bronco Drilling at par value of US$ 0.10 each share. These shares will be subscribed when the Warrant is exercised; its main terms and conditions include the following:

   In June 2011, the Entity exercised the Warrant issued for the 5,440,770 shares of Bronco Drilling at US$ 7.00 per share, with a market value of US$ 11 per share. This transaction generated a gain of $163,381, which is presented in the consolidated statements of comprehensive income.

x. In order to utilize the installed capacity of platform construction yards, the Entity, through its subsidiary, Operadora Cicsa, S.A. de C.V. ("Operadora"), began construction of a Jack-Up (mobile platform used to drill marine oil wells) in 2009, which was completed in the first quarter of 2011. During the second quarter of 2011, as the Entity's Board of Directors resolved to sell this platform, it was classified as inventory; the marketing process was then commenced through specialized entities. Marketing efforts continued throughout 2012, thus allowing the Entity to gain an in-depth knowledge of this market and identify different options for this equipment, including the provision of services and leasing, which the Board of Directors agreed to consider. This equipment was therefore reclassified to property, plant and equipment during 2012 (see Note 15).

4.Basis of preparation and consolidation

a. **Basis of preparation-T**he consolidated financial statements as of December 31, 2012 and 2011 and for the years then ended have been prepared in accordance International Financial Reporting Standards ("IFRS")

The accompanying consolidated 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 policies set out below have been consistently applied to all periods presented.

b. **Basis of consolidation of financial statements -** The consolidated financial statements include those of Grupo Carso, S.A.B. de C.V. and its direct and indirect subsidiaries over which it exercises control. Intercompany balances and transactions have been eliminated on consolidation. The ownership percentages over the capital stock of its subsidiaries as of December 31, 2012, 2011, and January 1, 2011 are shown below:

Subsidiary	Country of incorporation and operations	Activity	December 31, 2012	Ownership & December 31, 2011	January 1, 2011
Carso Infraestructura y Construcción, S.A.B. de C.V and Subsidiaries ("CICSA")	Mexico, Central america and South america	Performance of several branches of engineering, including: oil well drilling and oil rig construction projects and all types of civil, industrial and electromechanical projects and facilities; construction and maintenance of highways, water pipes, water treatment plants and hydroelectric stations; housing construction; manufacturing and selling of cold-formed carbon steel tubes; and installation of telecommunication and telephone networks.	99.92	67.15	65.76
Grupo Condumex, S.A. de C.V. and Subsidiaries ("Condumex")	Mexico, U.S.A., Central america, South america and Spain	Manufacture and sale of cable products used in the construction, automotive, energy and telecommunications industries; manufacture and sale of products of copper and aluminum.	99.57	99.57	99.57
Grupo Sanborns, S.A. de C.V. and Subsidiaries ("Sanborns")	Mexico, El Salvador and Panamá	Operation of department stores, gift shops, record stores, restaurants, cafeterias and management of shopping malls through the following commercial brands, principally: Sanborns, Sears, Saks Fifth Avenue, Mix-up and iShop.	99.98	99.98	99.98
Industrial Cri, S.A. de C.V and Subsidiaries ("Industrial Cri")	Mexico	Holding of shares of companies in the following sectors: installation and maintenance of telephone stands, manufacturing all types of candies and manufacture of bicycles.	100.00	100.00	100.00
Carso Energy, S.A. de C.V. and Subsidiary	Mexico and Colombia	Drilling and exploration of oil wells	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** - In the operation of the retail sector, the Entity has historically 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, products such as toys or winter clothes, and school supplies during the back-to-school period, are promoted. By contrast, sales decrease in July and August. The Entity 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 the impact of seasonality on financial position and financial performance are insignificant.

5.Significant accounting policies

The accompanying consolidated financial statements have been prepared in accordance with IFRS. Their preparation requires that the Entity'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 Entity's management, upon applying professional judgment, believes that estimates made and assumptions used were adequate under the circumstances. The significant accounting policies of the Entity are as follows:

a. **Recognition of effects of inflation** - The Entity only recognizes the inflationary effects for entities that operate in hyperinflationary economies, which are considered to be economies in which cumulative inflation over the last three years is greater than 100%. In 2012 and 2011, the Entity 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 recording 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.

   Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate in effect on the date the fair values are determined.

   Foreign operations with a reporting currency different from the functional currency translate their financial statements from the functional currency to the reporting currency 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.

   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. In the case of exchange rate differences from foreign currency loans relating to assets under construction qualifying for capitalization of interest, these are included in the cost of those assets when they are regarded as an adjustment to interest costs on such loans denominated in foreign currency.

The functional and recording currency of Grupo Carso and all of its subsidiaries is the Mexican peso, except for foreign subsidiaries whose functional and recording currency are as shown below:

Company	Currency in which transactions are recorded	Functional currency
Cablena, S.A.	Euro	Euro
Cablena do Brasil, Limitada	Real	Real
Carso Construcción de Costa Rica, S.A.	Colón	US dollar
Cicsa Colombia, S.A.	Colombian peso	Colombian peso
Carso Construcción de Dominicana, S. de R.L. (antes Cicsa Dominicana, S.A.)	Dominican peso	Dominican peso
Cicsa Ingeniería y Construcción Chile Ldta, S. de R.L.	Chilean peso	Chilean peso
Tabasco Oil Company, LLC	Colombian peso	US dollar
Cicsa Jamaica Limited	Jamaican dollar	Jamaican dollar
Cicsa Perú, S.A.C.	New Sol	New Sol
Cobre de México, S.A. de C.V.	Peso	US dollar
Servicios Integrales GSM, S. de R.L. de C.V.	Peso	US dollar
Bronco Drilling MX, S.A. de C.V.	Peso	US dollar
Arcomex, S.A. de C.V.	Peso	US dollar
Arneses Eléctricos automotrices, S.A. de C.V.	Peso	US dollar
Condumex Inc.	US dollar	US dollar
Condutel Austral Comercial e Industrial, Limitada	Chilean peso	Chilean peso
Cometel de Guatemala, S.A.	Quetzal	Quetzal
Cometel de Honduras, S.A.	Lempira	Lempira
Cometel de Nicaragua, S.A.	Córdoba	Córdoba
Cometel de Colombia, S.A.S.	Colombian peso	Colombian peso
Acordaflex, S.A. de C.V.	Peso	Dólar estadounidense
Cupro do Brasil, Limitada	Real	Real
Grupo Sanborns Internacional, S.A. (Panamá)	US dollar	US dollar
Nacel de Centroamérica, S.A.	Quetzal	Quetzal
Nacel de Honduras, S.A.	Lempira	Lempira
Nacel de Nicaragua, S.A.	Córdoba	Córdoba
Nacel de El Salvador, S.A.	US dollar	US dollar
Procisa Ecuador, S.A.	US dollar	US dollar
Procisa do Brasil Projetos, Construcoes e Instalacoes, Ltd.	Real	Real
Procosertel, S.A.	Argentine peso	Argentine peso
Procosertel Uruguay, S.A.	Uruguayan peso	Uruguayan peso
Corporación de Tiendas Internacionales, S.A. de C.V. (El Salvador)	US dollar	US dollar

The entities listed above are considered foreign operations under IFRS.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded using the exchange rate prevailing on the dates of transactions are conducted.

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 in pesos and U.S. dollars

d. **Inventories and cost of sale-** Inventories are stated at the lower of cost or net realizable value (estimated selling price less all necessary costs to complete sale), as follows:

Industrial, construction and retail inventories -Are valued using first in-first out and/or average cost depending on the activity of each entity. Cost includes the cost of materials, direct costs and an appropriate portion of fixed and variable overhead costs that are incurred in transforming the inventories in accordance with the respective activity of the Entity. Impairments are reflected as reductions in the carrying amount of inventories.

Real estate inventories - Real estate inventory that is substantially complete is valued at the lower of cost or net realizable value. Land to be developed is tested for impairment if there are indications that its value will not be recoverable. The real estate inventory includes all direct costs of land, construction and other development and incurred during the development stage, as well as financial costs. Property development costs, include the cost of land, materials, subcontracts, and all related indirect costs, such as indirect labor, purchases, repairs and depreciation. The general and administrative costs are expensed as incurred.

In the case that the estimated total property development costs exceed the estimated total revenue, the expected loss is recorded with a charge to income. Cost of sales of real estate inventories is determined and prorated based on total costs of promotions or projects.

Real estate for which the construction phase exceeds one year is classified as long-term inventories.

e. **Assets available for sale -** Long-term assets and groups of assets held for sale are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is deemed to be met only when the sale is highly probable, the asset (or group of assets) is available for immediate sale in its present condition and management is committed to the sale of such assets, which is expected to be completed during the period of one year from the date of such classification. Assets held for sale are classified as current in the statement of financial position in accordance with management's intent and are recorded at the lower of carrying value or fair value less costs to sell.

   When Grupo Carso are committed to a plan of sale involving loss of control of a subsidiary, all assets and liabilities of that subsidiary are classified as held for sale when it meets the criteria described above, even when the entity retains a non-controlling interest in the subsidiary after the sale.

   Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

f. **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), or fair value determined through appraisals for certain items of property, machinery and equipment. 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 accounting estimate is recognized on a prospective basis. Depreciation of machinery and equipment in certain subsidiaries is calculated based on units produced during the period in relation to the total estimated production of the assets over their service lives.

	Depreciation weighted average rate	% Residual value
Buildings and leasehold improvements	1.4 a 10	5 y 10
Machinery and equipment	4.1 a 5	
Vehicles	25	5, 10 y 25
Furniture and equipment	5 a 12.8	
Computers	16.7 a 41.2	

   Borrowing costs incurred during the period of construction and installation of qualifying property, machinery and equipment are 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.

   The buildings and machinery to be used in production that are under construction are carried at cost less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the accounting policy of the entity. Depreciation of these assets, as well as other properties, starts when the assets are ready for their intended use.

   Assets held under finance leases are depreciated over the shorter of their estimated useful lives as owned assets or the corresponding lease term.

g. **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.

   The assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease, or if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as part of accounts payable and accrued liabilities.

   Lease payments are apportioned between the finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they can be directly attributable to qualifying assets, in which case they are capitalized in accordance with the general policy of Grupo Carso for borrowing costs.

   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.

h. **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 through appraisals. 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 of certain subsidiaries of the Entity

i. **Borrowing costs -** Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

j. **Investment in shares of associated companies and other -** 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.

Subsequent to initial recognition, the comprehensive income of associates as well as the distribution of profits or capital repayments is incorporated into the consolidated financial statements using the equity method, unless the investment is classified as held for sale, in which case is recorded in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. When Grupo Carso participation in the losses of an associate exceeds the investment value, is discontinued recognition of its share of such losses. Additional losses are not recognized until the time of Grupo Carso is legally required to cover payments on behalf of its associate.

k. **Intangibles assent-** Intangible assets are recognized in the accompanying balance sheets only if they can be identified, provide future economic benefits and control exists over such assets. Intangible assets with an indefinite useful life are not amortized and the carrying value of these assets is subject to annual impairment testing, and intangible assets with a defined useful life are amortized systematically based on the best estimate of their useful life, determined in accordance with the expected future economic benefits. The useful life, residual value and amortization method are subject to annual impairment assessment, any change is recorded on a prospective basis.

The disbursements caused by research activities are recognized as an expense in the period in which they are incurred.

Intangible assets recognized by the Entity mainly relate to costs incurred during the evaluation phase, which are capitalized as other assets during the exploration and evaluation of the Project, and are amortized on the straight-line basis over the useful life of the concession or of the Project, whichever is lower.

Plans and projects for environmental control are presented within other assets. The expenses that are made for this concept are applied to the provision for environmental remediation and the subsequent increase to such provision is debited to the net income of the year, only if it corresponds to present obligations or to other future obligations, in the year that they are determined.

l. **Intangible assets acquired in business combination-** Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

In assessing value in use, the estimated future cash flows are discounted at present value using a discount rate before tax that reflects current market assessments, the time value of money and the risks specific to the asset for which not adjusted future cash flows.

m. **Government grants -** Government grants are not recognized until there is reasonable assurance that the Entity will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Entity should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

n. **Goodwill -** The goodwill arising from a business combination are recognized at historical cost as an asset at the date that control is acquired (the acquisition date), less impairment losses recognized, if any. Goodwill is the excess of the consideration transferred the amount of any non-controlling interest in the acquired over the fair value of the acquirer's interest in the equity of the acquired and / or on the net at the date of acquisition identifiable assets acquired and liabilities assumed.

When the fair value of the identifiable net assets acquired exceeds the sum of the consideration transferred, the amount of such excess is recognized in earnings as a gain on purchase.

Goodwill is not amortized and is subject to annual impairment testing. For purposes of impairment testing, goodwill is allocated to each cash-generating unit for which the Entity expects to obtain benefits. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the unit and then to the other assets of unit, proportionately, based on the carrying amount of each asset in the unit. The impairment loss recognized for goodwill purposes cannot be reversed in a subsequent period.

When a subsidiary is disposed-off, the amount attributable to goodwill is included in determining the gain or loss on the disposal.

o. **Impairment of tangible and intangible assets excluding goodwill -** The Entity reviews the carrying values of its tangible and intangible 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 Entity 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. Intangible assets with an indefinite useful, are annually tested for impairment and when indicator of impairment is present.

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, unless the asset is recognized at revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

p. Business Combinations - Are the transactions or other events whereby assets acquired and liabilities assumed constitute a business. The acquisition of subsidiaries and businesses are accounted for using the purchase method. The consideration for each acquisition is valued at its fair value at the date of acquisition and the net assets and liabilities acquired. The acquisition-related costs are recognized in income when incurred.

The identifiable assets, liabilities and contingent liabilities of the acquired that meet the conditions for recognition under IFRS 3, Business Combinations, are recognized at their fair value at the acquisition date, except that:

i. Assets or deferred tax liabilities and liabilities or assets related to agreements employee benefits are recognized and valued in accordance with IAS 12, Income Taxes, and IAS 19, Employee Benefits, respectively;

ii. Liabilities or equity instruments related to the replacement by the Entity acquired awards of share-based payments are valued in accordance with IFRS 2, Share-based Payments, and

iii. Assets (asset group for sale) that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial recognition of a business combination is not completed at the end of the reporting period in which the combination occurs, the Entity reports provisional amounts for the items for which recognition is incomplete. During the appraisal period, the acquirer shall recognize adjustments to the provisional amounts recognized assets or liabilities or additional requirements to reflect new information obtained about facts and circumstances that existed at the acquisition date, which if known, would have affected the valuation of the amounts recognized at that date.

The valuation period is the period from the acquisition date until the Entity obtains complete information about facts and circumstances that existed at the date of acquisition which is subject to a maximum of one year.

In the case that the consideration for the acquisition includes any asset or liability caused by a contingent consideration arrangement, such arrangement is valued at fair value at the acquisition date. Subsequent changes in such fair values are adjustments to the acquisition cost, which are classified as valuation period adjustments. All other changes in fair value of contingent consideration classified as an asset or liability in accordance with the relevant IFRS are recognized directly in income. Changes in fair value of contingent consideration classified as equity are not recognized.

In the case of a business combination in stages, prior investment of the Entity in the capital of the acquired is remeasured to fair value at the acquisition date (meaning the date on which the Entity obtains control) and the resulting gain or loss, if any, are recognized in income. The amounts resulting from participation in the acquired prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to earnings, provided that such treatment would be appropriate in the case to be sold such participation.

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognized in accordance with IAS 37 and the amount initially recognized less cumulative amortization recognized in accordance with IAS 18, Revenue.

q. Financial instruments- Financial assets and financial liabilities are recognized when the Entity 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, except for those financial assets classified at fair value changes in profit, which are initially measured at fair value.

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) 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 Entity holds AFS 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 Entity 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.

A financial asset other than a financial asset held for trading may be designated as a financial asset at fair value through profit or loss on initial recognition if:

- With such designation eliminates or significantly reduces a measurement or recognition inconsistency valuation that would otherwise arise, or
- The financial asset forms part of a group of financial assets, financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with a risk management strategy and investment documented by the Entity and information is provided internally on that group, on the basis of their fair value; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire hybrid contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 14.

– Held-to-maturity financial assets

The investments held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Entity plans and can hold to maturity. After initial recognition, investments held to maturity are valued at amortized cost using the method of effective interest rate less any impairment exists.

– Financial assets available for sale

The shares listed on the stock exchange that maintains the Entity and that are traded in an active market are classified as held for sale and recorded at fair value. The fair value is determined in the way described in Note 14. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in investment revaluation reserve, except for impairment losses, interest calculated using the effective interest method, and gains and losses on changes, which are recognized in the results. Where an investment is available or determined impairment, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to the income.

Dividends on equity instruments available for sale are recognized in income when establishing the right of Entity to receive dividends.

The fair value of monetary assets available for sale denominated in foreign currency is determined in that foreign currency and converted at the spot exchange rate at the end of the reporting period. Gains and losses on foreign exchange are recognized in the results, are determined based on the amortized cost of the monetary asset. Other gains and losses on changes recognized in other comprehensive income.

– 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 financial assets at fair value through profit or loss, are subject to testing for impairment purposes at the end of each period being reported. Considered 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.

  For listed equity instruments classified as available for sale, a significant or prolonged fair value of securities below its cost is considered to be objective evidence of impairment.

  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 Entity'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 against the allowance. Changes in the carrying value of the allowance for bad debts are also recognized within results.

  When it is consider that a financial asset available for sale is impaired, the cumulative gain or loss previously recognized in other comprehensive income are reclassified to profit or loss.

  Except for equity instruments available for sale, whether in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying value of the investment at the date the impairment is reversed does not exceed the amortized cost would have been if no impairment had been recognized.

With respect to equity instruments available for sale, impairment losses previously recognized in income are not reversed through them. Any increase in fair value after recognition of the impairment loss is recognized in other comprehensive income.

ii. Financial liabilities and equity instruments issued by the Entity

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 Entity 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.

– 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 Entity derecognizes financial liabilities when, and only when, the Entity´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

r. Derivative financial instruments – The Entity 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 c) stock price, d) metal prices and, e) natural gas price. Note 15 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 Entity 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.

– Hedge accounting

The Entity designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Entity documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Note 14 sets out details of the fair values of the derivative instruments used for hedging purposes.

– Cash flow hedges

At the start of each hedge, the Entity documents the hedging relationship and objective, together with its risk management strategy. This documentation includes the manner in which the Entity 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 Entity 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 Entity 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".

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

– Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued when the Entity revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

– Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the of "other (income) expenses" line item.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

The debt and equity instruments are classified as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

– Embedded derivatives

The Entity 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 Entity did not enter into any fair value hedges for its net investment in foreign transactions or embedded derivatives.

s. 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.

Provision for environmental remediation – The Entity has adopted environmental protection policies within the framework of applicable laws and regulations. However, due to their activities, the industrial subsidiaries, sometimes perform activities that adversely affect the environment. Consequently, the Entity implements remediation plans (which are generally approved by the competent authorities) that involve estimating the expenses incurred for this purpose.

The estimated costs to be incurred could be modified due to changes in the physical condition of the affected work zone, the activity performed, laws and regulations, variations affecting the prices of materials and services (especially for work to be performed in the near future), as well as the modification of criteria used to determine work to be performed in the affected area, etc.

The fair value of a liability for asset retirement obligations is recognized in the period incurred. The liability is measured at fair value and is adjusted to its present value in subsequent periods, as expense is recorded. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's useful life.

– Restructuring – provision is recognized when the Entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

t. Reserve for purchase of own shares – Purchases and sales of shares are recognized directly in reserve acquisition of treasury shares at cost of acquisition and placement respectively. Any gain or loss is recognized in the net stock issuance premium.

u. 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 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 (different from a business combination) of other assets and liabilities in a transaction that will not affect the Entity's taxable income or accounting profit.

The Entity 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 Entity 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 Entity 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 Entity'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 Entity expects to recover or settle the carrying values of its assets and liabilities at the end of the reporting period.

Grupo Carso has the authorization of the Secretary of Finance and Public Credit in Mexico to prepare its income tax on a consolidated basis, which includes the proportional taxable income or loss of its Mexican subsidiaries. For its part, the tax provisions of the foreign subsidiaries are determined based on the taxable income of each individual entity.

Current and deferred income tax is recorded in the results of the year they are incurred, except when related to items recognized as other comprehensive income. In case of a business combination the tax effects are included within the business combination. Asset tax paid in prior years that is expected to be recoverable is recorded as a tax credit.

v. 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 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 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 present value of any economic benefits derived from the plan and available as future plan contribution reimbursements or reductions.

w. **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 Entity 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 Entity 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 recognized when it is accrued and is generated by credit card transactions (Sanborns, Sears, Saks, Dorian's, Mixup and Corpti).

- **Services** – Revenus 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.

- **Long-term construction contracts** – When can be estimated reliably the results of a construction contract revenue is recognized using the percentage-of-completion method based on costs incurred, taking into account the expected costs and revenues at the end of the project, as the activity takes place. Changes in the performance of work, and estimated profit, including those that may arise for prizes conclusion derived from projects in advance, contractual penalties and final agreements in contracts, are recognized as income in the periods in which revisions are made or approved by customers.

  Under different contracts, recognized revenues do not necessarily reflect the amounts billable to customers. Management periodically evaluates the fairness of its accounts receivable. In those cases in which the recovery of these amounts entails certain difficulties, additional allowances for doubtful accounts are created and applied to the results of the year in which they are determined. The estimate prepared for this reserve is based on management's judgment and also considers prevailing circumstances when it is determined.

  Contract costs include labor, raw materials, subcontractor, project startup and indirect costs. The Entity periodically evaluates the fairness of the estimates used to determine the work completion percentage. If, as a result of this evaluation, the Entity considers that the estimated costs to be incurred until project conclusion exceed expected revenues, a provision is recognized for the estimated losses of the period in question. In the case of works projects financed by the Entity in which the contract value includes work execution and financing revenues, the net financial expense (income) needed for project development forms part of the respective contract costs, which are recognized in results based on project work completion. In this type of contract, the total project amount can be collected from the customer until the termination date by submitting periodic project work completion reports for the customer's approval, which enable the Entity to obtain project financing when required.

- **Changes to construction contracts**– Are recognized when the amount can be reliably quantified and there is reasonable evidence of approval by the customer. Revenues are recognized when claims can be measured reliably and when, derived from progress in the negotiations, there is reasonable evidence that the client will accept your payment.

- **Infrastructure concessions**– Revenues from the operation of concession projects are recognized as concession service revenue in accordance with the respective recognition and measurement criteria. Normally, the prices for the service provided under concession agreements are regulated by the grantor. Changes in tariffs are not recognized until the date such changes enter into effect.

- **Dividends and interests**– Dividend income from other investments is recognized once the right of shareholders to receive this payment has been established (when it is probable that the economic benefits will flow to the Entity and that the income can be reliably valued).

  Interest income from financial assets is recognized when earned and is probable that the economic benefits will flow to the Entity and the amount of revenue can be reliably valued. Interest income is generated primarily by the credit card operation in department stores.

x. **Loyalty programs for customers** – 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.

y. **Interests in joint ventures** – A joint venture is a contractual arrangement whereby the Entity and other parties undertake an economic activity that is subject to joint control. When a subsidiary entity undertakes its activities under joint venture arrangements directly, the Entity's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Entity's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Entity and their amount can be measured reliably.

   The Entity reports its interests in jointly controlled entities using proportionate consolidation in the assets, liabilities, income and expenses of jointly controlled entities on a line-by-line basis.

z. Statement of cash flows – The indirect method is used for presenting cash flows from operating activities, such that the net income is adjusted for changes in operating items not resulting in cash receipts or disbursements, and for items corresponding to cash flows from investing and financing activities. Interest received is presented as an investing activity and interest paid is presented as a financing activity.

aa. Earnings per share (i) The basic earnings per common share is calculated by dividing the net consolidated profit attributable to the controlling interest by the weighted average of common outstanding shares during the year, and (ii) The basic profit per common share for discontinued operations is calculated by dividing the result for discontinued operations by the weighted average of common outstanding shares during the year.

6.Critical accounting judgments and key sources of uncertainty estimations

In applying the accounting policies (see Note 5), the Entity'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 allowances– The Entity use estimates to determine inventory and accounts receivable reserves. When calculating inventory reserves, the Entity considers production and sales volumes, as well as the demand for certain products. When determining the allowance for doubtful accounts, the Entity primarily considers the financial risk represented by each customer, unguaranteed accounts and significant collection delays based on established credit conditions.(See Notes 10 and 11 for further detail).

b. Property, machinery and equipment– The Entity 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, 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 Entity 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 Entity has utilized the physical inspection approach for the value of investment properties included in the accompanying consolidated financial statements. The valuation methodology includes observable assumptions for properties which, while dissimilar, nonetheless involve the same geographic zones and commercial use. The Entity considers the highest and best use of its assets.

   The valuation techniques used by the Entity were not modified in 2012 and 2011. Entity management considers that the valuation methodologies and assumptions utilized are appropriate for determining the fair value of the Entity'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 Entity performs a review to determine whether the carrying value exceeds its recovery value and is impaired. When applying asset impairment tests, the Entity 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 Entity determine the future cash flows which must be produced by cash generating units, together with an appropriate discount rate for calculating present value. The Entity utilizes cash flow projections by estimating market conditions, prices, production and sales volumes.

e. Valuation of financial instruments – The Entity 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 14 contains detailed information on the key assumptions used to determine the fair value of the Entity's financial instruments, as well as an in-depth sensitivity analysis of these assumptions. Entity 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 Entity 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 Entity 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 Entity 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.

h. **Revenue recognition for construction contracts:** When can be estimated reliably the results of a construction contract revenue is recognized using the percentage-of-completion method based on costs incurred, taking into account the expected costs and revenues at the end of the project, as the activity takes place. Changes in the performance of work, and estimated yields, including those that may arise for prizes conclusion derived from projects in advance, contractual penalties and final agreements in contracts, are recognized as income in the periods in which revisions are made or approved by customers.

Accordance with the terms of various contracts, revenue is recognized is not necessarily related to the amounts billable to customers. Management periodically evaluates the reasonableness of its receivables. In cases where there is evidence collection difficulty, additional allowances for doubtful accounts affecting income in the year they are determined are recognized. The estimate of the reserve is based on the best judgment of the Entity under the circumstances prevailing at the time of its determination.

7. Business combinations

a. **Business acquisition –** During 2011, Grupo Carso, through its direct subsidiary Carso Energy, S.A. de C.V., acquired TOC, which was accounted for using the acquisition method. The results of this acquired business have been included in the consolidated financial statements from the date of purchase. The details of the acquisition are as follows (see Note 3):

b. **Consideration transferred**

		Cash
TOC	$	282,478

The acquisition-related costs have been excluded from the consideration transferred and have been recognized as an expense in the period, within administrative expenses in the consolidated statements of comprehensive income.

c. **Assets acquired and liabilities recognized at the date of acquisition**

		Assets:
Cash	$	197,820
Investment in concession		84,658
Total net assets	$	282,478

d. **Goodwill arising on acquisition**

		Consideration transferred		Value of net assets acquired		Goodwill
TOC	$	282,478	$	282,478	$	-

e. **Net cash outflow on acquisition of subsidiaries**

Consideration paid in cash	$	282,478
Less: cash balances acquired		197,820
Net	$	84,658

8.Cash and cash equivalents

	2012	2011	January 1, 2011
Cash	$ 1,272,218	$ 1,792,083	$ 1,174,317
Cash equivalents:			
Banking paper	676,836	822,440	1,034,383
Government paper	1,961,267	803,811	588,604
Sight investments in US$	765,400	862,080	228,482
Bank notes	230,000	294,537	-
Bank acceptances	-	282,900	-
Current account	72,586	31,083	52,884
Daily investments of cash surpluses	16,431	8,960	8,611
Total	$ 4,994,738	$ 4,897,894	$ 3,087,281

9.Investment securities held for trading

	2012	2011	January 1,2011
Fixed term investments	$ 103,864	$ 111,656	$ 81,804

At December 31, 2012, investments in securities held for trading mainly consist of fixed maturity securities in euros, with monthly installments, the last in December 2013, with an average rate of 2.7%, which are valued at amortized cost less any impairment exists.

10. Accounts receivable

	2012	2011	January 1, 2011
Clients	$ 14,045,222	$ 13,037,673	$ 11,703,047
Allowance for doubtful accounts	(483,960)	(427,278)	(432,321)
	13,561,262	12,610,395	11,270,726
Work completed to certify	3,199,975	2,097,575	2,250,487
Sundry debtors	178,668	473,835	960,407
Income tax recoverable	-	609,882	457,682
Value-added tax to be credited	-	-	667,503
IETU	214,883	260,621	215,743
Other taxes recoverable	146,581	126,267	81,955
Others	177,571	191,439	255,701
	$ 17,478,940	$ 16,370,014	$ 16,160,204

a. Clients

The Entity organizes sales promotions for retail entities through which it grants credit to its customers for different periods which, on average, are 211, 218 and 224 days at December 31, 2012, 2011 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 Entity's regular transaction cycle, which is a common industry practice. Maturities exceeding one year are $522,644 and $657,874 at December 31, 2012 and 2011, respectively, and $673,916 at January 1, 2011.

The average credit period of revenues derived from the cable, electronics, auto and corporate sectors is 30 and 60 days; interest is not charged.

Given the nature and diversity of project development periods, there is no average credit period for the operation of the infrastructure and construction sector; interest is not charged. The Entity does not maintain any collateral or other credit improvements as regards these balances; similarly, it does not have the legal right to offset them against amounts owed to the counterparty.

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 Entity 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:

	2012	2011	January 1, 2011
90 to 120 days	$ 224,460	$ 230,650	$ 151,103
Past due more than 120 days	1,248,599	940,650	673,916
Total	$ 1,473,059	$ 1,171,300	$ 825,019

The Entity carries out certain procedures to follow up on customers' compliance with payments for which collateral was not provided and which only have guarantors. According to the Entity's policies, if customer payments are delay, the respective credit line is suspended for future purchases. Similarly, in the event of more significant delays, the Entity implements out-of-court and legal measures to recover the outstanding balance. However, if such measures are unsuccessful, the respective credit line and account are canceled. The Entity has recognized an allowance for doubtful accounts equal to 100% of all uncollectible accounts receivable.

c. The allowance for doubtful accounts is as follows:

	2012	2011	January 1, 2011
Receivables for sale of construction services	$ (59,092)	$ (4,152)	$ (2,601)
Receivables for sale of property and commercial services	(328,045)	(330,445)	(336,746)
Customers by selling property and industrial services	(96,823)	(92,681)	(92,974)
	$ (483,960)	$ (427,278)	$ (432,321)

d. Reconciliation of the allowance for doubtful accounts is presented below:

	2012	2011
Beginning balance	$ (427,278)	$ (432,321)
Period accrual	(350,575)	(268,660)
Write offs and cancelations	293,893	273,703
Ending balance	$ (483,960)	$ (427,278)

e. Work completed pending certifification

	2012	2011	January 1, 2011
Costs incurred on uncompleted contracts	$ 15,031,441	$ 13,211,577	$ 10,764,736
Estimated earnings	2,501,884	1,137,090	867,451
Revenue recognized	17,533,325	14,348,667	11,632,187
Less: Certifications to date	(13,873,694)	(11,462,500)	(8,302,448)
Less: Advances received	(445,484)	(716,633)	(939,284)
Less: Work completed unbilled long-term (1)	(14,172)	(71,959)	(139,968)
Work completed to certify	$ 3,199,975	$ 2,097,575	$ 2,250,487

(1) At December 31, 2012 and 2011, the long-term unbilled project relates to the construction of the Eastern Emitter Tunnel, under various construction contracts executted with Constructora Mexicana de Infraestructura Subterránea, S.A. de C.V. Based on an estimated settlement date during 2014, the present value at December 31, 2012 of this receivable amounts to $13,401.

11. Inventories

	2012	2011	January 1,2011
Raw materials and auxiliary materials	$ 3,030,711	$ 2,776,534	$ 2,956,983
Production-in-process	773,486	627,912	640,183
Finished goods	1,050,285	940,031	267,728
Merchandise in stores	8,762,282	8,018,928	6,981,011
Land and housing construction in progress	628,074	731,597	968,011
Allowance for obsolete inventories	(515,419)	(395,772)	(336,040)
	13,729,419	12,699,230	11,477,876
Merchandise in-transit	642,916	1,274,460	1,355,262
Replacement parts and other inventories	455,767	409,295	238,146
	$ 14,828,102	$ 14,382,985	$ 13,071,284

At December 31, 2012 and 2011, inventories written off directly to results in administrative expenses and/or other expenses amount to $83,552 and $32,688, respectively.

In the case of the retail sector, the Entity uses two estimates to determine potential inventory impairment losses; one of these is utilized for obsolete and slow-moving inventories, while the other is used for goods shrinkage.

The estimate for obsolescence and slow-moving inventories is determined based on prior-year experience by store and department, the displacement of goods on the market, their utilization at different locations, fashions and new product models. The Entity analyzes the possibility of increasing this reserve when goods have insufficient displacement and until such time as the entire cost is classified as an impairment loss.

The goods shrinkage estimate is determined based on the Entity's experience and the results of cyclical physical inventory counts. The Entity adjusts these inventories according to the variable shrinkage percentages of different stores.

A reconciliation of the allowance for obsolete, slow moving and missing inventories is presented below:

	2012	2011
Beginning balance	$ (395,772)	$ (336,040)
Period accrual	(167,930)	(113,723)
Write offs and cancelations	48,283	53,991
Ending balance	**$ (515,419)**	**$ (395,772)**

12. State procurement and projects under implementation

A reconciliation of backlog at December 31, 2012, 2011 and 2010 as follows:

	Total
Balance at January 1, 2010	$ 22,448,996
New contracts and changes 2010	12,729,613
Less: Income Building 2010	(11,632,187)
Balance at December 31, 2010	23,546,422
New contracts and changes 2011	7,253,814
Less: Income Building 2011	(14,348,667)
Balance at December 31, 2011	16,451,569
New contracts and changes 2012	27,460,627
Less: Income Building 2012	(17,533,325)
Balance at December 31, 2012	$ 26,378,871

13. Financial risk management

The Entity 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 Entity seeks to minimize its exposure to these risks by contracting hedges based on derivative financial instruments. The use of financial derivatives is governed by the Entity policies approved by the board of directors, which provide written principles of recruiting them. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

The different financial instrument categories and amounts at December 31, 2012, 2011 and January 1, 2011, are detailed below:

	2012	2011	January 1, 2011
Financial assets			
Cash and cash equivalents	$ 4,994,738	$ 4,897,894	$ 3,087,281
At amortized cost::			
• Held-to-maturity financial assets	103,864	111,656	81,804
Measured at fair value:			
• Derivative financial instruments	304,552	316,141	503,499
Loans and receivables	17,562,112	16,522,585	28,751,645
Due from related parties	2,275,154	1,666,658	1,562,207
Financial liabilities			
At amortized cost::			
• Loans with financial institutions and long-term debt	$ 14,413,046	$ 10,761,309	$ 24,749,644
• Payables to suppliers	9,359,032	8,718,411	6,903,805
• Due to related parties	975,923	1,017,052	1,941,484
• Other liabilities	3,053,966	2,127,687	1,340,293
Measured at fair value:			
• Derivative financial instruments	979,067	933,631	550,140

The Board of Directors establishes and monitors the policies and procedures used to measure risks, which are described below:

a. **Capital risk management** – The Entity 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 the Entity is composed by its net debt (mainly the bank loans, in Note 21 and debt securities detailed in Note 23) and stockholders' equity (issued capital, capital reserves, retained earnings and non-controlling equity detailed in Note 25). The Entity is not subject to any kind of capital requirement.

   Management reviewed monthly its capital structure and borrowing costs and their relation to EBITDA (defined in this case as earnings before taxes, interest, exchange rate fluctuations, valuation of derivative financial instruments, depreciation and amortization) in connection with the preparation of financial projections as part of the business plan submitted to the Board of Directors and shareholders. The Entity's policy is to maintain a net debt ratio of no more than three times EBITDA, determined as the ratio of net debt to EBITDA of the last 12 months.

   The net debt ratio of the Entity is presented below:

	2012	2011
Loans with financial institutions and other	$ 14,413,046	$ 10,761,309
Due to related parties	975,923	1,017,052
Cash and cash equivalents	(4,994,738)	(4,897,894)
Held-to-maturity financial assets	(103,864)	(111,656)
Net debt with financial institutions	10,290,367	6,768,811
EBITDA	10,604,914	8,329,880
Net debt ratio	**0.97**	**0.81**
EBITDA	$ 10,604,914	$ 8,329,880
Interest on debt	815,206	775,298
Interest Coverage Ratio	**13.01**	**10.74**

b. **Interest rate risk management-** The Entity is exposed to interest rate risks from customer loans and financial debt contracted at variable rates. The Entity has short-term loans primarily for working capital and in some cases has long-term loans that are intended for certain projects whose completion will meet their obligations, and in some cases, depending on the proportion of short-term debt and long term, are contracted interest rate hedges (swap contracts).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 15.

The Entity'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 years 2012 and 2011 would have increased decreased by $68,689 and $74,865, respectively.

c. **Exchange risk management-** The functional currency of the entity is primarily the Mexican peso. Accordingly, it is exposed to currency risk Mexican peso against U.S. dollar that arise in connection with retail operations and financing. In some cases, these same operations give a natural hedge, while in other cases, currency forwards are entered into in order to hedge such operations. Because the Entity has investments in foreign subsidiaries, it is exposed to the risk of foreign currency translation. The foreign operations maintain monetary assets and liabilities denominated in various currencies, mainly the U.S. dollar, euro and Brazilian real, resulting in exposure to foreign exchange risk, which is naturally hedged by the same business operations. The carrying values of monetary assets and liabilities denominated in foreign currency and which primarily generate exposure for the Entity at the end of the reporting period, are as follows (figures in thousands):

	Liabilities			Assets		
	2012	2011	January 1, 2011	2012	2011	January 1, 2011
U.S. dollars	557,528	544,856	939,880	575,900	424,184	443,624
Brazilian real	22,913	26,156	35,484	39,549	84,317	35,263
Colombian peso	20,338,494	21,510,882	12,736,728	26,921,088	16,986,658	9,844,170
Peruvian New Sol	34,565	14,191	32,693	66,525	31,547	38,400

The following table indicates the Entity'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 decrease in the value of the Mexican peso of 10% with regard to the US dollar (figures in thousands):

	2012	2011	1 de enero de 2011
U.S. dollars	23,902	(156,995)	(645,634)
Brazilian real	21,643	75,668	(287)
Colombian peso	8,564,020	(5,886,060)	(3,763,246)
Peruvian New Sol	41,580	22,580	7,424

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 Entity 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 counterparties are banks with high credit ratings issued by credit rating agencies. The Entity's maximum credit risk exposure is represented by the balance in the statement of financial position. The other exposure to credit risk is represented by the balance of each financial asset principally in trade receivables. The Entity sells its products and /or services to customers who have demonstrated financial solvency, and periodically assesses the financial condition of its customers and maintains billing insurance contracts for domestic and export sales. Therefore, the Entity does not believe there is a significant risk of loss due to a concentration of credit in its customer base in the retail sector, as they are diluted by more than 1,762,000 customers, which do not represent a concentration of risk. In regards to industrial and infrastructure and construction, although the credit concentration risk is higher accounts receivable are covered by collections insurance in some cases. The Entity also believes that potential credit risk is adequately covered by its allowance for doubtful accounts, which represents its estimate of incurred losses related to impairment of accounts receivable (see Note 10).

e. **Liquidity risk management -** Corporate Treasury has the ultimate responsibility for liquidity management, and has established appropriate policies to control this through monitoring of working capital, managing short, medium and long-term funding requirements, maintaining cash reserves and available credit lines, continuously monitoring cash flows (projected and actual), and reconciling the maturity profiles of financial assets and liabilities.

The following table details the remaining contractual maturities of the Entity'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 Entity 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.

The amounts contained in the debt to credit institutions include interest rate instruments and fixed as detailed in Note 21. If changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period under review, is presented at fair value.

The Entity expects to meet its obligations with cash flows from operations and resources received from the maturity of financial assets. Additionally, the Entity has access to credit lines with various banks and debt securities programs.

As of December 31, 2012	Weighted average effective interest rate	3 months
Loans with financial institutions and others	MN 5.1% US 1.3% EU 0.8% RA 5.5% PA 17.5%	$ 9,341,554
Payables to suppliers		9,202,136
Derivative financial instruments		5,441
Due to related parties		975,923
Total		$ 19,525,054

As of December 31, 2011	Weighted average effective interest rate	3 months
Loans with financial institutions and others	MN 4.1% US 1.5% EU 2.0% RA 5.5% PA 27.9%	$ 10,621,792
Payables to suppliers		8,549,419
Derivative financial instruments		921,722
Due to related parties		1,017,052
Total		$ 21,109,985

As of January 1, 2011	Weighted average effective interest rate	3 months
Loans with financial institutions and others	MN 5.9% US 1.2% EU 1.9% RA 5.5% PA 13.0% PU 8.8%	$ 17,166,980
Payables to suppliers		6,903,805
Derivative financial instruments		496,689
Due to related parties		1,941,484
Total		$ 26,508,958

6 months	1 year	Between 1 and 3years	More than 3 years	Total
$ 9,726	$ 19,452	$ 42,284	$ 5,000,030	$ 14,413,046
156,896	–	–	–	9,359,032
1,310	2,123	201	969,992	979,067
–	–	–	–	975,923
$ 167,932	**$ 21,575**	**$ 42,485**	**$ 5,970,022**	**$ 25,727,068**

6 months	1 year	Between 1 and 3years	More than 3 years	Total
$ 11,867	$ 23,733	$ 94,977	$ 8,940	$ 10,761,309
168,992	–	–	–	8,718,411
4,584	3,345	3,980	–	933,631
–	–	–	–	1,017,052
$ 185,443	**$ 27,078**	**$ 98,957**	**$ 8,940**	**$ 21,430,403**

6 months	1 year	Between 1 and 3years	More than 3 years	Total
$ 8,256	$ 7,432,834	$ 87,379	$ 54,195	$ 24,749,644
–	–	–	–	6,903,805
–	53,451	–	–	550,140
–	–	–	–	1,941,484
$ 8,256	**$ 7,486,285**	**$ 87,379**	**$ 54,195**	**$ 34,145,073**

f. **Market risk - T**he Entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates and commodities. The Entity enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

- Forward foreign exchange contracts to hedge the exchange rate risk arising on the export of products and loans in other currencies.
- Swaps interest rate swaps to mitigate the risk of rising financing cost.
- Forward foreign exchange contracts to hedge the exchange rate risk arising on translation of investment in a foreign operation with functional currency different from the Mexican peso.
- Commodities contracts to hedge risks of fluctuations in the prices of certain metals.

Exposure to market risk is measured using sensitivity analysis. There have been no changes in exposure to market risks or the manner in which those risks are being managed and measured.

If commodities prices had an increase and / or decrease of 10% in each reporting period and all other variables held constant, income before tax for the years 2012 and 2011 would have (decreased) increased by approximately $ 7,808 and $ 18,324, respectively.

14. Fair value of derivative financial instruments

The fair value of financial instruments presented below has been determined by the Entity using available market information or other valuation techniques that require judgment in developing and interpreting the estimates of fair values also makes assumptions that are based on market conditions existing at each of the dates of the statement of financial position. Consequently, the estimated amounts presented are not necessarily indicative of the amounts the Entity could realize in a current market exchange. The use of different assumptions and / or estimation methods may have a material effect on the estimated fair value amounts.

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels ranging from 1 to 3 based on the degree to which the fair value is observed are:

- Level 1 of fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 of the fair value measurements are those derived from indicators other than quoted prices included within Level 1 but including indicators that are observable for the asset or liability, either directly or indirectly quoted prices meaning derived from these prices; and
- Level 3 of fair value measurements are those derived from valuation techniques that include indicators for the asset or liability that are not based on observable market data (unobservable indicators).

The amounts of cash and cash equivalents of the Entity, as well as accounts receivable and payable to third parties and related parties, and the current portion of loans from financial institutions and long-term debt approximate their fair value because they short-term maturities. The long-term debt of the Entity are recorded at amortized cost and debt is interest at fixed and variable rates that are related to market indicators.

To obtain and disclose the fair value of long-term debt using quoted market prices or quotations for similar instruments operators. To determine the fair value of financial instruments using other techniques such as estimated cash flows, considering the dates flow curves intertemporal market and discounting these flows with rates that reflect the risk of the counterparty and the risk of the Entity for the reference period. The fair value of interest rate swaps is calculated as the present value of estimated net cash flows in the future. The fair value of currency futures is determined using quoted forward exchange rates at the date of statement of financial position.

The carrying amounts of financial instruments by category and their estimated fair values are as follows:

	December 31, 2012		December 31, 2011		Jaunary 1, 2011	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
Financial assets:						
Cash and equivalent cash	$ 4,994,738	$ 4,994,738	$ 4,897,894	$ 4,897,894	$ 3,087,281	$ 3,087,281
Available-for-sale instruments:						
Fixed-term securities	103,864	103,864	111,656	111,656	81,804	81,804
Derivative financial instruments (i)	610	610	316,141	316,141	503,499	503,499
Loans and receivables:						
Customers and others	19,837,266	20,242,763	18,189,243	18,175,920	30,313,852	30,246,778
Trade and notes accounts payable:						
Notes payable to financial institutions including current portion of long-term debt and others	(6,914,076)	(6,914,076)	(5,929,992)	(5,929,992)	(19,768,703)	(19,768,703)
Debt securities	(7,498,970)	(7,508,108)	(4,831,317)	(4,831,317)	(4,980,941)	(4,980,941)
Trade accounts payable	(9,359,032)	(9,359,032)	(8,718,411)	(8,714,593)	(6,903,805)	(6,900,782)
Due to related parties	(975,923)	(975,923)	(1,017,052)	(1,017,052)	(1,941,484)	(1,941,484)
Accrued expenses	(3,050,252)	(3,050,252)	(2,169,830)	(2,169,830)	(1,282,020)	(1,282,020)
Total	$ (2,861,775)	$ (2,465,416)	$ 848,332	$ 838,827	$ (890,517)	$ (820,420)

The fair values shown at December 31, 2012, 2011 and January 1, 2011, except for the receivables to commercial customers and debt securities approximate their carrying value because the values observed in the market are very similar to those registered in this period.

(i) Represents financial instruments that are measured at fair value after initial recognition. Based on the fair value hierarchy described above, these instruments qualify as Level 2 measurements given the assumptions derived from other than quoted prices, but that are observable for the asset or liability, and include either directly or indirectly quoted prices that is derived from these prices. During the years ended December 31, 2012 and 2011 there were no transfers between levels.

15. Financial derivative instruments

The purpose of contracting financial derivative instruments is: (i) to partially cover the financial risks of exposure to exchange rates, interest rates, and prices of natural gas and of certain metals; or (ii) to realize financial returns due to the behavior of the underlying. The decision to contract an economic financial hedge is based on market conditions, the expectation of such instrument at a given date, and the domestic and international economic context of the economic indicators that influence the Entity's operations.

The transactions performed with foreign exchange and/or interest rate forwards and swaps; as well as embedded derivatives, are summarized below:

Instrument	Designated as	Notional	
		Amount	Unit
Dollar forwards	Purchase	1,612,500	Dollars
Dollar forwards	Sale	2,099,000	Dollars
TIIE swaps to fixed rate	Purchase	8,600,000	Pesos
TIIE swaps to fixed rate	Purchase	500,000	Pesos
TIIE swaps to fixed rate	Purchase	266,667	Mexican Pesos
TIIE swaps to fixed rate	Sale	1,700,000	Pesos
Embedded	N/A	25,540	Dollars
Total			
Total at December 31, 2012			
Total at December 31, 2011			

Open and closed transactions with hedge forwards to purchase foreign currency are summarized below:

Instrument	Notional	
	Amount ('000)	Unit
Euro forwards purchase	5,650	Euro
Euro forwards purchase	3,023	Euro
Canadian Dollar forwards sale	570	Canadian Dollar
Total		
Total at December 31, 2011		
Total at January 1, 2011		

The transactions opened and settled with hedge swaps to purchase metals:

Instrument	Notional	
	Amount ('000)	Unit
Copper Swaps	678	Tons
Copper Swaps	2,665	Tons
Aluminum Swaps	300	Tons
Aluminum Swaps	4,775	Tons
Total		
Total at December 31, 2011		
Total at January 1, 2011		

Maturity	Valuation as of December 31, 2012 Asset (liability)	Valuation as of December 31, 2012 Net income of the year	Income of prior year	Gain (loss) on settlement
During 2012	$ -	$ -	$ -	$ (291,575)
During 2012	-	-	-	(724,700)
May 2017 to may 2027	(969,992)	258,611	711,381	134,535
During 2012	-	-	-	79,700
During 2012	-	-	-	59
June 2017 and may 2018	284,858	(22,944)	(261,914)	(74,096)
2015 and 2020	14,676	37,615	(52,291)	-
	$ (670,458)	**$ 273,282**	**$ 397,176**	**$ (876,077)**
	$ (600,595)	**$ 280,525**	**$ 320,070**	**$ 40,373**
	$ (76,811)	**$ 553,528**	**$ (416,134)**	**$ 206,529**

Maturity	Valuation at December 31, 2012 Asset (liability)	Comprehensive income	Gain (loss) on settlement
January, 2013 to December, 2015	$ (2,667)	$ 1,867	$ -
During 2012	-	-	3,602
During 2012	-	-	(196)
	$ (2,667)	**$ 1,867**	**$ 3,406**
	$ (7,825)	**$ 5,478**	**$ (3,415)**
	$ -	**$ 591**	**$ -**

Maturity	Valuation at December 31, 2012 Asset (liability)	Comprehensive income	Gain (loss) on settlement
January to December 2013	$ (1,872)	$ 1,310	$ -
During 2012	-	-	1,494
January to August 2013	482	(337)	-
During 2012	-	-	9,248
	$ (1,390)	**$ 973**	**$ 10,742**
	$ (9,070)	**$ 6,349**	**$ 2,028**
	$ 30,170	**$ (20,290)**	**$ (38,639)**

16. Property, plant and equipment

The reconciliation between the carrying amount at the beginning and end of the year 2012 and 2011 is as follows:

	Balances as of January 1, 2012	Additions	Retirements / disposals
Investment:			
Land	$ 2,484,463	$ 7,488	$ 109,573
Buildings and leasehold improvements	11,290,593	409,519	(92,055)
Machinery and equipment (1)	17,060,924	329,521	(304,273)
Furniture and equipment	3,218,762	120,798	(39,278)
Computers	1,480,593	99,089	(19,955)
Vehicles	992,828	124,260	(74,864)
Construction in progress	1,029,980	700,637	(165,048)
Total investment	37,558,143	1,791,312	(585,900)
Accumulated depreciation:			
Buildings and leasehold improvements	(5,127,170)	(415,165)	21,415
Machinery and equipment	(8,342,589)	(554,853)	82,865
Furniture and equipment	(1,988,073)	(175,749)	16,978
Computers	(1,192,822)	(111,094)	18,737
Vehicles	(584,228)	(88,247)	60,910
Total accumulated depreciation	(17,234,882)	(1,345,108)	200,905
Impairment:			
Land	-	-	-
Buildings and leasehold improvements	-	-	-
Machinery and equipment	(129,222)	-	-
Furniture and equipment	-	-	-
Computers	-	-	-
Vehicles	-	-	-
Accumulated impairment losses	(129,222)	-	-
Net investment	**$ 20,194,039**	**$ 446,204**	**$ (384,995)**

Reductions due to sale between subsidiaries	Transfers	Translation effect	Balances as of December 31, 2012
$ -	$ 31,082	$ (15,620)	$ 2,616,985
-	208,019	(43,160)	11,772,916
-	529,512	(258,394)	17,357,291
-	13,126	(18,482)	3,294,926
-	59,066	(19,192)	1,599,601
-	26,259	(23,292)	1,045,191
-	(834,356)	(18,751)	712,462
-	32,708	(396,891)	38,399,372
-	(20,109)	43,350	(5,497,679)
-	51,822	81,704	(8,685,045)
-	2,535	1,926	(2,141,752)
-	(55,933)	(882)	(1,338,705)
-	(11,023)	8,097	(614,417)
-	(32,708)	134,195	(18,277,598)
-	-	-	-
-	-	-	-
-	-	8,899	(120,323)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	8,899	(120,323)
$ -	$ -	$ (253,797)	$ 20,001,451

	Balances as of January 1, 2011	Additions	Retirements / disposals
Investment:			
Land	$ 2,897,131	$ 40,122	$ (215,431)
Buildings and leasehold improvements	10,518,246	561,738	(226,050)
Machinery and equipment (1)	14,553,716	360,771	(115,261)
Furniture and equipment	2,944,243	99,401	(15,671)
Computers	1,313,390	93,421	(30,059)
Vehicles	916,528	60,173	(66,891)
Construction in progress	1,729,368	1,557,875	(454,127)
Total investment	34,872,622	2,773,501	(1,123,490)
Accumulated depreciation:			
Buildings and leasehold improvements	(4,827,260)	(433,342)	143,056
Machinery and equipment	(7,342,417)	(543,797)	180,018
Furniture and equipment	(1,835,561)	(79,714)	13,142
Computers	(1,068,002)	(65,314)	28,752
Vehicles	(539,784)	(203,854)	56,484
Total accumulated depreciation	(15,613,024)	(1,326,021)	421,452
Impairment:			
Land	-	-	-
Buildings and leasehold improvements	-	-	-
Machinery and equipment	(114,459)	-	-
Furniture and equipment	(237)	-	-
Computers	(84)	-	-
Vehicles	-	-	-
Accumulated impairment losses	(114,780)	-	-
Net investment	$ 19,144,818	$ 1,447,480	$ (702,038)

(1) During 2012, the Entity continued with its efforts to commercialize the platform oil drilling "Jack UP" and expanded its knowledge of the market for this asset while identifying different options for this equipment, among which include services and leasing arrangements (negotiations are in process at the date of issuance of these financial statements). The business options have been submitted to the Board of Directors for their consideration. Therefore, the asset has been included in the category of machinery and equipment rather than seeing as an inventory held for sale.

	Reductions due to sale between subsidiaries	Transfers	Translation effect	Balances as of December 31, 2011
	$ –	$ (254,209)	$ 16,849	$ 2,484,462
	–	438,598	(1,939)	11,290,593
	–	1,971,367	290,332	17,060,925
	–	195,290	(4,501)	3,218,762
	–	94,132	9,709	1,480,593
	–	72,894	10,124	992,828
	–	(1,810,617)	7,481	1,029,980
	–	707,455	328,055	37,558,143
	–	(74,340)	64,716	(5,127,170)
	2,000	(542,810)	(95,583)	(8,342,589)
	–	(94,417)	8,477	(1,988,073)
	–	(103,310)	15,052	(1,192,822)
	–	107,422	(4,496)	(584,228)
	2,000	(707,455)	(11,834)	(17,234,882)
	–	–	–	–
	–	–	–	–
	–	(321)	(14,442)	(129,222)
	–	237	–	–
	–	84	–	–
	–	–	–	–
	–	–	(14,442)	(129,222)
	$ 2,000	$ –	$ 301,779	$ 20,194,039

17. Investment properties

The Entity, through its subsidiaries, has two malls, Loreto and Cuicuilco located in Mexico City, which generate rental income that is recognized as leasing services are provided and amounted to $215,305 and $197,943 for the years ended December 31, 2012 and 2011, respectively.

Direct operating expenses including maintenance costs incurred in relation to the investment property are recognized in income and constitute approximately 41% and 42% of rental income for years ended December 31, 2012 and 2011, respectively.

The table below details the values of investment properties to each of the dates indicated:

	2012	2011	January 1,2011
Propiedades de inversión	$ 1,534,811	$ 1,534,811	$ 1,481,399

The movement of investment properties is as follows:

Balance at December 31, 2011	Fair value increase	Balance at December 31 2012
$ 1,534,811	$ -	$ 1,534,811

Balance at January 1, 2011	Fair value increase	Balance at December 31, 2011
$ 1,481,399	$ 53,412	$ 1,534,811

18. Investment in shares of associated entities and others

a. The principal associated entities and their activities are as follows:

Asociated	Ownership percentage 2012	Ownership percentage 2011	Activity
Elementia, S. A. de C. V. ("Elementia")	46.00	46.00	Manufacture and sale of high technology products for the cement, concrete, polyethylene, styrene, copper and aluminum production industries.
Infraestructura y Transportes México, S.A. de C.V. ("ITM")	16.75	16.75	Railroad transportation.
Philip Morris México, S.A. de C.V. ("Philip Morris")	20.00	20.00	Manufacture and sale of cigarettes.

b. The recognition of the equity method on the main associated entities and income derived from other investments was as follows:

2012	Stockholders ' equity	Net income	Ownership percentage	Investment in shares	Equity in income
Elementia [1]	$ 10,416,086	$ 325,256	46	$ 5,347,066	$ 149,583
ITM [2]	24,283,411	4,354,952	17	4,513,820	729,453
Philip Morris	4,088,992	2,985,714	20	817,798	597,143
Grupo Telvista, S.A. de C.V.	2,122,350	176,747	10	212,235	17,675
Others associated entities				533,262	54,850
Total investment in shares of associated entities				11,424,181	1,548,704
Others investments				2,491	2,994
Total investment in shares of associated entities and others				**$ 11,426,672**	**$ 1,551,698**

(1) The investment in shares includes goodwill of $554,284.
(2) The investment in shares includes a fair value complement of $446,349.

2011	Stockholders ' equity	Net income	Ownership percentage	Investment in shares	Equity in income
Elementia [1]	$ 8,819,583	$ (316,938)	46	$ 4,611,292	$ (145,765)
ITM [2]	19,871,369	2,202,810	17	3,774,803	368,971
Philip Morris	2,961,739	1,764,858	20	592,348	352,972
Grupo Telvista, S.A. de C.V.	2,015,416	172,715	10	201,542	17,271
Others associated entities				538,258	37,980
Total investment in shares of associated entities				9,718,243	631,429
Others investments				2,797	4,288
Total investment in shares of associated entities and others				**$ 9,721,040**	**$ 635,717**

(1) The investment in shares includes goodwill of $554,284.

(2) The investment in shares includes a fair value complement of $446,349.

19. Intangible assets

	Amortization period		Balance as of December 31, 2011		Additions		Additions due to business combination		Balance as of December 31, 2012
Cost:									
Concession contract	10	$	397,869	$	-	$	-	$	397,869
Trademark use	Indefinite		5,911		-		-		5,911
Total cost			403,780		-		-		403,780
Accumulated amortization:									
Concession contract			(52,829)		(21,915)		-		(74,744)
Net cost		$	350,951	$	(21,915)	$	-	$	329,036

	Amortization period		Balance as of January 1, 2011		Additions		Additions due to business combination		Balance as of December 31, 2012
Cost:									
Concession contract	10	$	296,878	$	16,333	$	84,658	$	397,869
Trademark use	Indefinite		5,911		-		-		5,911
Total cost			302,789		16,333		84,658		403,780
Accumulated amortization:									
Concession contract			(10,965)		(41,864)		-		(52,829)
Net cost		$	291,824	$	(25,531)	$	84,658	$	350,951

20. Others assets

Other assets were as follows:

	Amortization period		2012		2011		January 1, 2011
Guarantee deposits		$	130,839	$	133,336	$	138,798
Exploration expenses	Indefinite		247,699		85,476		-
Goodwill	Indefinite		91,051		91,051		91,051
Insurance	1 year		153,828		98,477		104,857
Recoverable expenses			82,415		44,356		-
Prepaid expenses	1 año		229,041		206,067		180,837
Installation costs			45,673		35,993		28,222
Others			51,936		58,981		227,391
			1,032,482		753,737		771,156
Accumulated amortisation:			(156,551)		(91,508)		(67,756)
		$	875,931	$	662,229	$	703,400

	Guarantee deposits	Exploration expenses
Investment:		
Balance as of January 1, 2011	$ 138,798	$ -
Acquisitions	-	85,476
Applications / Recoveries	(5,462)	-
Balance as of December 31, 2011	133,336	85,476
Acquisitions	-	162,223
Applications / Recoveries	(2,497)	-
Balance as of December 31, 2012	**$ 130,839**	**$ 247,699**

	Guarantee deposits	Exploration expenses
Accumulated amortization:		
Balance as of January 1, 2011	$ -	$ -
Amortization	-	-
Balance as of December 31, 2011	-	-
Amortization	-	-
Balance as of December 31, 2012	**$ -**	**$ -**

The amortization recorded to income was $ 86,958 and $ 65,616 in 2012 and 2011, respectively, of which $ 56,023 is recognized as part of cost of sales for 2012.

21. Long-term debt

Long-term debt is as follows:

	2012	2011	January 1, 2011
a. Syndicated loan for US 600,000, maturing in September 2011, bearing interest payable on a quarterly basis at interest rate equal to Libor plus 0.275%	$ -	$ -	$ 7,414,260
b. Direct loan in different currencies mainly euros, with quarterly and semiannual maturities at variable rates, and final maturity in 2016	81,218	151,348	132,092
c. Debt securities issued in Mexican pesos with monthly maturities from March 2012 with interest rate of TIIE plus 0.53 and final maturity in 2017	5,000,000	-	-
d. Other loans	1,379	2,198	44,558
	5,082,597	153,546	7,590,910
Less – current portion	(38,904)	(36,174)	(7,449,346)
Long-term debt	$ 5,043,693	$ 117,372	$ 141,564

Maturities of long-term debt as of December 31, 2012 are as follows:

Payable for-	
2014	$ 39,870
2015	3,793
2016 and thereafter	5,000,030
	$ 5,043,693

Long-term debt accrues interest at variable rates. Interest rates for loans in Mexican pesos during 2012 stood at a weighted average of 5.32%, the average financing rate in euros for 2012 and 2011 was 1.24% and 1.84%, respectively.

The direct loan contracts establish affirmative and negative covenants for the borrowers. Additionally, certain financial ratios and percentages measured based on the Entity's consolidated financial statements and the individual financial statements of consolidated subsidiaries must be maintained. All of these requirements have been met at the date of issuance of these consolidated financial statements.

	Goodwill	Insurance	Recoverable expenses	Prepaid expenses	Installation costs	Others	Total
	$ 91,051	$ 104,857	$ –	$ 180,837	$ 28,222	$ 227,391	$ 771,156
	–	–	44,356	25,230	7,771	–	162,833
	–	(6,380)	–	–	–	(168,410)	(180,252)
	91,051	98,477	44,356	206,067	35,993	58,981	753,737
	–	55,351	38,059	22,974	9,680	–	288,287
	–	–	–	–	–	(7,045)	(9,542)
	$ 91,051	**$ 153,828**	**$ 82,415**	**$ 229,041**	**$ 45,673**	**$ 51,936**	**$ 1,032,482**

	Goodwill	Insurance	Recoverable expenses	Prepaid expenses	Installation costs	Others	Total
	$ –	$ (52,483)	$ –	$ –	$ (15,273)	$ –	$ (67,756)
	–	(13,874)	–	–	(1,276)	(8,602)	(23,752)
	–	(66,357)	–	–	(16,549)	(8,602)	(91,508)
	–	(62,797)	–	(3,160)	3,438	(2,524)	(65,043)
	$ –	**$ (129,154)**	**$ –**	**$ (3,160)**	**$ (13,111)**	**$ (11,126)**	**$ (156,551)**

22. Provisions

The provisions presented below represent charges incurred during 2012 and 2011, or contracted services attributable to the period, which are expected to be settled within a period not exceeding one year. The final amounts to be paid and the timing of any outflow of economic resources involve uncertainty and therefore may vary.

	2012				
	Opening balance	Additions	Provision applied	Reversals	Closing balance
Contractor costs	$ 1,189,424	$ 8,508,540	$ (7,827,723)	$ (321,441)	$ 1,548,800
Construction costs and other extraordinary	618,925	894,248	(666,774)	(384,909)	461,490
Environmental costs and plant closure	84,353	12,000	-	-	96,353
Employment relationships	55,882	134,784	(119,124)	-	71,542
Others	136,539	131,326	(118,377)	-	149,488
	$ 2,085,123	$ 9,680,898	$ (8,731,998)	$ (706,350)	$ 2,327,673

	2011				
	Opening balance	Additions	Provision applied	Reversals	Closing balance
Contractor costs	$ 1,103,103	$ 7,117,034	$ (7,026,789)	$ (3,924)	$ 1,189,424
Construction costs and other extraordinary	368,866	1,414,246	(1,160,089)	(4,098)	618,925
Environmental costs and plant closure	84,353	-	-	-	84,353
Employment relationships	32,436	153,748	(127,332)	(2,970)	55,882
Others	178,939	284,186	(326,586)	-	136,539
	$ 1,767,697	$ 8,969,214	$ (8,640,796)	$ (10,992)	$ 2,085,123

23. Debt securities

On May 19, 2011, the Entity, through its subsidiary, Sears Operadora México, S.A. de C.V., issued unsecured debt securities in Mexican pesos under a two year program with a $2,500,000 limit, at interest rates ranging between 4.5% and 4.6%, and 28 day maturities. At December 31, 2012, the outstanding amount was $ 2,500,000 maturing on January 2, 2013.

Debt securities contain positive and negative covenants, which have been complied with to date.

24. Retirement benefit plans

The Entity has plans for retirement, death or total disability payments for non-union employees in most of its subsidiaries. It also maintains seniority premium plans for all employees as stipulated in their employment contracts. The related liabilities and the annual benefit costs are calculated by an independent actuary on the basis of formulas defined in the plans, using the projected unit credit method. The present value of these obligations and the rates used for their calculation are:

	2012	2011
Vested benefit obligation	$ (914,668)	$ (747,394)
Non-vested benefit obligation	(1,934,747)	(1,798,091)
Defined benefit obligation	(2,849,415)	(2,545,485)
Plan assets at fair value	3,482,987	3,203,038
Net projected asset	$ 633,572	$ 657,553
Contributions to plan assets	$ 120,454	$ 92,307

The rates used in actuarial calculations were as follows:

	2012 %	2011 %
Discount of the projected benefit obligation at present value	7.02	7.02
Salary increase	5.48	5.45
Future pension increase	7.08	7.17

Net period cost comprises the following:

	2012	2011
Service costs	$ 175,610	$ 156,502
Interest cost	176,172	168,666
Expected yield on plan assets	(231,411)	(220,608)
Amortization of unrecognized prior service costs	1,125	6,222
Actuarial gains and losses – net	15,181	(19,194)
Effect of reduction or early liquidation (other than a restructuring or discontinued operation)	(45,880)	(57,078)
Net period cost	$ 90,797	$ 34,510

Changes in the present value of the defined benefit obligation:

	2012	2011
Changes in the present value of the defined benefit obligation at January 1	$ (2,545,485)	$ (2,410,292)
Service costs	(175,610)	(156,502)
Interest cost	(176,172)	(168,666)
Actuarial (losses) and gain – net	(22,713)	154,996
Benefits paid	70,565	34,979
Present value of the defined benefit obligation	**$ (2,849,415)**	**$ (2,545,485)**

Changes in the present value of plan assets in the current period:

	2012	2011
Opening fair value of plan assets	$ 3,203,038	$ 3,040,908
Expected yield on plan assets	231,411	220,608
Actuarial losses – net	(9,029)	(131,775)
Contributions to plan	120,455	106,165
Benefits paid	(70,565)	(34,979)
Others	7,677	2,111
Closing fair value of plan assets	**$ 3,482,987**	**$ 3,203,038**

The main categories of investments are:

	Plan assets fair value	
	2012	2011
Equity instruments	$ 1,937,892	$ 1,804,452
Debt instruments	$ 1,098,190	$ 976,842
Properties	$ 446,905	$ 421,744
Weighted average expected	$ 374,936	$ 322,378

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets. The evaluation of the directors on the expected returns is based on historical return trends and analysts' predictions on the market for assets over the life of the related obligation.

Employee benefits granted to key management personnel and / or directors of the Entity were as follows:

	2012	2011
Short-term benefits	$ 139,417	$ 156,260
Defined benefit plans	5,803	6,179
Other long-term benefits	320,170	272,460

25. Stockholders' equity

a. The historical amount of subscribed and paid-in common stock of Grupo Carso as of December 31, 2012, 2011 and January 1, 2011 is as follows:

	Number of shares			Amount		
	2012	2011	January 1, 2011	2012	2011	January 1, 2011
Series A1	2,745,000,000	2,745,000,000	2,745,000,000	$ 644,313	$ 644,313	$ 644,313
Treasury shares repurchased	(455,198,300)	(453,497,800)	(442,250,000)	(106,845)	(108,141)	(103,806)
Historical capital stock	**2,289,801,700**	**2,291,502,200**	**2,302,750,000**	**$ 537,468**	**$ 536,172**	**540,507**

Common stock consists of ordinary, nominative and no par value shares.

Pursuant to a general ordinary stockholders' meeting on April 26, 2012, the payment of a dividend was approved by the shareholders for the amount of $0.60 per share, payable in two exhibitions of $0.30 per share each, on May 15 and October 16, 2012. The total payment was $1,373,881.

Pursuant to a general ordinary stockholders' meeting on April 26, 2011, the payment of a dividend was approved by the shareholders at the amount of $0.50 per share, payable in two exhibitions of $0.25 per share each, on May 18 and October 18, 2011. The total payment was $1,148,647.

b. Retained earnings include the statutory legal reserve. Mexican 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 its historical amount (nominal pesos). 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. At December 31, 2012 and 2011 and January 1, 2011, the legal reserve of Grupo Carso is $381,635 (nominal pesos) and is presented as part of retained earnings.

c. Stockholders' equity, except restated paid-in capital and tax retained earnings, will be subject to income tax payable by the Entity at the rate in effect upon distribution. Any tax paid on such distribution may be credited against annual and estimated income taxes 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:

	2012	2011	January 1, 2011
Contributed capital account	$ 4,402,746	$ 4,213,157	$ 4,097,640
Consolidated net tax income account	43,067,134	35,419,518	30,360,060
Total	$ 47,469,880	$ 39,632,675	$ 34,457,700

26. Balances and transactions in foreign currency

a. At December 31, 2012 and 2011 and January 1, 2011, the assets, liabilities and transactions in foreign currency other than the functional currency of the reporting unit, converted to U.S. dollars, are as follows:

	Thousands of U.S. dollars		
	2012	2011	January 1, 2011
Monetary assets	485,012	450,257	404,999
Short-term monetary liabilities	(411,851)	(573,114)	(1,048,731)
Long-term monetary liabilities	(3,252)	(8,239)	(11,456)
Total	(415,103)	(581,353)	(1,060,187)
Net monetary asset (liability) position	**69,909**	**(131,096)**	**(655,188)**

b. Transactions denominated in foreign currency in thousands of U.S. dollars were as follows, excluding purchases of machinery and equipment are:

	Thousands of U.S. dollars	
	2012	2011
Export sales	465,527	443,596
Foreign sales of subsidiaries	373,302	388,109
Interest income	639	911
Interest paid	(4,272)	(3,718)
Purchases	(537,118)	(1,029,197)
Others	(237,771)	(203,301)
Net	60,307	(403,600)

The prices of the main products of the Entity are based on behavior of the same in the international market.

The exchange rates in effect at the dates of the consolidated financial statements and at the date of the independent auditors' report are as follows:

	2012	2011	January 1, 2011	April 3, 2013
U.S. Dollar	$ 13.0101	$ 13.9787	$ 12.3571	$ 12.2728

27. Transactions and balances with related parties

a. Balances receivable and payable with related parties are as follows:

	2012	2011	January 1, 2011
Receivable-			
Minera Real de Ángeles, S.A. de C.V.	$ 407,400	$ -	$ 109,969
Teléfonos de México, S.A.B. de C.V.	315,486	293,001	236,698
Delphi Packard Electric Systems, Inc.	267,682	204,147	126,623
América Móvil Perú, S.A.C.	211,947	86,943	22,929
Minera San Francisco del Oro, S.A. de C.V.	160,861	23,864	172,126
Concesionaria de Carreteras, Autopistas y Libramientos República, S.A. de C.V.	127,573	9,714	-
Empresa Brasileira de Telecomunicacoes, S.A.	92,017	70,051	-
Telmex Colombia, S.A.	78,586	-	49,082
Constructora de Inmuebles PLCO, S.A. de C.V.	53,855	-	-
Net Servicios de Comunicacao, S.A.	48,549	32,330	-
Entidad de Teléfonos y Bienes Raíces, S.A. de C.V.	44,222	19,218	20,012
Inmuebles General, S.A. de C.V.	36,615	35,957	76,472
Minera Tayahua, S.A. de C.V.	35,379	-	1,810
AMX Argentina, S.A.	28,537	38,500	4,310
Bienes Raíces de Acapulco, S.A. de C.V.	26,698	82,516	-
Entidad Dominicana de Teléfonos, C. por A.	22,953	66,456	69,973
Uninet, S.A. de C.V.	21,978	-	26,184
Inmobiliaria para el Desarrollo de Proyectos, S.A. de C.V.	21,435	-	-
Renta de Equipo, S.A. de C.V.	20,291	233	17,823
Telecomunicaciones de Guatemala, S.A.	19,395	5,873	21,632
Consorcio Red Uno, S.A. de C.V.	18,982	-	19,927
Ecuador Telecom, L.L.C.	18,229	8,641	16,636
Empresa Nicaragüense de Telecomunicaciones, S.A.	18,013	4,075	18,318
Alquiladora de Casas, S.A. de C.V.	15,670	178	-
Telmex Argentina, S.A.	14,939	26,214	20,877
Consorcio Ecuatoriano de Telecomunicaciones, S.A.	14,009	28,586	2,944
Fundación Teléfonos de México, A.C.	9,649	13,352	305
Nacional de Cobre, S.A. de C.V.	6,216	28,931	27,053
Entidad de Telecomunicaciones del Salvador	5,727	10,975	7,829
Elementia, S.A.	4,579	11,774	23,565
Inmobiliaria Aluminio, S.A. de C.V.	4,108	54,457	4,973
Claro, S.A.	3,414	67,265	4,702
Infraestructura y Saneamiento Atotonilco, S.A. de C.V.	2,932	59,959	-
Atrios de Chapultepec, S.A. de C.V.	2,111	16,419	-
Telmex Perú, S.A.	2,001	23,129	-
Construcción, Conservación y Mantenimiento Urbano, S.A. de C.V.	12	18,959	-
Embratel TV Sat Telecomunicacoes, LTDA.	10	15,133	-
Concesionaria de Autopistas, Libramientos del Pacífico Norte, S.A. de C.V.	-	49,130	-
Inmobiliaria las Trufas, S.A. de C.V.	-	14,695	-
Páginas Telmex Perú, S.A.C.	-	25,500	-
Promotora Inmobiliaria Fresno, S.A. de C.V.	-	29,418	5,553
Selmex Equipos Industriales, S.A. de C.V.	-	56,230	-
Zentrum Zistemaz, S.A. de C.V.	-	39,873	-
Autopista Arco Norte, S.A. de C.V.	4,461	-	123,784
AMX Paraguay, S.A.	4,083	4,209	11,826
Radiomóvil Dipsa, S.A. de C.V.	3,473	-	39,982
Telmex USA, L.L.C.	340	174	20,762
Servicios Minera Real de Ángeles, S.A. de C.V.	336	-	47,916
Entidad Internacional Minera, S.A. de C.V.	5	-	28,692
CTE Telecom Personal, S.A. de C.V.	2	2	25,259
CFC Concesiones, S.A. de C.V.	-	-	15,760
Concesionaria de Vías Troncales, S.A. de C.V.	-	-	36,071
Construcciones y Servicios Frisco, S.A. de C.V.	-	-	11,908
Telmex, S.A. de C.V.	-	-	33,723
Other	80,394	90,577	58,199
	$ 2,275,154	$ 1,666,658	$ 1,562,207

	2012	2011	January 1, 2011
Payable-			
Concesionaria de Carreteras y Libramientos del Pacífico Norte, S.A. de C.V.	$ 312,245	$ -	$ 1,048
Minera María, S.A. de C.V.	152,553	-	187,506
Sears Brands Management	76,875	-	-
Centro Histórico de la Cd. De México, S.A. de C.V.	70,482	-	-
Concesionaria Autopista Guadalajara-Tepic, S.A. de C.V.	61,811	-	-
Comunicación Celular, S.A. de C.V.	48,566	31,454	-
Constructora MT Oaxaca, S.A. de C.V.	48,256	-	-
Inmuebles Srom, S.A. de C.V.	29,649	76,526	-
Constructora Mexicana de Infraestructura Subterránea, S.A. de C.V.	26,437	-	49,667
Cleaver Brooks de México, S.A. de C.V.	23,972	-	12,380
América Movil, S.A. de C.V.	13,278	133	-
Fundación Centro Histórico de la Ciudad de México, S.A. de C.V.	11,965	230	-
Inmose, S.A. de C.V.	11,374	5,512	-
Asociación Pediátrica, S.A. de C.V.	11,343	-	-
Dorians Tijuana, S.A. de C.V.	8,674	470,767	-
Inmuebles Sercox, S.A. de C.V.	956	18,609	-
Inmuebles Corporativos e Industriales CDX, S.A. de C.V.	359	17,492	-
Inmuebles Industriales Meisac, S.A. de C.V.	234	22,411	-
Administradora de Inmuebles Centro Histórico, S.A. de C.V.	-	61,135	-
Hubard, y Bourlon, S.A. de C.V.	-	21,393	-
Minera Real de Ángeles, S.A. de C.V.	-	108,518	-
Minera Tayahua, S.A. de C.V.	-	60,451	-
Radiomovil Dipsa, S.A. de C.V.	-	39,021	-
Inmobiliaria las Trufas, S.A. de C.V.	8,755	-	27,405
Philip Morris México, S.A. de C.V.	6,976	8,685	22,569
Distribuidora Telcel, S.A. de C.V.	3,288	2,816	29,397
Fianzas la Guardiana Inbursa, S.A. de C.V.	613	875	89,100
Patrimonio Inbursa, S.A. de C.V.	186	-	920,610
Alquiladora de Casas, S.A. de C.V.	-	-	65,076
Claro CR Telecomunicaciones, S.A.	-	7,596	23,038
Construcción, Conservación y Mantenimiento Urbano , S.A. de C.V.	-	-	15,297
Impulsora del Desarrollo y el Empleo en América Latina, S.A.B. de C.V.	-	-	49,075
Inmuebles y Servicios Mexicanos, S.A. de C.V.	-	-	411,552
Oceanic Digital Jamaica, LTD.	-	-	21,516
Other	47,076	63,428	16,248
	$ 975,923	$ 1,017,052	$ 1,941,484

i. The amounts pending are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current period or prior periods regarding bad or doubtful debts relating to amounts owed by related parties.

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

	2012	2011
Sales	$ 21,335,324	$ 14,451,297
Interest income	-	306,381
Purchases	(3,109,469)	(2,164,076)
Prepaid insurance	(132,037)	(114,828)
Lease expenses	(538,587)	(520,498)
Interest expenses	(5,882)	-
Services rendered	(376,280)	(368,414)
Other expenses, net	(181,017)	(137,468)
Purchases of fixed assets	(57,135)	(61,591)

b. Transactions with associated companies, carried out in the ordinary course of business, were as follows:

	2012	2011
Sales	$ 1,273,153	$ 1,184,181
Acquired services	91,315	169,590
Rentals collected	25,687	25,703
Interest income	-	75
Purchases	(177,053)	(205,963)
Interest expense	(638)	(41)
Other income, net	(4,427)	(7,328)
Purchases of fixed assets	(3,030)	(35,601)

c. Borrowings from financial institutions includes balances with Banco Inbursa, S.A. of $34,069 and $872,000 as of December 31, 2012 and 2011, respectively; which accrue interest at a variable rate based on general market conditions (5.80% as of December 31, 2012).

d. The accounts receivable include a long-term loan granted in December 2010 to related parties of $11,943,260, which bore interest at an annual variable rate of TIIE + 2.25. In addition, the Entity granted a revolving credit line facility on the same date of US$45,000 equivalent to $556,069, which bore interest at an annual variable rate of LIBOR + 2.5. Both loans had an original maturity date on December 2015; however, they were liquidated in advance during the first half of 2011.

28. Cost and expenses by nature

	2012			
Concept	Cost of sale	Distribution and selling	Administrative	Total
Wages and salaries	$ 3,167,454	$ 2,624,954	$ 1,457,472	$ 7,249,880
Employee benefit	311,145	1,880,112	260,511	2,451,768
Raw material	20,701,227	-	-	20,701,227
Manufacturing expenses	4,177,496	-	-	4,177,496
Finished goods	32,514,518	-	-	32,514,518
Advertising	-	383,984	1,108	385,092
Insurance	89,471	73,559	37,227	200,257
Freight	-	271,136	-	271,136
Fees	13	52,909	108,687	161,609
Maintenance	2,821	384,306	84,504	471,631
Plant costs	-	31,911	251,752	283,663
Vigilance	-	111,044	33,317	144,361
Lease	-	1,111,295	82,480	1,193,775
Phone	-	62,966	72,900	135,866
Electricity	-	638,625	7,054	645,679
Credit card fees	-	53,154	-	53,154
Others	96,531	1,453,736	853,796	2,404,063
Subtotal	61,060,676	9,133,691	3,250,808	73,445,175
Depreciation	699,677	617,371	28,060	1,345,108
Total	**$ 61,760,353**	**$ 9,751,062**	**$ 3,278,868**	**$ 74,790,283**

	2011			
Concept	Cost of sale	Distribution and selling	Administrative	Total
Wages and salaries	$ 2,802,005	$ 2,452,267	$ 1,417,009	$ 6,671,281
Employee benefit	302,528	1,749,104	249,101	2,300,733
Raw material	22,594,482	-	-	22,594,482
Manufacturing expenses	3,466,562	-	-	3,466,562
Finished goods	29,401,841	-	-	29,401,841
Advertising	-	345,214	616	345,830
Insurance	23,094	78,378	31,124	132,596
Freight	-	235,980	-	235,980
Fees	-	50,096	113,517	163,613
Maintenance	-	442,642	85,610	528,252
Plant costs	-	19,465	269,829	289,294
Vigilance	-	105,233	34,153	139,386
Lease	-	1,004,412	85,257	1,089,669
Phone	-	58,307	75,934	134,241
Electricity	-	600,587	9,597	610,184
Credit card fees	-	147,032	-	147,032
Others	72,020	1,161,725	870,352	2,104,097
Subtotal	58,662,532	8,450,442	3,242,099	70,355,073
Depreciation	730,057	571,692	24,272	1,326,021
Total	**$ 59,392,589**	**$ 9,022,134**	**$ 3,266,371**	**$ 71,681,094**

29. Other (income) expenses – net

	2012	2011
Loss from sale of subsidiary shares	$ –	$ 105,206
Provision for legal dispute [1]	–	312,507
Sales of materials and waste	(116,569)	(129,456)
Loss (income) on sale of fixed asset	9,453	(19,134)
Other, net	28,104	50,772
	$ (79,012)	$ 319,895

[1] The amount corresponds to the complement of a provision recorded during 2009, relating to a lawsuit against the Entity from foreign distributor, Porcelanite, S.A. de C.V. (former subsidiary), whose outcome resulted in a cash disbursement of $678,150 (US$58,166) that took place during the second quarter of 2011.

30. Income taxes

The ISR is based on the fiscal year profits; which differs from the net income reported in the consolidated statement of comprehensive income due to temporary differences including timing differences with respect to the recognition of taxable or deductible revenues or expenses and permanent items that are never taxable or deductible. The liabilities for current tax is calculated using enacted tax rates or rates that are substantially approved at the end of the period in jurisdictions in which the Entity and its subsidiaries are subject to tax.

The Entity is subject to ISR and IETU in Mexico.

The ISR rate during 2012 and 2011 was 30%. in 2013 decreased to 29% and will be 28% from 2014. The Entity pays ISR, together with its subsidiaries on a consolidated basis, beginning in fiscal year 1994.

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 between ISR and IETU.

Based on financial projections, the Entity and most of its subsidiaries, determined that they will essentially pay ISR, and therefore only recognize deferred ISR. During 2012 and 2011 nor the Entity or its subsidiaries caused IETU.

a. ISR consists of the following:

	2012	2011
ISR:		
Current	$ 3,358,835	$ 2,219,067
Deferred	(405,711)	(332,088)
IETU:		
Current	14,610	6,605
Deferred	–	777
	$ 2,967,734	$ 1,894,361

b. The main items comprising the liability balance of deferred ISR are:

	2012	2011	January 1, 2011
ISR deferred (asset) liability:			
Property, machinery and equipment	$ 1,917,078	$ 1,934,296	$ 1,847,948
Inventories	205,299	202,842	497,283
Accounts receivable from installment sales	276,560	340,846	389,160
Advances from customers	(617,654)	(138,792)	(330,014)
Natural gas and metals swaps and forwards	(202,355)	(168,941)	(89,310)
Revenues and costs by percentage-of-completion method	234,745	(86,767)	(2,083)
Allowances for assets and reserves for liabilities	(706,036)	(379,096)	(123,059)
Other, net	(31,876)	(87,106)	(36,753)
Deferred ISR on temporary differences	1,075,761	1,617,282	2,153,172
Effect of tax loss carry-forwards	(158,984)	(233,052)	(49,105)
Difference income tax payable for CUFIN	195,123	195,123	195,123
Share losses	–	(28,929)	(39,865)
Defoerred ISR payment (long-term CUFINRE)	19,262	18,979	18,687
	1,131,162	1,569,403	2,278,012
Total deferred tax asset	120,929	145,641	77,966
Total deferred income taxes liability	**$ 1,252,091**	**$ 1,715,044**	**$ 2,355,978**

c. The movements of deferred tax liability during the year are as follows:

	2012	2011
Opening balance	$ 1,569,403	$ 2,278,012
ISR applied to results	(405,711)	(332,088)
Consolidation effect	(32,530)	(376,521)
Closing balance	**$ 1,131,162**	**$ 1,569,403**

d. Following is a reconciliation of the statutory and effective ISR rates expressed as a percentage of income before taxes on income:

	2012 %	2011 %
Statutory rate	30	30
Add (deduct) the effect of permanent differences -		
Nondeductible expenses	-	1
Inflation effects	1	1
Share in income of associated companies	(4)	(3)
Effective rate	**27**	**29**

e. Unapplied tax loss carryforwards of Grupo Carso, S.A.B. de C.V. and its subsidiaries for which a deferred income tax asset and an advanced income tax payment, respectively, have been recognized, may be recovered provided certain requirements are fulfilled. Their maturities and restated amounts at December 31, 2012 are as follows:

Year of expiration	Tax loss carryforwards
2018	$ 82,396
2019	278
2020	20,244
2021	546
2022 and thereafter	110,518
	213,982
Tax loss carryforward of foreing subsidiary without expiration term	276,661
Total	$ 490,643

31. Assets held for sale

The Entity decided to sell the shares in its subsidiaries Hubard y Bourlon, S.A. de C.V., Ingenieria HB, S.A. de C.V., Selmec Equipos Industriales, S.A. de C.V. and CILSA Panamá, S.A. Therefore, in the consolidated statement of financial position as of January 1, 2011, the assets and liabilities of those subsidiaries are classified as held for sale and included within short term and long-term assets and liabilities from discontinued operations.

The statements of financial position at December 31, 2012 and 2011 of the spun-off subsidiaries and /or disposed operations, are summarized as follows:

	2011	January 1, 2011
Current assets:		
Cash and cash equivalents	$ 7,029	$ 201,078
Accounts receivable – net	-	8,999
Inventories – net	51,203	389,177
Other accounts receivables	2,669	347,800
Total current assets	60,901	947,054
Property, machinery and equipment	15,632	165,487
Other assets	-	226,873
Total long term assets	15,632	392,360
Total assets	**$ 76,533**	**$ 1,339,414**
Current liabilities:		
Short-term debt	$ -	$ 218,498
Trade accounts payable	-	431,583
Accrued expenses, taxes and others	-	374,798
Total current liabilities	-	1,024,879
Long-term debt	-	6,022
Deferred income taxes	-	9,200
Total long-term liabilities	-	15,222
Total liabilities	**$ -**	**$ 1,040,101**

Furthermore, the operations of the disposed subsidiaries are presented separately in the consolidated statement of comprehensive income as discontinued operations.

The following are relevant income statement figures of the discontinued operations for the periods they were held. Such amounts correspond to Hubard y Bourlon, S.A. de C.V., Ingenieria HB, S.A. de C.V., Selmec Equipos Industriales, S.A. de C.V. and CILSA Panamá, S.A. to December 31, 2012 and 2011:

	2012	2011
Net sales	$ 66,298	$ 86,230
Costs and expenses	72,010	30,665
Operating expenses	1,152	4,861
Other income (expenses), net [1]	12,646	229,484
Net comprehensive financing result	–	(36)
Income before taxes	5,782	280,152
Income taxes	–	(11,827)
Net income	**$ 5,782**	**$ 291,979**

(1) Includes accounting profit on shares sales of $92,040 for Hubard y Bourlon, S.A. de C.V, an accounting loss of ($69) for Ingeniería HB, S.A. de C.V., an accounting profit of $78,228 for Selmec Equipos Industriales, S.A. de C.V. and an accounting profit of $51,390 for Cilsa Panamá, S.A.

32. Commitments

a. At December 31, 2012, in the Industrial and Construction and Infrastructure sectors have contractual commitments related to the leasing of machinery and equipment and real estate operating leases in the amount of $1,389,740.

Maturities of contractual commitments expressed in Mexican pesos at December 31, 2012, are as follows:

Years	
2013	$ 1,009,306
2014	87,578
2015	91,524
2016 and thereafter	201,332
	$ 1,389,740

The rents paid were $70,833 and $50,008, for the years ended December 31, 2012 and December 31, 2011, respectively.

I. **Retail sector:**

a. As of December 31, 2012, contracts have been executed with suppliers for the remodeling and construction of some of its stores. The amount of the commitments contracted in this regard is approximately $1,150,790.

b. Furthermore, as of December 31, 2011, the Entity and its subsidiaries have entered into lease agreements in 302 of its stores (Sears, Saks, Sanborn Hermanos, Sanborn's - Café, Mix-Up, Discolandia, I Shop, Comercializadora Dax, Corpti and Sanborns Panama). The leases are for non-cancelable periods range between one and 20 years. The rental expense during 2012 and 2011 was $1,200,031 and $1,110,631, respectively; also, the Entity and its subsidiaries, acting as lessees, have contracts whose terms range from between one to 15 years and the amount of rental income in 2012 and 2011 was $242,839 and $219,272, respectively.

- The amount of rentals payable according to its due date amount to:

Maturity	December 31, 2012
1 year	$ 289,984
1 to 5 years	1,214,782
More than 5 years	2,055,020
	$ 3,559,786

- The amount of rentals receivable according to their due date amount to:

Maturity	December 31, 2012
1 year	$ 14,410
1 to 5 years	115,728
More than 5 years	138,031
	$ 268,169

c. Sears Operadora México, S.A. de C.V. (formerly Sears Roebuck de México, S.A. de C.V.) and Sears Roebuck and Co., recently signed an agreement whereby they have decided to extend under the same terms the Brand Use License Contract and the Merchandise Sale and Advisory Contracts governing the commercial relationship between them, which establishes the payment of 1% of the revenues from merchandise sales, and allows the use of the Sears name both in its corporate name and in its stores, and the exploitation of the brands owned by Sears Roebuck and Co. The agreement will be in effect up to September 30, 2019, but allows for a seven-year extension under the same conditions, unless one of the parties decides not to do so, in which case it must notify the other party two years in advance.

d. Based on an agreement signed on September 12, 2006, the Entity executed a contract for the payment of consulting and brand use license for an initial term of 15 years with a 10 year renewal option, establishing the minimum annual payment of US $500, and allowing the use of the name Saks Fifth Avenue both in its corporate name and in its stores.

II. Construction and infraestructure sector:

a. In June 2012, Operadora signed contracts with Pemex Exploración y Producción ("PEP"), resulting from the allocation of public works for the manufacture of three offshore production fields in the Campeche EK-A2, KU Ayatsil-A and-B. The amount of these contracts is US$ 205 million, and will run over a period of approximately 17 months. The scope of the contract covers the engineering, procurement, construction, loading and mooring platforms, one octopod type.

b. During 2011, Operadora signed contracts for the manufacture of two fixed marine oil rigs with Pemex Exploración y Producción (PEP), for $247,000 and $381,000, respectively. Both platforms were finished during 2012.

c. In January 2010, PEP allocated through a direct award to Servicios Integrales GSM, S.A. de C.V. (GSM) and Operadora, both subsidiaries of CICSA, the drilling and termination work of 100 wells of the Tertiary field in the south region of Mexico. The amount of the construction contract was $1,028,380, plus US$159,406, and must be concluded in December 2012. As of December 31, 2012, the project is 59% completed under the original terms of this contract. In the final quarter of 2011, an addendum was assigned to this contract for the drilling of 33 steam injection wells apart from those currently in process, for an approximate value of US $95,000, on which work will begin in the first quarter of 2012. At December 31, 2012, has an advance of approximately 80%. Upon completion of the originally contracted work, addenda have been signed for the construction of a greater number of wells, for a total of 125.

d. In 2009, through Operadora, the Entity began construction of a Jack Up (mobile drilling platform for oil wells at sea), which is near completion at the date of issuance of these financial statements, with only the commissioning of equipment pending. Currently the Entity is in the process of selling it through companies specializing in this type of equipment. During 2012 the Entity continued marketing efforts, which deepened in the knowledge of this market and identified different options for this equipment, among which are the provision of services and leasing options that the Board of Directors of the Entity agreed to consider. Based on the above it was decided to classified under the caption of Property, plant and equipment. (See note 16).

e. In July 2009, PEP awarded GSM and Operadora the construction contract for the "Integrated work for the drilling of wells in the Gulf Terciary Oil". The value of such contract is approximately $203,528, plus US$119,897, and will be performed in approximately 2 years. In September 2009, work began on this drilling project for 144 oil wells and has finished at the date of issuance of these financial statements. However, during 2012, the Entity signed an extension to the contract for up to 244 wells that are about to complete.

f. In February 2012, through Operadora, the Entity won a concession contract for the construction, operation, exploitation, conservation and maintenance of the 111 kilometer, type a-4 Southern Guadalajara highway that extends from the Zapotlanejo junction of the Zapotlanejo – Guadalajara highway to the Arenal junction of the Guadalajara – Tepic highway. Under this concession contract, the Entity will provide construction services. The value of the contract is $5,977 million and fixed price contract is $35 million.

g. In May 2010, the SCT, a Federal Government agency, signed a concession title with the subsidiary Autovía Mitla Tehuantepec, S.A. de C.V. for $9,318,200, to construct, exploit, operate, conserve, maintain, modernize and expand the Mitla-Entronque Tehuantepec II federal highway, which is 169 km in length. For the construction of this highway, the special purpose entity Constructora MT de Oaxaca, S.A. de C.V. (MT) was created in December 2010, of which 40% is owned by Operadora. MT signed a contract in September 2011 with the concessionaire for the construction of this highway with value of $9,318,200. At the date of issuance of these financial statements began with some executive and project work in some sections, pending release of the rights of way.

h. In January 2010 CICSA announced that it was awarded a contract for the construction and operation of the Wastewater Treatment Plant at Atotonilco, Tula, Hidalgo, in which CICSA, through Infraestructura y Saneamiento de Atotonilco, S.A. de C.V., a consortium created at the end of 2010, would participate in the development of the structural and architectural engineering and in the civil construction project worth $2,050,000 (including VAT). The Atotonilco Plant will be the largest in Mexico and one of the largest in the world with a capacity of 35 m^3 per second (m3/s) for the treatment of wastewater in the Metropolitan Zone of the Mexico City, cleaning 23 m3/s during the dry season and another 12 m3/s more in the rainy season, by means of a physical-chemical process module. As of December 31, 2012, this project is 80% completed.

i. In December 2009 Operadora announced that it entered into a lump sum contract with the decentralized state agency named Sistema de Autopistas, Aeropuertos, Servicios Conexos y Auxiliares del Estado de México (SAASCAEM) for the modernization of the Tenango-Ixtapan de la Sal Highway, from Km 1+100 to Km 32+630, in the State of Mexico. The construction project consists of expanding the highway from two to four lanes, including earth grading work, drainage, structures, asphalting, construction and upgrades of junctions for a total length of 31.6 km. The contract amount is approximately $492,162 and will be performed over a 20 month period. At the date of the financial statements has an advance of about 85% and presents a suspension derived from a shelter by residents of a section of the project.

j. In October 2009 Operadora announced that it has reached agreement with Impulsora Del Desarrollo y el Empleo en América Latina, S.A.B. de C.V. ("IDEAL") (a related party) to perform the construction and modernization work on the "Proyecto Pacífico Norte", which consists of: (i) The Southern Bypass of Culiacan and the Mazatlan Bypass and its connecting branches, and (ii) The Mazatlan-Culiacan High Specification Highway and the related modernization work. The work to be performed is worth a total of $3,678,200, divided into three parts; the Culiacan Bypass for $1,590,844, in which the work were completed during 2011, the Mazatlan Bypass for $1,587,356, in which the Entity started the construction in certain trams and present an advance of 20% and modernization work for $500,000; the latter will be performed after the first two phases have been concluded.

k. In April 2009, Operadora executed a contract with CFC Concesiones, S.A. de C.V., a subsidiary of IDEAL, a related party, to perform the construction of the second leg of the Northeast Bypass of the Metropolitan Zone of the City of Toluca, which is 29.4 km long, through the municipalities of Lerma, Toluca, Otzolotepec, Xonacatlan, Temoaya and Almoloya de Juarez, over a one-year period. The value of the contract is approximately $750,675. At the date of issuance of these financial statements, the work has been completed and the final release documentation is being prepared.

l. In November 2008, through a consortium formed with other companies, CICSA signed the contract for the construction of the Eastern Emitter Tunnel, which will recover drainage capacity in the Metropolitan Zone of Mexico City and ensure the normal operation of deep drainage maintenance programs, thus eliminating the risk of flooding during the rainy season. The National Water Commission, the Federal District Government and the Government of the state of Mexico, through Trust number 1928, given the need for such construction projects and considering the technical capacity and experience of the Mexican companies which comprise the consortium, made a direct award in accordance with the related Law of Public Works and Services, to assign such project to the company named Constructora Mexicana de Infraestructura Subterránea, S.A. de C.V. (COMISSA), whose shareholders are: CICSA with 40% of the equity, Ingenieros Civiles Asociados, S.A. de C.V. (ICA), Construcciones y Trituraciones, S.A. de C.V. (COTRISA), Constructora Estrella, S.A. de C.V. (CESA) and Lombardo Construcciones, S.A. de C.V. (LOMBARDO). The original amount of this contract was $9,595,581, which has since been increased to $13,803,516 for additional authorized work. At the date of the financial statements the project is 70% completed, including the aforementioned increases, and CICSA's share is $4,865,443.

   The project began engineering and construction work under a mixed public works scheme on the basis of unit prices, lump sum and fixed term, which must be concluded in September 2012. However, with the authorizations made after the construction work ended, the deadline was extended to October 2014. The contract stipulates the construction of a tunnel 7 meters (m) in diameter, approximately 62 kilometers (km) long and with a capacity of 150 m^3 per second.

m. In the third quarter of 2008, a consortium made up of Operadora and other companies outside the Group, Constructora El Realito, S.A. de C.V., was awarded the contract to perform the work involving the design, development and engineering and construction of the El Realito dam, which will supply drinking water to the Metropolitan zone of San Luis Potosi, located on the river Santa Maria, in the municipality of San Luis de La Paz, Guanajuato State. The original amount of this contract was $549,748, which has since been increased to $678,000, for additional authorized work, of which Operadora has a 52% share and is expected to be finished within three years. At the date of the financial statements, this project is completed

n. In the second quarter of 2008, the consortium in which CICSA participates together with ICA and Alstom Mexicana, S.A. de C.V., was awarded the project to construct Line 12 of the Mexico City subway system (also known as Golden Line), which will cover a distance of approximately 24 km (from Mixcoac to Tlahuac). This assignment was made by the General Public Works Office for Transportation of the Federal District Government by means of an international public tender. The amount of the respective contract is $15,290,000. CICSA's share is 25% of the value of the civil engineering work of such Project. During 2012, the work was completed.

o. In 2012, the subsidiary, Grupo PC won a series of contracts for the construction of the project called Plaza Carso II, which consists of various commercial and residential buildings, initially worth $1,0624,400 .

p. During 2012 and 2011, Grupo PC reached agreements for the construction of 3 Star Medica hospitals in Queretaro State, Private Child Mexico City and Chihuahua State worth $565,700. At the end of 2012, is completed and delivery process of Queretaro, and began Private Child. Is expected to begin with the Chihuahua in 2013.

q. In July 2010, the subsidiary, Grupo PC signed a $319,000 contract for the construction of Building C-4 (Safety City) in Mexico City. At December 31, 2011, this project was completed.

r. During 2010, the Entity signed a contract to build a mall in the city of San Luis Potosi for $500,000, which was subsequently increased to $575,000 due to new requirements. This project was completed in 2012.

s. In 2009, the subsidiary, Grupo PC started work on the construction of Luna Parc Star Medica hospital in Cuautitlan Izcalli, State of Mexico, in connection with a contract worth$134,560. The work on this project was completed in November 2010. At the date of issuance of these financial statements, the Entity is in the process of settlement documents.

t. During October 2007, CICSA signed a contract with the Junta Municipal de Agua y Saneamiento de Juarez (JMAS), Chihuahua, to carry out the construction, maintenance, preservation and operation of the Acueducto Conejos Medanos which supplies drinking water to the city of Ciudad Juarez, in the State of Chihuahua. The construction work was worth $254,111 over two years, while the operating and maintenance services are worth $942,056 pesos and will be performed over 10 years, through the monthly payment of tariffs guaranteed by an administration trust which will be managed by JMAS over the contract term. In February 2010, the construction of this project was completed in accordance with the agreement and the project has already been opened and is in operation. Investment in this concession through a trust is presented in the consolidated statement of financial position as an intangible asset under concession.

u. During 2012 and 2011, the Entity signed contracts and work orders with a related party in Mexico and Latin America, for amounts totaling $2,813,580 and $2,356,000, respectively, and U.S.$150 million and U.S.$86 million, respectively. The contracts include professional services for the construction and modernization of copper cabling networks (peers) and outside plant fiber optic networks and to build pipelines and install fiber optic cables, public works, and connections. Most of the projects contracted in Mexico were completed during 2012 and 2011, while projects in Latin America have been running on schedule and are estimated to be completed during 2013.

v. In December 2006, GSM signed a contract for the drilling and termination of 60 oil wells (including infrastructure work) in Villahermosa, State of Tabasco. The respective construction work began in February 2007 and was concluded during the first quarter of 2010. The contract amount is $1,432 million pesos (nominal value) plus US$280 million.

   In August 2008, an agreement was signed to extend the drilling contract mentioned in the previous paragraph, adding 60 additional wells to the original contract and extended the deadline for completion to 2010. At December 31, 2011, this contract has been concluded.

33. Contingency

a. As of the date of these financial statements, the Entity has judicial procedures in process with the competent authorities for diverse reasons, mainly for foreign trade duties, for the recovery of accounts receivable and of labor matters.

The estimated amount of these judgments to December 31, 2012 amounts to $873,506, forwhich the Entity has recognized provisions $112,700 which is included in other liabilities in the consolidated statements of financial position. During 2012, the Entity made payments related to these matters of approximately $22,100. While the results of these legal proceedingss cannot be predicted with certainty, management does not believe that any such matters will result in a material adverse effect on the Entity's financial position or operating results.

b. A proceeding is underway to investigate absolute monopoly practices in the public railroad freight market, filed by the Federal Anti-Trust Board ("Cofeco") as a result of the sale of the common stock shares of Ferrosur, S.A. de C.V. and the acquisition of the common stock shares of Infraestructura y Transportes México, S.A. de C.V. Pursuant to such proceeding, the Cofeco determined that the absolute monopoly practices established in article 9, section I of the Federal Economic Competition Law had been committed by, among others, Grupo Carso, ordered the cessation of such monopoly practices and levied a fine on, among other companies, Grupo Carso for the amount of $82,200.

Grupo Carso filed an indirect amparo lawsuit (seeking relief on constitutional grounds) against such ruling, which was sent to the Sixth District Court for Administrative Matters in the Federal District. The constitutional lawsuit was admitted and an interlocutory judgment dated July 15, 2009 ordered the collection of the fine imposed on Grupo Carso to be definitively suspended, on the understanding that such measure would go into effect subject to the prior deposit of the total amount of the fine with the Federal Treasury to guarantee the actual and potential tax liability pursuant to article 135 of the Ley de Amparo. Accordingly, the Company filed the respective deposit slip with the Federal Treasury, which was recorded as other assets on the accompanying consolidated balance sheet. The constitutional hearing was held on September 28, 2010. In the judgment issued by the trial court on December 16, 2010, the Sixth District Judge for Administrative Matters in the Federal District dismissed amparo lawsuit 887/2009-III, because it had no legal grounds and ruled that an action for annulment could be filed with the Federal Tax Court against the contested ruling issued by the Federal Antitrust Board. In response to such ruling, Grupo Carso, among other companies, filed a motion for review, admitted under docket number 262/2011 by the 13th Appeals Court for Administrative Matters of the First Circuit, which in its ruling of May 23, 2012 stayed the dismissal declared by the Sixth District Court and ordered the judgments to be sent to the Mexican Supreme Court to rule on an issue of constitutionality raised in the lawsuit. The Supreme Court, in its session held on October 17, 2012, accepted jurisdiction over the constitutional issue and sent the rulings back to the 13th Appeals Court for Administrative Matters to issue judgment on the other matters. In relation to these questions, the aforementioned motion has yet to be resolved.

c. The Entity is involved in legal proceedings related to mercantile, tax and labor matters. These matters have arisen in the normal course of business and they are normal for the industry in which the Entity participates. However, the matters are deemed to have a smaller than probable, but greater than remote probability of resulting in a loss to the Entity. Nevertheless, the Entity believes that these matters will not have a material adverse effect on its financial position or operating results.

d. Certain subsidiaries have pending judicial proceedings with the competent authorities for diverse reasons, mainly for taxes and accounts receivable collections. In the opinion of the officers and lawyer of the Entity, most of these matters will be resolved favorably. The results of any unfavorable outcomes will not result in a material adverse effect on the Entity's financial position or results of operations.

e. At December 31, 2012 and 2011, the Entity has written guarantees, mainly on behalf of their clients, for $5,474,751 and U.S. $5,990 and $4,995,252 and U.S. $23,783, respectively, which were the amounts of liability in force in those periods.

f. Acting Covenants of title. In the normal course of the operations, the Entity is required to guarantee its obligations, mainly derived from construction contracts by means of letters of credit or deposits, regarding the compliance with contracts or the quality of the developed works.

34. Segment information

Information by operating segment is presented based on the management focus and general information is also presented by product, geographical area and homogenous groups of customers.

a. Analytical information by operating segment:

	2012				
Statements of financial position	Industrial	Commercial	Infrastructure and construction	Others and eliminations	Total consolidated
Current assets:					
Cash and cash equivalents	$ 852,259	$ 2,327,855	$ 484,649	$ 1,329,975	$ 4,994,738
Accounts and notes receivable, net	3,844,490	8,844,083	5,586,845	(796,478)	17,478,940
Total current assets	10,491,356	20,075,050	9,670,497	799,972	41,036,875
Property, plant and equipment	3,689,238	8,808,288	6,914,348	589,577	20,001,451
Other assets Net	228,153	28,694	185,601	433,483	875,931
Total assets	20,808,673	31,201,517	17,851,636	7,000,488	76,862,314
Current liabilities:					
Notes payable to financial institutions and current portion of long-term debt	2,974,333	5,273,039	3,089,980	(1,967,999)	9,369,353
Trade accounts payable	2,062,823	6,104,898	1,084,384	106,927	9,359,032
Total current liabilities	6,398,210	14,811,534	8,485,971	(1,984,553)	27,711,162
Long-term debt	42,314	-	1,379	5,000,000	5,043,693
Total liabilities	6,656,257	15,972,727	8,601,877	3,750,864	34,981,725

	2011				
Statements of financial position	Industrial	Commercial	Infrastructure and construction	Others and eliminations	Total consolidated
Current assets:					
Cash and cash equivalents	$ 1,159,688	$ 2,049,562	$ 716,587	$ 972,057	$ 4,897,894
Accounts and notes receivable, net	4,755,130	8,443,130	3,810,279	(638,525)	16,370,014
Total current assets	11,558,141	18,716,071	7,741,415	927,028	38,924,655
Property, plant and equipment	3,900,779	8,811,067	6,971,611	510,582	20,194,039
Other assets Net	228,390	32,083	142,458	259,298	662,229
Total assets	21,460,372	29,956,018	16,125,988	5,488,743	73,031,121
Current liabilities:					
Notes payable to financial institutions and current portion of long-term debt	3,907,940	1,372,936	1,816,818	3,546,243	10,643,937
Trade accounts payable	2,180,158	5,558,941	977,763	1,549	8,718,411
Total current liabilities	7,523,335	10,120,748	5,661,728	4,121,187	27,426,998
Long-term debt	115,174	-	2,198	-	117,372
Total liabilities	7,899,851	11,563,598	5,783,969	3,930,708	29,267,126

	2012				
Statements of Comprehensive Income	Industrial	Commercial	Infrastructure and construction	Others and eliminations	Total consolidated
Net sales	$ 25,851,754	$ 39,411,287	$ 17,533,325	$ 1,382,901	$ 84,179,267
Cost of sales	22,521,422	23,818,767	14,352,159	1,068,005	61,760,353
Distribution and selling	446,706	8,644,391	45,159	(3,105)	9,133,691
Administrative	735,909	1,781,979	708,474	(86,717)	3,250,808
Other (income) expenses – net	3,418	(92,289)	2,172	7,687	(79,012)
Interest (income) expense– net	72,381	(1,602)	83,175	366,598	520,552
Exchange gain (loss) – net	(254,235)	(10,220)	(54,936)	22,663	(296,728)
Effects of valuation of financial instruments – net	(23,399)	(45,134)	(450,843)	(91,666)	(611,042)
Equity in income of associated companies	(305,002)	-	(2,118)	(1,244,578)	(1,551,698)
Income from income taxes	2,572,721	4,622,478	2,837,081	1,166,442	11,198,722
Income taxes	744,304	1,324,580	790,166	108,684	2,967,734
Income from discontinued operations	5,782	-	-	-	5,782
Consolidated net income	1,834,199	3,297,898	2,046,915	1,057,758	8,236,770
EBITDA (1)	2,401,953	5,225,703	2,737,544	239,714	10,604,914
Depreciation	339,488	632,536	325,184	47,900	1,345,108

Statements of Comprehensive Income	2011 Industrial	Commercial	Infrastructure and construction	Others and eliminations	Total consolidated
Net sales	$ 27,621,800	$ 36,415,957	$ 14,348,667	$ 816,972	$ 79,203,396
Cost of sales	24,525,284	21,773,912	12,521,572	571,821	59,392,589
Distribution and selling	416,251	8,002,375	41,503	(9,687)	8,450,442
Administrative	805,442	1,781,979	741,395	(86,717)	3,242,099
Other (income) expenses Net	(39,966)	(86,717)	167,932	315,997	319,895
Interest (income) expense Net	(30,883)	21,940	84,651	209,290	284,998
Exchange gain (loss) Net	250,109	57,441	90,456	(48,689)	349,317
Effects of valuation of financial instruments Net	44,912	7,328	(36,369)	482,520	498,391
Equity in income of associated companies	102,425	-	(2,311)	(735,831)	(635,717)
Income before income taxes	1,479,662	4,215,136	711,291	100,781	6,506,870
Income taxes	367,355	1,263,955	327,568	(64,517)	1,894,361
Income from discontinued operations	287,830	-	4,149	-	291,979
Consolidated net income	1,400,137	2,951,181	387,872	165,298	4,904,488
EBITDA [1]	2,248,994	4,916,525	1,137,424	26,937	8,329,880
Depreciation	402,771	583,539	289,707	50,004	1,326,021

[1] Reconciliation of EBITDA

	2012	2011
Income before income taxes	$ 11,198,722	$ 6,506,870
Depreciation	1,345,108	1,326,021
Interest income	(294,654)	(490,300)
Interest expense	815,206	775,298
Exchange gain (loss)	(296,728)	349,317
Effects of valuation of financial instruments	(611,042)	498,391
Equity in income of associated entities	(1,551,698)	(635,717)
EBITDA	$ 10,604,914	$ 8,329,880

Cash flows from operating activities:

	2012	2011
– Industrial	$ 1,909,665	$ 1,473,640
– Retail	3,345,197	3,289,709
– Infrastructure and construction	2,049,380	1,691,413
– Others and eliminations	359,164	399,550
Total consolidated	$ 7,663,406	$ 6,854,312

Cash flows from investing activities

	2012	2011
– Industrial	$ (180,289)	$ 12,976,839
– Retail	(455,369)	(1,003,198)
– Infrastructure and construction	(388,578)	(382,395)
– Others and eliminations	(6,620,068)	(413,833)
Total consolidated	$ (7,644,304)	$ 11,177,413

Cash flows from financing activities:

	2012	2011
– Industrial	$ (1,977,497)	$ (13,857,608)
– Retail	(2,614,003)	(1,752,834)
– Infrastructure and construction	(1,860,954)	(1,317,009)
– Others and eliminations	6,644,268	527,256
Total consolidated	$ 191,814	$ (16,400,195)

b. General segment information by geographical area:

The Entity operates in different geographical areas and has distribution channels in México, the United States and other countries through industrial plants, commercial offices or representatives.

The distribution of such sales is as follows.

	2012	%	2011	%
North America	$ 4,053,003	4.82	$ 3,293,787	4.15
Central and South America and the Caribbean	6,628,058	7.87	6,554,929	8.28
Europe	313,819	0.37	361,599	0.46
Rest of the world	49,221	0.06	72,152	0.09
Total exports and foreign	11,044,101	13.12	10,282,467	12.98
Mexico	73,135,166	86.88	68,920,929	87.02
Net sales	**$ 84,179,267**	**100.00**	**$ 79,203,396**	**100.00**

The Entity has a wide variety of customers according to the category of products and services it offers; however, no particular customer represents more than 10% of net sales. The Entity offers its products and services in the following industries: energy, automotive, telecommunications, construction, electronics and general public mainly.

35. Explanation of transition to IFRS

As it is mentioned in the Note 2, the consolidated financial statements for the ended year as of December 31 2012 are the first financial statements that are compliance with the IFRS. The transition date to the IFRS is January 1 2011. In the preparation of the first financial statement with the IFRS, the transition rules have been applied to the figures reported previously of conformity with NIF. As it is described in the Note 2 of the financial statements, the Entity has applied the obligatory exceptions and it has chosen certain adoption options for the first time in conformity with the IFRS 1. The following reconciliations provide the quantification of the effects and the impact in the stockholders' Equity as of the date of transition of January 1, 2011 and also as of December 31 2011, and in the comprehensive income for the year of transition that ended as of December 31 2011.

a. Reconciliation of Stockholders' Equity

	Notes	2011	January 1, 2011
Total Stockholders' Equity under NIF		$ 42,270,434	$ 38,790,807
Adjustment to property, plant and equipment	e,g	561,949	375,248
Adjustment to other assets	f	944,518	780,551
Adjustment to goodwill	j	-	(1,655)
Cancellation of deferred PTU	h	-	59,182
Adjustment to employee benefits	c	229,575	225,965
Effect of deferred taxes	d	(127,892)	(279,001)
Total Stockholders' Equity under IFRS		**$ 43,878,584**	**$ 39,951,097**

b. Reconciliation of comprehensive income

	Notes	December 31, 2011
Net income under NIF		$ 5,234,558
Depreciation of property, plant and equipment	g	(93,894)
Correction to income tax	e	(22,458)
Other effects of transition to IFRS	f, i	(213,718)
Net income under IFRS		4,904,488
Translation effect of foreign operations	k	741,300
Valuation of derivative financial instruments	m	93,382
Actuarial losses	c	(86,163)
Other comprehensive income effects	f, i, j	24,676
Comprehensive net income under IFRS		**$ 5,677,683**

The transition to IFRS has resulted in the following changes in accounting policies:

a. The effect to January 1, 2011 of all settings for the adoption of IFRS earnings were recorded, and the corresponding effect on the noncontrolling interest.

b. According to IAS 29, **Financial Reporting in Hyperinflationary Economies,** the effects of inflation should be recognized only in a hyperinflationary economy, which is identified by various characteristics of the economic environment of a country. The more objective criteria for a hyperinflationary economy is when cumulative inflation over three years approaches, or exceeds, 100%. Since the Entity and its principal subsidiaries are located in a non-hyperinflationary economic environment, the effects of inflation recognized under NIF to 2007 were canceled for non-hyperinflationary periods, except for assets that used the deemed cost exception under IFRS 1 as mentioned in Note 2.

c. NIF D-3, *Employee Benefits,* requires the recognition of a provision and expenditure for estimated employee termination benefits paid in connection with an offer made to encourage an employee's voluntary resignation in virtually all circumstances. Under IAS 19, the recognition of a termination benefit liability is only recognized when certain conditions are met.

d. The Entity adjusted its deferred tax under IAS 12, *Income Taxes,* using the carrying value of assets and liabilities recognized under IFRS.

e. The Entity has elected to recognize certain properties in accordance with IAS 40, *Investment Property*, using the fair value model, which reflects the gains and losses in the income statement. Adjustments arise as the result of the reclassification of the properties from property, plant and equipment to investment property, and for the recognition of the effect of the valuation surplus at the date of transition.

f. At the date of transition, the Entity canceled the intangible assets that did not meet the requirements of IAS 38, I*ntangible Assets. Additionally*, the Entity classified certain intangible assets existing at the date of transition with indefinite lives, canceling the accumulated depreciation at the date of transition.

g. In conformity with IAS 16, Property, Plant and Equipment, the Entity 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. Additionally capitalized spare parts and supplies 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 Entity incurred certain expenses which did not qualify for capitalization as part of fixed assets under IFRS and were eliminated heron. Finally, there are assets that were valued considered fair value with appraisals made by independent actuaries.

h. In Accordance with IAS 19, *Employee Benefits,* the recognized PTU expense relates only to the current expense, which is incurred when, among other things, the employee has rendered service to an entity, and that the present obligation, legal or constructive, to make such payment, is a result of past events. Therefore the Entity eliminated deferred PTU balance from the transition date of the financial statements.

i. In accordance with 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 Entity recognizes financing revenue over the period in which it receives payment for the goods, using the effective interest method.

j. In accordance with IAS 23, *Borrowing Costs, i*nterest paid eligible to be capitalized in qualifying assets, net of interest income generated by excess invested funds not yet used in these qualifying assets, should be capitalized from the date of adoption. However, IFRS 1, *First-time adoption of IFRS,* provides an optional exemption from retroactive application of IAS 23.

k. As discussed in Note 2, the Entity chose to zero out the accumulated translation adjustment related to foreign operations as of the transition date.

l. 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 Entity 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.

m. The debt issuance costs recognized in other assets under MFRS are reclassified and presented net of the related debt instrument in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

36. Subsequents events

a. During the Ordinary and Extraordinary General Meeting of the Stockholders of Grupo Sanborns, the following resolutions were taken:

    i. Initiate a Public Share Offering for the Entity's fixed capital (i) in Mexico through 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 1933 Securities Act or any other applicable regulation, and on other foreign markets according to applicable laws, as deemed appropriate or necessary.

    ii. The Offering must be made according to the periods, terms and conditions determined by its representatives based on the supply and demand levels of the shares, the conditions prevailing on stock markets at the placement date and other relevant factors.

    iii. Effect a stock split of the shares representing Grupo Sanborns common stock by issuing two new shares for each current outstanding share, without implying a capital increase. Given that the share split has been irrevocably approved by Grupo Carso, its effects have been recorded retroactively in the consolidated financial statements of Grupo Sanborns as regards the disclosure of the number of shares and the profit per share.

    iv. Increase minimum fixed capital without withdrawal rights by an amount of up to $432,308 by issuing up to 432,308,236 ordinary, nominative Series "B-1" shares, to ensure that the Entity's authorized minimum fixed capital without withdrawal rights remains at a total of up to $1,585,410, as represented by up to 2,382,000,000 ordinary, nominative Series "B-1" shares following the share split. All the shares subject to this increase will be offered for placement through the Offering at the placement price per share determined by Offering representatives. Any unsubscribed shares will be held by the treasury.

    v. Amend the Entity's Corporate Bylaws to fulfill the requirements established by the National Banking and Securities Commission (CNBV), in the understanding that the Entity's new Corporate Bylaws will generally take effect as of that date, albeit with the exception of articles regarding its corporate denomination as a "public stock company", which will take effect when the shares representing its common stock are registered with the National Securities Registry administered by the CNBV.

    The Entity has considered utilizing the resources generated by the public share offering for general corporate purposes including the expansion of new stores and restaurants, remodeling existing units, increasing working capital, financing operating needs, funding its development and expansion plan in an organic manner or through acquisitions, while also settling its current debt.

b. With a settlement date of February 13, 2013, Sanborns successfully placed shares for the gross amount of $10,511.4 million, while considering an over-assignment option for a further $837.2 million, which was paid on March 13, 2013.

37. New accounting principles

The 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*, apply from January 1, 2013, although early adoption is permitted. In August 2011, the IASB issued a proposed accounting standard entitled Mandatory Effective Date of IFRS, which proposes to change the effective date of IFRS 9 from January 1, 2013 to January 1, 2015.
- IFRS 10, *Consolidated Financial Statements*
- IFRS 11, J*oint Arrangements.*
- IFRS 12, D*isclosure of Interests in Other Entities.*
- IFRS 13, *Fair Value Measurement.*
- 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.

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.

These standards apply to years beginning on or after January 1, 2013. Earlier application is permitted provided that such standards are applied early at the same time.

The Entity expects that these standards are adopted in the consolidated financial statements for the year to start January 1, 2013, and is currently evaluating the impact these standards may have on them.

38. Authorization to issue the financial statements

On April 3, 2013, the issuance of the accompanying consolidated financial statements was authorized by C.P. Quintín Botas Hernández; consequently, they do not reflect events occurred after that date, and are subject to the approval of the Entity's ordinary shareholders' meeting, where they may be modified, based on provisions set forth in the Mexican General Corporate Law. The consolidated financial statements for the year ended December 31, 2011, were approved at the ordinary shareholders' meeting that took place on April 26, 2012.

Investor Relations

Jorge Serrano Esponda
jserranoe@inbursa.com

Share Information

The shares Series A-1 of Grupo Carso S.A.B. de C.V. are listed in the Mexican Stock Exchange under the ticker symbol “GCARSO”.

ADR’S Level 1 Information

Symbol: GPOVY
2:1
Cusip: 400485207

Depositary Bank

BNY Mellon
Shareowner Services
PO Box 358516
Pittsburgh, PA 15252-8516
Tel. 1-888-BNY-ADRS (269-2377)
1-201-680-6825
shrrelations@bnymellon.com
www.bnymellon.com/shareowner

Websites

For more information about Grupo Carso and social responsibility activities, visit:

www.carso.com.mx
www.carlosslim.com
www.fundaciontelmex.org
www.museosoumaya.com

MIXTO
Papel procedente de fuentes responsables
FSC® C018101

Design: www.signi.com.mx


PTAR Atotonilco

www.carso.com.mx

Lago Zurich 245, Frisco Building
Ampliación Granada
Mexico City, 11529
Mexico