

***Corporación Interamericana de Entretenimiento,
S. A. B. de C. V. and subsidiaries***

Consolidated Financial Statements

At December 31, 2012, 2011 and January 1, 2011

**Corporación Interamericana de Entretenimiento,
S. A. B. de C. V. and subsidiaries**

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At December 31, 2012, 2011 and January 1, 2011

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Independent Auditors' Report
(Translated from the original issued in Spanish)

Mexico City, April 26, 2013

To the Stockholders' and Board of Directors of
Corporación Interamericana de Entretenimiento, S. A. B. de C. V. and subsidiaries

We have audited the accompanying consolidated financial statements of Corporación Interamericana de Entretenimiento, S. A. B. de C. V. and subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 assessment, 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 our audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present, fairly, in all material respects, the consolidated financial position of Corporación Interamericana de Entretenimiento, S. A. B. de C. V. and subsidiaries at December 31, 2012, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

Other matters

The consolidated financial statements of Corporación Interamericana de Entretenimiento, S. A. B. de C. V. and subsidiaries at December 31, 2011 and for the year then ended were audited in accordance with Mexican Generally Accepted Auditing Standards, on which we issued an unqualified opinion on April 16, 2012.

PricewaterhouseCoopers, S. C.

A handwritten signature in black ink, appearing to read "Roberto Vargas Flores", written over a horizontal line.

Roberto Vargas Flores
Audit Partner

**Corporación Interamericana de Entretenimiento,
S. A. B. de C. V. and subsidiaries**
Consolidated Statements of Financial Position
December 31, 2012, 2011 and January 1, 2011

Figures stated in thousands of pesos (\$), as explained in (Note 2)

Assets	December 31, <u>2012</u>	December 31, <u>2011</u>	January 1, <u>2011</u>
Current assets:			
Cash and cash equivalents (Note 6)	\$ 648,835	\$ 1,694,685	\$ 1,268,852
Trade receivables - Net (Note 7)	1,855,602	1,329,912	1,958,858
Inventories	6,308	37,673	29,045
Other accounts receivable (Net 7)	404,636	131,157	342,043
Related parties (Note 7)	222,617	289	559
Income tax recoverable	238,320	533,073	307,211
Costs of future events and prepaid expenses (Note 3.6)	1,467,647	2,782,818	3,034,474
Derivative financial instruments		420	
	<u>4,843,965</u>	<u>6,510,027</u>	<u>6,941,042</u>
Non-current assets held for sale (Note 18)	<u>544,686</u>	-	-
Total current assets	5,388,651	6,510,027	6,941,042
Non-current assets:			
Accounts receivable	39,733	116,802	136,653
Investments in associate companies (Note 8)	1,002,208	126,552	96,105
Property and equipment (Net) (Note 9)	1,025,284	6,116,650	6,693,578
Intangible assets (Note 10)	116,087	285,607	619,172
Costs of future events and prepaid expenses	177,743	235,765	655,529
Guarantee deposits	8,200	14,300	18,450
Deferred income tax asset (Note 17)	<u>937,573</u>	<u>994,735</u>	<u>382,788</u>
Total assets	\$ 8,695,479	\$ 14,400,438	\$ 15,543,317
Liabilities and Stockholders' Equity			
Current liabilities:			
Short-term loans from financial institutions (Note 12)	\$ 528,013	\$ 1,231,922	\$ 639,668
Issuance of short-term stock exchange certificates (Note 12)	414,700	492,354	280,000
Suppliers	999,068	1,064,840	1,129,240
Other taxes payable		130,414	64,637
Derivative financial instruments			2,673
Sundry creditors	577,479	788,816	1,107,575
Related parties (Note 7)	370,941	71,485	71,463
Revenue from future events and advances from customers (Note 3.6)	<u>284,877</u>	<u>596,603</u>	<u>366,152</u>
	<u>3,175,078</u>	<u>4,376,434</u>	<u>3,661,408</u>
Liabilities related with non-current assets held for sale	<u>461,051</u>		
Total current liabilities	3,636,129	4,376,434	3,661,408
Long-term liabilities:			
Long-term loans from financial institutions (Note 12)	619,227	2,798,626	3,668,954
Issuance of long-term stock exchange certificates (Note 12)	721,675	1,662,542	2,115,533
Deferred income tax liabilities (Note 17)	454,013	450,715	568,596
Employee benefits (Note 13)	112,346	175,859	163,364
Other non-current liabilities	<u>18,049</u>	<u>24,971</u>	<u>135,196</u>
Total non-current liabilities	1,925,310	5,112,713	6,651,643
Total liabilities	5,561,439	9,489,147	10,313,051
Stockholders' equity: (Note 14)			
Capital stock	3,398,673	3,398,400	3,398,400
Premium on subscription of shares	90,019	90,019	90,019
Deficit	(831,755)	(669,782)	(497,747)
Net income (loss) for the year	70,355	(164,263)	(166,780)
Cumulative translation adjustment	<u>(56,220)</u>	<u>(57,654)</u>	<u>-</u>
Equity of controlling interest	2,671,072	2,596,720	2,823,892
Equity of non-controlling interest	<u>462,968</u>	<u>2,314,571</u>	<u>2,406,374</u>
Stockholders' equity	3,134,040	4,911,291	5,230,266
Total liabilities and stockholders' equity	\$ 8,695,479	\$ 14,400,438	\$ 15,543,317

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

**Corporación Interamericana de Entretenimiento,
S. A. B. de C. V. and subsidiaries**
Consolidated Statements of Comprehensive Income - By function
Decemer 31, 2012 and 2011

Figures stated in thousands of pesos (\$), as explained in (Note 2)

	December 31, 2012	December 31, de 2011
	\$ 6,480,284	\$ 6,790,204
Income (Note 19)	235,057	(5,344,293)
Valuation of investment in associate	(5,276,164)	(794,349)
Cost of sales	(764,323)	(74,381)
Administrative and selling expenses (Note 15)	(29,241)	(74,381)
Other (expenses), net (Note 16)	645,613	577,181
Operating income	32,754	26,165
Interest earned	24,107	6,565
Foreign exchange gain, net	8,070	6,565
Other financial income	64,931	32,730
Financial income	(261,972)	(464,326)
Interest paid	(261,972)	(547,022)
Foreign exchange loss, net	(197,041)	(514,292)
Financial expenses	32,452	57,689
Financing expenses, net	481,024	120,578
Equity in earnings of associated companies	(324,156)	(344,852)
Income before income taxes	156,868	(224,274)
Income taxes	38,542	336,076
Income (loss) from continuous operations	\$ 195,410	\$ 111,802
Income from discontinued operations - Net (Note 18)	\$ 125,055	\$ 276,065
Consolidated net income	70,355	(164,263)
Non-controlling interest in net income	\$ 195,410	\$ 111,802
Controlling interest in net income (loss)	\$ 1,434	(\$ 57,654)
Consolidated net income	1,434	(57,654)
Other components of comprehensive income	\$ 196,844	\$ 54,148
Gain or loss from translation adjustment	1,434	(57,654)
Total other comprehensive income	\$ 196,844	\$ 54,148
Consolidated comprehensive income	\$ 125,055	\$ 276,065
Comprehensive income attributable to non-controlling interest	71,789	(221,917)
Comprehensive income (loss) attributable to the controlling interest	\$ 199,134	\$ 54,148
Consolidated comprehensive income	\$ 0.0569	(\$ 0.7251)
Earnings (loss) per basic and diluted share (figures in pesos) (Note 3.20):	0.0689	0.4215
Before discontinued operations	\$ 0.1258	(\$ 0.3036)
Of discontinued operations	\$ 0.1258	(\$ 0.3036)

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

Corporación Interamericana de Entretenimiento, S. A. B. de C. V. and subsidiaries

Statements of Changes in Stockholders' Equity December 31, 2012, 2011 and at January 1, 2011

Figures stated in thousands of pesos (\$), as explained in (Note 2)

	Capital stock	Premium on subscription of shares	Deficit	Cumulative translation adjustment	Equity of controlling interest	Equity of non-controlling interest	Total stockholders' equity
Balance at January 1, 2011	\$3,398,400	\$90,019	(\$664,527)	\$-	\$2,823,892	\$2,406,374	\$5,230,266
Purchase of non-controlling interest			(5,255)		(5,255)	39,701	34,446
Dividends paid by subsidiaries			(164,263)	(57,654)	(221,917)	(407,569)	(407,569)
Comprehensive income						276,065	54,148
Balance at December 31, 2011	<u>3,398,400</u>	<u>90,019</u>	<u>(834,045)</u>	<u>(57,654)</u>	<u>2,596,720</u>	<u>2,314,571</u>	<u>4,911,291</u>
Capital stock increases (Note 14)	273				273		273
Disposal of subsidiaries						(1,854,306)	(1,854,306)
Purchase of non-controlling interests			2,290		2,290	(49,860)	(47,570)
Dividends paid by subsidiaries						(77,070)	(77,070)
Capital stock contributions by subsidiaries						2,693	2,693
Other movements						1,885	1,885
Comprehensive income			70,355	1,434	71,789	125,055	196,844
Balance at December 31, 2012	<u>\$3,398,673</u>	<u>\$90,019</u>	<u>(\$761,400)</u>	<u>(\$56,220)</u>	<u>\$2,671,072</u>	<u>\$462,968</u>	<u>\$3,134,040</u>

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

**Corporación Interamericana de Entretenimiento,
S. A. B. de C. V. and subsidiaries**
Consolidated Statements of Cash Flows
December 31, 2012 and 2011

Figures stated in thousands of pesos (\$), as explained in (Note 2)

	December 31, <u>2012</u>	December 31, <u>2011</u>
<u>Operations</u>	\$ 481,024	\$ 120,578
Income before income taxes	276,589	319,963
Items with no impact on cash		30,235
Depreciation and amortization	(32,452)	(57,689)
Disposals of property and equipment	(32,754)	(26,165)
Equity in earnings of associated companies	261,972	464,326
Interest earned	(33,707)	28,392
Interest paid	(9,177)	18,452
Other investment items	<u>38,541</u>	<u>685,700</u>
Exchange fluctuation		
Items related to discontinued operations	950,036	1,583,792
Cash flow from results before income tax	(572,650)	291,504
(Increase) decrease in accounts receivable	(994)	1,301
(Increase) decrease in inventory	(1,036,862)	325,479
(Increase) decrease in other accounts receivable and other current assets	318,464	(70,816)
Increase in suppliers	351,045	279,956
Increase in other liabilities	(196,740)	(616,725)
Tax on profits paid	<u>36,065</u>	<u>(47,413)</u>
Operating activities of discontinued operations		
Net cash flows provided by operating activities	(151,636)	1,747,078
<u>Investing activities</u>	2,653,266	3,488
Disposal of controlling interest		715,058
Disposal of investment in permanent shares	(144,531)	(138,187)
Investment in property and equipment	(47,003)	(12,078)
Investment in intangible assets	32,754	26,165
Interest income	(7,782)	
Acquisition of non controlling interest	<u>(384,998)</u>	<u>(294,373)</u>
Investment activities of discontinued operations		
Cash surplus to be applied to financing activities	1,950,070	2,047,151
<u>Financing activities</u>	(1,643,800)	(654,951)
Payment of bank loans	(1,025,298)	
Payment of stock exchange certificates	(77,072)	(143,325)
Dividends and capital reduction of non-controlling interest	273	
Capital stock increase	(244,255)	(413,402)
Interest paid	(5,768)	(45,317)
Other items		<u>(364,333)</u>
Investment activities of discontinued operations		
Net (decrease) increase in cash and cash equivalents	(1,045,850)	425,833
Cash and cash equivalents at beginning of year	<u>1,694,685</u>	<u>1,268,852</u>
Cash and cash equivalents at end of year	<u>\$ 648,835</u>	<u>\$ 1,694,685</u>

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

Corporación Interamericana de Entretenimiento, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2012, 2011 and at January 1, 2011

Thousands of pesos (\$), unless otherwise specified

Note 1 - General information:

Corporación Interamericana de Entretenimiento, S. A. B. de C. V. (CIE of the Company) was incorporated on August 21, 1995 under the laws of Mexico, for a 99-year period.

CIE is a public company listed in the Mexican Stock Exchange under ticker symbol "CIE".

The Company is controlled, neither directly nor indirectly, by any other company, individual or particular group, and its stockholders are the great investing public.

The Company is domiciled at Avenida Industria Militar sin número, Puerta 2, Acceso A, Colonia Residencial Militar, C.P. 11600, Delegación Miguel Hidalgo.

CIE is the holding company, either directly or indirectly, of the companies listed below, which have been grouped in the following divisions:

CIE Entretenimiento (Entretenimiento) -

The production and promotion of live entertainment in Mexico, representation of artists and the sale of presentations by different artists, including concerts, theatre productions, sports events, automobile events, ticket sales and sponsorship rights, the operation of real property, the sale of food and beverages, souvenirs and related merchandise.

CIE Comercial (Comercial) -

Sale of sponsorship rights for events and entertainment centers, teleservices, marketing of advertising space on footbridges, movie theater screens and airports, support and promotion of advertising campaigns and sale of advertising space at professional soccer games in Mexico.

CIE Las Américas (Las Américas) -

Up until February 9, 2012, CIE controlled the Americas division (see Note 18), which was engaged in the exploitation of the permit to operate up to 65 gaming room licenses, and to receive sporting bets in Mexico, remote booking centers and electronic number draws. Operation of the largest Convention and Exhibition Centre in Latin America, known as the Centro Banamex; the horse racing track and facilities for placing bets; La Granja Las Americas, and a children's theme park.

Other businesses -

Operating of an amusement park in Colombia.

CIE has subsidiaries or associates in the following countries: Mexico, Brazil, Colombia and the U.S.

**Corporación Interamericana de Entretenimiento,
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In December 2012, 2011 and 2010, CIE and its subsidiaries conducted the following significant operations:

- On February 9, 2012, the Company concluded the operation in which CODERE, S.A. acquired an additional 35.8% of the Las Américas division's interest (see Note 18). CIE's interest in the division's equity decreased from 51.0% to 15.2%.
- On April 14, 2011, a partial disinvestment was conducted in South America, through a public offer of T4F shares. CIE has a minority interest in this company. In light of the above, CIE's 24% interest in this associated company was reduced to 9.8%. The transaction totaled \$715,059.
- In April 2011, the Company shut down operations of the Wannado park located in the State of Florida, U.S., which ceased to be held by the Company. The transaction totaled \$3,488.

Following are CIE's main subsidiaries at December 31, 2012, 2011 and at January 1, 2011 over which it exercises control:

<u>Company</u>	<u>Percentage</u>	<u>Main activity</u>
<u>Entretenimiento:</u>		
Ocesa Entretenimiento, S. A. de C. V. (OCEN)	60%	Holding company.
Operadora de Centros de Espectáculos, S. A. de C. V. (OCESA) ¹	60%	Holding, entertainment center administrator and service provider.
Venta de Boletos por Computadora, S. A. de C. V. ¹	60%	Automated ticket sales.
<u>Comercial:</u>		
Corporación de Medios Integrales, S. A. de C. V.	100%	Holding company.
Publitolop, S. A. de C. V.	100%	Marketing of advertizing on footbridges.
Unimarket, S. A. de C. V.	100%	Marketing of rotating ads during sports events.
Make Pro, S. A. de C. V.	100%	Marketing of image advertising and endorsements.
<u>Las Américas:</u> ²		
Impulsora de Centros de Entretenimiento Las Américas, S. A. P. I. de C. V. ²		Holding company.
Administradora Mexicana de Hipódromo, S. A. de C. V. ²		Organizing live horse races with bets placing and other stakes games permitted by law.
<u>Other businesses:</u>		
Grupo Mantenimiento de Giros Comerciales Internacional, S. A. de C. V.	100%	Holding company.
CIE Internacional, S. A. de C. V.	100%	Holding of subsidiary shares, including the investment in the associate in Brazil.

¹ Indirectly through OCEN.

Corporación Interamericana de Entretenimiento, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2012, 2011 and at January 1, 2011

² These subsidiaries, as well as all those pertaining to the Las Américas division are no longer controlled by CIE as from February 9, 2012. At January 1, 2011, December 31, 2011 and up until February 9, 2012, the controlling interest is 51%. See Note 18.

Note 2 - Bases for preparation:

In accordance with the changes to the Rules for Public Companies and other participants of the Mexican Stock Market issued by the National Banking and Securities Commission on January 27, 2009, as from 2012, the Company is required to prepare its financial statements using International Financial Reporting Standards (IFRS) as the regulatory framework for accounting purposes.

The consolidated financial statements have been prepared in accordance with IFRS and interpretations thereof (IFRIC) issued by the International Accounting Standards Board (IASB), subject to certain transition exemptions or exceptions disclosed in Note 23. The Company has consistently applied the accounting policies used in preparing its opening statement of financial position under IFRS at January 1, 2011 throughout all of the periods presented, as if these policies had always been in effect. Note 23 discloses the impact of transition to IFRS on the Company's financial position and statement of income, including the nature and effect of significant changes in the accounting policies used in preparing the Company's consolidated financial statements for the year ended December 31, 2011 prepared under Mexican Financial Reporting Standards (FRS).

2.1 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis of accounting, except for items comprising derivative financial instruments, which are recognized at fair value with an effect on income for the year, as explained in Note 11. The financial statements have been prepared on a going-concern basis.

2.2 Functional and presentation currency

The items included in the financial statements of each of the Group entities are stated in the currency of the primary economic environment in which the entity operates (the "functional currency"). The Mexican peso is the currency in which the Company's consolidated financial statements are presented.

a. Transactions and balances

Foreign currency transactions are converted to the functional currency using the exchange rates in effect on the transaction or valuation dates, when the items are re-measured. The exchanges profits and losses resulting from said transactions and from conversion, at the exchange rates in effect at the year-end close, of monetary assets and liabilities denominated in foreign currency are recognized as exchange fluctuations under financing cost in the statement of income.

Corporación Interamericana de Entretenimiento, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2012, 2011 and at January 1, 2011

b. Operations abroad

The financial results and financial position of all CIE subsidiaries (none of which have the currency of a hyperinflationary economy), whose functional currency is different from their reporting currency, are converted to the reporting currency, as follows:

- (a) The assets and liabilities recognized in the balance sheet are translated at the exchange rate prevailing on the closing date of said balance sheet;
- (b) Income and expenses recognized in the statement of income are converted at each year's average exchange rate. The average exchange rate showed no significant change during the year ended at December 31, 2012 and 2011.
- (c) The capital recognized in the balance sheet is converted at the historical exchange rate.
- (d) Resulting exchange differences are recognized as other components of comprehensive income.

2.3 Use of estimates and judgments

Preparation of consolidated financial statements under IFRS requires that Management make judgments, estimates and assumptions that affect application of accounting policies and the carrying amounts of assets, liabilities, income and expenses. Actual results can differ from those estimates. The areas involving a greater degree of judgment or complexity or the areas in which the assumptions and estimates are significant for the consolidated financial statements are described in Note 5.

Critical estimates and assumptions are reviewed on a regular basis. Estimate reviews are recognized in the period in which the estimate is reviewed and in any future period affected.

Note 3 - Summary of significant accounting policies:

Following is a summary of the most significant accounting policies applied in the preparation of these consolidated financial statements. These policies have been consistently applied in the reporting years, unless otherwise indicated.

3.1 New standards issued not yet in effect

A series of new standards, amendments to or interpretations of standards are effective for periods beginning on or after January 1, 2013 and have not been applied in the preparation of consolidated financial statements. CIE intends to adopt these pronouncements when they become effective and is still in the process of analyzing the possible effect of the new standards on financial position or performance; however, they are not expected to have a significant effect on CIE's consolidated financial statements.

Corporación Interamericana de Entretenimiento, S. A. B. de C. V. and subsidiaries

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For the years ended December 31, 2012, 2011 and at January 1, 2011

- **IFRS 7 “Financial instruments”**

In October 2010, the IASB modified IFRS 7 “Financial instruments: Disclosures”. The standard modifies the disclosures required for users of financial statements to be able to evaluate their exposure to the risk related to the transfer of financial assets and the effect of these risks on the entity’s financial position. This change is effective as from January 1, 2013.

- **IAS 1 “Presentation of Financial Statements”**

In June 2011, the IASB modified IAS 1, “Presentation of Financial Statements”. The main resulting change is the requirement to group the items presented in other comprehensive income based on whether they are subsequently potentially re-classifiable to income for the year. The changes do not mention which items are to be presented in other comprehensive income. This change is effective as from January 1, 2013.

- **IFRS 9 “Financial Instruments”**

IFRS 9 “Financial Instruments” was issued in November 2009 and contained the requirements for classification and measurement of financial assets. The requirements for financial liabilities were included as part of IFRS 9 in October 2010. Most of the requirements for financial liabilities were taken from IAS 39 with no changes. However, some changes were made to the option of fair value for financial liabilities to include the credit risk. In December 2011, the IASB made changes to IFRS 9, requiring its application for annual periods beginning on or after January 1, 2015.

- **IFRS 10 “Consolidated Financial Statements”**

In May 2011, IASB issued IFRS 10 “Consolidated Financial Statements”. This standard sets forth the principles for presentation and preparation of consolidated financial statements, when one entity controls one or more entities. IFRS 10 defines the principle of control and establishes control as the basis for determining the entities to be consolidated in the financial statements. The standard also includes the accounting requirements for preparing consolidated financial statements, as well as the requirements for applying the principle of control. IFRS 10 replaces IAS 27 “Consolidated and Separate Financial Statements” and SIC 12 “Consolidation - Special Purpose Entities”. This change is effective as from January 1, 2013.

- **IFRS 11 “Joint Arrangements”**

In May 2011, IASB issued IFRS 11 “Joint Arrangements”. IFRS 11 classifies joint arrangements in two types: joint operations and joint ventures. The entity determines the type of joint arrangement in which it participates according to the related rights and obligations. In a joint operation, assets, liabilities, income and expenses are recognized on a proportional basis, according to the arrangement. In a joint ventures, an investment is recognized and recorded by the equity method. Proportional consolidation of joint ventures is not allowed. IFRS 11 is effective as from January 1, 2013.

Corporación Interamericana de Entretenimiento, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2012, 2011 and at January 1, 2011

- IFRS 12 “Disclosure of Interests in Other Entities”

IASB issued IFRS 12 “Disclosure of Interests in Other Entities” in May 2011. IFRS 12 requires that an entity disclose information that will allow for evaluating the nature and risks associated with its interests in other entities, such as joint arrangements, associates and special purpose entities. This standard is effective as from January 1, 2013.

- IFRS 13 “Fair Value Measurement”

In May 2011, IASB issued IFRS 13 “Fair Value Measurement”. The purpose of IFRS 13 is to provide a definition of fair value and be the sole source for requirements in terms of measurement and disclosure of fair value, when fair value is required or permitted under other IFRS. IFRS 13 is effective as from January 1, 2013.

- IFRS 19 “Employee benefits”

IAS 19 “Employee benefits”, effective for annual periods beginning on or after January 1, 2013, eliminates the use of the corridor method, instead requiring immediate recognition of all re-measurements of defined benefit liabilities (assets), including gains and losses in comprehensive income.

- Amendment to IAS 32 “Financial instruments: presentation of information in relation to offsetting of financial assets and financial liabilities”

These amendments are the application guidelines of IAS 32 “Financial instruments: presentation and clarification of certain requirements for offsetting financial assets and financial liabilities in the balance sheet”. Effective as from January 1, 2014.

- IAS 28 “Investments in Associates and Joint Ventures”

In May 2011, the IASB modified IAS 28 under a new heading “Investments in Associates and Joint Ventures”. The new standard includes the requirements for joint ventures, as well as for associates, for recognition thereof by the equity method. This standard is effective as from January 1, 2013.

3.2 Basis for Consolidation

a. Subsidiaries

The subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

The subsidiary companies’ accounting policies have been modified when necessary, for consistency with the policies adopted by the Company.

The consolidated financial statements include those of the Company and of Company-controlled subsidiaries.

Corporación Interamericana de Entretenimiento, S. A. B. de C. V. and subsidiaries

Notes to the Consolidated Financial Statements

For the years ended December 31, 2012, 2011 and at January 1, 2011

b. Associates

Associates are all entities over which the Company exercises significant influence, but not control. Investments in associates are recorded by the equity method and are initially recognized at cost. The Company's investment in associated companies includes goodwill (net of any accumulated impairment loss, if any) identified at the time of the acquisition, if any.

The Company's equity in the profits or losses following acquisition of associated companies is recognized in the statement of income and its equity in the comprehensive results of an associated company, following its acquisition, is recognized in the Company's "Other comprehensive results". Post-acquisition accrued movements are adjusted against the book value of the investment. When the Company's equity in the losses of an entity equals or exceeds its interest therein, including any unsecured account receivable, the Company does not recognize a greater loss, unless it has incurred obligations or has made payments on behalf of the associated company.

c. Changes in interest in subsidiaries without the loss of control

The transactions with the non controlling interests not conducive to a loss of control are recorded as transactions in stockholders' equity, that is, as transactions with stockholders in their capacity as such. The difference between fair value of the consideration paid and the interest acquired in the carrying value of the subsidiary's net assets is recorded in equity. Gains or losses on the sale of non controlling interests are also recorded in stockholders' equity.

d. Disposal of subsidiaries

When the Company loses control of or significant influence over an entity, any interest in said entity is measured at fair value, recognizing the effect thereof on income. Subsequently, said fair value is the initial book value for the purposes of recognizing the interest retained as an associate, joint venture or financial asset, as applicable. In addition, amounts previously applied to other comprehensive income, relating to said entity, are cancelled as if CIE has disposed of the related assets or liabilities directly. This implies that the amounts previously applied to other comprehensive income are reclassified to income in certain cases.

e. Transactions eliminated in consolidation

The most important balances and operations between CIE entities, as well as unrealized income and expenses, have been eliminated in preparing the consolidated financial statements.

Unrealized profits arising from transactions between CIE entities in which involving investments recognized by the equity method are eliminated against the investment in the proportion of the Company's interest in said entity. Unrealized losses are eliminated in the same manner as unrealized profits, but only in to the extent there is no evidence of impairment.

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3.3 Cash and cash equivalents

Cash and cash equivalents include cash balances, deposits and other highly liquid investments, with immaterial risks arising from changes in value.

Investments available for sale are short term, highly liquid, with maturities of three months or less.

3.3.1 Financial assets

The Company classifies its financial assets as loans and receivables. Management determines the classification of its financial assets upon initial recognition thereof.

Financial assets are cancelled in their entirety when the right to receive related cash flows expires or is transferred and the Company has substantially transferred all of the risks and benefits inherent to ownership thereof.

Accounts receivable are non-derivative financial assets with fixed or determined payments that are not traded in an active market. They are included as current assets, except for maturities of over 12 months after the balance sheet date. They are classified as non-current assets.

Loans and accounts receivable are initially valued at fair value, plus transaction costs incurred, and are subsequently recognized at amortized cost. When circumstances arise that indicate that receivables will not be collected in the amounts initially agreed or will but at a different term, said accounts receivable are impaired.

The Company only cancels a financial asset when the contractual rights over the related cash flows expire or the risks and benefits inherent to ownership of the financial asset are transferred. If the Company does not transfer or substantially retain all the risks and benefits inherent to ownership and continues retaining control of the assets transferred, the Company recognizes its equity in the asset and the related obligation with respect to the amounts it would be required to pay. If the Company substantially retains all the risks and benefits inherent to ownership of a financial asset transferred, the Company continues recognizing the financial asset, as well as a liability for the resources received.

3.4 Impairment of financial assets

At the end of every reporting period, the Company evaluates whether or not there is evidence of impairment of a financial assets or group of financial assets. Impairment of a financial asset or group of financial assets and the impairment loss are recognized only if there is objective evidence of impairment resulting from one or more events occurred after initial recognition of the asset and the loss event or events have an impact on the estimated cash flows of the financial asset that can be reliably estimated.

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The Company records an impairment provision for its loan portfolio when there is evidence that payment will not be received, and the balance of this provision is increased based on an individual analysis of each account and of the results of the evaluation of the behavior of the portfolio and the seasonality of the business. Increases to this provision are recorded in the statement of comprehensive income. The methodology used by the Company to determine the balance of this provision has been applied consistently over at least the past 10 years and has historically been sufficient. (See Note 7).

3.5 Inventories

At December 31, 2012, 2011 and at January 1, 2011, inventories are stated at their historical cost determined by the average cost method. Values so determined do not exceed their net realization value. At December 31, 2011 and January 1, 2011, inventories included food and beverages pertaining to the Americas division, and at December 31, 2012, 2011 and January 1, 2011, they include the entertainment division's food, beverage and souvenir inventories.

3.6 Costs of future events and prepaid expenses

The costs of future events and prepaid expenses include advances and payments for local artistic talent, prepaid advertizing, advertizing and sponsorship costs, marketing of professional Mexican soccer teams and other costs incurred to ensure future development of events. Said costs are charged to the income statement once the events have been held.

3.7 Property, furniture and equipment

The components of property, furniture and equipment are recognized at cost, less their accumulated depreciation and recognized impairment losses. The cost includes expenses directly attributable to the acquisition of these assets and all expenses related to the location of assets at the site and in the conditions necessary for them to operate as expected by the Company.

Spares and parts for use at more than a year and attributable to specific machinery are classified as property, plant and equipment.

Assets, property, furniture and equipment are subject to impairment testing when there are events or circumstances that indicate that the carrying value of the assets may not be recovered. An impairment loss corresponds to the amount at which the carrying value of the asset exceeds its recovery value. Recovery value is the greater of fair value net of selling costs and the asset's value in use.

If the carrying value exceeds the estimated recovery value, impairment of an asset's carrying value is recognized and the asset is immediately recognized at its recovery value.

The residual and useful live of assets will be reviewed, at least at the end of each reporting period and if expectations differ from prior estimates, the changes will be recorded as a change in accounting estimate.

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Gain or losses on asset disposals are determined comparing the selling value and the carrying value and are recognized in the other expenses or income line item in the statement of income.

Depreciation is calculated by the straight-line method based on the useful lives of assets, as estimated by Company management, applied to the values of real property, furniture and equipment, (see Note 9) or over the period during which the property is under concession. The value of these assets is tested annually for impairment, only if there is evidence of such.

The useful lives of property and equipment are as follows:

	<u>Useful lives</u>
Leaseholds improvements and space under concession ²	4 and 10 years
Park, ride and attraction equipment	10 years
Office furniture and equipment	10 years
Computer and peripheral equipment	3-3 years
Structures and advertisements	7 and 3 years
Transportation equipment	5 and 4 years
Radio communication and telephone equipment	10 and 12 years
Other assets	Sundry

² Up until December 31, 2011, investments made to comply with the concessions related to the "Las Américas Complex (CIE Las Américas) were amortized by the straight-line-method over a 25-year period for those related to the equestrian operation and 50 years for the real-estate operation. See Note 18.

3.8 Intangible assets

Intangible assets are recognized in the balance sheet when they are identifiable, provide future economic benefits and there is control over those benefits. Intangible assets are amortized systematically, based on the best estimate of their useful lives determined based on expected future economic benefits.

Intangible assets are classified as follows:

- i. Indefinite life intangible assets are not amortized and are subject to annual impairment testing. To date, no factors have been determined that might limit the useful life of these intangible assets.

At December 31, 2012, intangible assets with an indefinite life correspond to trademarks, involving no legal, regulatory, contractual, economic or other factors that might limit their lifetime, and which are expected to generate future cash flows, which are not conditioned to a limited period of time, and are thus subject to annual impairment testing under IFRS.

- ii. Defined useful life is recognized at cost, less accumulated amortization and impairment losses recognized. They are amortized by the straight-line method, according to the useful life, determined based on expected future economic benefits, and are subject to impairment testing when there is evidence of such. Rights to market air time on radio frequencies are amortized based on consumption thereof.

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Disbursements in development activities are recognized as intangible assets when said costs can be reliably measured, the product or product is technically and commercially feasible, possible future economic benefits are obtained and the Company intends and owns sufficient resources to complete the development and to use or sell the asset. Amortization thereof is applied to income by the straight-line method over the estimated useful live of the asset. Development expenses not qualifying for capitalization are applied to income as they are incurred.

The useful lives of intangible assets are as follows:

	<u>Useful lives</u>
Software licenses	1 to 3 years
Rights to market air time on radio frequencies	5 years
Non-compete agreements related to business adoption	3 years

3.9 Impairment of non-financial assets

Assets with an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets subject to amortization areas tested for impairment when events or circumstances arise, that indicate that their book value might not recover. Impairment losses correspond to the amount at which the book value of the asset exceeds its recovery value. The recovery value of assets is the greater of the fair value of the asset less costs incurred for their sale and value in use. For impairment testing purposes, assets are grouped at the lowest levels at which they generate identifiable cash flows (cash-generating units). Non-financial assets subject to write-offs due to impairment are valued at each reporting date to identify possible reversals of said impairment.

3.10 Suppliers, creditors and other accounts payable

Accounts payable are payment obligations on goods or services acquired from vendors in the normal course of operations. Accounts payable are classified as current liabilities if the payment is due within a year or less.

Accounts payable are initially recognized at fair value and subsequently measured at their amortized cost, using the effective interest rate method.

3.11 Loans

Loans from financial institutions are initially recognized at fair value, net of costs incurred in the transaction. Said financing is subsequently recorded at its amortized cost. Differences, if any, between the funds received (net of transaction costs) and the redemption value are recognized in the statement of income during the period of the financing, using the effective interest rate method.

3.12 Provisions

Liability provisions represent present obligations arising from past events, whose settlement is likely to require the use of economic resources. Those provisions have been recorded on the basis of management's best estimates.

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3.13 Employee benefits

(a) Pension-related obligations

CIE only has defined benefit plans, which defines the amount of pension benefits to be received by an employee at retirement, usually depending on one or more factors, such as the employee's age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, plus (less) adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries, using the projected unit credit method. The present value of defined benefit obligations is determined by discounting estimated future cash outflows using interest rates of government bonds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income in the period in which they arise. Past-service costs are immediately applied to income, unless changes in the plans are conditioned to the employee's remaining for a determined period of time. In this case, past services are amortized by the straight-line method over the period said services are provided.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. CIE recognizes termination benefits when it has committed to end the labor relationship with the employees under a formal plan, without the possibility of withdrawal. If voluntary separation is promoted, termination benefits are valued on the basis of the number of employees that accepts the offer. Benefits maturing 12 months after the reporting period are discounted at their present value.

(c) Employees' statutory profit sharing and bonuses

CIE recognizes a liability and a bonus expense and employees' statutory profit sharing based on a calculation that considers the profit attributable to the Company's stockholders after certain adjustments. The Company recognizes a provision when it is contractually obligated or when there is a past practice that generates an assumed obligation.

(d) Short-term benefits

CIE provides short-term employee benefits, which can include, wages, salaries, annual bonuses and bonuses payable over the following 12 months. CIE recognizes a provision without discount, when is it contractually obligated or when the former practice has created an obligation.

(e) Employees' statutory profit-sharing

The Company recognizes a liability and an expense related to employees' statutory profit sharing based on a calculation that takes into account the tax profit after certain adjustments. The Company recognizes a provision when it is legally obligated to make the payment.

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3.14 Current and deferred income taxes

The tax expense comprises currently and deferred taxes. The tax is recognized in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or in equity. In this case, the tax is also recognized in other comprehensive-income items or directly in equity, respectively.

Current income tax comprises the income tax and the flat rate business tax, which are recognized in profit or loss of the year when they are incurred. The current tax is the higher of income tax and flat tax for the year. These taxes are based on taxable income and cash flows for each year, respectively.

The charge corresponding to tax on profits currently payable is calculated as per the tax laws approved at the balance sheet date in Mexico and in the countries in which the Company's subsidiaries and associates operate and generate a tax base. Management periodically evaluates the position assumed with respect to tax refunds as they relate to situations in which the tax laws are subject to interpretation.

Deferred income tax and deferred flat tax are recognized by the comprehensive liability method, which consists of calculating deferred taxes for all temporary differences between the book and tax values of assets and liabilities expected to materialize in the future, at the rates prevailing at the date of the consolidated financial statements. See Note 17.

The deferred tax asset is only recognized to the extent future tax benefits are likely to be obtained against which temporary difference liabilities can be used.

Deferred income tax assets and liabilities are offset when there is an enforceable legal right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities related to the same tax authority.

To determine income tax, the rate for 2012 was 30% and will be 30% for 2013 and 28% for 2014

Flat tax for the period is calculated at the rate of 17.5% on income determined on a cash-flow basis. That income is determined by subtracting authorized deductions from total income arising from taxable operations. The so-called flat tax credits are subtracted from the foregoing result, as established in the legislation.

3.15 Stockholders' equity

Capital stock, the premium on subscription of shares, the accumulated deficit and the effect of translation of foreign entities are stated at their historical cost.

The net premium on subscription of shares represents the difference in excess between the payment on the subscription of shares and the par value thereof.

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3.16 Comprehensive loss

The comprehensive loss is comprised of the net profit (loss) for the year, plus such items as are required by specific IFRS to be reflected in other comprehensive income and which do not constitute capital contributions, reductions or distributions.

3.17 Derivative financial instruments

Given that one of the Company's subsidiaries is exposed to the exchange fluctuations of the peso to the US dollar (Dls), mainly because the artistic talent is contracted in (Dls), the Company contracted exchange rate hedging to mitigate this risk.

Following is a breakdown of forwards with balances at December 31, 2012:

Counterparty	(Thousands of Dls) initial amount	Opening date	Expiration date	Underlying exchange rate	Agreed exchange rate
Banco Santander, S. A., Institución de Banca Múltiple Grupo Financiero Santander	Dls 4,374	December 10, 2012	February 28, 2013	\$ 12.9102	\$ 12.949
Banco Santander, S. A., Institución de Banca Múltiple Grupo Financiera Santander	Dls 4,374	December 10, 2012	April 30, 2013	\$ 12.9102	\$ 13

The Company's derivative financial instruments (FORWARDS) are valued as follows:

Amount (thousands of USD)	Exchange rate	Amount	Expiration	Present value
Dls 4,374	12.9658	\$ 56,712	February 28, 2013	\$ 56,638
Dls 4,374	12.9658	<u>56,712</u>	April 30, 2013	<u>56,862</u>
		<u>\$ 113,424</u>		<u>\$ 113,500</u>

The notional amounts related to derivative financial instruments reflect the reference volume contracted; however, they do not reflect the amounts at risk as concerns future flows. Amounts at risk are generally limited to the unrealized profit or loss in from valuation to market of those instruments, which can vary depending on changes in the market value of the underlying item, its volatility and the credit rating of the counterparties.

This amount is included in the sundry creditors line item.

Derivative financial instruments contracted and identified, classified as cash flow hedging for trading purposes, or market risk hedging, are recognized in the balance sheet as assets and/or liabilities at fair value and are subsequently measured at fair value. Fair value is determined based on recognized market prices and when not quoted in the stock market, fair value is determined based on valuation techniques accepted in the financial domain.

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The fair value of derivative financial instruments used as hedging instruments is classified as a non-current asset or liability if maturity of the remaining hedge amount is greater than 12 months, and as a current asset or liability if maturity of the remaining hedge amount is under 12 months.

With respect to changes in fair value in cash flow hedges, the effective portion is temporarily shown in comprehensive income, under stockholders' equity and is reclassified to income when the position hedged affects income, the ineffective portion is immediately applied to income.

The Company suspends hedge accounting when the derivative matures, is cancelled or exercised, when the derivative fails to reach an effective high to offset the changes in fair value or cash flows of the item hedged, or when the Company decides to cancel the hedge designation.

In suspending hedging accounting, the amounts accrued under stockholders' equity as part of comprehensive income remain in the capital stock until such time as the effects of the forecasted transaction are applied to income. In the event the forecasted transaction is no longer likely to occur, the gains or losses recognized in the comprehensive income account are immediately applied to income. When hedging of a forecasted transaction was shown as satisfactory and is subsequently shown to fail the effectiveness test, the accrued effects on comprehensive income in stockholders' equity are proportionately applied to income, to the extent that the forecasted transaction is applied to income.

The fair value of derivative financial instruments reflected in the Company's financial statements represents a mathematical approximation of the fair value thereof. It is calculated using independent third-party models, with assumptions based on past market conditions and future expectations at the corresponding book closing.

At December 31, 2011 and at January 1, 2011, derivative financial instruments were recorded as shown below:

<u>Notional amount</u>	<u>Market value</u>		<u>Contracting date</u>	<u>Maturity date</u>	<u>December 31, 2011</u>	<u>January 1, 2011</u>
	<u>Contract</u>					
\$24,016	Swap		Feb. 29, 2008	Dec. 19, 2012	\$420	(\$2,673)

At December 31, 2012 and 2011 and January 1, 2011, derivative financial instruments are not in compliance with effectiveness tests.

Fair value estimate

The derivative financial instruments recorded at fair value in the statement of financial position are classified based on the manner by which their fair value is obtained as Level 2, whereby the fair value is derived from indicators other than quoted prices (unadjusted) in asset markets for identical liabilities or assets, but that include indicators that are directly observable at quoted prices or indirectly, that is to say, derived from these prices.

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3.18 Revenue recognition

Revenue is recognized in the statement of income when the services provided by the different companies are actually rendered. Following is an explanation of each division's main source of revenue:

Entretenimiento

Ticket to events are sold in advance and recorded as "revenue from events not yet held and advances from customers" as a liability in the balance sheet. Subsequently, on the date of the event, the sale is recorded as revenue in the statement of income. Revenue from the sale of sponsorship rights is also recognized on the date of the event.

The Company charges the buyers of automated tickets commissions and service fees. These commissions and service charges are recognized as income upon issuance of the automated tickets. Income from advertizing on tickets and in local entertainment guides (advertisement in years) are collected in advance. These fees are initially recorded as "income from events yet to be held and advances from customers" as a liability in the balance sheet and is recognized in the income statement as income by the straight-line method for the duration of the contract.

Income from operating live entertainment centers corresponds mainly to advertizing, concessions, the sale of food, beverages and souvenirs, parking and other related businesses, such as rent for fairs and commercial exhibits organized by Group companies or third parties, and is recognized in the statement of income when the events are held.

Comercial

Income from teleservices and the different advertizing operations are recognized in the statement of income when the services are provided.

Organization and promotion of commercial fairs and exhibitions and special or corporate events

Income from the promotion and organization of commercial fairs and exhibitions arises from ticket sales, rent of space for exhibition or rent of the building, the sale of sponsorship rights and other types of advertizing. Income is collected in advance and recognized as "Income from unrealized accounts and advances from customers" under liabilities in the balance sheet. This income is recorded in the statement of income when the event is held.

Income from special and corporate events arise from services collected from the event's host, which are generally calculated on a cost basis, plus a profit factor.

Income from future events and advances from customers

Income from future events and advances from customers represents income from future events, which is applied to income on the date they take place. Advance sponsorship and ticket sales are recorded as income from events yet to be realized until the event actually takes place.

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Amusement parks

Income from the sale of tickets, food and beverages and sales of merchandise is recognized at the time of the sale. Income from corporate sponsorships is recognized when the services are provided.

Las Américas

Up to February 9, 2012, operation of the racetrack and receipt of remote sporting bets (simultaneous transmission) and numbers draws (yak).

Income from the racetrack corresponding mainly to bets, admission tickets and advertizing services, as well as to fees for radio and television race simulcast, and commissions on the remote booking operation.

Income from sports bets and numbers draws corresponds mainly to total amounts wagered, net of tax payments and withholdings, of the amounts withheld by the Company on numbers games (which are based on a percentage of total amounts operated). Additionally, income is obtained from the sale of food and beverages, recognized as income when the services are rendered. The cost of sales includes fees for simulcast rights that reduce the gross profit of the actual commission earned by the Company from sports betting operations.

In some types of betting and numbers draws, the Company does not assume the operating risk. Revenue is recognized in the statement of income when the services are provided and commissions on bets are collected from the bettors. At December 31, 2012, there is no income from this division. See Note 19.

3.19 Leases

Leasing is classified as capital leasing when the terms of the lease transfer all the risks and benefits inherent to the property to the lessees. All other leases are classified as straight leasing. At December 31, 2012, 2011 and January 1, 2011, there are no financial leases.

Straight-lease payments are charged to income by the straight-line method, over the term of the lease. Variable rent is recognized as an expense in the period in which it is incurred.

Improvements to leaseholds and space under concession are depreciated over the lesser of the term of the lease/concession or the useful life of the property.

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3.20 Earnings per share

Basic earnings per ordinary share are calculated dividing the profit attributable to the controlling interest by the weighted average number of ordinary shares outstanding during 2012 and 2011. Diluted earnings per share are calculated by adjusting the profit attributable to the controlling interest and the ordinary shares, under the assumption that the entity's commitments to issue or exchange its own shares will be realized. Basic earnings are the same as diluted earnings due to the fact that there are no transactions that could potentially dilute earnings. The weighted average of shares considered for 2012 and 2011 calculations was 559,369,806 and 559,330,813, respectively. Earnings per basic ordinary share for 2012 and 2011 are stated in pesos.

3.21 Segment reporting

Information per segment is presented consistently with the internal reports provided to the Board of Directors, which is the body responsible for making operating decisions, of assigning the resources and evaluating the operating segments' yield.

With respect to the periods presented, December 31, 2012 and 2011 and January 1, 2011, CIE management has decided that the best way to control its business, for administrative and operating purposes, is through the following segments: Entertainment, Commercial, las Americas and other businesses, which best reflects the Companies' reality and provides a significant understanding of the different lines of business. Each of the divisions is handled by a group of executives whose purpose it is to achieve the objectives set by the head office.

3.22 Foreign currency operations and foreign exchange gain or loss

Foreign currency transactions are recorded in the functional currency applying the exchange rates prevailing on the date on which the transaction was entered into or the exchange rate in effect on the valuation date when the items are revalued.

Differences arising from fluctuations in the exchange rates between the dates on which transactions are entered into and those on which they are settled, or valued at year end, are recognized in the statement of income.

3.23 Discontinued operations

The entity classifies an operation as discontinued when a component of the entity has been disposed of or reclassified as held for sale, and represents a line of business or geographical area that is significant and can be considered separate from the rest; is part of a sole coordinated plan to dispose of a line of business or geographical area of the operation that is significant and can be considered separate from the rest, or is a subsidiary acquired exclusively for resale purposes.

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Note 4 - Risk management:

The main risk factors to which the company is exposed are as follows:

4.1. Market Risk

4.1.1. Exchange rate risk

4.1.2. Interest rate risk

4.2. Credit risk

4.3. Financial risks

4.3.1. Liquidity risk

4.3.2. Capital risk

4.1. Market Risk

CIE is a Mexican company that conducts most of its business activities in Mexico. As a result, its businesses, its financial condition and results of operations can be significantly affected by either general conditions of the Mexican economy, such as a devaluation of the Mexican peso, inflation and interest rates in Mexico, or by other political and economic matters in the country.

The Mexican government has exercised and continues to exercise considerable influence over the Mexican economy. The Mexican Government's policies related to the economy and para-state entities have significant impact on the business sector in Mexico and particularly on CIE, as well as on market conditions, the price system and the yields on securities of Mexican entities, including the Company's.

In the past, Mexico has experienced economic crises caused by both internal and external factors, which have been characterized by instability in exchange rates, high inflation and interest rates, economic concentration, reduction of international capital flows, liquidity of the banking sector and unemployment. These economic conditions considerably reduced the Mexican population's purchasing power and, as a result, demand for Out-of-home entertainment services in general. This type of crisis can have an adverse effect on CIE's financial condition and operating conditions, as well as the market value of its securities.

4.1.1. Exchange rate risk

In the past, the value of the Mexican peso (\$) to the US dollar (Dls) and other currencies has fluctuated inconsistently. An example of this is that at the 2012 year-end close, the exchange rate of the peso to the dollar showed an appreciation of \$0.2684, reducing the rate from \$13.9342 at January 1, 2012 to \$12.9658 at December 31, 2012 and could do so in the future, although the peso has shown a certain stability in the past few years. Reductions in the value of the peso with respect to other currencies could have an adverse effect on the business and on CIE's financial and operating condition, including its ability to make payments on principal and interest in terms of the part of its debt denominated in foreign currency.

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Among other aspects, a reduction in the value of the Mexican peso to the US dollar could affect the feasibility of CIE presenting international artists in Mexico, as it would be required to pay for said services in said currency, and a devaluation of the peso would increase the peso amount of its obligations in US dollars.

In order to face fluctuations in the exchange rate of the Mexico peso, the Company considers contracting exchange rate hedging (forwards) to improve the feasibility and economic profitability of certain particular entertainment events. Additionally, the Company achieves natural hedging through advance ticket sales to its international shows, where resources denominated in Mexico pesos are changed to foreign currency on which the cost of contracting and presenting artistic talent and entertainment contents are denominated. This practice allows, in addition to contracting forwards on a temporary basis, for improving the position and managing of the Group's treasury up to presentation of the shows subject to exchange variations.

Operadora de Centros de Espectáculos, a subsidiary, contracted two forwards on December 10, 2012, one maturing on February 28, 2013 and the other on April 30, 2013. The purpose of these instruments was to hedge against the risks inherent to the volatility of the exchange rate of the peso to the dollar in respect of certain expenses related to artistic talent and large scale event production projects denominated in this currency. The exposure arising from both hedges is marginal to the financial structure of the subsidiary and CIE, thus no material, adverse or significant impact is expected, which, if any, will be hedged by ticket sales and other income resulting from the large-scale events hedged, as well as by the cash position thereof.

At December 31, 2012 and at December 31, 2011, the exchange rates were \$12.9658 and \$13.1568. Had the peso debilitated/strengthened by 10% with respect to the dollar, maintaining all other variables constant, income after taxes for the year would have been \$42,373 and \$82,904, respectively, mainly as a result of exchange gains/losses resulting from translation of accounts receivable from customers, financial assets measured at fair value, debt instruments and loans denominated in dollars.

4.1.2. Interest rate risk

At December 31, 2012 and 2011, the company settled a bank debt and debt instruments of \$2,308,590 and \$6,251,544 (nominal pesos), respectively, representing 42% and 66%, respectively, of its total liabilities, approximately 81% of these liabilities generate interest payable based on the Average Interbank Interest Rate, which has had an upward trend since 2007, with minimum changes since 2009.

Any increase in the interest rate can have a negative impact on the Company's results and financial position.

Company management has maintained a policy for reducing its debt, which has decreased by approximately 63% at December 31, 2012 with respect to December 31, 2011, thus significantly reducing the interest-rate and exchange-rate risk.

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Interest rate fluctuations are uncertain because they depend on the future behavior of the markets and can have an impact on the company's financial results.

At December 31, 2012 and 2011, a different of 100 base points in the interest rate would have had positive or negative impact on the statement of income of \$23,085 and \$53,774, respectively.

4.2 Credit risk

The credit risk is managed on a consolidated basis, except for that related to account receivable balances. Each CIE entity is responsible for managing and analyzing each of its new customer's credit risk prior to determining the credit terms and conditions for delivery. The credit risk relates to cash and investments in securities, derivative financial instruments and deposits in banks and financial institutions, as well as to credit granted to wholesale and retail customers, including balances not yet collected, as well as future transactions already committed. In the case of banks and financial institutions, only those having obtained a minimum independent rating of 'A' are accepted. With respect to customers, independent ratings, if any, are considered. If there are none, the Company's management estimates the customer's credit quality, taking into account the financial situation thereof, past experience and other factors. Individual credit limits are established based on internal and external ratings, according to the policies established by the Board of Directors. Credit limits are monitored on a regular basis. Sales to retailers are collected in cash or by credit card.

The credit quality of financial assets that are neither past due nor impaired is evaluated on the basis of the historical information of the counterparties' default indexes.

<u>Customers</u>	<u>December 31, 2012</u>
AAA +	\$1,071,938
AAA	112,574
AA	111,167
A-	33,953
BBB	181,706
BB+	96,944
Other (1)	<u>247,320</u>
Total	<u>\$1,855,602</u>

(1) Customers with no external credit rating and general public

Accounts receivable not impaired at December 31, 2012, 2011 and January 1, 2011 are not past due. Its main customers include América Móvil, S. A. B. de C. V., Grupo Financiero Banamex, Grupo Modelo, S. A. B. de C. V.

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4.3 Financial risks

4.3.1 Liquidity risk

Cash flow projections are conducted at the operating entity level and subsequently, the finance department consolidates this information. The Company's finance department monitors cash flow projections and the Company's liquidity requirements, ensuring that cash and investments in marketable securities are sufficient to meet operating needs. The Company regularly monitors and makes its decisions based on not violating its limits or obligations to do and not to do established in its contracts. Projections consider the Company's financing plans, compliance with obligations to do and not to do, compliance with minimum internal liquidity ratios and legal or regulatory requirements.

The cash surpluses of the operating entities are transferred to the Company's treasury. The Company's treasury invests these funds in term deposits and marketable securities, whose maturities or liquidity allow for flexibility to cover the Company's cash needs. At December 31, 2012, 2011 and January 1, 2011, the Company had term deposits of \$225,077, \$1,231,201 and \$973,149, respectively and other equally liquid assets of \$423,758, \$78,583 and \$138,151, respectively, expected to allow for managing the liquidity risk.

The following table contains an analysis of CIE's financial liabilities presented, based on the period between the date of the consolidated statement of financial position and the date of maturity thereof. The amounts shown in said table correspond to cash flows not discounted, including interest:

<u>At December 31, 2012</u>	<u>Under 3 months</u>	<u>3 to 12 months</u>	<u>1 to 2 years</u>	<u>3 to 5 years</u>
Suppliers	\$ 999,068			
Borrowings		\$ 1,023,314	\$ 1,293,265	\$ 216,251
Accumulated accounts and expenses payable	577,479			
Related parties	370,941			
<u>At December 31, 2011</u>	<u>Under 3 months</u>	<u>3 to 12 months</u>	<u>1 to 2 years</u>	<u>3 to 5 years</u>
Suppliers	\$ 1,064,840			
Borrowings	225,638	\$ 1,631,599	\$ 2,129,904	\$ 3,161,582
Accumulated accounts and expenses payable	919,230			
Related parties	71,485			
<u>At January 1, 2011</u>	<u>Under 3 months</u>	<u>3 to 12 months</u>	<u>1 to 2 years</u>	<u>3 to 5 years</u>
Suppliers	\$ 1,129,240			
Borrowings	719,745	\$ 272,267	\$ 1,678,816	\$ 5,460,882
Accumulated accounts and expenses payable	1,172,212			
Related parties	71,463			

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4.3.2 Capital risk

The Company's objectives in terms of capital risk management are: to safeguard its ability to continue as a going concern; provide the stockholders' with a return and other interested parties with benefits and maintain an optimal capital structure to reduce its cost.

In order to maintain or adjust the capital structure, the Company can vary the amount of dividends payable to the stockholders, conduct a capital stock reduction, issue new shares or sell assets and reduce its debt.

Like other entities in the industry, the Company monitors its capital structure based on the leverage financial ratio. This ration is calculated, dividing the debt by total capital. The net debt includes total current and non-current loans recognized in the consolidated balance sheet less cash and cash equivalents. Total capital includes stockholders' equity as shown in the consolidated balance sheet, plus the net debt.

At December 31, 2012, 2011 and January 1, 2011, the leverage ratio was 0.35 0.47 and .051, respectively.

Note 5 - Critical accounting judgments and key sources of uncertainty in estimates:

In applying the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions on the book figures of assets and liabilities. The related estimates and assumptions are based on historical experience and other factors considered to be relevant. Actual results could differ from those estimates.

Critical accounting judgments

Significant information on assumptions, estimate of uncertainties and critical judgments recognized in the consolidated financial statements are as follows:

- 5.1 Determination of income taxes.
- 5.2 Estimate of useful lives and residual values of property, furniture and equipment.
- 5.3 Commitments and evaluation of contingencies.
- 5.4 Investment in associates with shareholding below 20%.

5.1 Determination of income taxes

For the purpose of determining deferred taxes, the Company must make tax projections to determine whether or not the Company is to incur flat tax or income tax, and thus consider the tax incurred as the base for determining deferred taxes.

5.2 Estimated useful life and residual values of property and equipment

As described in Note 3.7., the Company reviews the estimated useful life and residual values of property and equipment at the end of every annual period. During the period, it was not determined that the life and residual values must be modified, as according to management's assessment, the useful lives and residual values reflect the economic conditions of the Company's operating environment.

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5.3. Commitment and evaluation of contingencies.

Company management has established a procedure for classifying its material contingencies in three different categories: (i) probable, (ii) reasonably probable and (iii) remote. The purpose of the above procedure is to identify contingencies that require recording or disclosure in the financial statements and to design and operate effective controls to ensure proper recognition thereof.

As confirmed by the Company's legal area, at December 31, 2012, the contingencies recorded total \$12,500. The most important matters are disclosed in Note 22.

5.4 Investment in associates with shareholding below 20%.

CIE analyzes whether it has significant influence on entities in which it holds less than 20% of the voting shares, for which it evaluates whether or not it has influence and participates in the financial and operating policy making, if it has representation in the board of directors, or equivalent governing body, if there are significant transactions between CIE and the entity in question, exchange of management personnel or supply of essential technical information. If as a result of the analysis, CIE determines that it exercises significant influence in said entities, the latter are considered investments in associates, recorded by the equity method, initially recognizing them at cost.

Note 6 - Cash and cash equivalents:

Cash and cash equivalents at end of the reporting period is as shown below:

	<u>December 31,</u>		<u>January 1,</u>
	<u>2012</u>	<u>2011</u>	<u>2011</u>
Cash	\$ 49,803	\$ 1,705	\$ 394
Bank deposits	367,427	447,249	209,198
Investments available on demand	<u>231,605</u>	<u>1,245,731</u>	<u>1,059,260</u>
Total cash and cash equivalents	<u>\$ 648,835</u>	<u>\$ 1,694,685</u>	<u>\$ 1,268,852</u>

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Note 7 - Analysis of accounts receivable:

Account receivable are comprised as follows:

	December 31, <u>2012</u>	December 31, <u>2011</u>	January 1, <u>2011</u>
Trade receivables	\$1,923,319	\$1,418,204	\$2,032,095
Impairment of trade receivables	<u>(67,717)</u>	<u>(88,292)</u>	<u>(73,237)</u>
	<u>\$1,855,602</u>	<u>\$1,329,912</u>	<u>\$1,958,858</u>
Value added tax recoverable	\$ 205,602	\$ 38,155	\$ 106,698
Other taxes	5,746		
Sundry debtors	<u>193,288</u>	<u>93,002</u>	<u>235,345</u>
	<u>\$ 404,636</u>	<u>\$ 131,157</u>	<u>\$ 342,043</u>

The movements of the reserve for impairment of accounts receivable are as shown below:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Balances at beginning of year	\$88,292	\$73,237
Increase	16,179	42,751
Application	<u>(36,754)</u>	<u>(27,696)</u>
Balances at end of year	<u>\$67,717</u>	<u>\$88,292</u>

At December 31, 2012, 2011 and at January 1, 2011, the Company showed no balance corresponding to transactions involving discounts in accounts receivable.

Following is a summary of the main transactions conducted with related parties:

	<u>Year ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Non-controlling interest:		
Advertizing purchases	<u>(\$ 32,071)</u>	<u>(\$ 39,844)</u>
Related party:		
Services received	<u>(\$ 1,798)</u>	<u>(\$ 1,355)</u>

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Accounts receivable from and payable to associates:

	<u>December 31,</u>		<u>January 1,</u>
Receivable from:	<u>2012</u>	<u>2011</u>	<u>2011</u>
Company			
Servicios Administrativos del Hipódromo, S. A. de C. V.	\$128,501		
Servicios Compartidos de Factor Humano, S. A. de C. V.	20,045		
Administradora Mexicana de Hipódromo, S. A. de C. V.	56,902		
Other	<u>17,169</u>	<u>\$ 289</u>	<u>\$ 559</u>
	<u>\$222,617</u>	<u>\$ 289</u>	<u>\$ 559</u>
Payable to:			
Administradora Mexicana de Hipódromo, S. A. de C. V.	(\$203,198)		
CIE Servicios Profesionales, S. A. de C. V.	(81,374)		
Other	(14,884)		
T4F Entretenimiento, S. A.	<u>(71,485)</u>	<u>(\$71,485)</u>	<u>(\$71,463)</u>
	<u>(\$370,941)</u>	<u>(\$71,485)</u>	<u>(\$71,463)</u>

Transactions with associates:

Year ended December 31, 2012

<u>Income</u>		<u>Costs</u>		<u>Expenses</u>	
Sponsorships	\$ 7,742	Sponsorships	(\$ 70,734)	Leasing	(\$ 11,627)
Other services	3,868	Leasing	(23,414)	Electrical power	(4,144)
Talent	3,429	Events	(11,989)	Amortization spaces stands	(3,259)
Other	1,832	Hall rental	(2,445)	Maintenance	(1,927)
Advertizing	1,636	Other services	(2,445)	Telephone	(1,540)
Leasing	1,371	Food and beverages	(2,015)	Advertizing	(559)
Box office	1,271	Maintenance	(1,153)	Parking	(482)
Security	1,172	Amortization spaces stands	(1,139)	Water	(317)
Maintenance	610	Electrical power	(1,127)	Food and beverages	(248)
Telephone	364	Other	(1,070)	Other	(139)
Christmas bonus security	58	Commissions sales personnel	(286)	Other services	(41)
Risk management	50	Parking	(99)	Ambulance	(31)
Audiovisual service	25	Tips	(82)	Training	(24)
IT service	7	Water	(65)		
Food and beverages	<u>4</u>	Training	(5)		
		Telephone	<u>(1)</u>		
Total	<u>\$ 23,439</u>		<u>(\$ 118,069)</u>		<u>(\$ 24,338)</u>

At December 31, 2012 and 2011, the Company's key management personnel received total aggregate compensation of approximately \$66,076 and \$59,260, respectively, which includes benefits paid in the short and long terms, retirement benefits, seniority and termination benefits.

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Note 8 - Investment in associates:

As mentioned in Note 18, the Company sold ICELA, a subsidiary, on February 9, 2012, with its shareholding decreasing from 51% to 15.2%, maintaining its participation in the governance processes over its operating and financial policies. Additionally, this item also includes the group in Brazil's interest in FA Comércio e Participaciones, S. A. and T4F Entretenimiento, S. A., associates.

CIE's interest in its main associates, at December 31, 2012, 2011 and January 1, 2011 was as follows:

<u>Name</u>	<u>Incorporated in</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Income</u>	<u>Profit (loss)</u>	<u>Shareholding (%)</u>	<u>Investments</u>
December 31, 2012:							
Impulsora de Centros de Entretenimiento las Américas, S. A. P. I. de C. V.	Mexico	\$ 3,669,537	(\$ 1,326)	\$ 4,859,200	\$ 333,887	15.2%	\$ 792,625
T4F Entretenimiento, S. A.	Brazil	3,831,793	(1,679,674)	4,608,487	(\$ 28,765)	5.58%	120,198
FA Comercio e Participaciones, S. A.	Brazil	179,925	(\$ 620,432)	\$ -	(\$ 19,753)	49.85%	<u>89,385</u>
							<u>\$ 1,002,208</u>
December 31, 2011:							
T4F Entretenimiento, S. A.	Brazil	\$ 4,071,229	(\$ 1,844,868)	\$ 3,129,327	\$ 198,861	5.5932%	\$ 103,186
FA Comércio e Participaciones, S. A.	Brazil	156,703	(741)		310,832	14.9812%	<u>23,366</u>
							<u>\$ 126,552</u>
January 1, 2011:							
T4F Entretenimiento, S. A.	Brazil	\$ 2,911,549	(\$ 356,455)	\$ 4,096,011	\$ 99,933	15.9999%	\$ 57,032
FA Comércio e Participaciones, S. A.	Brazil	261,357	546		157,875	14.9812%	<u>39,073</u>
							<u>\$ 96,105</u>

Movement of investment in associates is as follows:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Balance at January 1	\$ 126,552	\$ 96,105
Entry of ICELA as associate	562,815	
Equity in the results of associate	32,452	57,689
Result of ICELA valuation	235,057	
Other movements	<u>(45,332)</u>	<u>(27,242)</u>
Balance at December 31,	<u>\$ 1,002,208</u>	<u>\$ 126,552</u>

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Note 9 - Property, furniture and equipment:

Depreciation	Buildings	Leasehold improvements	Parks equipment	Office furniture and equipment	Computer equipment and peripherals	Structures and ads	Transportation equipment	Communication equipment and telephone equipment	Other assets	Construction in process	Total
At January 1, 2011											
Deemed cost	\$ 5,222,973	\$ 2,302,029	\$ 625,825	\$ 932,339	\$ 878,315	\$ 393,906	\$ 81,278	\$ 81,217	\$ 633,748	\$ 14,703	\$ 10,964,331
Accumulated depreciation	(1,282,036)	(868,370)	(281,202)	(553,870)	(483,034)	(318,597)	(66,307)	(58,020)	(361,817)	-	(4,270,753)
Net carrying value at January 1, 2011	3,940,937	1,433,659	344,623	378,469	193,281	75,309	15,271	25,197	272,129	14,703	6,693,578
For the year ended December 31, 2011											
Opening balance	3,940,937	1,433,659	344,623	378,469	193,281	75,309	15,271	25,197	272,129	14,703	6,693,578
Exchange difference (effects of translation)	33,337	33,337	19,818	328	259		86		41		53,669
Additions	50,323	50,323	1,426	196,623	89,330	30,116	14,495	5,829	43,702	21,088	432,932
Disposals	(116,539)	(2,896)	(53,741)	(25,165)	(54,333)	(100)	(7,040)	(1,019)	(9,682)	(52)	(270,567)
Disposal of business	(20,376)	(224,110)	(86,050)	(1,977)	(8,879)						(318,816)
Depreciation charge recognized in the year	(20,376)	(89,239)	(6,699)	(21,070)	(24,050)	(19,255)	(4,668)	(6,910)	(43,781)	(52)	(218,100)
Depreciation charge recognized in discontinued operation Las Americas division (see Note 18)	(197,758)	(75,775)	(73,691)	(42,284)	(66,639)		(1,970)	(1,890)	(57,325)		(517,332)
Accumulated depreciation discontinued operation parks division (see Note 18)		93,618	85,514	1,551	8,110						186,793
Depreciation of disposals	40,337	(14,369)	(17,269)	(259)	(198)		3,271	384	1,542	52	106,241
Exchange difference	(9,399)	18,396	112,262	(112,262)					2,455	(11,452)	(31,748)
Transfers											
Ending balance at December 31, 2011	\$ 3,637,202	\$ 1,242,944	\$ 331,809	\$ 380,253	\$ 163,841	\$ 88,070	\$ 19,350	\$ 21,571	\$ 209,523	\$ 24,287	\$ 6,116,850
At December 31, 2011											
Cost	\$ 5,097,035	\$ 2,177,079	\$ 619,340	\$ 989,866	\$ 684,892	\$ 423,922	\$ 88,819	\$ 86,027	\$ 670,262	\$ 24,287	\$ 10,861,549
Accumulated depreciation	(1,459,833)	934,135	(287,531)	(609,633)	(521,251)	(337,852)	(69,469)	(84,456)	(460,739)		(4,744,899)
Net carrying value at December 31, 2011	3,637,202	1,242,944	331,809	380,253	163,841	88,070	19,350	21,571	209,523	24,287	6,116,850
For the year ended December 31, 2012											
Opening balance	3,637,202	1,242,944	331,809	380,253	163,841	88,070	19,350	21,571	209,523	24,287	6,116,850
Exchange differences	7,026	7,026	454	88	53		18		9		7,828
Additions	38,725	38,725	43	9,331	31,287	17,868	2,778	41,108	39,367	869	181,172
Disposals	(5,525)	(5,525)	(12,322)	(13,650)	(21,898)		(875)	(1,993)	(1,833)	(10,069)	(69,165)
Disposal of business discontinued Operation las Americas division (see Note 18)	(4,848,603)	(909,707)	(410,721)	(464,380)	(334,086)		(23,116)	(25,746)	(315,929)	(13,980)	(7,366,270)
Held-for-sale assets ⁽¹⁾	(1,021)	(1,021)		(83,063)	(9,344)	(441,867)	(9,097)	(312)	(8,723)	860	(554,087)
Depreciation charge recognized in the year	(13,867)	(72,841)	(3,971)	(22,491)	(28,281)	29,886	(5,274)	(2,648)	(41,750)		(220,809)
Accumulated depreciation ICELA	1,296,329	290,901	126,164	218,191	208,499		13,878	19,108	239,323		2,412,393
Depreciation held-for-sale assets ⁽¹⁾		460		81,436	6,711	367,740	8,372	297	7,427		472,443
Depreciation disposals			5,944	12,472	22,491		762	221	3,440		45,330
Transfers				(202)	(1,195)	78		(94)	1,412		(1)
Ending balance at December 31, 2012	71,261	589,962	37,400	97,965	37,876	1	6,794	51,512	132,266	247	1,025,284
At December 31, 2012											
Cost	248,429	1,305,576	297,333	417,989	349,708	1	58,525	98,991	384,565	247	3,181,364
Accumulated depreciation	(177,168)	(715,614)	(259,933)	(320,024)	(311,832)		(51,731)	(47,479)	(252,299)		(2,136,080)
Net carrying value at December 31, 2012	\$ 71,261	\$ 589,962	\$ 37,400	\$ 97,965	\$ 37,876	\$ 1	\$ 6,794	\$ 51,512	\$ 132,266	\$ 247	\$ 1,025,284

(1) Transfer to group of assets classified as held for sale. (See Note 18)

In the periods ended December 31, 2012 and 2011, depreciation expenses amounted to \$218,100 and \$220,807, respectively, included in selling costs and administration expenses.

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Note 10 - Analysis of intangible assets:

Item	Balance at January 1, 2011	Amortization	Addition	Disposals segments sales	Balance at December 31, 2011	Amortization	Additions	Disposals segment sales	Balance at December 31, 2012
Indefinite life:									
Intellectual property	\$251,950			(\$251,950)					
Trademarks	40,549				\$40,549		\$ 1,900		\$ 42,449
Definite life:									
Noncompete and business acquisition agreements									
Software licenses	37,404	(\$ 5,273)		(11,328)	20,803	(\$ 4,081)	15,600		15,600
Rights to market air time on radio frequencies	105,840	(20,878)			84,962	(59,396)	15,750		32,472
Payments for exclusivity and access and use of facilities	183,429	(44,136)			139,293			(\$139,293)	
Total	<u>\$619,172</u>	<u>(\$70,287)</u>	<u>\$ -</u>	<u>(\$263,328)</u>	<u>\$285,607</u>	<u>(\$63,477)</u>	<u>\$33,250</u>	<u>(\$139,293)</u>	<u>\$116,087</u>

Following is a summary of the movements of definite live intangible assets:

	At January 1, 2011	Additions	Amortization	Disposals	At December 31, 2011	Additions	Amortization	Disposals	At December 31, 2012
Investment	\$ 422,821		\$	(\$ 17,000)	\$405,821	\$31,350		(\$265,617)	\$ 171,554
Accumulated amortization	(96,148)		(70,287)	5,672	(160,763)		(\$ 63,477)	126,324	(97,916)
Balance	<u>\$ 326,673</u>	<u>\$</u>	<u>(\$ 70,287)</u>	<u>(\$ 11,328)</u>	<u>\$245,058</u>	<u>\$31,350</u>	<u>(\$ 63,477)</u>	<u>(\$ 139,293)</u>	<u>\$ 73,638</u>

Note 11 - Financial instruments per category:

	December 31,					
	2012		2011		January 1, 2011	
<u>Assets according to statement of financial position</u>	<u>Accounts receivable</u>	<u>Assets measured at fair value with changes applied to income</u>	<u>Accounts receivable</u>	<u>Assets measured at fair value with changes applied to income</u>	<u>Accounts receivable</u>	<u>Assets measured at fair value with changes applied to income</u>
Cash and cash equivalents	\$ 648,835	\$ -	\$ 1,694,685	\$ -	\$ 1,268,852	\$ -
Accounts receivable	1,855,602	-	1,329,912	-	1,958,858	-
Other accounts receivable	627,253		131,446		342,602	
Accounts receivable from L.P.	39,733		116,802		136,653	
Derivative financial instruments				420		
Total	<u>\$ 3,171,423</u>	<u>\$ -</u>	<u>\$ 3,272,84</u>	<u>420</u>	<u>\$ 3,706,965</u>	<u>\$ -</u>

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<u>Liabilities according to statement of financial position</u>	Liabilities at amortized cost	Liabilities at fair value with changes in income	Liabilities at amortized cost	Liabilities at fair value with changes in income	Liabilities at amortized cost	Liabilities at fair value with changes in income
Bank loans short-term	\$ 942,713	\$ -	\$ 1,724,276	\$ -	\$ 919,668	\$ -
Accounts payable and accumulated expenses	1,947,488	-	2,055,555	-	2,372,915	-
Bank loans long-term	1,340,902	-	4,461,168	-	5,784,487	-
Derivative financial instruments						2,673
	<u>\$ 4,231,103</u>	<u>\$ -</u>	<u>\$ 8,240,999</u>	<u>\$ -</u>	<u>\$ 9,077,070</u>	<u>\$ 2,673</u>

At December 31, 2012 and 2011 and January 1, 2011, the fair value of long-term bank loans totaled \$2,265,547, \$4,802,698 and \$4,920,055, respectively.

Management considers that the fair value of short-term financial assets recognized at their amortized cost closely resembles their carrying value.

Note 12 - Analysis of bank loans:

At December 31, 2012, 2011 and January 1, 2011, the Company's bank loans and trade notes totaled \$2,283,615, \$6,185,444 and \$6,704,155 respectively.

	<u>December 2012</u>		<u>December 2011</u>		<u>January 2011</u>	
	<u>Short term</u>	<u>Long term</u>	<u>Short term</u>	<u>Long term</u>	<u>Short term</u>	<u>Long term</u>
Mexican pesos:						
Scotiabank Inverlat ¹	\$ 15,510	\$ 18,524	\$ 29,834	\$ 52,130	\$ 6,292	\$ 82,172
Banco Inbursa ¹	107,792	128,737	207,263	362,291	43,810	570,997
Banamex ¹	282,411	338,821	551,059	952,518	209,693	1,416,855
Banamex ²					120,000	
Stock exchange certificates ¹	414,700	544,693	492,354	1,472,157	280,000	
Stock exchange certificates ²						1,946,961
Banco Inbursa ³			200,000	997,592	200,000	997,592
	<u>820,413</u>	<u>1,030,775</u>	<u>1,480,510</u>	<u>3,836,688</u>	<u>859,795</u>	<u>5,014,577</u>
Dollars:						
Crédit Suisse ⁴	111,412	133,146	229,265	403,388	45,731	560,840
10-Year bonus ⁵		176,981		190,384		168,572
	<u>111,412</u>	<u>310,127</u>	<u>229,265</u>	<u>593,772</u>	<u>45,731</u>	<u>729,412</u>
Euros:						
Santander ⁶			5,348		4,888	4,888
Colombian pesos ⁷	10,888		9,153	30,708	9,254	35,610
Total bank and trade notes debt	<u>\$ 942,713</u>	<u>\$ 1,340,902</u>	<u>\$ 1,724,276</u>	<u>\$ 4,461,168</u>	<u>\$ 919,668</u>	<u>\$ 5,784,487</u>

¹ At the 2012 close, CIE has long-term loans in Mexico. The determination and payment of interest in regular 28-day periods are based on the TIIE rate, plus an applicable margin of 300 base points, with quarterly amortizations of capital as from December 2011, maturing in September 2014. The long-term traded notes known as Certificados Bursátiles, with a nominal value of \$100 (pesos), include three issues: i) October 2005 of 14,000,000 securities, ii) June 2008 of 6,500,000 securities, and iii) December 2006 of 5,000,000 securities. The above notes have quarterly capital amortizations as from December 2011 and expire in September 2014.

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- ² During December 2010, the Company contracted a short-term loan with Banamex in the amount of \$120,000 and issued short-term unsecured debt instruments known as Certificados Busátiles with a nominal value of \$100 pesos each, the resources of which are to be used for partial prepayment of current Certificados Bursátiles. Both financings paid interest at regular 28-day periods, at an interest rate referred to the Average Interbank Interest Rate (TIIE), plus a 300 base-point applicable margin.
- ³ Loans contracted by Administradora Mexicana de Hipódromo, S. A. de C. V. with Banco Inbursa, S. A. on a monthly interest base and the TIIE as the base rate, plus the applicable margin, with the following characteristics. i) two loans contracted in June 2008 of \$957,592, maturing in June 2015, with a sole amortization at maturity and an applicable margin of 220 base points, ii) a loan contracted in February 2009 of \$40,000 maturing in June 2015 with a single amortization at maturity and an applicable margin of 400 base points, and iii) a \$200,000 short-term revolving loan and an applicable margin of 500 base points, contracted in October 2011 and maturing in January 2012.
- ⁴ Corresponds to a loan of US\$45.8 million. Interest on this loan is determined considering the Libor reference rate, plus the applicable margin of 300 base points, with quarterly amortizations as from 2011, maturing in September 2014.
- ⁵ Unsecured bond issued in June 2005 in the amount of US\$200.0 million in international markets, maturing at a ten-year term. At December 31, 2010, this debt instrument's remaining balance is of approximately US\$13.7 million, equivalent to \$176,981. Payment of the principal was at maturity. Semi-annual payment of coupons at an annual interest rate of 8.875%.
- ⁶ Remaining balance on loan contracted in the amount of €1.5 million in February 2008 with Santander by Unimarket S. A. de C. V. (a subsidiary), with semi-annual amortizations as from June 2008 and expiring in December 2012. Semi-annual payment of interest determined at the Euribor, plus 100 annual base points. The Company has contracted a derivative financial instrument that operates at the same contracting and expiration date as those of the loan, to reduce risks inherent to unusual movements in exchange rates. (See Note 3c.).
- ⁷ Remaining balance of unsecured loan in Columbian pesos for an original amount equivalent to \$66,514, contracted with Colombian financial institutions by the subsidiary Reforestación y Parques, S. A. Interest is determined considering, in general terms, the average annual interest rate for fixed rate deposits, plus applicable margins of 500 base points.

As a result of the debt corresponding to the points ¹ and ⁴ above, the Company was obligated to perform certain divestments; however, prior to December 31, 2012, the bank and trade notes creditors extended the term.

Issuance expenses, such as legal fees, issuance costs, placement expenses and all transaction-cost-related commissions are applied in calculating the effective interest rate and were decreased from the liability to which they are attributed.

All loans in pesos and dollars, except those pertaining to Banco Inbursa described in point 3, are secured with the following companies' shares, which are held under guarantee trust, and will be released upon settlement of the debt:

1. Unimarket, S. A. de C. V.
2. Ventas de Publicidad de Impacto, S. A. de C. V.

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3. Publitop, S. A. de C. V.
4. Publitop Aeropuertos, S. A. de C. V.
5. Publitop de Occidente, S. A. de C. V.
6. Publitop Aerodigital, S. A. de C. V.
7. Creatividad y Espectáculos, S. A. de C. V.
8. Comercializadora MakePro, S. A. de C. V.
9. B Connect Services, S. A. de C. V.
10. Make Pro, S. A. de C. V.
11. Controladora de Contenidos, S. A. de C. V.
12. Representaciones de Exposiciones México, S. A. de C. V.

Note 13 - Employee benefits:

- a. Reconciliation between the initial and final balances of the present value of defined benefit obligations (DBO) for the 2012 period close:

	<u>Pension plan</u>	<u>Seniority premium</u>	<u>Total</u>
1 DBO at beginning of year	\$ 77,212	\$ 8,190	\$ 85,402
2 Labor cost	7,676	1,564	9,240
3 Financial cost	5,113	514	5,627
4 Benefits paid	(715)	(667)	(1,382)
5 Effect of early reduction of obligations	(478)	(28)	(506)
6 Losses / (Gains)	<u>15,747</u>	<u>1,112</u>	<u>16,859</u>
7 Actual DBO at end of year	<u>\$ 104,555</u>	<u>\$ 10,685</u>	<u>\$ 115,240</u> ⁽¹⁾

- (1) The labor liability includes \$2,894 corresponding to liabilities related to held-for-sale assets. See Note 18.

- b. Net Cost for the Period (NCP):

Following are the NCPs for two years per type of benefit:

	<u>Pension plan</u>	<u>Seniority premium</u>	<u>Total</u>
A. Components of cost / (Income) for the 2011 period			
1. Labor cost			
1.1 Of current service	\$ 7,339	\$1,648	\$ 8,987
1.2 Of past service	-	-	-
1.3 Of layoffs or severance	(857)	(1,259)	(2,116)
2. Net financial cost			
2.1 Financial cost obligation	4,198	397	4,595
3. Net cost (income) for the period (Income)	10,680	786	11,466
4. Effect of revaluation (Income)	(934)	304	(630)
5. Effect of Transfer of Obligations (Income)	<u>21</u>	<u>569</u>	<u>590</u>
6. Net defined benefit cost / (income)	<u>\$ 9,767</u>	<u>\$1,659</u>	<u>\$ 11,426</u>

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B. Components of cost / (income) for the 2012 period

1. Labor cost			
1.1 Of current service	\$ 7,676	\$ 1,564	\$ 9,240
1.2 Of past service	-	-	-
1.3 Of layoffs or severance	-	-	-
2. Net financial cost			
2.1 Financial cost obligation	5,113	514	5,626
3. Net cost (income) for the period (Income)	12,789	2,078	14,866
4. Effect of revaluation (Income)	15,746	1,113	16,859
5. Effect of Transfer of Obligations (Income)	<u>(478)</u>	<u>(28)</u>	<u>(506)</u>
6. Net defined benefit cost / (income)	<u>\$ 28,057</u>	<u>\$ 3,163</u>	<u>\$ 31,219</u>

c. Main actuarial hypotheses:

Following is a summary of the economic hypotheses used in actuarial valuation, as well as a comparative analysis with those used the prior year.

	<u>31/12/2011</u>	<u>31/12/2012</u>
1 Discount rate	6.75%	5.50%
2 Salary increase rate	4.50%	4.50%
3 Minimum wage increase rate	3.50%	3.50%
4 Long-term inflation rate	3.50%	3.50%

d. Value of DBO and plan position over the last four years:

The value of the DBO and experience adjustments for the last years are as follows:

	<u>Pension plan</u>	<u>Seniority premium</u>	<u>Total</u>
1. Defined Benefit Obligations (DBO)			
2012	\$ 104,555	\$ 10,685	\$ 115,240
2011	77,212	81,190	85,402
January 1, 2011	69,049	6,845	75,894
2. Experience adjustment			
2012	17.73%	11.63%	N/A
2011	-1.20%	3.85%	N/A

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e. Sensitivity in actuarial values:

	Sensitivity <u>+0.25%</u>	Sensitivity <u>-0.25%</u>
<u>Discount rate</u>		
Defined Benefit Obligations (DBO)	\$ 111,944	\$ 118,676
Labor cost	11,672	12,410
<u>Rate of salary increases</u>		
Defined Benefit Obligations (DBO)	118,490	112,106
Labor cost	12,403	12,207
<u>Minimum wage increase rate</u>		
Defined Benefit Obligations (DBO)	\$ 115,451	\$ 115,034
Labor cost	12,071	11,995

Note 14 - Stockholders' equity:

On August 12, 2012, the Stockholders agreed to a capital stock increase of 40,669,187 common nominative, Series B, Class II shares, with no par value, with a theoretical value of \$273.

After the aforementioned movement, at December 31, 2012, the capital stock is represented by common nominative shares, with no par value, comprised as follows:

<u>Number of shares</u>	<u>Description</u>	<u>Amount</u>
30,955,386	Series "B", Class I, representing the minimum fixed capital stock	
<u>568,637,460</u>	Series "B", Class II, representing the variable capital stock	
599,592,846	Subtotal	
<u>(40,223,040)</u>	Unsubscribed shares held in treasury, corresponding to Series "B", Class II	
<u>559,369,806</u>	Subscribed, paid-in capital stock at December 31, 2012	<u>\$3,398,673</u>

a. Capital stock reduction -

In the event of a capital reduction, the procedures established in the Income Tax Law require that stockholders' equity in excess of the balance of the capital contributions account (CUCA) be accorded the same tax treatment as dividends, which is that reimbursements made be income tax free if paid out from

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the capital contributions account (CUCA). Capital reimbursements exceeding the CUCA are subject to 42.86% tax if paid in 2012. Tax incurred is payable by the company and may be credited against income tax for the period or of the following two periods or, if applicable, against flat tax for the period.

At December 31, 2012 and 2011 and at January 1, 2011, the Company has not after tax earnings account (CUFIN) balance.

Net income for the period is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until it reaches 20% of paid-in capital stock.

b. Purchase of non-controlling interest

The purchase of the non-controlling interest corresponds to differences between the price paid and the value of the non-controlling interest acquired in 2012 and 2011 of the subsidiaries Escato Urbano, S. A. de C. V. and Parque el Salitre, S. A., respectively.

Note 15 - Costs and expenses classified by their nature:

The cost of sales and administration expenses are comprised as shown below:

Cost of sales:	For the year ended	
	2012	2011
	December 31,	
	<u>2012</u>	<u>2011</u>
Talent fees	\$ 974,926	\$ 1,052,658
Events production cost	839,599	826,661
Salaries and bonuses	676,036	629,409
Advertising and propaganda	578,145	484,597
Commissions	216,540	222,598
Travel expenses	191,986	118,814
Leasing of equipment	191,033	277,910
Intermediation services	168,174	170,303
Leasing of real property	143,581	180,384
Advisory services	121,464	61,257
Other	120,303	260,392
Fees	98,859	122,628
Depreciation	97,179	93,747
Static signage	95,364	87,514
VAT cost	94,057	108,356
Welfare dues	91,244	112,133
Maintenance	61,584	54,911
Catering	61,016	46,355
Sales commissions	47,181	46,965
Telephone and telecommunications	45,187	37,258
Other compensation	40,093	23,739
Agency and representation commissions	36,270	46,625
Fees	34,955	69,149
Fuel and gasoline	33,631	6,586
Amortization	33,455	59,492
Personnel services	26,770	12,291
Electrical power	26,685	15,341
Cleaning services	22,315	14,990
Materials	20,072	13,473
Lunchroom costs	17,194	20,814
Customs expenses	13,870	18,563
Courier	12,818	10,283
Hostesses	12,625	21,215
Non-capitalizable assets	11,022	5,511
Uniforms	10,896	4,969
Stationery	10,035	6,402
Total costs	<u>\$ 5,276,164</u>	<u>\$ 5,344,293</u>

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Administration expenses:

	For the year ended December 31,	
	<u>2012</u>	<u>2011</u>
Salaries and bonuses	\$ 165,782	\$ 151,212
Depreciation	126,632	124,353
Other expenses	103,544	110,599
Fees	80,750	110,921
Leases	51,273	50,454
Amortization	39,551	42,371
Maintenance	37,542	19,132
Insurance	32,395	25,228
Other compensation	31,256	29,081
Travel expenses	27,255	36,952
Advisory services	19,186	36,779
Advertisizing	15,474	6,689
Guards	10,524	16,381
Telephone	9,468	14,260
Cleaning services	8,583	13,220
Electrical power	<u>5,108</u>	<u>6,717</u>
Total	<u>\$ 764,323</u>	<u>\$ 794,349</u>

Note 16 - Other income (expenses):

<u>Other expenses:</u>	December 31, <u>2012</u>	December 31, <u>2011</u>
Other	(\$29,241)	(\$26,050)
Disposals of property and equipment		(30,235)
Tax restatement and surcharges	<u> </u>	<u>(18,096)</u>
Total other income	<u>(\$29,241)</u>	<u>(\$74,381)</u>

Note 17 - Current and deferred income tax and flat tax:

17.1 Income tax

CIE and subsidiaries do not consolidate for tax purposes. The difference between book and tax results is due mainly to the different timing treatments in which some items are included in the tax base or are deducted for book and tax purposes, as well as use of different methods and criteria for recognition of the effects of inflation for book and tax purposes.

At December 31, 2012 and 2011, CIE and some of its subsidiaries determined tax losses of \$1,128,073 and \$2,692,742, respectively. In the years ended December 31, 2012 and 2011, some subsidiaries determined, on an individual basis, tax profits of approximately \$842,678 and \$1,280,476, respectively. In 2012 and 2011, some of the subsidiaries amortized, either partially or entirely, prior years' tax losses of \$120,360 and \$319,727, respectively. At December 31, 2012, the Company and its subsidiaries have unamortized tax losses of \$5,284,693 (\$4,573,021 in historical pesos), which are subject to restatement, applying factors derived from the National Consumer Price Index up to the year in which they are amortized. The right to amortized tax losses of subsidiaries against future profits expires as shown on the following page.

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<u>Year of loss</u>	<u>Historical losses</u>	<u>Restated losses</u>	<u>Year of expiration</u>
2003	\$ 164,641	\$ 232,682	2013
2004	26,163	37,230	2014
2005	363,184	418,228	2015
2006	454,948	602,485	2016
2007	519,070	660,174	2017
2008	306,997	370,865	2018
2009	752,363	863,750	2019
2010	544,735	603,336	2020
2011	531,037	566,315	2021
2012	<u>909,883</u>	<u>929,628</u>	2022
	<u>\$4,573,021</u>	<u>\$5,284,693</u>	

At December 31, 2012, of the \$5,284,693 tax losses the companies are entitled to recover, \$3,673,766 is activated.

17.2 Flat Tax

Flat tax for 2012 and 2011 was calculated at the rate of 17.5% on profits determined on a cash flow basis. Said profit is determined by subtracting authorized deductions from total income arising from taxable operations. The so-called flat tax credits are subtracted from the foregoing result, as established in current legislation.

At December 31, 2012 and 2011, CIE and a number of its subsidiaries determined tax profits of approximately \$1,762,308 and \$2,074,453, respectively. At December 31, 2012 and 2011, CIE and some of its subsidiaries determined tax losses of \$1,211,559 and \$567,956, respectively. After applying the credits to 2012 and 2011 tax credits, the Company generated flat tax net of income tax payable of \$32,773 and \$25,850, respectively. Book and tax results differ due mainly to the fact that for accounting purposes, transactions are recognized on an accrual basis, whereas for tax purposes, they are recognized on a cash flow basis and with respect to items only affecting book or tax income for the year.

At December 31, 2012, the right to amortize flat tax losses of subsidiaries against future profits expires as follows:

<u>Year of loss</u>	<u>Historical loss</u>	<u>Restated loss</u>	<u>Year of expiration</u>
2008	\$ 28,961	\$ 35,196	2018
2009	1,338	1,890	2019
2010	84,578	94,223	2020
2011	79,141	84,831	2021
2012	<u>120,090</u>	<u>123,381</u>	2022
	<u>\$314,108</u>	<u>\$339,521</u>	

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17.3. Income taxes are comprised as follows:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Current income tax	(\$ 269,696)	(\$ 1,054,946)
Current flat tax	(32,773)	(25,850)
Deferred income tax	(23,189)	736,609
Deferred flat tax	<u>1,502</u>	<u>(665)</u>
	<u>(\$ 324,156)</u>	<u>(\$ 344,852)</u>

17.4. The deferred tax balance is composed as follows:

	<u>December 31,</u>		<u>January 1,</u>
	<u>2012</u>	<u>2011</u>	<u>2011</u>
<u>Deferred income tax asset:</u>			
Unamortized losses - Net	\$ 1,106,902	\$ 1,250,913	\$ 797,508
Provisions	<u>94,486</u>	<u>144,937</u>	<u>117,459</u>
Deferred income tax asset	<u>\$ 1,201,388</u>	<u>\$ 1,395,850</u>	<u>\$ 914,967</u>
<u>Deferred income tax liability:</u>			
Property, furniture and equipment	(\$ 38,440)	(\$ 108,652)	(\$ 207,569)
Unrealized costs and income - Net	(552,804)	(609,194)	(753,375)
Other assets	<u>(108,417)</u>	<u>(115,073)</u>	<u>(114,809)</u>
Deferred income tax liability	<u>(\$ 699,661)</u>	<u>(\$ 832,919)</u>	<u>(\$ 1,075,573)</u>
<u>Flat tax asset:</u>			
Accounts receivable and payable - Net	<u>\$ 5,750</u>	<u>\$ 6,243</u>	<u>\$ 6,068</u>
<u>Flat tax liability:</u>			
Property, furniture, equipment and other assets	(\$ 24,090)	(\$ 20,040)	(\$ 41,244)
Accounts receivable and payable - Net	<u>173</u>	<u>(5,114)</u>	<u>10,154</u>
	<u>(\$ 23,917)</u>	<u>(\$ 25,154)</u>	<u>(\$ 31,090)</u>

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Deferred tax assets and liabilities are analyzed as follows:

	<u>December 31,</u>		<u>January 1,</u>
	<u>2012</u>	<u>2011</u>	<u>2011</u>
<u>Deferred tax asset:</u>			
Deferred tax asset recoverable within the following 12 months	\$422,818	\$699,064	\$170,538
Deferred tax asset recoverable after 12 months	<u>509,005</u>	<u>289,428</u>	<u>206,182</u>
	<u>\$931,823</u>	<u>\$988,492</u>	<u>\$376,720</u>
<u>Deferred tax liability:</u>			
Deferred tax liability payable within the following 12 months	(\$351,041)	(\$360,739)	(\$465,737)
Deferred tax liability payable after 12 months	<u>(79,055)</u>	<u>(64,822)</u>	<u>(71,769)</u>
	<u>(\$430,096)</u>	<u>(\$425,561)</u>	<u>(\$537,506)</u>

17.5. The reconciliation of the legal income tax rate and the effective rate, stated as a percentage of the profit before income tax, is as follows:

	<u>December 31,</u>	
	<u>2012</u>	<u>2011</u>
Income before taxes	\$481,024	\$120,578
Statutory rate	<u>30%</u>	<u>30%</u>
Income tax at statutory rate	144,307	36,173
Plus (less) tax effect of the following permanent items:		
Nondeductible expenses	132,046	214,735
Taxable annual adjustment for inflation	40,058	36,725
Other permanent items	<u>9,092</u>	<u>56,372</u>
Income tax applied to income	<u>\$325,503</u>	<u>\$344,005</u>
Effective income tax rate	<u>67%</u>	<u>285%</u>

17.6. Applicable tax rates:

The decree amending, adding to and revoking a number of provisions of the Income Tax Law for 2010 was published on December 7, 2009, and establishes, among others, that the applicable income tax rate from 2010 to 2012 is 30%, 29% for 2013 and 28% as from 2014.

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The gross movements of the deferred tax account are as follows:

	2012			2011		
	<u>Asset</u>	<u>Liability</u>	<u>Total</u>	<u>Asset</u>	<u>Liability</u>	<u>Total</u>
Balance at January 1	\$ 988,492	(\$ 425,561)	\$ 562,931	\$ 376,720	(\$537,506)	(\$160,786)
(Debit) credit to statement of income	(18,655)		(18,655)	624,664	111,945	736,609
Discontinued operation	(29,424)	(4,535)	(33,959)	(12,892)		(12,892)
Available-for-sale assets	<u>(8,590)</u>		<u>(8,590)</u>			
Balance at December 31,	<u>\$ 931,823</u>	<u>(\$ 430,096)</u>	<u>\$ 501,727</u>	<u>\$ 988,492</u>	<u>(\$425,561)</u>	<u>\$ 562,931</u>

In determining deferred income tax at December 31, 2012 and 2011, the Company applied to temporary differences, the applicable rates according to their estimated date of reversal.

Flat tax for 2012 and 2011 was calculated at the rate of 17.5% on profit determined on a cash flow basis. Said profit is determined by subtracting authorized deductions from total income arising from taxable operations. The so-called flat tax credits are subtracted from the foregoing result, as established in the current legislation.

Under the current tax legislation, the Company is required to pay the higher of income tax and flat tax annually.

Note 18 - Discontinued operations and held-for-sale assets:

On February 9, 2012, the Company concluded the operation in which Codere, S. A. acquired an additional 35.8% interest in ICELA. The transaction totaled Ps.2,653 million, leaving the Company with a 15.2% shareholding interest. Up until that date, the Company held a 51% shareholding interest. As a result of the above transaction, Codere may opt to acquire the remaining 15.2%. The selling price will be agreed by both parties at the time of the transaction. The deadline to exercise this option is June 2014.

In April 2011, the Company shut down operations of the Wannado park located in the State of Florida, U.S., which was subsequently sold.

The statement of income corresponding to discontinued operations is shown on the following page:

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	December 31, <u>2012</u>	December 31, <u>2011</u>
Net income	\$ 425,361	\$ 4,676,431
Cost of sales	<u>(335,548)</u>	<u>(3,723,364)</u>
Gross profit	89,813	953,067
Administrative and selling expenses	<u>(30,156)</u>	<u>(313,882)</u>
Profit before other income and expenses - Net	59,657	639,185
Other expenses - Net	<u>(225)</u>	<u>(36,887)</u>
Operating income	59,432	602,298
Financial expenses - Net	<u>(2,269)</u>	<u>(97,991)</u>
Income before income taxes	57,163	504,307
Income taxes	<u>(18,621)</u>	<u>(168,231)</u>
Income from discontinued operations	<u>\$ 38,542</u>	<u>\$ 336,076</u>

On January 20, 2013, the Company signed a purchase/sale agreement with América Móvil, S. A. B. de C. V. of the media unit, which includes the sale of Corporación de Medios Integrales, S. A. de C. V. (CMI) and all of its subsidiaries. This agreement is subject to certain conditions including the approval of the Federal Competition Commission. In light of the above, CMI assets and liabilities are shown as a group of held-for-sale assets. The transaction is expected to be concluded before May 31, 2013.

Following are the statements of financial position corresponding to available-for-sale assets pertaining to the Media unit, which forms part of the commercial division segment:

	December 31, <u>2012</u>
CURRENT ASSETS:	
Cash and cash equivalents	\$ 222,022
Accounts receivable	111,411
Costs of future events and prepaid expenses	<u>101,690</u>
Total current assets	<u>435,123</u>
Investments in shares	170
Property, furniture and equipment - Net	81,643
Unamortized expenses and other assets - Net	19,160
Deferred taxes	<u>8,590</u>
Total deferred assets	<u>109,563</u>
Total assets	<u>\$ 544,686</u>

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	December 31, <u>2012</u>
CURRENT LIABILITIES:	
Bank borrowings	\$ 77
Suppliers	73,929
Sundry creditors	30,455
Income from future events and advances from customers	122,668
Taxes payable	148,988
Employee benefits	<u>2,894</u>
Total current liabilities	379,011
Long-term sundry creditors	<u>82,040</u>
Total liabilities	<u>\$ 461,051</u>

Note 19 – Segment reporting:

Following is an analysis of net sales, operating income before depreciation and amortization, operating income and total assets related to each business division:

The board of directors analyzes and manages the business considering the following segments, and uses the operating income before depreciation and amortization as a measure and reference:

	<u>December 31, 2012</u>			<u>December 31, 2011</u>		
	<u>Total sales</u>	<u>Intersegment sales</u>	<u>Sales to third parties</u>	<u>Total sales</u>	<u>Intersegment sales</u>	<u>Sales to third parties</u>
Entertainment	\$4,872,105	(\$ 287,810)	\$ 4,584,295	\$5,112,189	(\$ 296,424)	\$ 4,815,765
Commercial ⁽¹⁾⁽²⁾	2,054,910	(114,110)	1,940,800	1,942,469	(139,870)	1,802,599
Other businesses	<u>192,045</u>	<u>(1,799)</u>	<u>190,246</u>	<u>182,293</u>	<u>(10,453)</u>	<u>171,840</u>
Consolidated total	<u>\$7,119,060</u>	<u>(\$ 403,719)</u>	<u>\$ 6,715,341</u>	<u>\$7,236,951</u>	<u>(\$ 446,747)</u>	<u>\$ 6,790,204</u>

⁽¹⁾ 55% of the commercial division's sales are made to 7 customers.

⁽²⁾ Includes \$235,057 corresponding to the valuation of the investment in associate.

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	<u>Operating income before depreciation and amortization</u>		
	For the twelve-month period ended <u>December 31,</u>		
<u>Division:</u>	<u>2012</u>	<u>2011</u>	
Entertainment	\$ 420,777	\$ 505,418	
Commercial	479,240	436,358	
Other businesses	<u>51,426</u>	<u>29,749</u>	
Consolidated total	<u>\$ 951,443</u>	<u>\$ 971,525</u>	
Plus (less):			
Depreciation and amortization	(\$ 276,589)	(\$ 319,963)	
Other expense	<u>(29,241)</u>	<u>(74,381)</u>	
Operating income	<u>\$ 645,613</u>	<u>\$ 577,181</u>	
Interest earned	\$ 32,754	\$ 26,165	
Foreign exchange gain - Net	24,107		
Other financial income	<u>8,070</u>	<u>6,565</u>	
Financial income	<u>64,931</u>	<u>32,730</u>	
Interest paid	(261,972)	(464,326)	
Foreign exchange loss - Net	<u></u>	<u>(82,696)</u>	
Financial expenses	<u>(261,972)</u>	<u>(547,022)</u>	
Financial expenses - Net	<u>(197,041)</u>	<u>(514,292)</u>	
Equity in earnings of associated companies	<u>32,452</u>	<u>57,689</u>	
Income before income taxes	<u>\$ 481,024</u>	<u>\$ 120,578</u>	
		<u>Total assets</u>	
<u>Division:</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>January 1, 2011</u>
Entertainment	\$2,823,314	\$ 2,440,194	\$ 2,495,356
Commercial	5,597,229	5,900,176	6,167,307
Las Américas ⁽¹⁾		5,768,151	5,996,627
Other businesses	<u>274,936</u>	<u>291,917</u>	<u>884,027</u>
Consolidated total	<u>\$8,695,479</u>	<u>\$14,400,438</u>	<u>\$15,543,317</u>

⁽¹⁾The Las Américas division is not presented as from 2012 as it was discontinued on February 9, 2012. See Note 18.

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Following is a breakdown of net sales, by geographic presence:

	<u>For the twelve-month period at December 31</u>	
	<u>2012</u>	<u>2011</u>
Mexico	\$6,249,370	\$6,575,022
Colombia	465,955	187,512
USA		27,628
Spain	<u>16</u>	<u>42</u>
Total	<u>\$6,715,341</u>	<u>\$6,790,204</u>

Following is a breakdown of non-current assets by geographic presence:

	<u>Non-current assets</u>		
	<u>December 31,</u>		<u>January 1,</u>
	<u>2012</u>	<u>2011</u>	<u>2011</u>
Mexico	\$2,922,348	\$7,454,813	\$7,961,549
Brazil	209,583	126,551	96,104
Colombia	149,331	169,754	188,230
Argentina	25,566	139,293	183,429
USA			<u>172,963</u>
Total	<u>\$3,306,828</u>	<u>\$7,890,411</u>	<u>\$8,602,275</u>

Note 20 - Authorization of the financial statements:

The consolidated financial statements and notes thereto were authorized for issuance on April 26, 2013 by Alejandro Soberón Kuri, CEO, and Jaime José Zevada Coarasa, CFO and Legal Representative of Corporación Interamericana de Entretenimiento, S. A. B. de C. V. and subsidiaries and are pending approval at the April 29, 2013 Stockholders' Meeting.

Note 21 - Commitments:

The following pages contain a summary of the most important commitments of CIE and its subsidiaries at December 31, 2012, classified by division:

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Related to Entertainment -

Related to the real property operation

Facility	Maturity
Palacio de los Deportes (Mexico City) ^a	August 31, 2021
Foro Sol (Mexico City) ^a	August 31, 2021
Autódromo Hermanos Rodríguez (Mexico City) ^a	August 31, 2021
Auditorio Fundidora (Monterrey N.L.) ^b	October 2048
Teatro Metropolitano (Mexico City) ^a	December 31, 2021
Teatro Blanquita (Mexico City) ^a	October 31, 2012
Vive Cuervo Salón (Mexico City) ^a	May 14, 2013
Centro Cultural Telmex (Mexico City) ^b	Verbal agreement, Ocesa has experienced no interference in terms of ownership and exploitation of the property.
Arena Vicente Fernández (Tlajomulco de Zúñiga, Jalisco) ^a	August 8, 2020
Teatro de los Insurgentes (Mexico City) ^a	November 30, 2015
Teatro Polanco*	August 31, 2015
Teatro Zentrika Santa Fe ^a	February 23, 2016
Plaza Condesa Auditorium ^a	March 1, 2019

^a A fixed monthly or annual consideration is established for these facilities.

^b Variable consideration is established for these properties, on the basis of income obtained from operating the property or from the activities conducted at these facilities.

Other commitments

Company	Item/Maturity
National Association for Stock Car Auto Racing, Inc. (NASCAR)	Commercial representation, serial NASCAR Corona Series/2013
Live Nation World Wide, Inc.	Tour promoting and service provision/2013

* Under monthly variable or fixed consideration, in certain cases.

Related to Amusement Parks

Facility/	Item/Maturity
El Salitre (Bogotá, Colombia)	Leasing of rides and attractions/2017

Straight-lease agreements -

The Company is a party to a number of agreements for straight-leasing of buildings, office equipment, etc. The Company recorded lease costs of approximately \$105,254 and \$159,856 for the twelve months ended December 31, 2012 and 2011, respectively.

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The following table shows future minimum payments:

	<u>Amount</u>
2013	\$ 89,405
2014	73,383
2015	67,457
2016	55,914
2017	49,097
2018	30,005
2019	30,005
2020	30,005
2021	30,005

Note 22 - Contingency:

- a. In accordance with the provisions of the Income Tax Law, companies conducting operations with related parties resident in Mexico and abroad are subject to tax restriction and obligations as to the determination of agreed-upon prices, as they must be similar to those used with third parties in comparable operations.

In the event of an official review of said prices, the tax authorities could consider that the amounts determined are not in line with the assumption provided in the law, and could demand payment of the tax and the corresponding restatement and surcharges, as well as fines of up to 100% of omitted taxes.

- b. On December 31, 2012, a total of 420 lawsuits were brought against CIE and a number of its subsidiaries at the Arbitration Board. It is estimated that these lawsuits can have a contingency of up to \$110,957. CIE and its subsidiaries have a labor contingency reserve of approximately \$12,500, which is considered to be sufficient.
- c. The Company and its subsidiaries contract service providers specialized in security, cleaning, access control, production and other. In light of the recent amendments to the social security legislation, some of said subcontractors or service providers could exercise legal action in order for Corporación Interamericana de Entretenimiento, S. A. B. de C. V. and its subsidiaries to be considered as beneficiaries of said services and liable for possible social security contingencies.

To reduce said possibilities, the Company has remained vigilant to ensure that its service providers duly comply with the obligations to which they are subject. In addition, certain guarantees have been negotiated with them to cover damages arising from said possible actions not duly addressed by said service providers.

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- d. OCESA is a party to litigation with respect to the lease agreement with the owner of the Orfeón Theater. OCESA invested \$30,000 to remodel the theater. In the opinion of the Company's management and of OCESA's external legal advisors, and considering the fact that there no financial demands have been placed on the Company, the lawsuit is likely to be resolved in the Company's favor, as there have been no changes in the last two years in the status of the suit, which allows OCESA to conduct events at said venue, although management has decided to suspend any such events until such time as the a definitive ruling is handed down in the legal process.
- e. One of the subsidiaries filed an appeal against the administrative resolutions issued by the treasuries of the municipalities of Guadalajara and Zapopan, Jalisco, where a Tax on Public Events rate is determined. In the opinion of the subsidiary's management and its external legal advisers, there is every likelihood that subsidiary will be issued a favorable resolution.
- f. In August 2005, a former employee of the singer known as Belinda, by the name of Cal Camarillo Cesar, filed a lawsuit at the Arbitration Board against BMG de México, S. A. de C. V., Joymusic Entertainment, S. A. de C. V. Ignacio Peregrín Gutiérrez, Belinda Peregrín Schull, and in September 2005, extended his lawsuit to Operadora de Centros de Espectáculos, S. A. de C. V. (OCESA), Corporación Interamericana de Entretenimiento S. A. B. de C. V. and other CIE subsidiaries, demanding payment of \$14,313 (historical value).

Further to the above, if the singer Belinda is unable to pay the benefits claimed, the subsidiaries of CIE could be required to pay said amount, considering that the latter benefited from the work of the actor party. The Company's external legal advisors have been conducted conciliation talks with the attorneys of the actor party, which require payment of \$7,000 to reach an agreement.

It should be mentioned that OCESA has signed documentation whereby the co-respondent Joymusic Entertainment, S. A. de C. V. agrees to hold OCESA harmless from any lawsuit or claim filed by employees contracted by Joymusic Entertainment and the singer Belinda.

- g. In December 2007, the Colombian subsidiary Reforestación y Parques, S.A. (RyP) received notification, as interest party, of an appeal filed by Cándor, S.A. (CÓNDOR), an insurance company, against the Nation of Colombia and the Colombian Ministry of Finance (DIAN), against a resolution by which DIAN declared noncompliance on the part of RyP with the terms of the long-term importation regime (leasing) of mechanical rides, for failure to complete the regime and to pay import duties, an obligation guaranteed with an insurance policy issued to CÓNDOR. If the appeal is successful, RyP will be required to assume noncompliance with the long-term importation regime.
- h. On May 13, 2009, the tax authorities conducted an official review of RyP documentation to verify proper determination of the Tax on Gaming and Public Entertainment corresponding to the periods from January to December 2005, 2006, 2007, 2008, and January to April 2009. On September 15, 2009, an agreement was issued merging the tax on gaming and public entertainment and the fund for the impoverished, setting the rate at 10%. On October 29, 2009, the Department of Finance fined RyP for failing to declare and pay the tax. On December 11, 2009, the District Treasury Department issued an official statement demanding that RyP pay the tax on Gaming and Public Entertainment for 2005, 2006, 2007, 2008 and January to April 2009. On February 14, 2011, the Company filed an action for annulment and re-instatement of the right against the resolutions issued by the tax authorities. On June 9, RyP filed an appeal against the court order disallowing the temporary injunction.

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- i. In June 2009, the Colombian companies, Recrear LTDA (RECREAR) and Esparcimiento, S. A. (ESPARCIMIENTO) (former RyP stockholders), initiated arbitration proceedings against RyP and Grupo Mantenimiento de Giros Comerciales Internacional, S. A. de C. V. (MÁGICO), arguing, among other matters, noncompliance with the agreement for the purchase/sale of RyP shares, for failure to deliver the number of tickets agreed-upon to enter the water park, pay for the tickets in cash and as a subsidiary action, return 1,383 RyP shares to RECREAR and 928 RyP shares to ESPARCIMIENTO. On September 15, 2009, the arbitration procedures were contested. On February 2, 2010, the mediation hearing took place, without the parties being able to reach an agreement. Through arbitration, on September 20, 2010, it was determined that RyP is obligated to deliver the agreed-upon number of tickets, without having to pay money, or late-payment interest. RyP has delivered to RECREAR and ESPARCIMIENTO the tickets to Ciciaquaparque valid for a two-year term as from December 31, 2010. ESPARCIMIENTO demands delivery of the tickets, but with payment of damages.
- j. Promotora Turística de Guerrero, a public decentralized body (PROTUR) filed a lawsuit against Operadora Nacional de Parques Recreativos, S. A. de C. V. (ONPR), the Government of the State of Guerrero, the Municipality of Acapulco and public notary number 10 of the District of Tabares. ONPR was served process on November 27, 2009 and contested the lawsuit on December 9, 2009, PROTUR filed an appeal for the agreement to operate and manage the water park by the name of CICI to be voided, as well as for its restitution and possession, plus damages. The Government of the State of Guerrero has not yet been served process.
- k. On May 4, 2011, Opera Show was summoned to appear in court for the lawsuit filed by Jorge Javier Noble Gómez, who is claiming moral and capital damages from the unauthorized stage adaptation of the play “La Pulquería”, which ran in 1999.

Note 23 - Adoption of international financial reporting standards:

Up until 2011, the Company issued its consolidated financial statements in accordance with Mexican FRS. As from January 1, 2012, the Company issues its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

The figures included in these consolidated financial statements for 2011 have been reconciled for presentation under the same principles and criteria applied in 2012.

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23.1. Exceptions and exemptions

23.1.1 Mandatory exceptions

IFRS 1 “First-time adoption of International Financial Reporting Standards” (IFRS 1) is the standard to be applied when an entity presents its first annual or interim financial statements under IFRS. IFRS 1 provides certain exemptions in respect of the general requirement to apply IFRS retrospectively at the transition date. In preparing its financial statements following the accounting framework of IFRS and specifically IFRS 1, the Company is applying the following mandatory exceptions:

Estimates

Estimates at January 1, 2011 are consistent with those at that date as per Mexican FRS. Unless there is objective evidence that said estimates are incorrect.

23.1.2 Optional exemptions

The Company is applying the following options exemptions:

- a. Deemed cost - IFRS 1 provides the option to measure property and equipment, as well as certain intangibles at fair value at the date of transition to IFRS and use that value as its deemed cost at that date or use a restated book value determined under Mexican FRS, provided said restated book value is comparable to: a) fair value; or b) cost or depreciated cost in accordance with IFRS, adjusted to recognize changes in an inflation index.

The Company adopts the values shown in its books of account at December 31, 2010 under Mexican FRS, as deemed at the transition date.

- b. Effect of translation of foreign entities - Reclassified to retained earnings.

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23.2. Reconciliation of Mexican FRS against IFRS.

Reconciliation of the Consolidated Statement of Financial Position At December 31, 2011

Thousands of Mexican pesos

Assets	Reference	Mexican FRS	Effects of transition	IFRS
Current assets				
Cash and cash equivalents		\$ 1,694,685		\$ 1,694,685
Trade receivables (Net)	H	1,335,345	(\$ 5,433)	1,329,912
Inventories	D	37,673		37,673
Other accounts receivable (Net)		147,072	(15,915)	131,157
Related parties		289		289
Income tax recoverable		533,073		533,073
Costs of future events and prepaid expenses	A	2,823,257	(40,439)	2,782,818
Derivative financial instruments		420		420
Total current assets		6,571,814	(61,787)	6,510,027
Non-current assets:				
Accounts receivable	H	127,164	(10,362)	116,802
Investment in associated companies		126,552		126,552
Property, plant and equipment (Net)	B	6,175,165	(58,515)	6,116,650
Intangible assets		319,276	(33,669)	285,607
Cost of future events and prepaid expenses		330,083	(94,318)	235,765
Guarantee deposits		14,300		14,300
Deferred income tax assets		994,735		994,735
Total non-current assets		8,087,275	(196,864)	7,890,411
Total assets		\$ 14,659,089	(\$ 258,651)	\$ 14,400,438
Liabilities and Stockholders' Equity				
Non-current liabilities:				
Short-term loans from financial institutions	C	\$ 1,273,859	(\$ 41,937)	\$ 1,231,922
Issuance of short-term stock exchange certificates		492,354		492,354
Suppliers		1,064,840		1,064,840
Other taxes payable		130,414		130,414
Derivative financial instruments		-		-
Deferred income, sundry creditors and related parties		1,456,904		1,456,904
Total current liabilities		4,418,371	(41,937)	4,376,434
Long-term loans from financial institutions	C	2,828,509	(29,883)	2,798,626
Issuance of long-term stock exchange certificates		1,662,542		1,662,542
Deferred income tax liabilities		450,715		450,715
Employee benefits	E	236,504	(60,645)	175,859
Other non-current liabilities		24,971		24,971
Total long-term liabilities		5,203,241	(90,528)	5,112,713
Total liabilities		9,621,612	(132,465)	9,489,147
Stockholders' equity:				
Capital stock	A	4,056,757	(658,357)	3,398,400
Premium on the subscription of shares		91,331	(1,312)	90,019
Deficit	A B C D E F G H	(966,209)	301,682	(664,527)
Income for the year	C D E G H	(162,087)	(2,176)	(164,263)
Cumulative translation adjustment	F	(334,411)	276,757	(57,654)
Derivative financial instruments	G	(4,835)	(420)	(5,255)
Equity of controlling interest		2,680,546	(83,826)	2,596,720
Equity of non-controlling interest	A B D E	2,356,931	(42,360)	2,314,571
Stockholders' equity		5,037,477	(126,186)	4,911,291
Total liabilities and stockholders' equity		\$ 14,659,089	(\$ 258,651)	\$ 14,400,438

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Reconciliation of the Consolidated Statement of Financial Position At January 1, 2011

Thousands of Mexican pesos

Assets	Reference	Mexican FRS	Effects of transition	IFRS
Current assets				
Cash and cash equivalents		\$ 1,268,852		\$ 1,268,852
Trade receivables (Net)	H	1,964,291	(\$ 5,433)	1,958,858
Inventories		29,045		29,045
Other accounts receivable (Net)	D	356,674	(14,631)	342,043
Related parties		559		559
Income tax recoverable		307,211		307,211
Costs of future events and prepaid expenses	A	<u>3,074,913</u>	<u>(40,439)</u>	<u>3,034,474</u>
Total current assets		7,001,545	(60,503)	6,941,042
Non-current assets:				
Accounts receivable	H	150,487	(13,834)	136,653
Investment in associated companies		96,105		96,105
Property and equipment (Net)	B	6,752,093	(58,515)	6,693,578
Intangible assets		678,542	(59,370)	619,172
Cost of future events and prepaid expenses		749,847	(94,318)	655,529
Guarantee deposits		18,450		18,450
Deferred income tax asset		<u>382,788</u>		<u>382,788</u>
Total assets		<u>\$ 15,829,857</u>	<u>(\$ 286,540)</u>	<u>\$ 15,543,317</u>
Liabilities and Stockholders' Equity				
Non-current liabilities:				
Short-term loans from financial institutions	C	\$ 686,008	(\$ 46,340)	\$ 639,668
Issuance of short-term stock exchange certificates		280,000		280,000
Suppliers		1,129,240		1,129,240
Other taxes payable		64,637		64,637
Derivative financial instruments		2,673		2,673
Sundry creditors		1,107,575		1,107,575
Related parties		71,463		71,463
Deferred income and advances from customers and sundry creditors		<u>366,152</u>		<u>366,152</u>
Total current liabilities		3,707,748	(46,340)	3,661,408
Long-term loans from financial institutions	C	3,732,445	(63,491)	3,668,954
Issuance of long-term stock exchange certificates		2,115,533		2,115,533
Deferred income tax liabilities		568,596		568,596
Employee benefits	E	217,557	(54,193)	163,364
Other non-current liabilities		<u>135,196</u>		<u>135,196</u>
Total long-term liabilities		<u>6,769,327</u>	<u>(117,684)</u>	<u>6,651,643</u>
Total liabilities		<u>10,477,075</u>	<u>(164,024)</u>	<u>10,313,051</u>
Stockholders' equity:				
Capital stock	A	4,056,757	(658,357)	3,398,400
Premium on issuance of shares	A	91,331	(1,312)	90,019
Deficit	A B C D E F G H	(804,688)	306,941	(497,747)
Income for the year		(166,780)		(166,780)
Cumulative translation adjustment	F	(276,757)	276,757	-
Recognition in valuation of financial instruments	G	<u>(2,673)</u>	<u>2,673</u>	<u>-</u>
Equity of controlling interest		2,897,190	(73,298)	2,823,892
Equity of non-controlling interest	A B D E	<u>2,455,592</u>	<u>(49,218)</u>	<u>2,406,374</u>
Stockholders' equity		<u>5,352,782</u>	<u>(122,516)</u>	<u>5,230,266</u>
Total liabilities and stockholders' equity		<u>\$ 15,829,857</u>	<u>(\$ 286,540)</u>	<u>\$ 15,543,317</u>

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Reconciliation of the Consolidated Statement of Comprehensive Income by function for the year ended December 31, 2011

Thousands of Mexican pesos

	Reference	Mexican FRS	Effects of transition	IFRS
Net income		\$ 6,790,204		\$ 6,790,204
Cost of sales	E	<u>(5,344,943)</u>	<u>\$ 650</u>	<u>(5,344,293)</u>
Gross profit		1,445,261	650	1,445,911
General expenses	C, E	<u>(800,756)</u>	<u>6,407</u>	<u>(794,349)</u>
Profit before other income and expenses - Net		644,505	7,057	651,562
Other (expenses) net	D	<u>(73,097)</u>	<u>(1,284)</u>	<u>(74,381)</u>
Operating income		571,408	5,773	577,181
Interest earned		26,165		26,165
Other financial income	C H G	<u>0</u>	<u>6,565</u>	<u>6,565</u>
Financial income		26,165	6,565	32,730
Interest paid	C	<u>(449,651)</u>	<u>(14,675)</u>	<u>(464,326)</u>
Foreign exchange loss - Net		<u>(82,696)</u>		<u>(82,696)</u>
Financial expenses		<u>(532,347)</u>	<u>(14,675)</u>	<u>(547,022)</u>
Financing expenses - Net		<u>(506,182)</u>	<u>(8,110)</u>	<u>(514,292)</u>
Equity in earnings of associated companies		<u>57,689</u>		<u>57,689</u>
Income before income taxes		122,915	(2,337)	120,578
Income taxes		<u>(344,852)</u>		<u>(344,852)</u>
Profit (loss) from continuous operations		(221,937)	(2,337)	(224,274)
Income from discontinued operations - Net	D E	<u>333,955</u>	<u>2,121</u>	<u>336,076</u>
Consolidated net income		<u>\$ 112,018</u>	<u>(\$ 216)</u>	<u>\$ 111,802</u>
Non-controlling interest in net income	D E	\$ 274,465	\$ 1,600	\$ 276,065
Controlling interest in net income (loss)		<u>(162,447)</u>	<u>(1,816)</u>	<u>(164,263)</u>
Consolidated net income		<u>\$ 112,018</u>	<u>(\$ 216)</u>	<u>\$ 111,802</u>
Other items comprising comprehensive income:				
Gain or loss from translation adjustment		(\$ 57,654)		(\$ 57,654)
Other comprehensive income		<u>(5,255)</u>		<u>(5,255)</u>
Total other comprehensive income		<u>(62,909)</u>		<u>(\$ 62,909)</u>
Consolidated comprehensive income		<u>\$ 49,109</u>	<u>(\$ 216)</u>	<u>\$ 48,893</u>
Comprehensive income attributable to non-controlling interest		\$ 274,465	\$ 1,600	\$ 276,065
Comprehensive income (loss) attributable to the controlling interest		<u>(225,356)</u>	<u>(1,816)</u>	<u>(227,172)</u>
Consolidated comprehensive income		<u>\$ 49,109</u>	<u>(\$ 216)</u>	<u>\$ 48,893</u>

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23.3. Explanation of the effects of transition to IFRS

a. Recognition of the effects of inflation

Because the Company and its main subsidiaries are not in a hyperinflationary economic environment, the effects of inflation recognized under Mexican FRS up to 2007 were cancelled, for non-hyperinflationary periods, except for property and equipment, due to which, the deemed cost exemption provided in IFRS 1 was used.

Further to the above, the effect of translation was as follows:

<u>Reference</u>	<u>Description</u>	<u>Amount</u>
Debit	Capital	\$658,357
Debit	Premium on subscription of shares	1,312
Credit	Costs of future events	94,318
Credit	Retained earnings	589,503
Debit	Non controlling interest	24,152

b. Effect arising from the identification of components of property and equipment, as a result of the asset componentization, with a shorter useful life, which were adjusted in accumulated depreciation, decreasing the value of the asset, shown entirely depreciated at the date of adoption.

Further to the above, the effect of translation was as follows:

<u>Reference</u>	<u>Description</u>	<u>Amount</u>
Credit	Property and equipment	\$ 58,515
Debit	Retained earnings	29,843
Debit	Non controlling interest	28,672

c. Issuance expenses, (such as legal fees, issuance costs, printing costs, placement costs), related to bank financing liabilities must be recognized as a deferred charge in accordance with Statement C-9 of Mexican FRS, for IFRS purposes, IAS 39 requires applying the effective interest rate method, which is the discount rate that equals estimated cash flows receivable or payable throughout the expected lifetime of the financial instrument with the net carrying amount of the financial asset or liability, the calculation must include all commissions and transaction costs and any other premium or discount directly related to issuance of the financial liability.

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Further to the above, the effect of translation was as follows:

<u>Reference</u>	<u>Description</u>	<u>Amount</u>	
		<u>December 31, 2011</u>	<u>January 1, 2011</u>
Credit	Intangible assets	\$ 63,535	\$ 92,140
Debit	Short-term loans from financial institutions	41,937	43,340
Debit	Long-term loans from financial institutions	29,883	66,491
Credit	Retained earnings	17,691	17,691
Debit	Income for the year	9,406	

d. Deferred employees' statutory profit-sharing (ESPS)

Under IAS 19 "Employee Benefits", ESPS is considered an employee benefit, as it is paid based on the services provided by the employee, the ESPS expense recognized refers solely to that incurred. No deferred ESPS is recognized based on the assets-and-liabilities method, as this method only applies to income taxes. Therefore, as from the transition date, the Company eliminated the deferred ESPS balance from the financial statements.

Further to the above, the effect of translation was as follows:

At December 31, 2011

<u>Reference</u>	<u>Description</u>	<u>Amount</u>
Credit	Other accounts receivable	\$15,915
Credit	Intangible assets	10,571
Debit	Retained earnings	15,567
Debit	Non controlling interest	8,360
Debit	Income for the year	2,559

At January 1, 2011

<u>Reference</u>	<u>Description</u>	<u>Amount</u>
Credit	Other accounts receivable	\$14,631
Credit	Intangible assets	7,669
Debit	Retained earnings	15,567
Debit	Non controlling interest	6,733

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e. Labor obligations

Under Mexican FRS D-3 "Employee Benefits", all termination benefits, including those paid in the event of involuntary termination, are considered in the actuarial calculation to estimate the liability corresponding to labor obligations. Under IAS 19 "Employee Benefits", an entity recognizes termination benefits as a liability, provided the entity is required to: terminate an employee's contract prior to retirement; or (b) establish termination benefits as a result of offers made to encourage voluntary resignations. Based on the above, at the date of transition, CIE cancelled the paragraph corresponding to this item, as a result of the following adjustments. In accordance with IFRS 1 "First-time adoption of International Financial Reporting Standards", the Company recognized the accumulated actuarial gains or losses in retained earnings on the transition date. Accordingly, the Company's consolidated statement of financial position on the Company's transition date shows its employee benefit plan liability in its entirety. Under IAS 19, "Employee Benefits", the Company decided to recognize future actuarial gains and losses as part of income for the period.

Further to the above, the effect of translation was as follows:

At December 31, 2011

<u>Reference</u>	<u>Description</u>	<u>Amount</u>
Debit	Labor obligations - Related to indemnification	\$60,645
Credit	Non controlling interest	13,498
Credit	Retained earnings	43,853
Credit	Income for the year	3,294

At January 1, 2011

<u>Reference</u>	<u>Description</u>	<u>Amount</u>
Debit	Labor obligations - Related to indemnification	\$54,193
Credit	Non controlling interest	10,340
Credit	Retained earnings	43,853

f. Effect of conversion of foreign entities

As part of the process of adoption, the effect of translation was applied to retained earnings.

Further to the above, the effect of adoption was as follows:

At December 31, 2011

<u>Reference</u>	<u>Description</u>	<u>Amount</u>
Credit	Cumulative translation adjustments	\$276,757
Debit	Retained earnings	276,757

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At January 1, 2011

<u>Reference</u>	<u>Description</u>	<u>Amount</u>
Credit	Cumulative translation adjustment	\$276,757
Debit	Retained earnings	276,757

g. Recognition of the valuation of derivative financial instruments.

The adoption gave rise to the determination of the ineffectiveness of the hedge as per IAS 39.

At December 31, 2011

<u>Reference</u>	<u>Description</u>	<u>Amount</u>
Debit	Recognition in the valuation of financial instruments	\$ 420
Debit	Retained earnings	2,673
Credit	Income for the period	3,093

At January 1, 2011

<u>Reference</u>	<u>Description</u>	<u>Amount</u>
Credit	Recognition in the valuation of financial instruments	\$2,673
Debit	Retained earnings	2,673

h. Accounts receivable

Effect arising from the determination of the fair value of long-term accounts receivable. Formerly recognized, under Mexican FRS, at its contractual value:

At December 31, 2011

<u>Reference</u>	<u>Description</u>	<u>Amount</u>
Credit	Trade receivables	\$ 5,433
Credit	Accounts receivable	10,362
Debit	Retained earnings	19,267
Credit	Income for the year	3,472

At January 1, 2011

<u>Reference</u>	<u>Description</u>	<u>Amount</u>
Credit	Trade receivables	\$ 5,433
Credit	Accounts receivable	13,834
Debit	Retained earnings	19,267

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Note 24 - -Subsequent event:

On April 16, 2013, the Company issued short-term stock exchange certificates in the amount of \$991,000 in the Mexican Stock Exchange. The net resources of this issuance have been applied to early amortization of the stock exchange certificates held at December 31, 2012. See Note 12.